

LITHIA MOTORS, INC.

COMPENSATION COMMITTEE CHARTER

Purpose

The Compensation Committee is appointed by the Board of Directors to assist the Board with its duties and responsibilities relating to the compensation of the Company's executive officers and directors and the general administration of the Company's employee benefit plans and stock incentive plans.

Membership

The Committee will be composed of at least three directors appointed by the Board of Directors, all of whom must be "independent" as that term is defined by applicable securities regulations and listing standards. At least two members of the Committee must qualify as "non-employee directors" under Rule 16b-3 under the Securities Exchange Act of 1934 (the "Exchange Act"), and as "outside directors" under Section 162(m) of the Internal Revenue Code. The Board will designate the membership of the Committee after considering the recommendation of the Nominating and Governance Committee. The Board will designate one of the Committee members to serve as the Chair of the Committee. Members of the Committee shall be appointed for one year terms, and may be removed by the Board at any time.

Meetings

The Committee will meet as often as it deems necessary to effectively perform its duties and responsibilities. Minutes of the Committee meetings shall be prepared and a copy provided to all members of the Committee, the Board of Directors and the Secretary of the Company. With the exception of counsel, other professional advisers, and independent directors, non-members of the Committee may not attend executive sessions of the Committee. The Committee will limit the involvement of any non-independent director who is not a member of the Committee when such individual's compensation is being voted on or discussed by the Committee, except as necessary to determine the appropriate level of the individual's compensation.

Authority and Responsibilities

In carrying out its duties, the Committee will have the following authority and responsibilities:

- Annually review and discuss the Company's executive compensation philosophy and policies.
- Annually review with the Chief Executive Officer (CEO) and the Board of Directors the Company's strategic goals and objectives relevant to executive compensation and, based on such review, approve performance criteria and an

executive compensation plan for the CEO and the executive officers. An executive officer, for purposes of this charter, means the Company's CEO, president, principal financial officer, principal accounting officer (or, if there is no such accounting officer, the controller), any vice-president in charge of a principal business unit, division or function (such as sales, administration or finance), any other officer who performs a policymaking function, or any other person who performs similar policy-making functions (as contemplated by the Exchange Act) for the Company. Officers of the Company's subsidiaries are deemed officers of the Company for purposes of this charter if they perform such policy-making functions for the Company.

- Annually evaluate the CEO's performance in light of the strategic goals and objectives of the Company and any other criteria the Committee deems necessary and appropriate; and, based on such evaluation, determine and approve the base, incentive and all other compensation of the CEO, including any equity and long term components of such compensation and incentives. In determining the long term incentive component of the CEO's compensation, the Committee should consider the Company's performance and relative shareholder return, the value of similar incentive awards to executive officers at comparable companies, and the awards given to the CEO in past years. The Committee shall solicit the input and advice of the full Board concerning the CEO's performance before setting the compensation. In evaluating and determining the compensation of the CEO, the Committee shall consider the results of the most recent stockholder advisory vote on executive compensation ("**Say on Pay Vote**") required by Section 14A of the Exchange Act.
- Annually review with the CEO the job performance of all other executive officers and proposed compensation level for each, and approve non-CEO executive officer compensation, and incentive compensation and equity-based plans. In evaluating and determining executive compensation, the Committee shall consider the results of the most recent Say on Pay Vote.
- Annually review with the CEO and approve all determinations with respect to the base, incentive and all other compensation of the Company's other executive officers and any other "related persons" as defined in Item 404 of Regulation S-K.
- Review and approve any compensation agreements between the Company and the CEO and any other executive officers.
- Annually review and recommend to the Board of Directors the compensation of independent Board members.
- Review and recommend to the Board of Directors for approval, pension, profit sharing, stock incentive, restricted share, stock purchase or other equity incentive plans, and other major compensation programs and any changes thereto; and serve as the administrator of the Company equity compensation and incentive plans, as directed by the Board of Directors.
- Annually meet with management to review and discuss the content of the

Compensation Discussion and Analysis section to be included in the proxy statement and recommend the same to the full board for inclusion in the annual proxy statement.

- Evaluate whether any compensation consultant retained or to be retained by it has any conflict of interest in accordance with Item 407(e)(3)(iv) of Regulation S-K.
- Prepare the Compensation Committee Report required by Item 407(e)(5) of Regulation S-K, for inclusion in the Company's annual proxy statement.
- Review the Company's incentive compensation arrangements to determine whether they encourage excessive risk-taking, review and discuss at least annually the relationship between risk management policies and practices and compensation, and evaluate compensation policies and practices that could mitigate any such risk.
- Review and recommend to the Board for approval the frequency with which the Company will conduct Say on Pay Votes, taking into account the results of the most recent shareholder advisory vote on frequency of Say on Pay Votes required by Section 14A of the Exchange Act, and review and approve the proposals regarding the Say on Pay Vote and the frequency of the Say on Pay Vote to be included in the Company's annual proxy statement.
- At least annually, review and reassess the adequacy of this charter, and recommend to the Board any proposed changes thereto.
- At least annually, review and reassess the performance of the Committee, and discuss the results of the performance review with the Board.
- Delegate any of its responsibilities to one or more subcommittees, which subcommittees shall consist of at least two members of the Committee.
- Undertake other special assignments assigned by the Board of Directors.

Other provisions

- The Committee has the authority, in its sole discretion, to select, retain and obtain the advice of a compensation consultant as necessary to assist with the execution of its duties and responsibilities as set forth in this charter. The Committee shall retain an independent compensation consultant each year to advise it on senior management and board compensation. The Committee shall set the compensation, and oversee the work, of the compensation consultant. The Committee has the authority, in its sole discretion, to retain and obtain the advice and assistance of outside legal counsel and such other advisors as it deems necessary to fulfill its duties and responsibilities under this charter. The Committee shall set the compensation, and oversee the work, of its outside legal counsel and other advisors. The Committee shall receive appropriate funding from the Company, as determined by the Committee in its capacity as a committee of the Board, for the payment of compensation to its compensation

consultants, outside legal counsel and any other advisors. The Committee is not required to implement or act consistently with the advice or recommendations of its compensation consultant, legal counsel or other advisor to the compensation committee, and the authority granted in this Charter shall not affect the ability or obligation of the Committee to exercise its own judgment in fulfillment of its duties under this Charter.

- In retaining or seeking advice from compensation consultants, outside counsel and other advisors (other than the Company's in-house counsel), the Committee must take into consideration the factors specified in Section 303A.05(c) of the NYSE Listed Company Manual. The Committee may retain, or receive advice from, any compensation advisor they prefer, including ones that are not independent, after considering the specified factors. The Committee is not required to assess the independence of any compensation consultant or other advisor that acts in a role limited to consulting on any broad-based plan that does not discriminate in scope, terms or operation in favor of executive officers or directors and that is generally available to all salaried employees or providing information that is not customized for a particular company or that is customized based on parameters that are not developed by the consultant or advisor, and about which the consultant or advisor does not provide advice.
- A current version of this Charter will be included on the Company's website, and will be made available in print to any Company shareholder who requests it. In addition, the availability of this Charter will be stated in the Company's annual proxy statement.

Reports to the Full Board of Directors

The Chair of the Committee shall report to the full Board of Directors a summary of the Committee's activities and shall submit or refer to the full Board any matter that the Chair believes warrants the attention of the full Board of Directors or requires its approval.

April 27, 2017