



# Employee Handbook



# Growth powered by people.

## ***EARN CUSTOMERS FOR LIFE***

We anticipate our customers' needs to create a welcoming experience.

## ***IMPROVE CONSTANTLY***

We inspire each other to achieve higher levels of performance through personal growth.


## ***TAKE PERSONAL OWNERSHIP***

We have freedom and flexibility to develop plans that drive growth. We take responsibility for our actions and our results.

## ***HAVE FUN***

We are motivated by our passion for our customers, our teams and the automotive industry.

Welcome to Lithia Motors, Inc. (NYSE: LAD). We're happy you've joined the many talented and resourceful Lithia employees enjoying a rewarding career in the automotive industry.

Our mission  growth powered by people reflects our belief that local teams innovate customer solutions and this provides continuous growth and opportunities. Our entrepreneurial culture is built upon serving customers, cultivating leaders and driving profitable growth. We trust and inspire each other to make decisions that support this culture and continue to develop our departments, stores and company.

In 2015, we became a Fortune 500 company and were recognized for attaining the highest returns for our shareholders. While financial success, stability and transparency are standards emphasized in a publicly-traded company, at Lithia Motors we achieve true satisfaction by ensuring everything we do enhances our customer's experience.

We're proud of what we've accomplished, yet we remain humble and focused. This allows us to continually find new opportunities to grow professionally and personally improve. We encourage you to pursue the initiatives that ignite your passion, enrich the lives of others and make the communities we are privileged to serve even better.

My team and I look forward to meeting you in the near future and encourage you to have fun as you embark on a long and gratifying career at Lithia Motors.



Bryan DeBoer  
President & CEO



# History Timeline

## 1946



Lithia Motors Chrysler-Plymouth-Dodge is established by Walt DeBoer. It is located in Ashland, Oregon and named for nearby Lithia Springs, site of natural mineral springs. The store sold 14 cars in the first year of business.

## 1970



Lithia Motors moves to Medford, Oregon. Sid DeBoer plans for growth and diversifies business by adding Toyota and Honda brands while business partner Dick Heimann focuses on operations.

## 2000

Lithia Motors diversifies stores and standardizes acquisitions; utilizes common systems, reporting methods and data metrics.



Business partners Sid DeBoer and Dick Heimann see Lithia grow to more than 40 stores by 2000.

## 1960s

Sid DeBoer joins his father in the family business as bookkeeper. Sid reorganizes the company and takes over business after his father's untimely death.

## 1996



After years of preparation, Lithia Motors goes public on NASDAQ Market at \$11 per share. By 1999, Lithia Motors moves to the New York Stock Exchange under the ticker symbol: LAD.

## 2006

Lithia Motors grows to more than 100 stores; pilots innovative customer-centric, stand-alone used car concept.

Lithia is #10 on the Automotive News Ranking of Top 125 US Dealerships.

# 2009

Lithia sells its one-millionth vehicle.

Lithia is rightsized to reflect industry decline of nearly half of all new car sales.

Lithia 4-Kids is established. Lithia donates Boise, Idaho property for site of the 2nd International Special Olympics.

# 2014

LEED Certification Awarded for Headquarters Building, Medford, Oregon.



On October 1, Lithia welcomes DCH Auto Group and gains 27 dealerships in California, New Jersey and New York for total of 130 stores nationwide.

# 2016



Lithia Motors Inc. welcomes The Carbone Auto Group to The Lithia Family. Seven dealerships in New York and two in Vermont brings the Lithia store total to 152 dealerships.

# 2012



Bryan DeBoer named President & CEO, Lithia Motors. Sid DeBoer transitions to Chairman, Board of Directors.

# 2015

Lithia Motors, Inc. creates first Annual "Women's Leadership Week."

Lithia joins "Fortune 500" rated at #482 and "100 Fastest Growing Companies."

Lithia Motors, Inc. earns Global Shareholder Value Award for fifth consecutive year.

# 2017



Lithia Motors Inc. welcomes The Baierl Auto Group to the Lithia Family. Twelve dealerships located in Pennsylvania brings the Lithia store total to 160 and 22 collision centers.





Our innovative people are the heart of the Lithia team and also function as key members in each of the communities we serve. We firmly believe this provides us the unique opportunity to partner with organizations of specific focus to make a difference.

It is in that spirit Lithia 4-Kids prioritizes programs that inspire, educate, strengthen and empower youth. Among those we partner with are the National Foundation for Teen Safe Driving. The organization is dedicated to reducing the number of deaths and injuries resulting from teen-related auto crashes by promoting safe driving through greater awareness, education and advocacy. The program is directed at teens and their parents. Through individual stores, Lithia also enthusiastically supports Children's Miracle Network, YMCA, Junior Achievement and the Special Olympics.

As dedicated neighbors, local Lithia leadership identifies non-profit organizations (501c) and determines participation levels while satisfying pre-defined qualifying criteria. Priority is given to serving diverse populations, encouraging collaborative volunteerism and building stronger communities for future generations. The goal is to help children develop values and skills necessary for a brighter tomorrow.

At Lithia Motors, Inc. (NYSE: LAD), we consider our community activities some of the most meaningful and rewarding work we do. We also know actively-engaged employees, loyal customers and empowered communities are a collaborative formula for success. That's why we enthusiastically encourage our people to actively engage within the communities we serve; fulfilling their own passion and contributing to a better place to live, work and play.

## Serving Our Communities...



# Leadership Team



**Bryan DeBoer**  
President & CEO



**Chris Holzshu**  
Executive Vice President,  
Chief Human Resources  
Officer



**John North**  
Senior Vice President,  
Chief Financial Officer



**Tom Dobry**  
Vice President,  
Chief Marketing Officer



**Mark DeBoer**  
Vice President,  
Corporate Development



**Mark Smith**  
Vice President,  
Chief Information  
Technology Officer

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# Lithia Board of Directors



**Sid DeBoer**  
Chairman & Founder

**Bryan DeBoer**  
President, CEO & Director

**Thomas R. Becker**  
Lead Independent Director

**Susan O. Cain**  
Independent Director

**Kenneth E. Roberts**  
Independent Director

**William J. Young**  
Independent Director

**David J. Robino**  
Independent Director



# Senior Vice Presidents



**Scott Hillier**  
Senior Vice President,  
Operations



**George Liang**  
Senior Vice President,  
Operations



**Bryan Osterhout**  
Senior Group Vice  
President

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# Regional Store Leadership

**Lee Baierl**  
Platform Vice President

**Adam Britzius**  
Platform Vice President

**Enessa Carbone**  
Platform Vice President

**Steve Chapman**  
Platform Vice President

**Ken Colson**  
Platform Vice President

**Brian Lam**  
Platform Vice President

**William Liang**  
Platform Vice President

**Tom Naso**  
Regional Vice President

**Ken Wright**  
Regional Vice President

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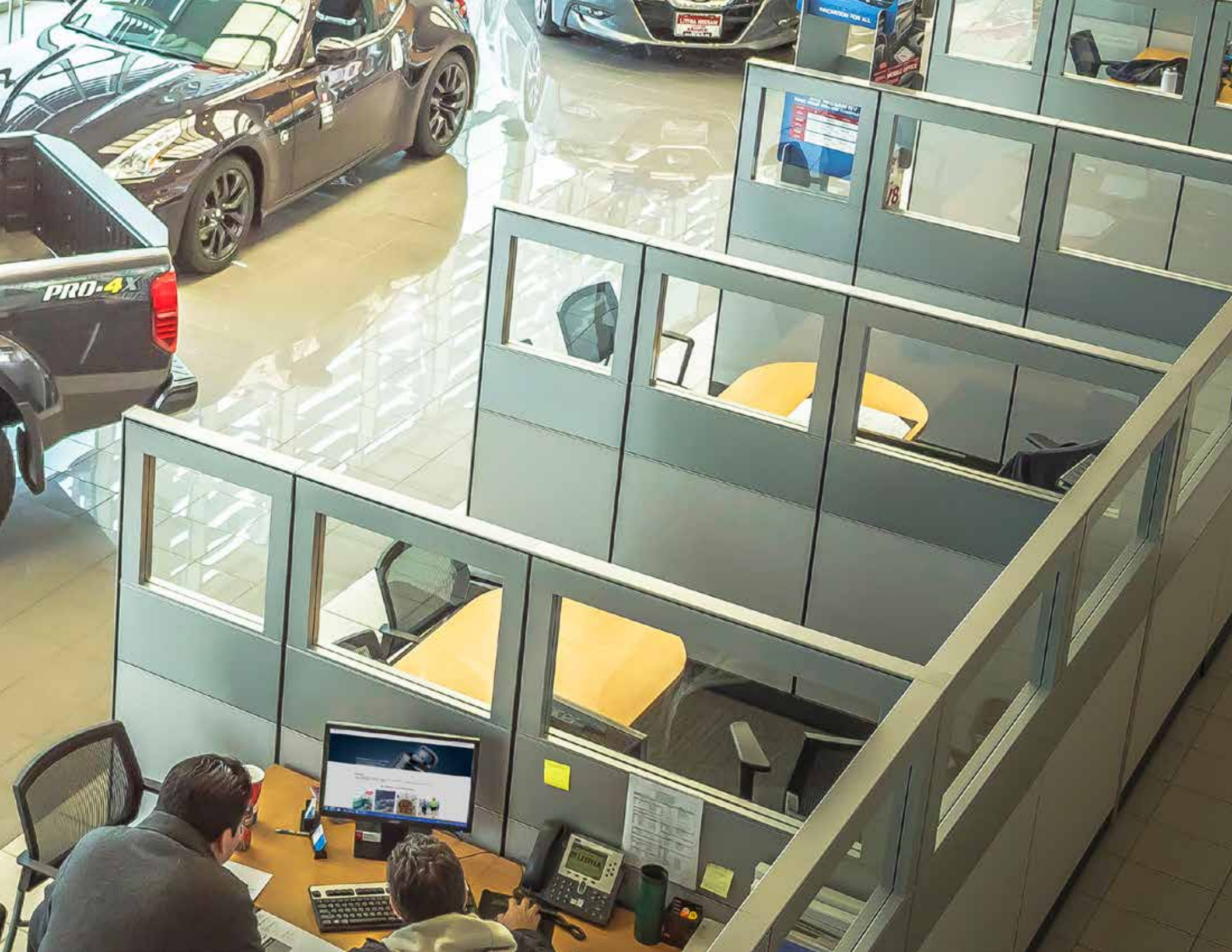
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# First Things

Let's start with things you'll want and need to know as you begin, and which will guide you moving forward.



## SPARK

*Spark.lithiamotors.com*

## Suggestions

*Suggestions@lithia.com*

## Benefits

*Spark > My Benefits*

## This Handbook

This handbook is provided as a convenient way to find certain information that is of interest to all employees. This handbook supersedes all previous handbooks and memos, and is designed with you in mind. Of course, we realize that with the ever-changing nature of our business and the world we live in, changes to this handbook are inevitable. In the future, please check Spark for the most current version.

This Employee Handbook is in effect for all employees. Read on to learn more about your position and the Company.

## We Welcome Suggestions

Help us stay on course by sharing your ideas or recommendations to help fulfill our mission. We welcome innovation, and you are encouraged to share your suggestions with a supervisor or submit them by email to [suggestions@lithia.com](mailto:suggestions@lithia.com).

## How You Present and Conduct Yourself

We represent ourselves and our Company every day. Your appearance, attire, and actions should make our customers feel

comfortable and inspire their confidence. Maintaining a high standard of hygiene and professionalism in your appearance and behavior shows the pride you have in yourself, your job and your Company. Be professional, considerate, respectful, and pleasant to customers, coworkers, vendors, and suppliers. Disrespectful, profane, or vulgar language or behavior is unacceptable and could lead to discipline up to and including termination of employment. *See the Business Attire and Appearance Policy and the Discrimination, Harassment and Corporate Governance Policy in Section 5 for more information.*

## Work Schedule

Your supervisor will provide your specific work schedule including rest periods and meal breaks. Work schedules are set and adjusted based on customer and business needs.

## Attendance

Because you are important to our business, we need you here at your scheduled time. We count on our employees to be reliable and predictable so we can best serve our customers. Please make every effort to be at work on time and ready to do your job. Poor attendance and excessive tardiness negatively

affects coworkers' morale and customer service. If this becomes a pattern, it can result in disciplinary action up to and including termination of employment.

### Missed Work/Late Arrival/Early Departure

If you are going to be late or absent from work for any reason, personally notify your manager as far in advance as possible so that proper arrangements can be made to cover your duties during your absence. Of course, some situations may arise in which prior notice cannot be given. In those circumstances you are expected to notify your manager as soon as possible. Personally contact your manager to discuss the circumstances of your absence and your planned return to work. If you have a need to leave work early, personally contact your manager to obtain permission. If you are a "no call – no show" your employment may be terminated immediately.

If you don't call-in or fail to report to work for three consecutive days, we will consider this a voluntary resignation.

If you believe your absences are related to your need for a leave under state or

federal law, it's your responsibility to let your supervisor know. They can work with Employee Relations to obtain sufficient information to determine if any leave laws are applicable. For information about your obligations when absence is due to a health condition, family care, or other unusual or extraordinary causes, see the *"Leaves of Absence" information in Section 3.*

If you are unable to work for more than three consecutive days, we may require a note from your health care provider, or verification as allowed by law, to return to work.

Punctuality and attendance may impact compensation – please refer to your pay plan for details.

### Severe Weather

Severe weather conditions can disrupt business operations, interfere with work schedules, and endanger employees' well-being. If extreme weather conditions require closing the business facility, you will be notified by your supervisor. If weather conditions delay or prevent you from reporting to work, you should notify your supervisor as soon as possible.

Full-time employees will receive weather pay if the dealership is closed or experiences a delayed opening/early closure due to weather, hazardous conditions, natural disasters, etc. lasting less than two consecutive business days. Hourly employees will receive their hourly rate and flat-rate employees will receive their PTO temp rate per individual pay plan. Salaried and commissioned employees receive no additional compensation or deduction for weather closures.

### Rest Periods and Meal Breaks

Individual states may have specific guidelines on rest periods and meal breaks. We adhere to each state's guidelines. Please check with your supervisor for specifics related to your workplace. Our policy entitles all time-keeping employees in all states who work over a 6-hour shift take at least a 30-minute, duty-free meal break. If your state's requirements are more specific, then adhere to those. For example, California employees are required to take a 30-minute, duty-free meal period for every five hours of work, and the meal period must be taken within the first five hours of work. Similarly, California employees are authorized and permitted to take a duty-free, 10-minute rest period for every four hours of work.

Ideally, the 10-minute rest periods should be taken in the middle of each four-hour increment. If for any reason you believe you are unable or have been prevented from taking any authorized rest periods or meal breaks due to work demands, please consult with your manager or the Office Manager immediately.

#### ■ Rest Periods

You don't need to clock-in and out for rest periods, because rest periods are typically 10-15 minutes in duration. You're required to stay on the premises, however, you may leave your work area.

#### ■ Meal Breaks

If you normally track your hours in eTime, you are to clock in and out as you come and go for meal breaks. Meal breaks are duty-free, and on-duty or "working" meal periods aren't permitted.

Managers are responsible for ensuring compliance with the rules on rest periods and meal breaks.

### Break Time for Nursing Mothers

The Company will provide break time and space

for nursing mothers to express milk for her nursing child for one year after her child's birth or the period required by applicable law. We will also provide space for nursing customers if needed.

### Time Records

We use an electronic or biometric time-keeping system to keep track of time worked for most employees. Employees are to personally clock themselves in and out, as they come and go, for all hours worked and meal breaks using the Time Stamp function. This helps to accurately calculate pay and provides a permanent record to comply with state and federal laws. Report any errors in your timecard to your supervisor immediately, prior to adjusting your time card. All overrides shall be approved by both the employee and their supervisor.

### Compensation

Compensation is designed to be competitive and in compliance with laws and regulations. Periodic checks are made to ensure that our wage scales are in line with those in the area.

### Looking for Benefits?

It's our goal to provide our employees with a

comprehensive benefits package that supports employees' physical, financial, community and work life health.

Spark is the place to go for information about your Benefits. You may also see the New Hire Benefit guide or contact Benefits at [Lithiabenefits@benefitfocus.com](mailto:Lithiabenefits@benefitfocus.com)

### Pay Days and Pay Periods

Employees will be paid on an hourly or salaried basis, or as outlined in their pay plans. A pay plan is not an employment contract. Employees with pay plans are still considered to be employed on an "at-will" basis, as allowed by law.

#### All Locations

#### (except CA Technicians & Detailers and Dealerships in HI, NY, NJ, VT, MA)

- Semi-Monthly
- Pay days are on the 10th and the 25th of each month.
- Pay on the 10th reflects time worked from the 16th through the end of the previous month.
- Pay on the 25th reflects time worked from the 1st through the 15th of the current month.

### California Technicians & Detailers

- Bi-Weekly
- Pay days are every other Friday and reflect time worked from the prior two Sunday through Saturday workweeks.

### Hawaii

- Semi-Monthly
- Pay Days are on the 7th and 22nd of each month.
- Pay on the 7th reflects time worked from the 16th through the end of the previous month.
- Pay on the 22nd reflects time worked from the 1st through the 15th of the current month.
- When the pay day falls on Saturday or Sunday, employees will receive paychecks the following Monday. If the pay day falls on a holiday it will be paid the next business day.

### New York, New Jersey, Vermont and Massachusetts

- Weekly
- Pay days are every Friday at DCH locations and reflect time worked from the prior Monday through Sunday workweek.
- Pay days are every Thursday at Carbone

locations and reflect time worked from the prior Sunday through Saturday workweek. Unless noted above, when the pay day falls on a Saturday, Sunday, or a holiday, we make every effort for employees to receive paychecks the previous business day.

### Overtime

From time to time business needs may require you to work overtime. Please note that an immediate supervisor or General Manager is to pre-approve overtime for eligible nonexempt employees.



Overtime will be paid based on applicable wage and hour regulations. Overtime payments will be based on actual hours worked.

Workday begins at 12:01 a.m. and ends at 12:00 a.m.

Workweek begins at 12:01 a.m. Sunday and ends at 12:00 a.m. the following Saturday with the exception of stores in New York, New Jersey and Massachusetts in which the workweek begins at 12:01 a.m. Monday and ends at 12:00 a.m. the following Sunday.

Overtime will normally be paid in the pay period following the period in which it is earned, provided that time cards have been properly completed and approved. In accordance with applicable law, we are unable to grant compensatory time off to non-exempt employees in lieu of making overtime payments. Exempt employees are not eligible for overtime.

## Employee Performance

Each employee affects our ability to earn customers for life. The way you serve and interact with customers impacts their view

of you and your store. For this reason, your personal performance in these areas is a vital and critical aspect of your job.

As a measurement of our commitment to customer satisfaction and profitability, several elements of your performance are considered in the observation of your work. They include, but are not limited to:

- Attitude toward customers, suppliers, other employees, and supervisors including: interacting in a professional and respectful manner, maintaining a positive attitude and being enthusiastic
- Quantity and quality of output or production
- Dependability in following instructions and completing assignments
- Cooperation in the teamwork effort of completing a job, including a willingness to put the team's interests ahead of your own interests, and the Company's interests ahead of your department's interests
- Presence and punctuality
- Personal conduct in all matters, including our policies
- Any expectations related to your individual job duties that are not covered above

In addition to the daily tasks that are part of your normal job assignments, you may be asked to help with other work. If asked to participate, your assistance will be expected. From time to time, you may also be given additional responsibilities.

## Outside Employment

We expect you to devote your full attention and energy to your job. If you elect to engage in employment outside the Company, it may not conflict or interfere in any way with your position here. In addition, no outside business may be conducted during paid working time.

Technicians may not perform work on vehicles which they do not personally own, unless the work is performed through the service desk at normal shop rates. All vehicles in our shops require a written repair order issued before any work is done.

If you are approached to sell another person's vehicle, please direct them to the appropriate sales personnel to handle the purchase. Employees are reminded not to buy or attempt to buy such a vehicle or engage in discussions of the value of the vehicle. Any vehicle purchase or sale must adhere



to the Company process, which will include completing all necessary documentation and complying with all applicable federal and state laws.

If you have any questions related to outside employment, please contact your supervisor.

## Workspace

To increase our ability to maintain safety and quality standards, and to present a professional appearance to our customers, it is everyone's responsibility to keep desks, counters, service stalls, and other work areas neat and organized. We thank you in advance for doing your part in maintaining cleanliness in our break rooms, restrooms, work areas, waiting areas, and any public spaces.

## Mail

Mail delivered to employees at a Company business address is presumed to be business related and will be opened.

## Employee Parking

We make every attempt to keep customer parking spaces available. Some free parking may be provided, and employees may be

assigned a parking space. Personal cars are not to be parked on any Company lot (service or display) at any time unless in an assigned parking space. The Company is not responsible for any damage to your vehicle or the contents of your vehicle while parked on our property.

Employee parking in any two-hour or less public parking space near our retail facilities is not allowed. Reserving these spaces for customers is critical for good business.

Any parking citations received by employees are the responsibility of the employee.

Private "For Sale" signs are not permitted on employee vehicles parked on or near our property. In addition, it is appreciated if no competitor dealership frame or advertising is on your personal vehicle. All levels of your support are helpful to our success and hence your success too. Company license plate frames will be installed on your vehicles free of charge at any Service Department.

## Multi-State Compliance

The states and locales in which we conduct our business have enacted a multitude of laws that govern our workplace and your employment.

These laws have been considered in the development of our policies. Even so, if our policy is inconsistent with any law or other applicable state requirement or collective bargaining agreement, that will govern.

## Note

This handbook does not create a contract of employment, and nothing in this handbook should be construed to interfere with or prohibit an employee from exercising his or her rights under Section 7 of the National Labor Relations Act.

Whenever reference is made herein to the "Company", employer, or dealership, it refers strictly to the sole store by which you are directly employed, and not to any other Lithia, DCH or Carbone entity.





# My Workplace

## Getting To Know Your Workplace

We're happy you're here. Thank you for joining us, and for your commitment and attention to our mission and values.

We promote a culture of creativity, teamwork, and personal responsibility to achieve extraordinary results. Our employees drive our success. Everyone counts and makes this business what it is today. We believe that the people closest to our customers understand them best, and we can't accomplish anything without our people.

We live our values every day as we earn customers for life, take personal ownership, improve constantly, and have fun. The result: is team members who feel rewarded, appreciated, and highly engaged in their jobs.

As a part of our team, it's important you understand your role and how your department, store and our company works. This handbook will help you with that.

Employees typically work at one of two types of locations:

- Our **Stores** are where the majority of our employees work. Each store is run

much like an independent business, with an entire management team and teams of employees in sales, financing, service, parts, customer service, and administration.

- **Support Services'** purpose is to serve our stores. Support Services provides performance measurements, integrated information systems, non-customer facing support functions such as finance, marketing, human resources, operations and information technology and flexible technology systems to ensure continuous improvement.

As you become accustomed to your new job and work environment, it's likely you'll have questions. Two great places to find answers are your supervisor and this Employee Handbook. We encourage you to take the time to review your handbook, and be sure to ask your supervisor about any questions you may have.

## Communicating with Your Supervisor or Manager

The most important working relationship you will have here is the one between you and



your supervisor or manager. Your manager or supervisor has accepted the responsibility of guiding you in your job and the completion of your work, and needs to hear your questions, suggestions, constructive ideas, and if you are aware that anyone is not acting in accordance with Company policies and/or values. Mutual understanding is important to doing the best job possible, and cooperative attitudes lead to productive teamwork. If you have questions regarding any aspect of your assignment or any company policy or practice, please consult your supervisor. He/she will support you so that you can effectively perform your job.

## Problem Solving

Open lines of communication are important to constructive, work-producing relationships and the elimination of counterproductive conflicts.

We endorse an atmosphere of mutual respect and support. If you experience a disagreement or conflict with another employee, you may first discuss the problem with the other person, if you are comfortable doing so, and make every effort to resolve it in a respectful manner. If unsuccessful, or if you are not comfortable speaking directly with the person,

you may seek your supervisor's or manager's assistance in resolving the matter respectfully and professionally.

## Off-Duty Employees

Off-duty employees are requested to avoid customer areas. As used in this handbook, "off-duty" includes rest periods, meal breaks, or periods in which an employee is not performing and is not scheduled to be performing services or work for the Company. "Working time" includes all time for which an employee is paid and/or is scheduled to be performing services for the Company.

## Customer Interactions

The Customer is the individual person you are interacting with at any moment, and we know that each interaction makes an impression that affects their experience and our reputation.

Each of us has the responsibility of promoting goodwill for the Company through our individual efforts to provide quality work and be attentive to customer questions and concerns. Provide prompt and professional assistance, remembering to practice courtesy in all forms of communication: in person, by phone and electronically. Every interaction is

an opportunity to welcome a return customer or earn a new one. Tailor your communication style to each customer.

Customers and potential customers are valued guests, not an interruption. Always extend a pleasant manner and a welcoming attitude. Be attentive to customer questions and concerns.

Begin telephone conversations with a friendly greeting, including identifying yourself. Conduct conversations with a pleasant voice and end with courtesy. Placing callers on hold for extended periods should be avoided and if a transfer is necessary, a warm transfer, (where you stay on the line with the customer) is preferred.

## How We Care for Customer Vehicles

Our customers expect us to take good care of their vehicles while they are in our store. Customer-owned vehicles may be moved only for appraisal or repair by authorized employees. Don't disturb or remove customer property inside their vehicle, or use customer vehicles for personal reasons. Eating or smoking in customer vehicles is strictly prohibited. If you need to adjust a



customer's settings on any accessories in order to perform a job, be sure to return them to their original settings when you're finished. Use reasonable care at all times to secure a customer's vehicle.

## Accessible Parking

We provide Accessible Parking Spaces for the comfort and convenience of people with disabilities. These parking spaces, clearly marked by blue and white signs with the international symbol of accessibility (wheelchair), are required by law and in accord with the Americans with Disabilities Act (ADA).

The ADA states that individuals with disabilities may not be denied the full and equal enjoyment of the goods, services, facilities, privileges, advantages, or accommodations that the business provides. In other words, whatever type of goods or services a business provides to its customers or clients. A business or other private entity that serves the public is to ensure equal opportunity for people with disabilities.

In accord with the Americans with Disabilities Act, as well as additional laws in many of the states we do business, it's a violation of Company policy to park any vehicles without

the appropriate disabled placard or license plate in Accessible Parking Spaces. Employees who engage in parking unauthorized cars in Accessible Parking Spaces may be subject to disciplinary action up to and including termination of employment. Any employee who notices that this has occurred should report it immediately to their supervisor or manager so it can be addressed.

## Customers with Disabilities

The Americans with Disabilities Act (ADA) also requires that each business make a reasonable effort to maintain a "barrier-free" facility. The Company makes every effort to comply with all laws, including without limitation the ADA. For example, if a wheelchair-bound person visits our facility, please make sure that he/she receives any assistance required for such needs as:

- Entering the building
- Maneuvering within the building
- Seeking service in inaccessible locations such as a department, office or other location that may be on a different level, and
- Utilizing transportation (in instances where the dealership provides transportation for other persons)

Courtesies should similarly be extended to

individuals with any disability or impairment in order to assure their safety and to facilitate communication between them and our employees. We appreciate your cooperation in this matter. Providing appropriate assistance to people who visit our facility helps our customers and is the right thing to do.

## Computers and Other Business Equipment

All software that has been installed on Company computers, and any data collected, downloaded, and/or created on Company computers is the exclusive property of the Company, and may not be copied or transmitted to any outside party or used for any purpose not directly related to Company business. No employee shall remove



any software or data from Company computers at any time.

All information, including, but not limited to, internet activity, email messages, voice messages, (including deleted messages), documents, files, photos, etc. stored on Company computers may be monitored, accessed, or recorded for business, legal or security purposes. All users should have no expectation of privacy or confidentiality of such information. You will be provided all necessary usernames, passwords, and access codes for Company computers and systems by Computer Services. User IDs and passwords are to be kept confidential to each individual user and are not to be shared. User IDs and passwords are utilized exclusively for the purpose of protecting the Company's information and intellectual property.

All Company-owned equipment is intended to be used for Company business purposes and in accordance with our policies. Soliciting personal business opportunities, personal advertising, and gambling using Company equipment is prohibited. In addition, streaming media (audio, video, and other real time feeds) for non-business use can negatively impact

others' use of internet and network resources and therefore, is also prohibited. All email and other electronic communication is to comply with our *Discrimination, Harassment, and Corporate Governance Policy, in Section 5.*

## Email and Other Electronic Communication

If an email is destined for more than 25 people outside of the Company, contact Computer Services to assist in accomplishing this task. The purpose of this is to avoid messages being classified as spam and potentially never reaching recipients' inboxes.

Signature blocks in email should reflect the user, position, contact and company information only, and should not be used to promote or advocate for any external cause or entity. Keeping a simple signature block helps to ensure that your message will be acceptable and easily read on different email systems and devices.

Example:

**John Doe** | **Service Advisor** | **Medford Honda**

4095 Crater Lake Hwy | Medford, OR 97504

Phone: [541] 770-0000 | Internal: 80010000

Fax: [541] 774-0000 | e-Mail: johndoe@lithia.com

## Call Recordings and Video Cameras

Our commitment to great customer service means that we are continuously improving our processes and systems to provide the best service possible. One of the ways we identify areas of improvement is through the reviewing of computer and telephone calls with both our internal and external customers, so we can identify issues and concerns that might benefit from training. Employees need to know and understand that any or all of their conversations while using the Company computer and telephone systems may be monitored or recorded. For some stores this may be required by our manufacturer partners. In addition, video cameras may be installed by the Company in appropriate places within and around the Company's premises at any time.

By acknowledging receipt of this handbook you are agreeing that you are aware of, and consent to, these practices.

## Domain Registration and Official Internet Content

Employees may not register a domain on behalf of Lithia Motors, Inc., register a

domain to compete against the Company's interests, or register a domain as an investment intended for future sale to the Company. All domain registrations are managed by the Company's Support Services. Employees may not create official digital content on behalf of the Company, or use Lithia Motors, Inc. logos, registered word marks, Lithia Auto Stores/DCH Auto Group/Carbone Auto Group and their store names, or franchise logos, registered word marks or names without specific written permissions from the Company's Support Services to do so, and with continued oversight by Support Services.

## Use of Company Telephones

Personal long distance calls are prohibited. Be aware of long distance rates and utilize 800 numbers whenever possible. Employees can reach Toll-Free information by calling [800] 555-1212. Company 800 numbers are to be used for business purposes only. Different Groups may have a direct dial telephone system that links their locations via intercompany numbers. These internal numbers bypass any long distance charges, and allow you to save both time and money. If you know the person's intercompany

number, please use it. You can use the companywide directory to search by name for these numbers. We also recommend that you include your intercompany phone number in your email signature for easy access.

When using cell phones at work we expect you to use them in a safe manner, and always follow any local, state, and federal laws. While operating a motor vehicle at work, we prohibit the use of cell phones for text messages, as well as two-way radios. However, cell phones may be used with a legal hands-free device. Cell phone usage at work is subject to our *Discrimination, Harassment, and Corporate Governance policy, which can be found in Section 5*. Some specific examples of prohibited uses include but are not limited to:

- Taking and posting or circulating pictures, video or digital images of another employee, vendor, customer, or any other person, without their approval.
- Transmitting, retrieving, downloading, displaying, or storing harassing messages or images that are offensive, derogatory, defamatory, harassing, off-color, sexual in content, or otherwise inappropriate in a business environment.
- Taking inappropriate pictures, video or digital images of another employee, vendor, customer, or other person.



# My Employment



## Travel and Expense Reporting

*Spark> Travel & Expense Reimbursement*

## Payroll

*Payroll@lithia.com*

## eTime

*Spark> eTime*

## Employee Categories

We use the following categories to clarify employment status and benefit eligibility:

Full-time exempt and non-exempt employees are normally scheduled to work and do work at least 30 hours per week except as required by law. Following the completion of the initial period, full-time employees are eligible for benefits subject to the terms, conditions and limitations of each benefit plan.

Part-time exempt and non-exempt employees are scheduled to work and do work on average fewer than 30 hours per week. Part-time employees are eligible for some, but not all employee benefits.

Temporary and on-call employees are hired for a limited period to temporarily supplement the work force. Temporary employees are ineligible for benefits except as required by law.

Exempt employees are those whose job assignments meet the federal and state requirements for overtime exemption.

Non-exempt employees are those whose job

assignments do not meet the federal and state exemption category requirements.

## Promotions

Promoting and hiring the best talent available, defining clear expectations, providing excellent training, and rewarding performance helps us build dynamic teams to serve our customers. We strive to fill job openings through promotions of current employees. However, we may fill openings from outside the Company without an internal posting. We award promotions on the basis of individual merit and qualifications.

It's always recommended that you speak with your supervisor and/or General Manager about your career goals and advancement interests, and speak to your manager before applying for a job posted internally.

## Dating

Employees with supervisory responsibilities are prohibited from dating employees in their chain of command or area of influence.

Our employees are expected to conduct themselves in a professional manner. We want to: avoid conflicts of interest, reduce



favoritism, prevent intimate relationship conflicts from affecting the workplace, maintain employee morale, and prevent potential sexual harassment claims. Therefore, the Company discourages dating among employees.

### **Employment of Relatives**

We may refuse to hire or place a relative or other intimately associated individual in a position.

### **Driver's Licenses, Insurance, and Insurability**

Most employees are required to have a valid driver's license in the state they live in, and an acceptable motor vehicle report. Failure to maintain these standards may result in disciplinary action up to and including termination of employment.

If driving privileges are lost, a driver's license is suspended or revoked, or any changes occur which may affect insurability, let your supervisor know immediately. We reserve the right to request a current Motor Vehicle Report at any time during employment. An employee who moves to another state needs to obtain a valid driver's license in that state

within 30 days of permanent residency.

Employees who drive their own personal vehicles are required to have and maintain current proof of insurance in accordance with state law.

### **Background Checks**

We reserve the right to run criminal background checks and motor vehicle reports (collectively "Background Checks") on current employees when those employees:

- are promoted
- are transferred to a new position
- work directly with customers

Background Checks will only be run on current employees if they are job-related, and the timing and ordering of these reports will be consistent with any applicable state and/or federal regulation. Employees will be notified of results if required by applicable state and/or federal regulation.

### **Employment Eligibility Verification**

All U.S. employees are required by federal law to provide evidence of their identity and legal authority to work in the United States. To do this, employees provide certain necessary

documents required by the federal I-9 form. Failure to provide the required documents will prevent an employee from working at/for the Company, or related groups.

### **Minimum Age Requirements**

All employees are at least 18 years of age unless an individual is an approved participant in an educational or apprenticeship program approved by Support Services. Employees may be asked to provide proof that they are at least 18 years of age.

### **Personal Information**

The information in your employee file is extremely important and we want to be sure it's up to date. Keep these items updated through Payroll.

### **Travel and Expense Reporting**

Travel for business purposes is to be approved in advance by a supervisor. Reimbursement for business expenses (travel or other) is contingent upon submitting a properly completed expense report, fully documented by accompanying receipts. You are responsible for reading and understanding the Company's Travel Policy located on Spark.

## Employee Records

As an employee, you may inspect your employee file, as provided by law, in the presence of a Company representative at a mutually convenient time.

We will limit disclosure of your employee file to authorized individuals within the Company. Any request for information from employee files shall be directed to the Employee Relations Manager. Only the Employee Relations Manager is authorized to release information about current or former employees. Disclosure of employee information to outside sources will be limited; however, we will cooperate with requests from authorized law enforcement or local, state, or federal agencies conducting investigations.

## Wage and Employment Verifications

Submit all wage and employment verification to: [www.theworknumber.com](http://www.theworknumber.com)  
Employer ID: 26474  
If you have questions regarding your verifications please email [payroll@lithia.com](mailto:payroll@lithia.com) for assistance.

## Solicitation and Distribution

No employee shall participate in the solicitation or distribution of written or printed materials during working time or on Company property. Specifically:

Employees shall not solicit or promote support for any cause or organization during his or her working time, or during the working time of the employee or employees at whom such activity is directed.

Employees shall not distribute or circulate any written or printed material in work areas at any time, or during his or her working time, or during the working time of the employee or employees at whom such activity is directed.

Under no circumstances will non-employees be permitted to solicit or to distribute written material for any purpose on Company property.

The sole exception to solicitations is pre-approved, company-sponsored, and/or charitable campaigns.

## Bulletin Boards

Bulletin boards are reserved for the exclusive

use of the Company for posting work-related notices, such as Safety Minutes, or notices required to be posted pursuant to local, state, or federal law. From time to time special notices and information for employees will be posted by the Company on our bulletin boards. Please check the boards regularly for such notices as you are required to read all postings and are accountable for all information posted. Employee postings and/or personal postings are not permitted.

## Leaves of Absence

Where applicable under state or federal law, employees may be eligible for various leaves of absence for health and other reasons under state and federal laws, including, but not limited to, the Family Medical Leave Act (FMLA). Below is a brief summary of some of the leaves available. If you need a leave of absence of any kind, please contact your supervisor and submit your request for leave using eTime.

## Federal Family and Medical Leave (FMLA)

The Company will grant family and medical leave in accordance with the requirements of applicable state and federal law in effect

at the time the leave is requested. In certain situations, both federal and state laws may apply. In any case, employees will be eligible for the most generous benefits available under either law.

Please contact your supervisor as soon as you become aware of the need for a leave and submit your request for leave to the ER Leave Specialist using eTime. Leave approval is determined by Employee Relations based on eligibility and information provided by the employee. The following is a summary of the relevant provisions:

### **Employee Eligibility**

Employees who are eligible for federal family and medical leave benefits have:

- Worked for the Company for a total of at least 12 months;
- Worked at least 1,250 hours over the previous 12 months; and
- Work at a location where at least 50 employees are employed by the Company within a 75 mile radius. Eligibility is determined by the Employee Relations Leave Specialist. Employee's Leave Request will be reviewed and employees will be notified of eligibility by the most appropriate means available (e.g. electronic

communications, email, regular mail).

### **Leaves Available**

Eligible employees may receive up to a total of 12 work-weeks of unpaid leave during a 12-month period. A 12-month period begins on the date of your first use of federal Family and Medical Leave. Leave may be used for one or more of the following reasons:

- For the birth or placement of a child for adoption or foster care;
- To care for an immediate family member (spouse, child, or parent) with a "serious health condition" as defined by law;
- To take medical leave when you are unable to work because of a serious health condition; or
- To help with any qualifying exigency that may arise from a (spouse, child, or parent) in the National Guard, Reserves, or regular component of the Armed Forces on active or on-call to active duty status.

In certain circumstances, an employee may qualify for a total of up to 26 work weeks of FMLA's Military Caregiver Leave. An eligible employee is one who is the spouse, child, parent or next-of-kin of a covered service member. A "covered service member" is a

member of the Armed Forces, including a member of the National Guard or Reserves who is recovering from a serious injury or illness that occurred in the line of duty while on active-duty; this includes veterans who served in the 5 years prior to beginning treatment.

Under some circumstances, you may take family or medical leave intermittently, which means taking leave in small blocks of time or reducing your normal weekly or daily work schedule. Certain restrictions on these benefits may apply.

### **Notice and Certification**

Employees seeking to use family or medical leave may be required to provide:

- 30-day advance notice when the need for the leave is foreseeable;
- Advance notice within one or two days after learning of the need for leave when the leave is not foreseeable;
- A completed Certification of Health-Care Provider form within 15 calendar days, or the leave may be denied (these forms are available from the Leave Specialist);
- Periodic recertification; and
- Periodic reports during the leave.



When a leave is needed to care for an immediate family member or your own serious health condition, and is for planned medical treatment, try to schedule treatment so as to not unduly disrupt the Company operations. Please contact your supervisor prior to scheduling planned medical treatment.

### **Compensation During Leave**

Generally, family and medical leave is unpaid. We may require you to use accrued paid leave (such as PTO) to cover some or all of the family and medical leave. The use of paid time off will not extend the length of a family and medical leave.

### **Benefits During Leave**

The Company will maintain group health insurance coverage during a family and medical leave for up to a maximum of 26 work weeks, or as outlined under state or federally mandated leave, per 12-month period, if such insurance was provided before the leave was taken, and on the same terms as if you had continued to work. Employees can continue their coverage by making monthly payments to the Company for the amount of the relevant premium. In some instances, the Company may recover premiums it paid to maintain health coverage if you fail to return to work following a family and medical leave.

If you are on a family and medical leave but are not entitled to continue paid group health insurance coverage, you may continue your coverage through the Company in conjunction with federal COBRA guidelines. Please contact the Benefits Department for further information.

Your length of service as of the leave will remain intact, but accrued benefits such as PTO or Sick leave, if applicable, will not accrue while on family and medical leave.

### **Job Reinstatement**

Under most circumstances, upon submitting an acceptable healthcare provider release to return to work from family and medical leave (when the leave was due to your own serious health condition), you will be reinstated to the same position held at the time of the leave, or to an equivalent position with equivalent pay, benefits, and other employment terms and conditions. However, you have no greater right to reinstatement than if you had been continuously employed rather than on leave. For example, if your position has been eliminated during the leave, then you will not be entitled to reinstatement. While on a leave, it is prohibited to engage in work outside the Company.

### **State Laws**

Certain states may supplement or differ from the federal Family and Medical Leave Act. Please contact the Employee Relations Leave Specialist to determine if you have any additional or different rights from those provided by the FMLA.

### **Maternity Leave and Pregnancy Disability**

In general, employees may be eligible to take

a leave of absence related to pregnancy or the birth of a child. Maternity and Pregnancy Disability Leaves are governed by the Family Medical Leave Act and applicable state laws. It is possible that both state and federal laws will apply in a particular situation. Accordingly, please contact the Employee Relations Leave Specialist to understand any rights you may have to take a maternity or pregnancy-related leave of absence.

### **Military Leave**

Time off from work to fulfill military duties will be treated in accordance with applicable requirements of state and federal laws. The employee is expected to submit request for leave to the Employee Relations Leave Specialist using eTime, notify their supervisor and provide a copy of their orders as soon as possible.

When an employee is a member of the military reserve and is required to participate in reserve training or military service, the Company will grant an unpaid military leave of absence. During a military leave of absence, benefit coverage will continue as outlined under federal guidelines.

### **Americans with Disabilities Act (ADA)**

The Company prohibits discrimination on the basis of physical or mental disability, and follows the guidelines of the Americans with Disabilities Act and related state laws. If you have a disability as defined by federal or state law and you need accommodation for your disability, please begin the interactive process to discuss possible accommodations by contacting your manager, who will work with you in conjunction with the Employee Relations Department. In addition, if you believe you have been discriminated against, harassed, or retaliated against because of your disability, please report this using the guidelines in our *Harassment and Discrimination Policy in Section 5 of this handbook*.

### **Religious Accommodation**

The Company will attempt to make reasonable accommodations for employee observance of religious holidays and sincerely held religious beliefs, unless doing so would cause an undue hardship on Company operations. If you desire a religious accommodation, you are required to make the request in writing to your supervisor as far in advance as possible.

### **Bereavement**

Upon notice to their supervisor or General Manager, the employee may be granted up to one-week unpaid leave for a death in their immediate family. Immediate family includes: spouse, domestic partner, child, stepchild, father, mother, stepparent, sister, stepsister, brother, stepbrother, grandparent, or parent-in-law.

For further clarification, or to discuss your particular needs or situation, please contact Employee Relations or your supervisor.

### **Jury Duty**

Full-time employees are eligible for Jury Duty pay after 60 days of continuous, uninterrupted employment with the Company. Hourly and flat-rate employees will receive a maximum of ten days paid Jury Duty per year, less any fees paid by the court exclusive of transportation reimbursements. While serving on Jury Duty, employees will be expected to supply a time verification slip and return to work as much as possible each day of service. Hourly employees will receive their hourly rate and flat-rate employees will receive their PTO temp rate per individual pay plan. Salaried and



commissioned employees receive no additional compensation or deduction for Jury Duty.

## Discipline

We value treating all employees equitably, and administering policies and procedures consistently. When performance or behavior is unsatisfactory, or when employees violate policies and procedures, disciplinary action may be taken. Examples of disciplinary action include, but are not limited to, verbal warnings, written warnings, suspension, and/or termination of employment. The disciplinary action will depend upon the circumstances of the particular problem or violation. We reserve the right to handle discipline on a case by case basis.

## Termination of Employment

Employment with the Company is “at-will,” meaning that the employment relationship can be terminated by the Company or the employee at any time, with or without cause and/or with or without notice, subject to state law. While it’s never our goal to see employees leave the Company, employment may be terminated by way of involuntary termination, resignation, retirement, or reduction in the work force.

If you voluntarily resign, we ask that you provide written notice at least two weeks before the last day of employment, to give us the opportunity to make the necessary adjustments in our operation. The last day an employee is actively at work will be considered the termination date. Except in cases of retirement, PTO can’t be used to extend length of service.

When an employee leaves the Company, it is required that all outstanding debts to the Company are paid, and all Company property is returned, including, but not limited to, keys, uniforms, tools, laptops, manuals, any customer information or lists, or any other written information that was issued, or that is in an employee’s possession or control.



# Safety, Business Conduct and Ethics



## Safety Data Sheets

*Spark> Safety Data Sheets*

### Employee Safety and Health is Paramount

Your safety and health is important to all of us. We have a comprehensive and effective environmental health and safety program that endeavors to eliminate unsafe conditions and minimize the impact of hazardous situations to you, our customers, and our property. Keeping you safe requires all of us observing basic safety principles, sound management practices, and compliance with applicable federal, state and local codes, laws, and standards.

Preventing accidents and maintaining safe working conditions is the shared responsibility of the Company and its employees. Supervisors will provide information on company safety rules and requirements, and will train you on the safe use of equipment. Working safely is a job requirement. You are expected to understand and comply with all safety rules and regulations.

Certain safety and personal protective equipment is provided. If something is needed and not available, or if you have any questions about safety and/or personal protective equipment, let your supervisor know. Use of

proper equipment is required, particularly when working around potentially dangerous equipment or hazardous materials. Some of this equipment may require a personal assessment that will require your cooperation.

Powered Industrial Trucks/Forklifts are only to be used by employees who have been certified by our Company to do so. If your job requires you to operate these machines, your manager will work with you to receive the proper training and certification.

Report to your immediate supervisor any faulty equipment, hazardous conditions, damaged property, blocked passageways or exits, or any conditions that may be deemed a safety hazard, even if you believe you have corrected the problem. Also, report all accidents, injuries, and illnesses that occur at the work place, regardless of severity, to a supervisor immediately.

All job functions shall be conducted in a safe and healthful manner. To help ensure this, attendance is required at periodic health and safety meetings and/or trainings.

Our locations have a Safety Committee that

is an integral part of our organization. If you have any questions, concerns, or suggestions regarding safety at your location, please bring them to the attention of a local Safety Committee member as well as to your supervisor.

Employees may be subject to disciplinary action, up to and including termination of employment, for the following activities:

- Failure to comply with applicable health and safety requirements
- Failure to use required safety measures such as locks on auto lifts
- Unsafe or unauthorized activities

## Reporting Work-Related Injuries

We hope that you will never be injured on the job. However, if you are, we want you to know what to do.

To ensure that you receive any workers' benefits to which you may be entitled, you will need to:

- Immediately report any work-related injury to your supervisor.
- Complete a First Report of Occupational Injury or Disease Form, and return it to your supervisor.

- Seek medical treatment and follow up care if required.

Contact a supervisor or General Manager immediately if there is an injury on the job or an occupational injury or illness. In case of a severe injury, seek emergency medical care immediately and notify a supervisor as soon as possible.

It is imperative and expected that all accidents, injuries, and illnesses that occur at the work place, regardless of severity, are reported to a supervisor immediately. In Texas, all work related injuries are to be reported prior to the end of your shift on the same day. Failure to do so may result in your claim being denied.

## Medical Examinations

The Company is committed to maintaining a safe and healthy working environment for all employees. We may require employees to undergo medical examinations when, legitimate business reasons arise; whether related to performing your job functions, or for the safety of you or others. Medical examinations for job-related purposes, based on business necessity, will be performed by a physician or medical advisor

selected and paid for by the Company. Medical information is confidential, and this confidentiality will be maintained in accordance with applicable legal requirements.

## Tobacco Use

The Company is committed to providing a safe and healthy work environment, so we have a smoke-free workplace. Employees are expected to conform to all local, state and federal smoking laws at all times. No use of tobacco of any kind, lit or unlit, including e-cigarettes, is permitted, except during breaks and lunch in designated outdoor smoking areas. Disposal containers are provided in designated smoking areas, so all forms of used tobacco (cigarette or cigar butts, pipe ashes, chewing tobacco, etc.) can be disposed of in a safe, sanitary manner.

## Drug Testing

We are committed to maintaining a workplace that is free from the effects of drugs and alcohol. We may conduct drug testing in the workplace consistent with any applicable federal, state, or local laws.



## Workplace Violence

Acts of violence and/or threats of violence (including domestic violence), whether expressed or implied toward individuals in our workplace, are prohibited and will not be tolerated.

This applies to all people involved in the operation of the Company including but not limited to our employees, contract and temporary workers, and anyone else on our property.

Any employee who commits or threatens workplace violence will be subject to disciplinary action up to and including termination of employment and may also be subject to legal action, as appropriate.

If an employee believes that a threat or act of violence has been made against them or others, the employee shall report the details immediately to his or her supervisor and/or General Manager.

Bringing or displaying weapons of any kind, at any time, on Company property will be subject to disciplinary action, up to and including termination of employment, subject to state law.

## Security of Company Property and Vehicles

Physical security, as well as the safety of our employees, is important. Lock all Company property that can be secured with a lock, e.g., equipment, doors, files, desks, and gates when not in use. At the end of each day, make sure all locks are secured. Supervisors will instruct employees of any additional specific security procedures required.

Secure all Company-owned and customer vehicles in for service. If keys are lost, be sure your supervisor or General Manager knows about it as soon as possible.

Each employee is expected to respect other employees' property and Company property. To damage machinery, equipment, buildings, or other Company facilities in any way or to remove such property from the premises without authorization is strictly prohibited.

Company-owned vehicles may only be used or driven by authorized employees in strict connection with necessary employment and the permission of management. Always exercise care when driving Company-owned or customer vehicles and always remember that

these vehicles are not for personal use.

Any traffic citations received while driving a Company-owned or customer vehicle are the responsibility of the employee.

If any damages occur to a Company-owned or customer vehicle, the responsible employee shall report it immediately to their supervisor who will report the claim to [insurance\\_claims@lithia.com](mailto:insurance_claims@lithia.com).

If a vehicular accident occurs and a Company-owned or customer vehicle is damaged due to employee negligence, the employee may be subject to disciplinary action up to and including termination of employment.

We stress this because we want you to drive safely and prevent injury to yourself or others as well as take care of customer and Company property. Motor vehicle accidents are the leading cause of serious injury to workers in the U.S.

## Search and Inspection

Employees do not have a reasonable expectation of privacy in connection with Company property, including, but not limited to,

materials stored in desks, computers, email, telephones and answering systems, faxes, lockers, toolboxes, or other storage areas on the premises, or the contents thereof and/or of their vehicle. A search or inspection conducted or directed by the Company does not imply an accusation of theft. Failure to cooperate in a required search may result in disciplinary action up to and including termination of employment.

## Business Conduct and Ethics

Our leadership believes that the long term financial success of the Company is dependent on the fundamental principles of integrity, honesty, loyalty and fairness. *This Code of Business Conduct and Ethics (the "Code") outlines the broad principles of legal and ethical business conduct embraced by the Company and is found in Section 5 of this handbook.*

## Compliance

Supervisors will inform you of the laws impacting your specific job and will give you instructions regarding compliance requirements and procedures. When the law or this Code is not specific on a particular issue, the Company expects each employee to use common sense and good judgment in affecting

the spirit of the law and this Code. Areas of regulation include, but are not limited to:

- Customer and cardholder data protection
- Consumer protection
- Cash reporting and money laundering
- Vehicle tampering (emissions and safety)
- Odometer fraud
- Disclosure Rules (branded titles, rental car rules, frame damage, credit and leasing practices, etc.)
- Workplace safety rules

Environmental Compliance is important too and we adhere to regulations including:

- Hazardous materials/waste management
- Emissions inspection and tampering
- CFC recycling
- Tank management
- Waste water management



## Titles and Money

All vehicle titles and money in any form (such as cash, checks, drafts, etc.) given to the Company from customers, vendors, governmental sources or others are the property of the Company when received, and shall be immediately and properly receipted. All cash taken in should also be stored in a locked cash drawer or safe.

## Document Alteration/Forgery

Our employees are required at all times to conduct themselves in a professional manner and with the highest integrity. Altering or forging documents of any kind, including, but not limited to, time records and information on customer-provided documents or records, is a severe offense, and is specifically prohibited in our *Integrity Policy found in Section 5.*

## Protection of Confidential and Proprietary Information

The Company's confidential and proprietary information is vital to the current operations and future success of the Company. Each employee shall use absolute care to protect such information and to prevent its unauthorized disclosure in any way.

Under no circumstances shall confidential information be disclosed or revealed within or outside the Company without proper authorization. If an employee is uncertain whether certain information should be treated as confidential, the employee should presume that such information is confidential and not disclose it without proper authorization.

The Company's confidential and/or proprietary information includes any information that may be useful to competitors, or damaging to the Company, its vendors, or its customers if disclosed. By way of example, confidential or proprietary information includes, but is not limited to, information regarding Lithia Motors, Inc. business methods, business plans, databases, systems, technology, intellectual property, know-how, management, business development, operations, products, services, research, development, inventions, financial reports, financial projections, financing methods, pricing strategies, customer sources, employee or applicant information or records, system designs, terms and conditions of arrangements with any business or customer, customer lists and customer correspondence, methods of competing, records of purchases from

vendors and suppliers, documents discussing franchise agreements or other dealings with manufacturers or distributors, and other proprietary information.

Sending, receiving or taking pictures or digital images of confidential, private or copyrighted materials is prohibited. All written records, files, and computer data of the Company, its customers and/or its vendors are the property of the Company, and are considered confidential. For purposes of this paragraph, confidential information includes, but is not limited to: trade secrets, all letters or any other information concerning transactions with customers, proprietary information concerning transactions or dealership purchases, customer lists, payroll or personnel records of past or present employees, financial records of the Company, all records pertaining to purchases from vendors or suppliers, correspondence and agreements with manufacturers or distributors, and documents concerning operating procedures of the Company.

As a publicly held company we have a responsibility to our shareholders to protect confidential information, and to abide by

laws governing the use of material, non-public information as it relates to trading in the Company's securities. Employees are responsible for reading and understanding the *Integrity Policy, Summary of Policy Regarding Confidential Information and Insider Trading, and the Social Networking Policy, all located in Section 5 of this handbook.*

Nothing in these policies, however, should be construed by employees as prohibiting them from discussing their terms and conditions of employment.

## Fair Credit

The Company is fully committed to complying with federal, state, and local laws and regulations that are designed to ensure that all qualifying credit applicants have equal access to credit, and are treated in a manner that is fair and professional. Engaging in any form of unlawful credit discrimination will not be tolerated.

## Safeguarding Cardholder Data

Cardholder data (Visa, Mastercard, Amex account numbers, expiration dates, CVV codes) may never be transmitted using any end-user methodologies unless specifically approved

by the Company with a valid business need. If required to transmit cardholder data, it is required to be in unreadable format (for example, encrypted, masked, truncated). Users are forbidden to store cardholder data without specific approval to do so from the Company, at which point it shall also be retained in a protected format. The only exception is for users who need to view cardholder numbers for Company-approved business reasons; these users will be approved by Company management and may only view the number individually (meaning one by one). In addition, it is expressly forbidden to store in written, verbal, or electronic forms, any sensitive cardholder data in a system not specifically designed for that purpose.

## **Safeguarding Customer Information**

The FTC has mandated compliance with the “Standards for Safeguarding Customer Information Rule.” This rule affects all “financial institutions,” which includes all locations, and is in place to ensure that financial institutions protect customer information related to the potential risk of financial identity theft. To protect our customers and ourselves, we take the most

conservative and broadest approach to satisfy the intent of this Rule.

All non-public personal information (customer financial information) is to remain secure from unauthorized or public scrutiny. Consumer information in combination with customer financial information, like that which is contained in Credit Applications or Credit Reports, is required to be secured when not in use, and never be placed where it can be openly viewed or handled by individuals not having a specific, job-related need to know.

## **Discrimination and Harassment**

All employees are responsible for maintaining a workplace free of discrimination and harassment at all times. *To review the full policy, please see Section 5 of this handbook.*

## **Equal Employment Opportunity**

We are an equal opportunity employer and make employment decisions on the basis of merit. In accordance with applicable law, we prohibit discrimination based on race, color, religion, creed, pregnancy, age, marital status, sex, national origin or ancestry, sexual orientation, gender identity or expression,

physical or mental disability, medical condition, genetic information, veteran status, or any other consideration protected by federal, state, or local law.





LM

2005

NIGIL

KYLE

CRAFTSMAN

CRAFTSMAN

USED OIL

THICKOIL FLUIDS

PREMIUM

10W-40

PENN





# Key Policies



## Drug and Alcohol Policy

*Spark> Document Library> Employee Resources>  
Drug and Alcohol Screening*

## Information Security Policy

*Spark> Document Library> General Info> Computer  
Services> Security Policies*

## Code of Business Conduct and Ethic

*Spark> Document Library> Employee Resources>  
HR and Compliance*

## Integrity Policy

It's the desire of Lithia Motors, Inc., and its affiliates and subsidiaries that the Company's business be conducted in a professional manner, with the highest level of integrity at all times. As an employee, I understand this business philosophy and accept it as my own. I understand and agree that I am subject to the Company's Code of Business Conduct and Ethics, which is included in this handbook. I understand and agree that the Company strictly prohibits all activity that is illegal or otherwise compromises the integrity of the Company. I understand and agree that no officer, manager or supervisor of the Company may ever authorize me to be involved with activity that I know to be illegal and/or potentially compromising to the integrity of the Company.

I understand that I am never allowed to do any of the following:

- Signing or initialing a customer's name to any document.
  - No matter how unimportant one might believe that document is.
- Changing ANY document after it has been signed and agreed to by the customer.
  - This includes, but is not limited to: Credit Applications, Sales Contracts, Delivery

Agreements, DMV Documents, and/or any other documents.

- Misleading a customer in any way.
- Misleading a lender in any way.
  - This includes falsifying a customer's credit application for any reason, or falsifying accessories on a book out sheet to increase the loan value of a vehicle.
- Misleading a vendor in any way.
- Misleading one of our manufacturers in any way.
- Misleading Lithia Motors, Inc., its affiliates and/or subsidiaries in any way.
- Compromising any confidential or proprietary information of the Company.

I understand that a portion of any business relationship is based on trust, and I will never knowingly damage that relationship with anyone during the course of my job function. Should I become aware of any activity I believe to be in violation of this policy, I will immediately contact and inform the Director, Employee Relations and Safety, Barbara Perkins, at [800] 866-9213 ext. 7606 or the Legal Department at [800] 866-9213 ext. 7545.

I fully understand and agree that should I participate in any unlawful act, transaction

or procedure, I will be subject to immediate disciplinary action, up to and including termination of my employment. I further understand that I could be held personally liable for any damages that might be caused by my actions. I have read, understood and agree to abide by the above policy.

## **Discrimination, Harassment, and Corporate Governance Policy**

Updated: January 2017

We are committed to providing all employees with a work environment free of discrimination or harassment of any kind. The purpose of this statement is to reaffirm our commitment to equal employment opportunity and to providing a discrimination and harassment-free work environment for all employees.

### **Our Responsibility**

Harassment or discriminatory conduct of any kind, whether physical or verbal, committed by supervisors or non-supervisory personnel, is prohibited in the workplace. All Company employees are responsible for maintaining a workplace free of discrimination and harassment at all times. No employee is exempt from this policy or is permitted to

engage in conduct that violates this policy. In those instances where this policy is violated, disciplinary action up to and including termination may be taken.

If a manager becomes aware of a complaint of discrimination or harassment they are to notify the General Manager or Office Manager who will notify Employee Relations.

Taking retaliatory action against any employee because he or she has filed a discriminatory complaint, furnished information, or participated in an investigation, compliance review, or hearing is prohibited. In those instances where a violation is found, disciplinary action up to and including termination of employment may be taken.

We are an equal opportunity employer, and do not refuse employment or discriminate in compensation or the other terms, conditions and privileges of employment based upon race, color, religion, creed, pregnancy, age, marital status, sex, national origin or ancestry, sexual orientation, gender identity or expression, physical or mental disability, medical condition, genetic information,

veteran status, or any other consideration protected by federal, state, or local law. Any applicant for employment or employee who believes he or she has been subjected to discrimination, including harassment, based upon any of the above factors should contact Director, Employee Relations and Safety, Barbara Perkins, at [800] 866-9213 ext. 7606.

### **Harassment Defined**

Disparate (unequal) and unfair treatment of any employee or individual because of his or her race, color, religion, creed, pregnancy, age, marital status, sex, national origin or ancestry, sexual orientation, gender identity or expression, physical or mental disability, medical condition, genetic information, veteran status, or any other consideration protected by federal, state, or local law is prohibited.

We also prohibit harassment based upon the perception that a person has, or is associated with a person who has, any of these characteristics. These prohibitions include harassment and intimidation. Harassment is behavior perceived by the receiver as unwelcome, and includes, but is not limited to, the use of verbal or practical jokes,



unwelcome touching, offensive remarks or put-downs, or display of objects or materials which create an offensive environment. Actions such as these are prohibited and may be unlawful. Our policy prohibits harassment of employees, applicants, customers, and persons involved in business services.

### **Sexual Harassment Defined**

The United States Equal Employment Opportunity Commission states that unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature constitute sexual harassment when this conduct explicitly or implicitly affects an individual's employment, unreasonably interferes with an individual's work performance, or creates an intimidating, hostile, or offensive work environment.

Various state laws define additional forms of offensive behavior as sexual harassment. The following is a partial list:

- Making or threatening reprisals after a negative response to sexual advances.
- Visual conduct: leering, making sexual gestures, displaying sexually suggestive objects or pictures, cartoons, emails, text messages, websites or posters.

- Verbal and written conduct: making or using derogatory comments, epithets, slurs, sexually explicit jokes, comments about an individual's body or dress, or sending inappropriate emails, text messages, or letters.
- Verbal sexual advances or propositions.
- Verbal abuse of a sexual nature, graphic verbal commentary about an individual's body, sexually degrading words to describe an individual, suggestive or obscene letters, notes or invitations.
- Physical conduct: touching, assaulting, impeding or blocking movements.

It is unlawful for anyone to harass anyone – this includes opposite and same-sex harassment. Sexual harassment on the job is unlawful whether it involves a coworker, supervisor or manager, vendor, customer or client.

### **Liability for Unlawful Harassment**

Any employee, including any supervisor or manager, who is found to have engaged in unlawful harassment is subject to disciplinary action up to and including termination of employment. Many states have laws that state an employee who engages in

harassment may be held personally liable for monetary damages. The Company will not pay damages assessed personally against an employee.

### **Protection Against Retaliation**

Applicable law and this policy prohibit retaliation against any employee by another employee or by the Company for reporting, filing, testifying, assisting or participating in any manner in any investigation, proceeding, or hearing conducted by us or a federal or state enforcement agency.

### **Our Reporting Procedure**

The following steps have been established for communicating employee complaints of harassment, discrimination, and retaliation to Lithia Motors, Inc.:

1. Any employee may file a complaint by communicating directly with a Department Manager, General Manager, Regional Vice President, Platform Vice President or Office Manager. The multiple options for presenting a complaint are made available with the intent of giving the employee the opportunity to select a person with whom there is a comfort level. If there is any feeling that the complaint has



not been taken seriously, or handled correctly, notify the Director, Employee Relations and Safety, Barbara Perkins, at [800] 866-9213 ext. 7606. An employee may also call the Concern Hotline at [800] 224-8168 or submit concerns online at [lithiaemployeefeedback.com](http://lithiaemployeefeedback.com). Concerns reported via these methods are collected by an outside vendor and can provide you anonymity should you choose. These concerns will be forwarded directly to the Director, Employee Relations and Safety for appropriate handling.

An employee may file a complaint by meeting in person with a Department Manager, General Manager, Regional Vice President, Platform Vice President or Office Manager or by submitting it in writing in an envelope marked "confidential." Employees may also contact a state or federal representative.

2. Management officials will initiate an investigation of any harassment or discrimination claim in a timely, thorough and objective manner. Confidentiality will be maintained as far as is practical. Appropriate action will be taken, and upon conclusion of the investigation, the Company will follow up with the complaining employee as to the resolution of the matter.

3. If the employee wishes to have a representative present at any discussion between the employee and our investigator(s), the employee's request will be honored and a representative will be given an opportunity to be present. All such discussions will be held in private, away from the employee's work area.

If we determine that a violation of our policy has occurred, prompt and appropriate remedial action will be taken. The Company will not retaliate against any employee for filing a complaint, and will not knowingly permit retaliation by management employees or coworkers.

Employees who file complaints or who testify, assist, or participate in any manner in an investigation or hearing will be safeguarded against retaliation, coercion, or discrimination of any kind. Acts of retaliation against complainants or other participants should be reported to the Director, Employee Relations and Safety, Barbara Perkins [800] 866-9213 ext. 7606.

All employees are required to fully cooperate in carrying out this policy, and to avoid acts

of discrimination, harassment, or retaliation on the basis of race, color, religion, creed, pregnancy, age, marital status, sex, national origin or ancestry, sexual orientation, gender identity or expression, physical or mental disability, medical condition, genetic information, veteran status, or any other consideration protected by federal, state, or local law. Failure to do so may result in disciplinary action up to and including termination of employment.

### **Concern Hotline and Online Reporting**

Discrimination or harassment concerns reported on the Hotline or at [lithiaemployeefeedback.com](http://lithiaemployeefeedback.com) will be documented and forwarded to Employee Relations for appropriate follow up. Accounting, internal accounting controls, or auditing concerns will be documented and forwarded to the Director of Internal Audit for appropriate follow up.

Lithia Motors, Inc. has established a procedure for receipt, retention, and treatment of internal complaints regarding accounting, internal accounting controls, or auditing matters under Section 301 of the Sarbanes-Oxley Act of 2002.

Employees may use these methods to report complaints of discrimination, harassment, or retaliation, as well as for audit. To utilize these methods of reporting, call the Concern Hotline at [800] 224-8168 or visit [lithiaemployeefeedback.com](http://lithiaemployeefeedback.com). This Hotline and online reporting method are maintained by a third party vendor in order to preserve the anonymity of the caller, if desired.

This reporting procedure is meant to provide employees with the most comfortable means of reporting discrimination, harassment, retaliation, or concerns regarding accounting, internal accounting controls, or auditing matters. This policy shall be available to all employees and shall be posted on all employee bulletin boards.

## Drug and Alcohol Policy

We recognize that alcohol and drug abuse in the workplace can have a negative impact on our employees and customers. With the object of providing a safe and healthy workplace, complying with federal and state health and safety regulations, and preventing accidents, the Company strictly prohibits the use, distribution, sale and possession of alcohol and drugs which may affect an employee's

performance in the workplace. Employees are not to report for duty or be on the Company premises under the influence of alcohol or drugs, or have in their possession any alcohol, drugs, or drug paraphernalia while representing the Company, or on Company premises.

The use of prescription drugs and/or over-the-counter drugs may also affect an employee's job performance, and seriously impact the employee's safety and safety of others. Any employee who is using prescription or over-the-counter drugs that may impair his or her ability to safely perform their job, or may affect the safety or well-being of others, is required to submit a physician's statement to their supervisor or the GM that the prescription drug use will not affect job safety. For your privacy, you will not be asked to identify the medication or the underlying illness.

The Company may conduct Reasonable Suspicion or Random testing, subject to state law, for drugs and alcohol of any employee or group of employees, without notice. Any employee who reports to work under the influence or impaired, and/or is found to have a positive test result showing alcohol, drugs or other controlled or illegal substance, regardless

of when or where the substance entered their system, is subject to immediate discharge.

The full policy on drugs and alcohol can be found in the Document Library on Spark.

## Summary of Policy Regarding Lithia Motors Confidential Information and Insider Trading

We are a publicly held company and have a responsibility to our shareholders to protect confidential information, and to abide by laws governing the use of material, non-public information as it relates to trading in the company's securities. The Company has adopted an Insider Trading Policy, which is available from the Company's intranet or your supervisor.

### Insider Information

"Inside Information" is any material, non-public information that concerns the Company where there is a reasonable likelihood that it would be considered important to an investor in making an investment decision regarding the purchase or sale of the Company's securities. Although it is not possible to define all types or categories of Insider Information, examples include:

- Our financial condition or performance,
- Our sales, earnings and similar financial information, or
- Our strategic plans

### **Duties**

You have a duty to treat as confidential all Inside Information, and all confidential information about the Company acquired from others with whom we do business which you may have learned in the course of your duties. You may not discuss any Inside Information about the Company with anyone other than persons with whom you are expected to deal in the performance of your job, unless and until we have made a public announcement, issued a publication or filed a public document which includes the information or describes the development. Even then, the information may be proprietary and discussions should be limited to the information which has been made public.

Failure to comply with the Company's Insider Trading Policy may be grounds for immediate dismissal.

### **Restriction on Trading Our Stock**

Any person who trades in our stock or who

tips others to do the same on the basis of, or while in possession of, Inside Information may be subject to significant civil or criminal liability.

You may not buy or sell our common stock or tip others to do the same at any time you have possession of Inside Information that has not been made public by us. If you are unsure whether the information you possess is material Inside Information, please email your question to [stockinfo@lithia.com](mailto:stockinfo@lithia.com).

### **Information Security Policy**

Lithia Motors recognizes the critical importance of information security and information handling practices. Employees should take reasonable steps to ensure that all information, in whatever form, is protected in a manner commensurate with its sensitivity and value. Additionally, Lithia Motors strives to ensure that all information systems are protected in a manner that is at least as secure as that required by our customers, vendors, regulatory bodies and other organizations in the same industry handling similar types of information.

The full Information Security Policy can be found in the Document Library on Spark (<http://spark.lithiamotors.com/>)

### **Social Networking Policy**

The Company recognizes that with the popularity of various Internet-based social media such as Twitter, Facebook, blogs and the like, employees may be using such media to communicate in their daily lives. This policy is designed to establish parameters of using social media while employed with our company. Please observe the following:

- Given the highly regulated nature of our business (e.g., the automobile business), employees shall not advertise or offer for sale our products or services in a social media forum, except as prescribed in official job duties and in accordance with all local, state, and federal laws and regulations. Doing so in any other form could expose the employee and the Company to serious legal consequences, including violations of federal and state law. If you are involved in advertising or selling our Company's services and products, this activity should only be done through the Company's internet, computer,

or other authorized communications system or forum, and only as authorized by the General Manager. If you have any questions about this aspect of our policy, please see the General Manager.

- Social media activities are subject to the Company's policies regarding protection and confidentiality of Company and customer information, and unlawful discrimination or harassment. For example, employees may not disclose private customer information, or proprietary Company information through social media outlets. Similarly, employees may not unlawfully harass or discriminate against fellow employees, vendors, or customers using social media. Please refer to the Company's policies on confidential and proprietary information as well as the policy prohibiting unlawful harassment and discrimination.
- Employees should be mindful not to disclose private information of their coworkers.
- In addition, employees should take great care in how they represent themselves in a social media forum. Employees should behave in a lawful manner and avoid making unlawful defamatory, fraudulent, harassing, discriminatory, or other unlawful

statements about coworkers, the Company, the Company's competitors, or the Company's customers or vendors, as such activity could lead to discipline up to and including termination of employment, as well as personal legal liability.

- When using social media, employees are prohibited from representing the Company or representing that they speak on behalf of the Company. Employees should not use the trademarks, logos, or copyright-protected material of the Company, or its clients or customers to engage in commercial activities. Employees are to also make clear in any online activity that the views and opinions they express about work-related matters are their own, have not been reviewed by the Company, and do not necessarily represent the views and opinions of the Company.
- Employees may not use social media to compete with the Company's products or services.
- If you are contacted by a member of the news media in a social media forum and asked to comment about the Company, please refer the request to Tom Dobry, Vice President, Marketing, for handling.
- Employees should expect compliance

monitoring. Employees should also expect that any information created, transmitted, downloaded, exchanged, or discussed on any social media made available to the public may be accessed by the Company or any third party at any time without prior notice. Remember, anything posted on the Internet or in a social media forum might be publicly accessible.

- Nothing in this policy should be interpreted as giving any manager of the Company the right to request the username and/or password to the employee's private social media content or private email accounts, to request the employee to divulge the content of private social media content and/or private email accounts, or to request the employee to provide access to or view social media content and/or private email accounts in the presence of management. As the sole exception to this rule, Employee Relations may request that an employee divulge personal social media content reasonably believed to be relevant in an investigation of alleged employee misconduct or a legal violation – but information must only be used for the investigation or related proceeding.
- In addition, Employee Relations may request

- login information for purpose of accessing employer-issued electronic devices.
- Nothing in this policy is intended to, and should not be interpreted as violating an employee's rights under the National Labor Relations Act.
  - No Company manager may discipline, or threaten discipline or discharge, an employee for exercising his or her rights under this policy and/or the law. Nor may any manager retaliate against an employee for not adhering to a request or requirement that violates this policy and/or the law.

If you have any questions about this policy, please consult Employee Relations.

## Business Attire and Appearance Policy

This policy provides guidelines for appearance and attire in the workplace. Employees are encouraged to adhere to these guidelines with multiple goals in mind:

- To represent Lithia Motors in an appropriate and professional manner
- To present ourselves as identifiable, approachable, and relatable to our customers and each other

- To maintain personal appearance that is clean and consistent

### Professional Appearance

Your overall appearance should be professional, neat and clean. Hair should be natural and professional in color and style. To maintain a professional dress environment we discourage visible tattoos and facial jewelry. We reserve the right to require that tattoos be covered or facial jewelry removed on a case by case basis.

Strong perfume or cologne may offend others and isn't allowed. Maintain proper personal hygiene as necessary and essential for fresh breath and to eliminate body odor.

### Business Attire

Business clothing should fit properly, be clean and in good repair. Employees are encouraged to wear clothing suitable for their franchise and work position. Work clothing bearing name tags, and the Company, manufacturer and vendor partner logos are encouraged. Dress or polo shirts should be tucked into slacks. Pants are to be full-length; capris-length is also suitable for women.

Necklines (front, back and straps) should reflect a professional image and fully cover undergarments. Bare shoulders, midriffs and the absence of undergarments are not permitted. Skirts and dresses should be an appropriate length for the business environment. Unacceptable attire includes short skirts, tank tops, t-shirts, halter-tops or any other clothing that fails to provide cover in a reasonably modest fashion.

Wear appropriate professional footwear that is consistent with your uniform or business attire and is safe for your working conditions.

### Uniformed Positions

Technicians, Lot Attendants, Detailers, and other designated service support personnel are required to maintain uniform standards according to guidelines established with contracted laundry supplier.

If you have questions or concerns regarding this policy, please discuss them with your manager. Each store's General Manager or Business Unit Manager has discretion to add to or modify this Business Attire Policy.







## Code of Business Conduct and Ethics

The Board of Directors believes that the long term financial success of Lithia Motors, Inc. and its subsidiaries (collectively, the “Company”) is dependent on the fundamental principles of integrity, honesty, loyalty and fairness. This Code of Business Conduct and Ethics (the “Code”) outlines the broad principles of legal and ethical business conduct embraced by the Company and is intended to:

- promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest;
- promote full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with, or submits to, the Securities and Exchange Commission (the “SEC”) and in other public communications made by the Company;
- promote compliance with applicable governmental laws, rules and regulations;
- promote the protection of Company assets, including corporate opportunities and confidential information;
- promote fair dealing practices;
- deter wrongdoing; and
- ensure accountability for adherence to the Code.

No written code can possibly anticipate and address all potential situations you may face in the course of business. This Code therefore should be used as a guideline rather than as a checklist when performing your job or acting on behalf of the Company. When the law or this Code is not specific on a particular issue, the Company expects each employee to use common sense and good judgment in effecting the spirit of the law and this Code.

### Who is covered by this Code

All directors, officers and employees of the Company are covered by this Code.

### Compliance with Laws, Rules and Regulations

Obeying the law, in letter and in spirit, is the underpinning of the Company’s ethical standards. You are expected to respect and obey all federal, state, and local laws, rules, and regulations to which you and the business operations of the Company are subject, including, but not limited to, all rules and regulations promulgated by federal, state, and local governmental and regulatory agencies and all self-regulatory organizations to which the Company is subject. You are not expected to know every detail of these laws, rules and regulations; however, you should be familiar enough with those laws, rules and regulations relating to your responsibilities and job performance to determine when to seek advice or counsel from the appropriate Company personnel. The Company encourages you to consult with your supervisors and management before taking any action which you feel may be inconsistent with this Code.

### Conflicts of Interest

You are expected to make and participate in business decisions and actions in the ordinary course of your service with the Company based on the best interests of the Company and not on personal interests or relationships. You are expected to apply sound judgment to avoid conflicts of interest or apparent conflicts of interest.

A conflict of interest occurs when an individual’s private interest (or



the interest of a member of his or her family) interferes, or even appears to interfere, with the interests of the Company as a whole. A conflict of interest can arise when an employee, officer or director takes actions or has interests that may make it difficult to perform his or her work for the Company objectively and effectively. Conflicts of interest also arise when an employee, officer or director (or a member of his or her family) receives improper personal benefits (e.g., bribes or other inducements) as a result of his or her position in the Company. These could include direct payments or gifts, payments or other compensation for favorable purchasing, employment or other decisions, outside employment or interests in a competitor, vendor or customer or the like.

Conflicts of interest are prohibited as matter of Company policy, except under specific circumstances approved by the Board of Directors or a designated board committee in advance. You are expected to disclose to the Company situations that may involve actual or apparent conflicts of interest; and you should recuse yourself from participation in any decision in which you may have a conflict of interest. Waivers of a conflict of interest may only be made in accordance with this Code. Waivers are described in further detail below.

Because a conflict of interest may not be clear, you are encouraged to seek advice and counsel from senior management or the Company's In-House Counsel if you suspect you may have a conflict of interest.

### **Conflicts of Interest Exceptions**

Exceptions to this prohibition are (1) occasional meals, event tickets, and non-cash gifts with a value of \$500 or less; and (2) approved

incentive awards, trips, and event admissions tickets from automotive manufacturers, or other approved meals, events tickets, or other non-cash gifts from vendors or customers with a value of over \$500, provided that none are intended to reward recipients for actions not in the best interest of the Company.

#### **Approval of exceptions:**

- Regional Vice Presidents, Senior Vice Presidents, or higher may approve any Manufacturer incentive awards and/or any Vendor or customer meal non-cash gift to any employee, up to and including the General Manager;
- Senior Vice President or higher may approve any Manufacturer incentive awards to any non-dealership employee, including all Support Services employees;
- Notwithstanding the foregoing, only the CEO or CFO may approve exceptions for Senior Vice Presidents or higher, and only the CFO may approve exceptions for the CEO up to \$10,000, and only the Board of Directors may approve amounts higher than \$10,000 for the CEO.

### **Conflicts of Interest and Related Party Transactions**

Conflicts of interest may also occur if you are in a position to approve a transaction or any payment or benefit between the Company and your immediate family or any entity in which you or your family may have a material interest as officer, director, owner, or beneficiary (collectively, a "related party"). A conflict of interest also may arise when a related party receives an improper personal benefit from a third party as a result of his or her position in the Company (e.g., payments, gifts, or bribes to the person or the related party).

Transactions between the Company and a related party, however, do not automatically create a conflict of interest. Indeed, the Company encourages its employees and their friends and family to purchase vehicles from and have their vehicles serviced and repaired at the Company's dealerships, and to use other services offered by the Company. Except for specific "employee" pricing, the terms of such transactions are to be no better than those made available to other customers. Negotiated prices on vehicles without a fixed price require the approval of the store's general manager (or a more senior executive in the Company).

Other non-vehicle transactions between a related party and the Company must be at a price or on terms no more favorable than those given to or available from unaffiliated third parties and require the approval from the store's general manager (or a more senior executive in the Company).

For any significant related party transaction involving a senior executive officer or board member or related party of either (e.g., the child, parent, spouse or sibling), such transaction requires the specific approval of the Company's Audit Committee or another appropriate independent committee of the Board. If members of the Audit Committee are involved in a related party transaction such that a quorum of disinterested members does not exist to review and approve the transaction, the Board will appoint a special committee comprised of independent, disinterested directors to review and determine whether to approve the transaction. In addition, any lifetime contract compensation contract with a Named Executive Officer, as defined in Securities and Exchange Commission Rules, must be submitted to shareholders for approval.

### **Misappropriation of Corporate Opportunities**

You owe a duty to the Company to advance the interests of the Company when the opportunities arise. You are prohibited from taking for yourself personally (or for the benefit of friends or family members) opportunities that are discovered through the use of Company assets, property, information or position. You may not use Company assets, property, information or position for personal gain (including gain of friends or family members). In addition, you may not compete with the Company.

### **Protection and Use of Company Assets**

You should endeavor to protect the assets of the Company and ensure their efficient use. You are personally responsible and accountable for the proper use of Company property and funds over which you have control. You are also personally responsible and accountable for the proper use of Company-provided services, including any Company-provided communication devices and/or related services. Further, you are personally responsible and accountable for the proper use of property and funds of others (including customer property and funds) that have been entrusted to your custody or care. All Company assets, including proprietary information, should be used only for legitimate Company business purposes and not for personal use or gain, although incidental personal use of certain assets may be permitted.

Theft, misuse, carelessness and waste of Company assets directly impact the Company's profitability. Any suspected incident of fraudulent use or theft of Company assets should be reported immediately, as described below.



## Insider Trading

You may not purchase or sell any Company securities while in possession of material non-public information regarding the Company, nor may you purchase or sell another company's securities while in possession of material non-public information regarding that company. It is against Company policies and illegal for you to use material non-public information regarding the Company or any other company to:

- obtain profit for yourself; or
- directly or indirectly "tip" others who might make an investment decision on the basis of that information.

Your responsibilities, including restrictions on trading in the Company's securities, are described in more detail in the Company's Corporate Policy Regarding Confidential Information and Insider Trading.

## Competition and Fair Dealing

The Company believes in promoting competitive advantage through superior performance and service, rather than through unethical or illegal business practices. You are expected to endeavor to respect the rights of and deal fairly with the Company's customers, suppliers, competitors and employees. No person representing the Company should take unfair advantage of another through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other intentional unfair-dealing practices.

## Confidentiality

You are charged with the duty to maintain in confidence all confidential information entrusted to you by the Company, its vendors and

customers, except when such disclosure is expressly authorized or required by law or regulation, or approved by the appropriate Company personnel. Confidential Information includes all non-public information (regardless of its source) that may be useful to competitors, or damaging to the Company, its vendors and customers if disclosed. The duty to maintain such information in confidence continues after employment with the Company ends.

## Record Retention

Each Company department or division and its respective employees is responsible for the maintenance of such department or division's records in accordance with record retention policies of the Company. A record is any information, regardless of the physical or electronic format, that has been created or obtained in the transacting the Company's business. The alteration, destruction or falsification of Company documents with the intent to obstruct a pending or anticipated regulatory or governmental proceeding or investigation or a discovery request in connection with any private litigation, is strictly prohibited and may constitute a crime punishable by fine and/or imprisonment. Additionally, document falsification or destruction in other contexts can result in a violation of the securities laws or the obstruction of justice. Each person is expected to be familiar with the applicable policy and procedures and to follow and abide by the terms of this policy and its related procedures.

## Disclosure Controls and Policies

The public's perception of the Company is dependent upon accurate, full and complete disclosure of important Company information used in the financial marketplace. Company financial and non-financial

disclosures and filings required by securities regulations must be transparent, accurate and timely. Providing timely, reliable, truthful and accurate information is a complex process that requires the commitment and cooperation of numerous departments, disciplines and related Company personnel.

The Company's disclosure process is intended to record, process, summarize and report material information in a timely manner. The Company books, records, accounts and financial statements must be maintained in reasonable detail to appropriately reflect the Company's transactions and operations and must conform to all applicable legal requirements and the Company's system of internal controls.

The Company's periodic reports and other documents filed with the SEC, including all financial statements and other financial information, must comply with applicable federal securities laws and SEC rules.

If you contribute in any way to the preparation or verification of the Company's financial statements and other financial information, you must ensure that the Company's books, records and accounts are accurately maintained. You must cooperate fully with the Company's Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and Director of Internal Audit, as well as the Company's independent public accountants and counsel.

If you are involved in the Company's disclosure process, you must:

- be familiar with and comply with the Company's disclosure controls and procedures and its internal control over financial reporting; and
- take all necessary steps to ensure that all filings with the SEC and

all other public communications about the financial and business condition of the Company provide full, fair, accurate, timely and understandable disclosure.

### **Investor Relations, Media and Public Inquiries**

Dissemination of accurate and consistent information about the Company is important to the overall commitment of the Company to be forthright and honest in its disclosures to the public. The Company has designated specific Company personnel to address public inquiries received from the media, investors, analysts and the general public. The Investor Relations Department is responsible for public communications with stockholders, analysts, potential investors and other interested members of the financial community. All such inquiries should be directed to the attention of the Investor Relations Department. Unless your job duties expressly include responding to outside inquiries, all other inquiries should be referred to the designated Company spokesperson.

### **Participation in the Political Process**

The Company encourages its employees to actively participate in the political process. However, you may not engage in any political activities during Company time or use Company resources in furtherance of any such activity, without the approval of senior management. When expressing an individual political viewpoint or making a political contribution, you must make it very clear that you do not represent the Company and you are not acting on behalf of the Company, unless expressly directed and authorized by senior management to do so.

## Prohibited Substances

The Company has adopted an employment policy intended to provide a “drug free” work environment. You are expected to understand and comply with the Company’s prohibited substances policy.

## Employee Relations

A key element of the success of the Company is the collaborative effort of its directors, officers and employees and their ability to recognize and embrace the diversity of the Company workforce. In order for the Company to gain the full benefits from a diverse workforce, you must respect the rights and dignity of your co-workers and you must be trustworthy and dedicated to high standards of job performance. The same respect of co-workers should be granted toward the employees of the Company’s customers, vendors and competitors. Moreover, the Company has adopted a Harassment and Discrimination Policy which prohibits unlawful practices and acts. You are required to read and acknowledge in writing your understanding of the Harassment and Discrimination Policy. The Company is committed to maintain a work environment free from discrimination.

## Financial and Accounting Officers and Managers

The Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and other financial and accounting managers under their supervision have a special responsibility for promoting integrity throughout the Company, particularly involving the financial reporting process. These persons are vested with the responsibility and authority to protect, balance and preserve the interests of all stakeholders of the Company and to promote a culture throughout the Company that ensures fair, accurate and timely disclosure of the Company’s financial

results and condition. To fulfill these heightened responsibilities, in addition to complying with the general provisions of this Code, each of the foregoing persons is expected to:

- Provide accurate, complete, objective, relevant information to ensure full, fair, accurate, timely and understandable disclosure of all material information disclosed to the public or regulatory agencies;
- Act in good faith, responsibly and with due care, competence and diligence, without misrepresenting material facts or subordinating one’s independent judgment;
- Encourage professional integrity throughout the finance organization of the Company by promoting responsible behavior and providing mechanisms for employees of the finance organization to openly consult with, confide in and inform senior management within the finance organization, deviations in practice from policies and procedures that dictate honest and ethical behavior; and
- Establish and promote a Company financial policy that ensures business transactions are properly authorized and accurately recorded in the Company’s books and records in accordance with generally accepted accounting principles.

## Reporting and Enforcement

You are expected to be aware of situations that could result in actions that may violate federal, state or local law or the standards of conduct addressed in this Code. If you believe that your conduct or the conduct of a co-worker has or may violate the law or this Code, you have an obligation to report the matter to the Company.

## Questions

When in doubt about the best course of action in a particular situation or if you have questions about this Code, you are encouraged to consult with your supervisor. If your supervisor is unable to help you or you are uncomfortable discussing your concern with him, you may contact the Chief Financial Officer or In-House Counsel or use the other reporting options described below

## Reporting

Actions prohibited by this Code involving directors or executive officers should be reported to the Corporate Governance Committee. Actions prohibited by this Code involving any other person should be reported to the reporting person's supervisor, Chief Financial Officer or In-House Counsel. Additionally, the Company has established a procedure by which concerns about this Code may be raised anonymously. Concerns submitted through this confidential process will be presented to the Audit Committee of the Company's Board of Directors on a periodic basis. Employees who wish to make a confidential, anonymous report about this Code can do so at:

[lithiaemployeefeedback.com](mailto:lithiaemployeefeedback.com) or by calling (800) 224-8168

**You will not face reprisals for “whistle blowing” or reporting in good faith any actions that you feel may violate the law or the Code. It is the Company's policy not to allow retaliation for reports of misconduct by others made in good faith. Individuals who file reports or provide evidence that they know to be false or without reasonable belief in the truth and accuracy of such information may be subject to disciplinary action, including termination of their employment. You are expected to cooperate in internal investigations of misconduct.**

Another option is to contact a member of the Corporate Governance Committee directly or by mail to  
Audit Committee  
c/o Lithia Motors, Inc.  
150 N. Bartlett Street  
Medford, Oregon 97501

## Enforcement

The Company must ensure prompt and consistent action against violations of this Code. If, after investigating a report of an alleged prohibited action by a director or executive officer, the Corporate Governance Committee determines that a violation of this Code has occurred, the Corporate Governance Committee will report such determination to the Board of Directors. If, after investigating a report of an alleged prohibited action by any other person, the relevant supervisor or Chief Financial Officer determines that a violation of this Code has occurred, the relevant supervisor or Chief Financial Officer will report such determination to the In-House Counsel.

Upon receipt of a determination that there has been a violation of this Code, the Board of Directors or the In-House Counsel will take such preventative or disciplinary action as it deems appropriate, including, but not limited to, reassignment, demotion, dismissal and, in the event of criminal conduct or other serious violations of the law, notification of appropriate governmental authorities.

## Waivers

The Board of Directors (in the case of a violation by a director or executive officer) or the Chief Financial Officer (in the case of a violation by any



other person) may, in its discretion, waive any violation of this Code.

Any waiver for a director or an executive officer must be disclosed as required by SEC and NYSE rules.

February 23, 2017

## Comprehensive At-Will Employment and Arbitration Agreement

### AGREEMENTS

Between your Dealership or Company (Company)

and Employee signing this Agreement (Employee)

#### At Will Employment Agreement

I agree as follows: My employment and compensation is terminable at-will, is for no definite period, and my employment and compensation may be terminated by the Company (employer) at any time and for any reason whatsoever, with or without good cause at the option of either the Company or myself. Consequently, all terms and conditions of my employment may be changed or withdrawn at Company's unrestricted option at any time, with or without good cause. No implied, oral, or written agreements contrary to the express language of this agreement are valid unless they are in writing and signed by the President of the Company. No supervisor or representative of the Company, other than the President, has any authority to make any agreements contrary

to the foregoing. This agreement is the entire agreement between the Company and the employee regarding the rights of the Company or employee to terminate employment with or without good cause, and this agreement takes the place of all prior and contemporaneous agreements, representations, and understandings of the employee and the Company.

#### Binding Arbitration Agreement

I also acknowledge that the Company utilizes a system of alternative dispute resolution which involves binding arbitration to resolve all disputes which may arise out of the employment context. Because of the mutual benefits (such as reduced expense and increased efficiency) which private binding arbitration can provide both the Company and myself, I and the Company both agree that any claim, dispute, and/or controversy that either party may have against one another (including, but not limited to, any claims of discrimination and harassment, whether they be based on the California Fair Employment and Housing Act, Title VII of the Civil Rights Act of 1964, as amended, as well as all other applicable state or federal laws or regulations) which would otherwise require or allow resort to any court or other governmental dispute resolution forum between myself and the Company (or its owners, directors, officers, managers, employees, agents, and parties affiliated with its employee benefit and health plans) arising from, related to, or having any relationship or connection whatsoever with my seeking employment with, employment by, or other association with the Company, whether based on tort, contract, statutory, or equitable law, or otherwise, (with the sole exception of claims arising under the National Labor Relations Act which are brought before the National



Labor Relations Board, claims for medical and disability benefits under my state's workers' compensation laws, and Employment Development Department claims) shall be submitted to and determined exclusively by binding arbitration.

In order to provide for the efficient and timely adjudication of claims, the arbitrator is prohibited from consolidating the claims of others into one proceeding. This means that an arbitrator will hear only my individual claims and does not have the authority to fashion a proceeding as a class or collective action or to award relief to a group of employees in one proceeding. Thus, the Company has the right to defeat any attempt by me to file or join other employees in a class, collective or joint action lawsuit or arbitration (collectively "class claims").

I further understand that I will not be disciplined, discharged, or otherwise retaliated against for exercising my rights under Section 7 of the National Labor Relations Act, including but not limited to challenging the limitation on a class, collective, or joint action. I understand and agree that nothing in this agreement shall be construed so as to preclude me from filing any administrative charge with, or from participating in any investigation of a charge conducted by, any government agency such as the Department of Fair Employment and Housing and/or the Equal Employment Opportunity Commission; however, after I exhaust such administrative process/investigation, I understand and agree that I must pursue any such claims through this binding arbitration procedure. I acknowledge that the Company's business and the nature of my employment in that business affect interstate commerce. I agree that the arbitration and this Agreement shall be controlled by the Federal Arbitration Act, in conformity with the procedures of my state's arbitration laws and procedures (or if my state

does not have applicable arbitration laws, the California Arbitration Act (Cal. Code Civ. Proc. sec 1280 et seq., including section 1283.05 and all of the Act's other mandatory and permissive rights to discovery)). However, in addition to requirements imposed by law, any arbitrator herein shall be a retired state court Judge from my state and shall be subject to disqualification on the same grounds as would apply to a judge of such court. To the extent applicable in civil actions in my state's courts, the following shall apply and be observed: all rules of pleading (including the right of demurrer), all rules of evidence, all rights to resolution of the dispute by means of motions for summary judgment, judgment on the pleadings, and motions for directed verdict.

Resolution of the dispute shall be based solely upon the law governing the claims and defenses pleaded, and the arbitrator may not invoke any basis (including, but not limited to, notions of "just cause") other than such controlling law. The arbitrator shall have the immunity of a judicial officer from civil liability when acting in the capacity of an arbitrator, which immunity supplements any other existing immunity. Likewise, all communications during or in connection with the arbitration proceedings are privileged in accordance with my state's laws regarding privileged judicial proceedings. The arbitrator may extend the times for the giving of notices and setting of hearings. Awards shall include the arbitrator's written reasoned opinion.

The arbitrator's fees and costs unique to arbitration shall be borne by the Company. Each party shall bear their own attorney fees and costs, unless a statutory cause of action allows the prevailing party to recover attorney fees or costs. The arbitrator, and not any federal, state, or local court or agency, shall have exclusive authority to resolve any dispute relating to the interpretation, applicability, enforceability, or formation

of this Agreement, including without limitation any claim that this Agreement is void or voidable.

Both the Company and I agree that any arbitration proceeding must move forward under the Federal Arbitration Act (9 U.S.C. §§ 3-4) even though the claims may also involve or relate to parties who are not parties to the arbitration agreement and/or claims that are not subject to arbitration: thus, the court may not refuse to enforce this arbitration agreement and may not stay the arbitration proceeding despite the provisions the applicable law of my state, including, without limitation, California Code of Civil Procedure § 1281.2(c).

### **Acknowledgement of Receipt of 2017 Employee Handbook**

This is to acknowledge that I've received and read the Employee Handbook. I understand and agree to abide by and be bound by the rules, policies, and standards set forth in the Employee Handbook, to include the following key policies: Integrity Policy, Discrimination, Harassment and Corporate Governance Policy, Drug and Alcohol Policy, Policy Regarding Lithia Motors Confidential Information and Insider Trading, Social Networking Policy, Information Security Protection Policy, Business Attire and Appearance Policy and the Code of Business Conduct and Ethics.

I understand that this handbook replaces and supersedes all previous handbooks and does not attempt to cover all areas of policy, programs, or benefits. The policies, programs, and benefits set forth in the Employee Handbook do not create a contract of employment. Further, I understand that my employment relationship with the Company is "at

will" subject to applicable laws and may not be changed unless in writing signed by the President of the company.

I further understand that my continued employment with the Company is "at will." I have the right to terminate my employment relationship with the Company at any time and for any reason with or without notice, and the Company has a similar right, subject to state law. I acknowledge that no statements or representations regarding my employment can alter the foregoing. As to the circumstances in which employment may be terminated, this is the entire agreement between me and the Company; there are no oral or collateral agreements of any kind.

I also acknowledge that no supervisor or employee has the authority to enter into an employment agreement, expressed or implied, providing for employment other than "at will" employment, and that only a writing signed by the President of the company can change my at-will status.

I also acknowledge that the Company utilizes a system of alternative dispute resolution that involves binding arbitration to resolve all disputes which may arise out of the employment context and I agree to abide by the terms and conditions of our Comprehensive At-Will Employment and Arbitration Agreement as set forth in this handbook.

I also acknowledge that, except for the policy of at-will employment and arbitration, the Company reserves the right to revise, supplement, or rescind any policy or provision in the handbook at any time that it deems appropriate, with sole and absolute discretion. The Company attempts to keep the handbook current, but there may be times when policies or programs change before material can be revised.

The most current version of the handbook can be found on Spark.

I understand that the foregoing agreement concerning my employment-at-will and arbitration status and the Company's right to determine and modify the terms and conditions of employment is the sole and entire agreement between me and the Company concerning the duration of my employment, the circumstances under which my employment may be terminated, and the circumstances under which the terms and conditions of my employment may change.

I acknowledge receipt of the information and policies included in this handbook and understand the responsibility I have to abide by them.

Print Name \_\_\_\_\_

Acknowledgement Code \_\_\_\_\_

Signature \_\_\_\_\_ Date \_\_\_\_\_

## Comprehensive At-Will Employment and Arbitration Agreement

### AGREEMENTS

Between your Dealership or Company (Company)

and Employee signing this Agreement (Employee)

Should any term or provision, or portion thereof, be declared void or unenforceable, it shall be severed and the remainder of this agreement shall be enforced.

**I UNDERSTAND BY AGREEING TO THIS BINDING ARBITRATION PROVISION, BOTH I AND THE COMPANY GIVE UP OUR RIGHTS TO TRIAL BY JURY.**

Print Name \_\_\_\_\_

Signature \_\_\_\_\_ Date \_\_\_\_\_

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## Notes





[www.LithiaMotors.com](http://www.LithiaMotors.com)

