

Item 1.01 Entry into Material Definitive Agreement.

The Board of Directors of Lithia Motors, Inc. adopted a new compensation package for members of the Board of Directors serving the 2006-2007 term. Attached as Exhibit 99.1 is a summary of the compensation package.

Item 9.01 Financial Statements and Exhibits.

- (a) Not applicable.
- (b) Not applicable.
- (c) Exhibits.
99.1 2006 Board of Directors' Compensation Package

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

LITHIA MOTORS, INC.
(Registrant)

Date: May 17, 2006 By: /s/ Kenneth E. Roberts
Kenneth E. Roberts
Assistant Secretary
