

LITHIA MOTORS, INC.

CORPORATE GOVERNANCE COMMITTEE CHARTER

Purpose

The primary objective of the Corporate Governance Committee is to assist the Board of Directors in:

- identifying qualified individuals to become board members and recommending to the Board a group of director nominees for each annual meeting of the stockholders of the Company;
- determining the composition of the Board and its committees;
- developing and implementing a set of effective corporate governance policies and procedures applicable to the Company;
- developing and enforcing a Code of Business Conduct;
- monitoring a process to assess the effectiveness of the Board, its members and its committees; and
- ensuring the Company is in compliance with the NYSE listing standards.

Membership

The Corporate Governance Committee will be comprised of three or more directors all of whom must satisfy as a minimum the NYSE independence requirements. The Board of Directors will appoint or re-appoint members and designate a Chair at the first meeting after the Annual Meeting of the Board of Directors of the Company. If the Board does not designate a Chair, then the majority of the Committee members may elect a Chair. The members and Chair will serve until their successors are duly elected and qualified.

Responsibilities and Duties

In furtherance of its stated purpose, the Committee may:

- establish and recommend for Board approval the appropriate criteria for board membership;
- review the qualifications of director candidates, including candidates proposed by shareholders, in the context of the current composition of the Board of Directors, including such factors as business experience; other directorships; business and personal relationships with management; personal skills and expertise in technology,

finance, marketing, etc.; knowledge of financial reporting and other areas unique to the Company that are likely to contribute to the effectiveness of the Board; and recommend nominees to the full Board for election at the Annual Meeting of the Shareholders;

- establish policies and procedures for shareholders to submit potential director nominees to the Corporate Governance Committee for consideration, and amend such policies from time to time as may be appropriate;
- evaluate, after consultation with the CEO, the performance and qualifications of current Board members in the context of the desired composition of the Board using the approved criteria to determine whether the current director(s) should be nominated for re-election;
- evaluate and determine the independence of each director and director nominee;
- evaluate and determine whether any of the independent directors possess the necessary qualifications to be considered an audit committee financial expert and recommend such person for confirmation by the full Board;
- develop and recommend for approval a written set of Corporate Governance Guidelines; monitor compliance with the Corporate Governance Guidelines and regularly review the governance policies and, as the Committee may deem necessary and appropriate, recommend amendments to the Corporate Governance Guidelines for approval by the full Board to ensure that the corporate governance policies adequately reflect the current operational principles and objectives of the Company;
- monitor and ensure compliance with the current listing standards;
- develop and recommend for approval by the Board a Code of Business Conduct applicable to directors, officers and employees and, from time to time, propose amendments as the committee deems necessary and appropriate;
- monitor compliance with the Code of Business Conduct, including granting any waivers to officers or directors;
- implement and supervise a self-evaluation process of the effectiveness of the individual members, committees and Board as a whole in an effort to identify areas and opportunities for improvement;
- consider questions of possible conflicts of interest of Board members and senior management;
- establish policies and procedures for shareholders to communicate with the Board of Directors and amend such policy and procedures from time to time as the Committee deems necessary;
- retain outside consultants and other advisors and counselors as the Committee deems necessary and appropriate, including approving all fees and other retention terms; and the Company will provide adequate funding for such purpose as determined by the Committee;

- implement a program to encourage and enhance the directors' knowledge of corporate governance and disclosure issues relative to public companies; and
- consider other matters of corporate governance and make recommendations for consideration by the Board.

Committee Meetings

The Corporate Governance Committee will meet periodically and as necessary to act on any matters within its jurisdiction but in no event shall it meet less than twice annually. A majority of the members will constitute a quorum at all meetings and the majority of the members will be empowered to act on behalf of the entire Committee. In the absence of a meeting, all of the members may take any action by written consent that the could have been taken at a regularly called meeting. Minutes will be kept of each meeting of the Committee and filed in the corporate records of the Company.

Adopted December 3, 2003