

LITHIA MOTORS INC  
Form 11-K  
June 17, 2011

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2010

SEC Registration No. 333-43593

**LITHIA MOTORS, INC. SALARY REDUCTION PROFIT SHARING PLAN**

**LITHIA MOTORS, INC.**  
360 East Jackson Street  
Medford, OR 97501

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**REPORT OF INDEPENDENT  
REGISTERED PUBLIC ACCOUNTING FIRM  
AND  
FINANCIAL STATEMENTS  
WITH  
SUPPLEMENTAL SCHEDULE FOR  
  
LITHIA MOTORS, INC.  
SALARY REDUCTION  
PROFIT SHARING PLAN  
  
DECEMBER 31, 2010 AND 2009**



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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**To the Participants and**

**Plan Administrator of the**

**Lithia Motors, Inc. Salary Reduction Profit Sharing Plan**

We have audited the accompanying statements of net assets available for benefits of Lithia Motors, Inc. Salary Reduction Profit Sharing Plan (the Plan) as of December 31, 2010 and 2009, and the related statement of changes in net assets available for benefits for the year ended December 31, 2010. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available

for benefits of the Plan as of December 31, 2010 and 2009, and the changes in its net assets available for benefits for the year ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule, as listed in the accompanying table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Medford, Oregon

June 16, 2011



## LITHIA MOTORS, INC.

## SALARY REDUCTION PROFIT SHARING PLAN

## STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

	December 31,	
	2010	2009
<b>ASSETS</b>		
Investments, at fair value		
Registered investment companies	\$ 45,958,667	\$ 39,324,403
Common collective trust	10,892,539	9,719,949
Lithia Motors, Inc. Class A Common Stock	9,769,101	5,886,403
	66,620,307	54,930,755
Receivables		
Notes receivable from participants	4,001,645	3,546,533
Employer's contribution	502,182	252,804
	4,503,827	3,799,337
	71,124,134	58,730,092
<b>LIABILITIES</b>		
Excess participant contributions payable	(70,300 )	-
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>		
<b>AT FAIR VALUE</b>	71,053,834	58,730,092
Adjustment from fair value to contract value for fully-benefit responsive investment contracts	(290,731 )	(46,266 )
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	\$ 70,763,103	\$ 58,683,826



## LITHIA MOTORS, INC.

## SALARY REDUCTION PROFIT SHARING PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
YEAR ENDED DECEMBER 31, 2010

ADDITIONS TO NET ASSETS ATTRIBUTED TO		
Investment income		
Net appreciation in fair value of investments	\$	10,173,501
Interest and dividends		1,373,684
		11,547,185
Contributions		
Employer's		502,182
Participants'		7,378,678
Rollovers		231,373
		8,112,233
		19,659,418
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO		
Benefits paid to participants		7,413,496
Administrative expenses		166,645
		7,580,141
NET INCREASE IN NET ASSETS		12,079,277
NET ASSETS AVAILABLE FOR BENEFITS		
Beginning of year		58,683,826
End of year	\$	70,763,103



LITHIA MOTORS, INC.

SALARY REDUCTION PROFIT SHARING PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

YEAR ENDED DECEMBER 31, 2010

NOTE 1 – DESCRIPTION OF PLAN

The following description of the Lithia Motors, Inc. Salary Reduction Profit Sharing Plan (the Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

**General** – The Plan is a defined contribution plan covering all eligible employees of Lithia Motors, Inc. and its subsidiaries (collectively, the Company) as defined in the Plan documents. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

**Administration** – The Company has appointed a 401(k) Committee (the Committee) to manage the operation and administration of the Plan. The Company has contracted with DWS Trust Company to act as the custodian and trustee and a third-party administrator to process and maintain the records of participant data.

**Contributions** – Each year, the Company contributes to the Plan an amount determined annually by the Company's senior management. For employee contributions made in 2010 the Company contributed 15.3% on the first \$2,500 of the employee contributions. The Participant must be employed on the last day of the Plan year to be eligible for this contribution. Participants may contribute, under a salary reduction agreement, the maximum allowed by the Internal Revenue Service under Code Section 402(g). The Plan also permits the automatic enrollment of eligible employees in the Plan with a contribution of 3% of eligible compensation, unless the employee affirmatively elects otherwise. Participants direct the investment of contributions into various investment options offered by the Plan. The Plan currently offers investments in various registered investment companies, a common collective trust managed by DWS Investments as well as shares of Class A Common Stock of the Company.

**Participant Accounts** – Each participant's account is credited with the participant's contribution and an allocation of the Company's contribution and Plan earnings, and is charged with a per capita allocation (equal amount) of the Plan's administrative expenses. The benefit, to which a participant is entitled, is the benefit that can be provided from the participant's vested account.

**Vesting** – Participants are immediately vested in their voluntary contributions plus actual earnings thereon. Vesting in the remainder of their accounts is based on years of continuous service. A participant is 100% vested after six years of credited service.

**Notes Receivable from Participants** – Participants may borrow from their fund accounts a minimum of \$500 and a maximum equal to the lesser of \$50,000 or 50% of their vested account balance. Loan transactions are treated as a transfer from the investment fund to the participant loan fund. Loan terms range up to five years or up to thirty years for the purchase of a primary residence. The loans are secured by the vested balance in the participant's account and bear interest at a rate of Prime + 1% (from 4.25% to 10.50% as of December 31, 2010) at the time the loan is issued.

Principal and interest are paid ratably through semimonthly payroll deductions.

**See Notes to Financial Statements**

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LITHIA MOTORS, INC.

SALARY REDUCTION PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

**NOTE 1 – DESCRIPTION OF THE PLAN (Continued)**

**Payment of Benefits** – Upon termination, the participants or beneficiaries may elect to leave their account balance in the Plan, or receive their total benefits in a lump sum amount or annual, semiannual, quarterly or monthly installments over a period of years equal to the value of the participant's vested interest in their account. The Plan requires the automatic distribution of participant vested account balances that do not exceed \$5,000.

**Forfeited Accounts** – Forfeited non-vested accounts at December 31, 2010 and 2009 totaled \$120,752 and \$114,312, respectively, and are used to reduce future employer contributions. Forfeitures utilized in 2011 to reduce the employer's contribution for the year ended December 31, 2010 amounted to \$118,179.

**NOTE 2 – SUMMARY OF ACCOUNTING POLICIES**

**Basis of Accounting** – The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), using the accrual method of accounting.

**Use of Estimates** – The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Recent Accounting Pronouncements** – In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-06 which expanded the required disclosures about fair value measurements. In particular, this guidance requires 1) separate disclosure of the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements along with the reasons for such transfers, 2) information about purchases, sales, issuances and settlements to be presented separately in the reconciliation for Level 3 fair value measurements, 3) fair value measurements disclosures for each class of assets and liabilities and, 4) disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for fair value measurements that fall in either Level 2 or Level 3. This guidance is effective for annual reporting periods beginning after December 15, 2009 except for 2) above which is effective for fiscal years beginning after December 15, 2010. The Plan adopted this guidance on January 1, 2010. See Note 3.

In September 2010, the FASB issued ASU 2010-25, Plan Accounting-Defined Contribution Pension Plans which amends existing guidance by requiring participant loans to be classified as notes receivable from participants, which are segregated from plan investments and measured at their unpaid principal balance plus any accrued but unpaid interest. The amendments to the Accounting Standards Codification included in ASU 2010-25 are effective for fiscal years ending after December 15, 2010. The Plan has adopted this guidance effective December 31, 2010 and has reclassified participant loans of \$4,001,645 and \$3,546,533 for the years ended December 31, 2010 and 2009, respectively, from investments to notes receivable from participants.





LITHIA MOTORS, INC.

SALARY REDUCTION PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

**NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)**

**Investment Valuation and Income Recognition** – The Plan’s investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

As required by GAAP, the statements of net assets available for benefits presents the fair value of the Plan’s investment in a common/collective trust which has underlying assets in investment contracts, as well as the adjustment of the underlying fully benefit-responsive investment contracts from fair value to contract value. The statement of changes in net assets available for benefits is prepared on a contract value basis.

Investment securities are exposed to various risks, such as interest rate, market, and credit risk. It is reasonably possible, given the level of risk associated with investment securities, changes in the near term could materially affect participants’ account balances and the amounts reported in the financial statements.

**Notes Receivable from Participants** – Notes receivable from participants are measured at amortized cost, which represents unpaid principal balance plus accrued but unpaid interest, and are classified as notes receivable.

**Excess Contributions Payable** – Excess contributions payable represent amounts refunded to participants after year end to comply with regulatory contribution limitations.

**Payment of Benefits** – Benefits are recorded when paid.

**Administrative Expenses** – Substantially all expenses except for audit and legal fees relating to the Plan are paid by the Plan.

**Subsequent Events** – Subsequent events are events or transactions that occur after the statement of net assets available for benefits date but before financial statements are available to be issued. The Plan recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of net assets available for benefits, including the estimates inherent in the process of preparing the financial statements. The Plan’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of net assets available for benefits but arose after the statement of net assets available for benefits date and before financial statements are available to be issued.

The Plan has evaluated subsequent events through June 16, 2011, which is the date the financial statements were issued.



**LITHIA MOTORS, INC.**

**SALARY REDUCTION PROFIT SHARING PLAN**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – FAIR VALUE MEASUREMENTS**

FASB Accounting Standards Codification (ASC) Section 820-10-35 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC Section 820-10-35 are described below:

**Level 1:**

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

**Level 2:**

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- 

Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3:**

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2010 from those used in prior years.

**Common Stock:** Valued at the closing price reported on the active market on which the individual securities are traded.

**Registered Investment Companies (Mutual funds):** Valued at quoted market prices which represent the net asset value (NAV) of shares held by the Plan at year end. It is not probable that the mutual funds would be sold at amounts that differ materially from the NAV of shares held.

## LITHIA MOTORS, INC.

## SALARY REDUCTION PROFIT SHARING PLAN

## NOTES TO FINANCIAL STATEMENTS

## NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

**Fully Benefit-Responsive Common Collective Trust:** The DWS Stable Value Trust is a collective trust designed to provide preservation of capital and returns that are consistent regardless of stock and bond market volatility. The Fund seeks to earn a high level of income consistent with those objectives. The Fund holds guaranteed investment contracts which typically have a fixed maturity. Each contract contains a provision that the issuer will, if required, repay principal at the stated contract value for the purpose of paying benefit payments (fully benefit-responsive). The common collective trust is valued at fair value based on the underlying investments. The underlying investments are valued at fair value as determined by the trustee of the underlying investments (i.e. principal balance plus accrued interest).

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2010 and 2009.

<u>INVESTMENT TYPE PER</u> <u>FINANCIAL STATEMENTS</u>	Investments at fair value at December 31, 2010			
	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
<b>Common/collective trust</b>				
Fixed income fund	\$ -	\$ 10,892,539	\$ -	\$ 10,892,539
<b>Total Common/collective trust</b>	-	10,892,539	-	10,892,539
<b>Mutual funds</b>				
Bond funds	4,826,225	-	-	4,826,225
Growth funds	15,929,698	-	-	15,929,698
Value funds	4,931,900	-	-	4,931,900
Blend funds	16,256,161	-	-	16,256,161
Target date funds	2,822,747	-	-	2,822,747
Other funds	1,191,936	-	-	1,191,936
<b>Total Mutual funds</b>	45,958,667	-	-	45,958,667
<b>Common stock</b>				

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Lithia Motors, Inc.	9,769,101	-	-	9,769,101
<b>Total Common stock</b>	9,769,101	-	-	9,769,101
	\$ 55,727,768	\$ 10,892,539	\$ -	\$ 66,620,307

## LITHIA MOTORS, INC.

## SALARY REDUCTION PROFIT SHARING PLAN

## NOTES TO FINANCIAL STATEMENTS

## NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

<u>INVESTMENT TYPE PER</u> <u>FINANCIAL STATEMENTS</u>	Investments at fair value at December 31, 2009			
	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
<b>Common/collective trust</b>				
Fixed income fund	\$ -	\$ 9,719,949	\$ -	\$ 9,719,949
<b>Total Common/collective trust</b>	-	9,719,949	-	9,719,949
<b>Mutual funds</b>				
Bond funds	4,757,648	-	-	4,757,648
Growth funds	13,406,150	-	-	13,406,150
Value funds	8,278,705	-	-	8,278,705
Blend funds	10,276,218	-	-	10,276,218
Target date funds	2,224,958	-	-	2,224,958
Other funds	380,724	-	-	380,724
<b>Total Mutual funds</b>	39,324,403	-	-	39,324,403
<b>Common stock</b>				
Lithia Motors, Inc.	5,886,403	-	-	5,886,403
<b>Total Common stock</b>	5,886,403	-	-	5,886,403
	\$ 45,210,806	\$ 9,719,949	\$ -	\$ 54,930,755

## NOTE 4 – PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants would become 100% vested in their accounts.

## NOTE 5 – INCOME TAX STATUS

Plan Administrator of the

The Plan has adopted a prototype plan that has received an opinion letter from the Internal Revenue Service dated March 31, 2008. The Plan administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code and that the trust, which forms a part of the Plan, is exempt from federal taxes. Therefore, no provision for income taxes has been included in the Plan's financial statements.

In accordance with GAAP guidance on accounting for uncertainty in income taxes, management evaluated the Plan's tax positions and does not believe the Plan has any uncertain tax positions that require disclosure or adjustment to the financial statements.



## LITHIA MOTORS, INC.

## SALARY REDUCTION PROFIT SHARING PLAN

## NOTES TO FINANCIAL STATEMENTS

## NOTE 6 – INVESTMENTS

The following presents investments that represent 5% or more of Plan net assets at:

	December 31,			
		2010		2009
Registered investment companies				
BR Health SCI Opport Port Fund - A*	\$	-	\$	3,312,857
AM FNDS Europacific Growth Fund*	\$	-	\$	3,065,212
MFS Total Return Fund - A*	\$	-	\$	3,890,563
MFS Total Return Fund - R3	\$	5,042,009	\$	-
Growth Fund of America -R3*	\$	-	\$	3,462,778
Oppen Develop Markets - Y	\$	4,145,586	\$	-
American Fund Gr Fnd of America - R4	\$	3,561,038	\$	-
DWS Stable Value Fund A, at contract value*	\$	-	\$	9,673,683
DWS Stable Value Fund S, at contract value	\$	10,601,808	\$	-
Lithia Motors, Inc. Common Stock	\$	9,769,101	\$	5,886,403
* Less than 5% current year, but greater than 5% prior year				

For the year ended December 31, 2010, the Plan's investments, including gains and losses on investments bought and sold, as well as held during the period, appreciated in value as follows:

		Year ended December 31, 2010
Registered investment companies	\$	4,841,176
Lithia Motors, Inc. Class A Common Stock		5,332,325
	\$	10,173,501



## LITHIA MOTORS, INC.

## SALARY REDUCTION PROFIT SHARING PLAN

## NOTES TO FINANCIAL STATEMENTS

**NOTE 7 – RECONCILIATION OF FINANCIAL STATEMENTS TO SCHEDULE H OF FORM 5500**

The following is a reconciliation of net assets available for benefits per the financial statements to Schedule H of Form 5500:

	December 31,	
	2010	2009
Net assets available for benefits per the financial statements	\$ 70,763,103	\$ 58,683,826
Employer contributions receivable not accrued on Schedule H of Form 5500	(502,182 )	(252,804 )
Benefits payable accrued on Schedule H of Form 5500 but not on financial statements	(10,893 )	(107,725 )
Excess participant contributions payable not accrued on Schedule H of Form 5500	70,300	-
Net assets available for benefits per Schedule H of Form 5500	\$ 70,320,328	\$ 58,323,297

The following are reconciliations of employer and participant contributions and distributions per the financial statements for the year ended December 31, 2010 to Schedule H of Form 5500 as the Form 5500 is prepared on a cash basis while the financial statements are prepared on the accrual basis of accounting:

Employer contributions per the financial statements	\$ 502,182
Plus 2009 employer contributions received by the Plan in 2010 not accrued on Schedule H of Form 5500	252,804
Less 2010 employer contributions received by the Plan in 2011 and not accrued on Schedule H of Form 5500	(502,182)
Employer contributions per Schedule H of Form 5500	\$ 252,804



**LITHIA MOTORS, INC.**

**SALARY REDUCTION PROFIT SHARING PLAN**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 – RECONCILIATION OF FINANCIAL STATEMENTS TO SCHEDULE H OF FORM 5500  
(continued)**

Participant contributions per the financial statements	\$	7,378,678
Excess participant contributions for 2010		70,300
Participant contributions per the Schedule H of Form 5500	\$	7,448,978
Benefits paid to participants per the financial statements	\$	7,413,496
Less benefits payable accrued for 2009		(107,725)
Benefits payable accrued for 2010 on Schedule H of Form 5500 but not on financial statements		10,893
Total benefits paid per the Schedule H of Form 5500	\$	7,316,664

**NOTE 8 – TRANSACTIONS WITH PARTIES-IN-INTEREST AND RELATED PARTIES**

Transactions in shares of the Plan Sponsor’s common stock qualify as party-in-interest transactions under the provisions of ERISA. During 2010, the Plan purchased \$3,697,024 and sold \$5,281,290 of the Plan Sponsor’s common stock.

Certain Plan investments are managed by DWS Investments, the trustee of the Plan. Any purchases and sales of these funds are performed in the open market at fair value. Such transactions, while considered party-in-interest transactions under ERISA regulations, are permitted under the provisions of the Plan and are specifically exempt from the prohibition of party-in-interest transactions under ERISA.

**SUPPLEMENTAL SCHEDULE**





## LITHIA MOTORS, INC.

## SALARY REDUCTION PROFIT SHARING PLAN

## SCHEDULE H, LINE 4I – SCHEDULE OF ASSETS (HELD AT END OF YEAR)

DECEMBER 31, 2010

EIN 93-0572810 PN 003

(a) (b)	Identify of issue, borrower, lessor, or similar party	(c)	Description of investment including maturity date, rate of interest, collateral, par, or maturity value	Number of (d) Shares	Cost	(e)	Current value
*	DWS Stable Value Trust S	Common/Collective Trusts		N/A	N/A	\$	10,601,808
	Franklin Gold and Precious Metal - A	Registered Investment Company		19,914	N/A		1,017,019
	MFS Utilities Fund - R3	Registered Investment Company		91,215	N/A		1,495,919
	BR Health Sci Opps Port - Inst	Registered Investment Company		116,618	N/A		3,387,747
	GS High Yield Fund - A	Registered Investment Company		162,118	N/A		1,180,280
	Managers Cadence Mid-Cap Admi	Registered Investment Company		85,988	N/A		2,083,497
	American Century Infl Bond Fd Inv	Registered Investment Company		112,441	N/A		1,326,806
*	DWS Enhance Commodity Strat	Registered Investment Company		39,754	N/A		174,917
	MFS Total Return FD - R3	Registered Investment Company		357,336	N/A		5,042,009
	Pimco Low Duration Fund - ADM	Registered Investment Company		223,209	N/A		2,319,138
	Allianz RCM Technology - Admi	Registered Investment Company		36,976	N/A		1,788,159
*	DWS Lifecompass 2015 Fund - S	Registered Investment Company		183,727	N/A		1,973,231
*	DWS Lifecompass 2020 Fund - S	Registered Investment Company		34,765	N/A		450,907
	GS Mid Cap Value Fund - A	Registered Investment Company		26,454	N/A		949,689
	The Hartford Capital App - R5	Registered Investment Company		68,943	N/A		2,579,860
*	DWS Large Cap Value Fund S	Registered Investment Company		142,264	N/A		2,479,655
*	DWS Lifecompass 2030 Fund - S	Registered Investment Company		42,270	N/A		398,610
	MFS Utilities - A	Registered Investment Company		404	N/A		6,637
	American Fund Eurpac Gr FD - R	Registered Investment Company		79,541	N/A		3,235,737
	MFS Total Return - A	Registered Investment Company		660	N/A		9,306
*	DWS S&P 500 Index Fund - S	Registered Investment Company		192,787	N/A		3,221,466
	Nueberger & Berman Genesis Trst	Registered Investment Company		45,503	N/A		2,167,783
	Oppen Develop Markets - Y	Registered Investment Company		114,932	N/A		4,145,586
	American Fund Gr Fnd of America - R4	Registered Investment Company		117,954	N/A		3,561,038
*	DWS Global Small Cap Growth - S	Registered Investment Company		24,146	N/A		963,671
*	Lithia Motors, Inc. Common Stock	Common Stock		683,630	N/A		9,769,101
*	Participant Loans	Interest Rates (4.25 to 10.50)		N/A	\$0		4,001,645
						\$	70,331,221



**SIGNATURE PAGE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

**Date: June 16, 2011 LITHIA MOTORS, INC.**

**SALARY REDUCTION PROFIT SHARING PLAN**

**By: /s/Christopher Holzshu**

**Christopher Holzshu**

**EXHIBIT INDEX**

<u>Exhibit</u>	<u>Description</u>
<u>23</u>	<u>Consent of Independent Registered Public Accounting Firm</u>