

What is the Employee Stock Purchase Plan (ESPP)?

The Employee Stock Purchase Program (ESPP) offers eligible employees the opportunity to purchase Lithia stock at a discount of 15%. Lithia's stock trades on the New York Stock Exchange (NYSE) under the symbol LAD, in US dollars.

This unique discount through the ESPP is available only to eligible employees. Purchasing shares of Company stock at a discount provides both a valuable opportunity to save for your future and an opportunity to take an ownership stake in the company you work so hard to make successful.

Who is eligible to purchase shares through the ESPP?

In order to participate in the ESPP program, employees must be actively employed for a minimum of 90 continuous days prior to the date of the next offering period.

If an employee leaves Lithia & Driveway and is rehired, the new date of hire will be used to determine eligibility.

How does the ESPP work?

Shares are purchased once per quarter through the ESPP and there are four opportunities to enroll in the program during the year, called Enrollment & Contribution Change Windows. The following schedule outlines these enrollment periods:

Share Purchase Period	Enrollment & Contribution Change Windows	Cancellation Period
1st Quarter: January–March	December 10th to 25th	No later than March 16th for the 1st Quarter
2nd Quarter: April–June	March 10th to 25th	No later than June 15th for the 3rd Quarter
3rd Quarter: July–September	June 10th to 25th	No later than September 16th for the 4th Quarter
4th Quarter: October–December	September 10th to 25th	No later than December 16th for the 4th Quarter

When you enroll, you will elect to contribute a percentage of your eligible pay – from 1% to 10% - in after-tax payroll deductions. Your contributions accumulate throughout the offering period and, at the end of the period, are used to purchase shares of Lithia stock. Once you choose a contribution level, you may not make changes until the next enrollment window (as outlined in the table above). Your ESPP contributions are limited to $21,250 USD of pay annually to buy $25,000 USD of stock.



How is stock purchased?

Once you enroll in the program, bi-weekly payroll deductions will be taken from your pay. At the end of each share period, your cumulative contributions will be converted to USD (at the exchange rate listed on the date of conversion), on the last business day prior to the last day of quarter. Once converted, your contributions will be used to purchase shares at 85% of LAD's closing Market Price on the last business before the last day of share period. The schedule below outlines the share periods and timelines for contribution conversion and stock purchases:

Share Purchase Period	Conversion of Payroll Contributions from CAD to USD	Share Purchase Date
1st Quarter: January–March	Business day prior to the last day in March	First business day in April
2nd Quarter: April–June	Business day prior to the last day in June	First business day in July
3rd Quarter: July–September	Business day prior to the last day in September	First business day in October
4th Quarter: October–December	Business day prior to the last day in December	First business day in January

If there are leftover contributions at the end of the quarter, they will be carried over into the next quarter. Please note that the 15% discount on the share purchase price is a taxable benefit. Each quarter the discounted savings will be added to your pay as a benefit and taxed accordingly.

Example of a ESPP stock purchase:

Payroll deductions will be in Canadian dollars. All stock purchases are in US dollars. The following example outlines a stock purchase in a share period:

	CAD$	USD$
Period Contributions	$500	
Exchange Rate	1.25	
Period Contributions		$400
Market Value of LAD Shares		$100
ESPP Discounted Share Price		$85
Number of Shares Purchased		= $400/$85 = 4 shares
Contributions remaining for next period		= $400 - ($85 x 4 shares) = $60
Taxable benefit		= $15 x 4 shares = $60
Taxable benefit converted to CAD @ 1.25 exchange rate	$75	
Tax applied to next pay period (assuming a 25% tax rate)	= $75 x 25% = $18.75	

In the example above, the employee was able to purchase 4 shares of LAD in the period. The remaining contributions of $60 will be carried over to the next contribution period.



What happens to purchased shares?

The shares will be placed into an E*TRADE account that Lithia will open for you. If you have an existing E*TRADE account, please contact E*TRADE directly and they can merge the two accounts for you.

How do I change or cancel my payroll deductions?

Increases or decreases to your bi-weekly ESPP payroll contributions must be made during the quarterly enrollment/change period, as outlined in the table above. You can cancel your payroll contributions during the offering period; however, this must be done no later than 15 days prior to the end of the period. Any unused contributions will be repaid on your next pay date.

Can I sell my stock?

Once purchased, you own the shares; there is no vesting period. You may sell your stock at any time by calling E*TRADE directly at 800-838-0908 or online at www.etrade.com.

What happens to my stock if I leave the company?

The stocks you purchased through the ESPP are fully owned by you. If you leave the company, you can keep your shares in your E*TRADE account or sell them as you wish. Any accumulated deductions that have not yet been used to purchase stock will be delivered as soon as administratively possible.

CONTACT US

If you have any questions please contact: benefits@lithia.com.