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AFTER RECORDING RETURN TO:
WINEMA MOTORS
ATTN: PAUL W. FLURY
4420 LA HABRA WAY
KLAMATH FALLS, OR 97603

mtc- 66 857 SM

Vol M04 Page 55668
State of Oregon, County of Klamath
Recorded 08/23/04 2:55 p m
Vol M04 Pg 55668-73
Linda Smith, County Clerk
Fee \$ 46⁰⁰ # of Pgs 6

ASSIGNMENT AND ASSUMPTION OF LEASE

This Assignment and Assumption of Lease is made and entered into as of April 15, 1999, by and between Winema Motors, Inc., (LESSOR); G.B. Investment Co., dba Summit Automotive Group (ASSIGNOR); Lithia Real Estate, Inc., an Oregon corporation (ASSIGNEE); Lithia Motors, Inc., (GUARANTOR) and M.D.M. Investment, Inc.

Recitals

A. Lessor has leased to Assignor that certain real property located in Klamath Falls, Oregon, commonly known as 522 South Fifth Street, under a lease dated September 17, 1993, as amended by a Closing Statement dated May 13, 1994 (the "Lease"). M94-16298

B. Assignor desires to assign the Lease to Assignee, and Assignee desires to assume the Lease from Assignor, in connection with the sale and purchase of the business and business assets of the Summit Automotive Group by Lithia Motors, Inc.

C. Lessor has agreed to consent to assignment and assumption of the Lease by Assignee on the terms and conditions set forth in this Agreement.

Agreement

1. Assignee acknowledges receipt of a copy of the Lease.
2. Section 3 of the Lease, OPTION TO RENEW, is amended in its entirety as follows:
 - 3.1 At the conclusion of the initial term of this Lease, the Lessee shall have options to renew the Lease for four (4) consecutive periods of five (5) years each, beginning on May 13 of each renewal term, the first such renewal term to begin May 13, 2004; provided, however, that the Lessee shall not be in default under the Lease at the time of exercise of each option. Each option may be exercised by the Lessee by written notice of its desire to exercise the option given to the Lessor at least 90 days prior to the termination of the then existing Lease term.
 - 3.2 Renewal Term Rent Adjustment. On the first day of the first renewal term (if any) and any subsequent renewal term, monthly rent payable hereunder shall be increased from that payable in the immediately preceding five (5) year term by the same percentage as the Consumer Price Index, Western Cities, All Items, All Urban Consumers (1982-84 = 100) published by the United States Department of Labor, Bureau of Labor Statistics (the "CPI") has increased, if any, during the immediately preceding lease term, by comparing the CPI published at the

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4/15/99

commencement date of the immediately preceding lease term and that published at the end of said preceding lease term. In the event the CPI shall hereafter be converted to a different standard reference base or otherwise revised, the determination of the percentage increase shall be made with the use of such conversion factor, formula or table for converting such index as may be published by the Bureau of Labor Statistics. If publication of the index is discontinued, the parties shall select another index which best measures inflation in the Klamath Falls, Oregon, area for purposes of making these calculations. In no event shall the monthly rent payable during any renewal term ever decrease below the rent payable during the immediately preceding lease term due to any decrease in the CPI, even though the monthly rent due during a previous renewal term may have been increased pursuant to a CPI adjustment. In no event shall the monthly rent payable during any renewal term ever increase more than 10% above the rent payable during the immediately preceding lease term due to any increase in the CPI, even though the CPI may have increased more than 10% during the previous renewal term.

3. Paragraph 5.1 of Section 5 of the Lease, OPTION TO PURCHASE AGREEMENT, is amended in its entirety as follows:

5.1 The deadline for exercise of the option to purchase is extended to October 1, 1999. The option to purchase may be exercised by the Lessee by written notice of its desire to exercise its option to purchase given to the Lessor on or before October 1, 1999.

4. The first sentence of Section 11, FIRE INSURANCE, is amended as follows:

Lessee shall provide fire insurance with extended coverage and earthquake insurance coverage on the Leased Premises in an amount not less than the replacement value.

5. The first sentence of Section 33, RIGHT OF FIRST REFUSAL, is amended in its entirety as follows:

During the initial Lease Term and -- provided the Lessee exercises its first 5-year Option to Renew as set forth in Section 3 hereof and modified in a related Assignment and Assumption Agreement entered into as of April 15, 1999 -- during the first 5-year renewal term, Lessor hereby grants to Lessee the right of first refusal to purchase the Leased Premises in the event Lessor elects to sell the property at any time during the Lease Term or during the first 5-year renewal option term ending May 12, 2009.

6. Assignor and Assignee covenant and agree with Lessor as follows: (a) as of the date of this Agreement, the Lease is valid and binding upon the Lessee, has not been modified except

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as otherwise set forth herein, is in full force and effect, and the monthly rental is \$7,500; (b) the Lease is in default for Assignor's failure to pay April rent of \$7,500 and additional monthly rent in the amount of \$500 per month for each of the months of October 1998 through March 1999, for a total of \$10,500; (c) as of the date of this Agreement, installment payments for real property taxes in the amount of \$2,217.11 and for personal property taxes in the amount of \$490.19 are due Klamath County to be paid by Lessee on or before May 15, 1999, pursuant to Section 8 of the Lease; (d) Assignor has no defense, claim of lien or offset, under the Lease or against the rent payable thereunder; (e) the assignment and assumption of the Lease is to become effective with the close of Escrow of the purchase and sale of assets referred to in Recital B, and the Lease shall remain in full force and effect according to its terms; (f) Assignor shall have no claims to or interest in the Premises, legal or equitable, or any contract or option therefor after the effective date of the assignment and assumption of the Lease; (g) there exist no defaults by Lessor under the terms of the Lease; and (h) Assignor has not paid any rental to Lessor more than one month in advance, and Lessor holds no security deposit for the Lessee.

7. Assignee is a wholly owned subsidiary of Guarantor; Lithia Motors, Inc., hereby guarantees Assignee's payment and performance of the Lessee's obligation under the Lease, and Lessor shall not be required to obtain judgment against Assignee before demanding performance of this obligation by Guarantor in the event of default by Assignee.

8. Pursuant to Section 26 of the Lease, Assignor and M.D.M. Investments, Inc., shall remain liable for full payment of the rent and the Lessee's other obligations under the Lease, and Lessor does not release Assignor or M.D.M. Investment, Inc., from liability for payment and performance of the Lease.

9. In consideration of Assignee's and Guarantor's agreements to pay and perform the Lease, Lessor hereby consents to the proposed assignment and assumption of the Lease; provided, however, that Lessor's consent is conditioned upon cure of all monetary default for unpaid rent and payment of all amounts due Lessor from Assignor under an Agreement for Sale and Purchase of Business Assets dated September 17, 1993, and a related Closing Statement dated May 13, 1994, prior to the closing of the sale referred to in Recital B above.

10. Section 25 of the Lease, NOTICES, is amended to change, until further notice, the address for any notice required or permitted to be given under the Lease as follows:

TO LESSOR:

Paul W. Flury
c/o Carter Jones
Attention, Theresa
P.O. Box 145
Klamath Falls, OR 97601

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ALL LEASE PAYMENTS DUE WINEMA MOTORS, INC., SHALL ALSO BE SENT TO LESSOR AT THE ABOVE ADDRESS.

TO LESSEE:

Lithia Real Estate, Inc.
360 E. Jackson Street
Medford, OR 97501-5892

Dated as of the date first written above.

ASSIGNOR: G.B. Investment Company

Date: _____

By: _____
Gregrey L. Baker, President

M.D.M. Investment, Inc.

Date: _____

By: _____
Gregrey L. Baker, President

ASSIGNEE: Lithia Real Estate, Inc.

Date: _____

By: _____
Title: _____

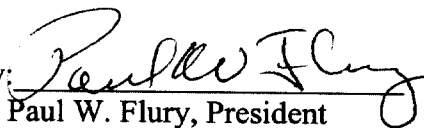
GUARANTOR: Lithia Motors, Inc.

Date: _____

By: _____
Title: _____

LESSOR: Winema Motors, Inc.

Date: _____

By: 
Paul W. Flury, President

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Dated as of the date first written above.

ASSIGNOR: G.B. Investment Company

Date: _____

By: _____
Gregrey L. Baker, President

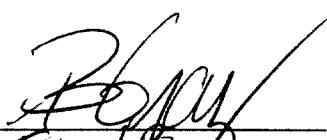
M.D.M. Investment, Inc.

Date: _____

By: _____
Gregrey L. Baker, President

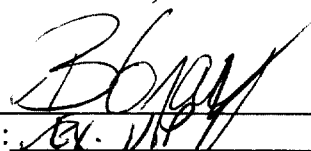
ASSIGNEE: Lithia Real Estate, Inc.

Date: _____

By: 
Title: Ex. V.P.

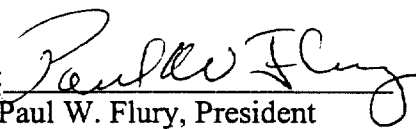
GUARANTOR: Lithia Motors, Inc.

Date: _____

By: 
Title: Ex. V.P.

LESSOR: Winema Motors, Inc.

Date: _____

By: 
Paul W. Flury, President

4 – ASSIGNMENT AND ASSUMPTION OF LEASE

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Dated as of the date first written above.

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Date: _____

By: 
Gregrey L. Baker, President

M.D.M. Investment, Inc.

Date: _____

By: 
Gregrey L. Baker, President

ASSIGNEE: Lithia Real Estate, Inc.

Date: _____

By: _____
Title: _____

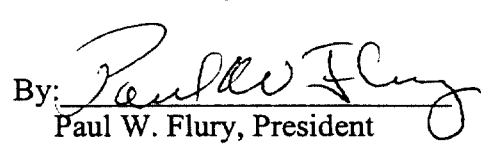
GUARANTOR: Lithia Motors, Inc.

Date: _____

By: _____
Title: _____

LESSOR: Winema Motors, Inc.

Date: _____

By: 
Paul W. Flury, President

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