

**LITHIA MOTORS**  
**Stock Ownership Policy for Directors**

The Board of Directors believes that the company's directors should hold sufficient shares of common stock of Lithia Motors to meaningfully share the risks and rewards of ownership with the company's shareholders. To that end, the Board of Directors has adopted the following policy:

- Each non-employee director is expected to acquire and hold the net after-tax shares received as compensation until such director's accumulated holdings have a market value equal to at least five times the base cash compensation paid to the director in the current director service year for service as a director (the "Stock Ownership Requirement"). Directors who are employees are expected to follow Lithia Motors Stock Ownership Policy for Officers, if applicable.
- 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. Shares underlying unexercised options shall not count when determining share ownership.
- The Company shall assess compliance with this policy at least annually. If a non-employee director's holdings at any time do not meet the Stock Ownership Requirement (for example if the base compensation paid to the director increases or the market value of Company shares declines) the non-employee director shall again hold shares received as compensation as stated above until the accumulated holdings again meet the Stock Ownership Requirement.
- A director may not pledge, or agree to pledge, stock or rights to purchase stock except: (1) as specifically approved by the Board of Directors and (2) that a director with stock pledged as of March 15, 2013 may continue to pledge such stock under existing or replacement arrangements.
- A director shall not affect puts, calls, short sales, sales against the box or any other derivative transaction involving the company common stock.
- A director shall not engage in hedging or monetization transactions with company stock, including through the use of financial instruments such as prepaid variable forwards, equity swaps, collars and exchange funds.