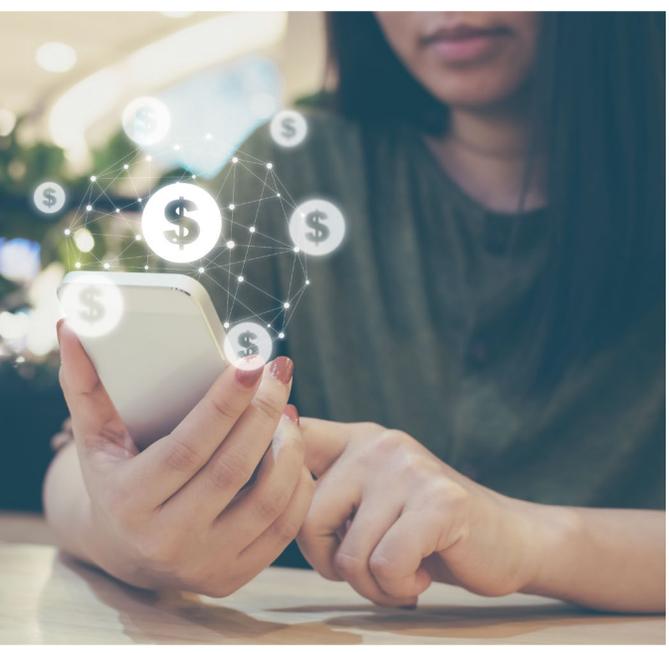


Invest in the company that's invested in you!

Contribute to Lithia's Employee Stock Purchase Program and your money is worth 15% more the day the stock is purchased!

As the company's growth and success is reflected in higher stock prices, your money is worth even more!

The following page details the plan and how you can start taking advantage of this valuable benefit!





Lithia's Employee Stock Purchase Plan

Policy

Our Employee Stock Purchase Plan (ESPP) is intended to provide an ownership incentive for employees in the company with the purchase of Common Stock at a 15% discount through payroll deductions.

Eligibility

Must be employed for 90 continuous days prior to the beginning of the quarter and be regularly scheduled to work at least 20 hours per week.

Set Up Deduction

Employees may elect to have deductions made from their gross wages each pay period in whole percentages of not less than 1% and not more than 10%. Enrollment is the 10th-25th of the last month of each quarter. Visit www.MyLithiaBenefits.com to make your elections when enrollment opens.

Changing or Stopping Deductions

Increases or decreases to your deduction must be made during the enrollment period specified by the plan administrator which will end no less than 10 days before the beginning of the next quarter. The changes will take effect the following quarter. You may stop your deductions at any time during a quarter but no later than 15 days before the last day of the quarter. If you stop your deductions, you may not restart your deductions until the following quarter.

How Stock is Purchased

Stock will be purchased on or about the first business day following the end of the quarter in which your

deductions were withheld. The purchase price will be 85% of the closing Market Price on the last business day prior to the last day of the quarter in which your deductions were withheld. Purchased shares will be put into an account in your name at E*Trade. Information about your E*Trade account will be provided to you by mail about 30 days before your initial stock purchase takes place.

How to Sell your Stock

You may sell your stock at any time. You are automatically 100% vested in your shares of stock. Selling of shares can take place either by telephone to E*Trade at (800) 838-0908 or on the Internet via www.etrade.com. E*Trade will charge a fee for the sale of stock.

Termination of Employment

Upon termination of employment for any reason, your participation in the Plan will immediately terminate. If termination is due to retirement after age 65, death or disability, the participant, beneficiary or administrator of your Will has the right to elect either to withdraw all of the cash and shares of Common Stock credited to your account or exercise the option to purchase the Common Stock. If your termination is for any other reason, any accumulated cash credited to your account will be delivered as soon as administratively possible.

Rehired Employees

Any Employee whose employment terminates, and who is subsequently rehired by Lithia, shall be treated as a new employee for purposes of eligibility to participate in the Plan.