

CARMAX INC
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May 03, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. __)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

CarMax, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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(1) Title of each class of securities to which the transaction applies:

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Dear Fellow CarMax Shareholders:

I am pleased to invite you to attend the 2013 annual meeting of CarMax, Inc. shareholders, which will be held on Monday, June 24, 2013, in Glen Allen, Virginia, just down the street from where we opened our first superstore nearly 20 years ago. The attached notice of annual meeting and proxy statement are your guides to the business to be conducted at the meeting.

We have redesigned this year's proxy statement to simplify the presentation of the matters to be addressed at our annual meeting. This redesign begins with a proxy summary on page 1 that provides highlights of the detailed information discussed elsewhere in the proxy statement. You will notice additional enhancements in how we present information throughout the proxy statement. We are continually seeking to improve the clarity of our disclosure to you.

We are once again providing live audio coverage of the annual meeting from the CarMax investor relations website at investor.carmax.com. A replay of the annual meeting will be available on this website after the meeting. We hope that this will allow those of you who are unable to attend the meeting in person to hear management discuss this year's results.

Whether or not you will be attending the annual meeting, your vote is very important to us. I encourage you to cast your ballot by Internet, by telephone, by mail (if you request a paper copy) or in person at the annual meeting.

On behalf of the Board of Directors, I would like to thank you for your continued trust in CarMax. I look forward to seeing you at the annual meeting.

Sincerely,

William R. Tiefel

Chairman of the Board of Directors

May 9, 2013

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NOTICE OF 2013 ANNUAL MEETING OF SHAREHOLDERS

When: Monday, June 24, 2013, at 1:00 p.m., Eastern Time
Richmond Marriott West Hotel

Where: 4240 Dominion Boulevard
Glen Allen, Virginia 23060

Items of Business:

- (1) To elect Ronald E. Blaylock, Rakesh Gangwal, Mitchell D. Steenrod and Thomas G. Stemberg to our Board of Directors.
- (2) To ratify the appointment of KPMG LLP as our independent registered public accounting firm.
- (3) To vote on an advisory resolution to approve the compensation of our named executive officers.
- (4) To approve amendments to the CarMax, Inc. Articles of Incorporation to declassify the Company's Board of Directors.
- (5) To approve amendments to the CarMax, Inc. Articles of Incorporation to update and modify certain provisions relating to indemnification.
- (6) To transact any other business that may properly come before the annual meeting or any postponements or adjournments thereof.

Who May Vote: You may vote if you owned CarMax common stock at the close of business on April 19, 2013.

By order of the Board of Directors,

Eric M. Margolin

Senior Vice President,

General Counsel and Corporate Secretary

May 9, 2013

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PROXY SUMMARY

This summary highlights information contained elsewhere in this proxy statement. For more complete information, please review this entire proxy statement and CarMax's Annual Report on Form 10-K for the year ended February 28, 2013.

FISCAL 2013 BUSINESS RESULTS

We achieved record revenues and net earnings in fiscal 2013. We also implemented our first-ever share repurchase program. Annual highlights included the following:

| | |
|----------------------------|--|
| Store Growth | We opened 10 superstores in fiscal 2013. We also reaffirmed our plans to open 10 to 15 stores in each of the next three fiscal years. |
| Revenues/Earnings | We achieved top and bottom-line growth. Revenues rose 10%, to a record of \$10.96 billion. Net earnings rose 5%, to a record of \$434.3 million. |
| Used Units | Total used unit sales increased 10%. Comparable store used unit sales increased 5%. |
| Wholesale Units | Total wholesale unit sales increased 3%. |
| CarMax Auto Finance | CarMax Auto Finance ("CAF") continued to generate strong profits, finishing the year with income of \$299.3 million, an increase of 14% over the prior year. |
| Share Repurchase | We announced a share repurchase program with authorization to purchase up to \$800 million of common stock. As of February 28, 2013, we had repurchased shares with a market value of approximately \$212 million. |

CORPORATE GOVERNANCE HIGHLIGHTS

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Seeking shareholder approval to declassify Board and move to annual election of all directors

Majority voting for directors (implemented in 2011)

Substantial majority of directors are independent (10 of 11)

Independent Board Chair

Shareholder rights plan expired in 2012 and was not renewed

Board oversight of risk management program

Audit Committee oversight of compliance and ethics program

Executive and director stock ownership guidelines

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PROXY SUMMARY CONTINUED

ANNUAL MEETING OF SHAREHOLDERS

When June 24, 2013 at 1:00 p.m., E.T.

Where Richmond Marriott West Hotel
4240 Dominion Boulevard
Glen Allen, Virginia 23060

Who May Attend All shareholders as of the record date may attend the meeting.

Record Date April 19, 2013

Live Audio Webcast Available at investor.carmax.com

VOTING MATTERS AND BOARD RECOMMENDATIONS

| Agenda Item | Board Recommendation | Page of Proxy Statement |
|---|-----------------------------|--------------------------------|
| 1. Election of Four Directors | FOR each nominee | 6 |
| 2. Ratification of Auditors | FOR | 17 |
| 3. Advisory Approval of Executive Compensation | FOR | 20 |
| 4. Approval of Amendments to Articles of Incorporation to Declassify the Board | FOR | 52 |
| 5. Approval of Amendments to Articles of Incorporation to Update and Modify Provisions Related to Indemnification | FOR | 53 |

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ELECTION OF DIRECTORS**

We are asking you to vote “FOR” the following candidates for election to our Board of Directors.

| Nominee | Age | Director Since | Independent | Principal Occupation | Committee Membership |
|----------------------|------------|-----------------------|--------------------|---|-----------------------------|
| Ronald E. Blaylock | 53 | 2007 | Yes | Founder and Managing Partner of GenNx360 Capital Partners, a private-equity buyout fund | Compensation and Personnel |
| Rakesh Gangwal | 59 | 2011 | Yes | Former Chief Executive Officer of US Airways Group, Inc. and Worldspan Technologies, Inc., a provider of information technology services to the travel industry | Nominating and Governance |
| Mitchell D. Steenrod | 46 | 2011 | Yes | Senior Vice President, Chief Financial Officer and Chief Information Officer of Pilot Travel Centers LLC, the nation’s largest operator of travel centers and truck stops | Audit |
| Thomas G. Stemberg | 64 | 2003 | Yes | Managing General Partner of the Highland Consumer Fund at Highland Capital Partners; Founder and Chairman Emeritus of the Board of Staples, Inc. | Compensation and Personnel |

**PROPOSAL TWO:
RATIFICATION OF AUDITORS**

We are asking you to ratify the appointment by the Audit Committee of KPMG LLP (“KPMG”) as our independent auditors for fiscal 2014. The following table summarizes the fees billed by KPMG for fiscal 2013 and 2012.

Audit Fees Audit-Related Fees Tax Fees Other Fees Total Fees

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| | | | | | |
|-------------|-----------|-----------|----------|---|-------------|
| Fiscal 2013 | \$998,500 | \$376,000 | \$62,700 | — | \$1,437,200 |
| Fiscal 2012 | \$947,000 | \$376,000 | \$90,500 | — | \$1,413,500 |

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PROXY SUMMARY CONTINUED

**PROPOSAL THREE:
EXECUTIVE COMPENSATION**

We are asking you to approve, on an advisory basis, the compensation of our named executive officers as disclosed in this proxy statement. At our last two annual meetings, shareholders expressed strong support for our executive compensation program, with more than 97% and 98% of votes cast in 2012 and 2011, respectively, voting in favor of our program.

We strive to tie pay to performance. The following two charts illustrate the relationship over the last three fiscal years between CarMax performance, based on two key metrics of net earnings and revenues, and the total direct compensation (base salary, annual incentive bonus and long-term equity grants) of our Chief Executive Officer (“CEO”), as reported in our proxy statements.

We also strive to align the interests of our executives with the interests of our shareholders. The following charts illustrate how most of our CEO’s total direct compensation in fiscal 2013 was performance-based and how most of that performance-based compensation was tied to our long-term performance.

You will find additional information on our executive compensation program, including information on the compensation of our other named executive officers, beginning on page 24.

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PROPOSAL FOUR:

AMENDMENT TO ARTICLES TO DECLASSIFY BOARD

Our Board of Directors (“Board”) has always been elected on a “classified” or “staggered” basis; that is, approximately one-third of our directors stand for election by shareholders every year. At our 2012 annual meeting, our shareholders expressed an overwhelming preference for a declassified Board, in which every director stands for election every year.

We listened to our shareholders. This year we are asking you to approve amendments to our Articles of Incorporation that will declassify our Board. If these amendments are approved, the directors elected at this annual meeting will be elected to one-year terms, not three-year terms, and beginning in 2014 our entire Board will stand for election for one-year terms.

PROPOSAL FIVE:

AMENDMENT TO ARTICLES REGARDING INDEMNIFICATION

We are asking you to approve amendments to our Articles of Incorporation to update and modify certain provisions governing indemnification of our directors and officers. These provisions provide important protections to our directors and officers and are important tools for recruiting the best individuals to serve as directors and officers of CarMax. These provisions, however, have not been amended in more than ten years.

We reviewed our indemnification provisions in fiscal 2013 and concluded that while they were fundamentally sound, minor updates were advisable to conform to changes made to the Virginia Stock Corporation Act since 2002, to clarify certain provisions, and to address the burden of proof in indemnification disputes.

NEXT YEAR'S ANNUAL MEETING

Expected Date of 2014 Annual Meeting June 23, 2014
Deadline for Shareholder Proposals January 9, 2014

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PROPOSAL ONE — ELECTION OF DIRECTORS

We are asking you to vote for the election of the following four director nominees:

Ronald E. Blaylock Rakesh Gangwal

Mitchell D. Steenrod Thomas G. Stemberg

Our Board has nominated these individuals for shareholder election at the recommendation of the Nominating and Governance Committee. The Board recommends a vote **FOR** each of the nominees.

Each nominee has consented to being named in this proxy statement and to serve if elected. If any nominee is not available to serve—for reasons such as death or disability—your proxy will be voted for a substitute nominee if the Board nominates one.

You are voting to elect the nominees for one-year terms or three-year terms, depending on the success of Proposal Four related to Board declassification.

Our Board is divided into three classes with staggered three-year terms. This means that approximately one-third of our directors are up for election each year. At this annual meeting, however, we are asking shareholders to approve Proposal Four, which amends our Articles of Incorporation to eliminate this staggered, or “classified,” board structure and replace it with the annual election of all directors. If our shareholders approve Proposal Four, which is discussed beginning on page 52 of this proxy statement, the directors elected at this annual meeting will be elected to one-year terms. If our shareholders do not approve Proposal Four, the directors elected at this annual meeting will be elected to three-year terms.

Each nominee must receive a majority of the votes cast.

In 2011, our Board approved the adoption of a majority vote standard for the election of directors. This means that to be elected in uncontested elections, each nominee must be approved by the affirmative vote of a majority of the votes cast.

The following pages include information about the nominees and the other directors of CarMax whose terms do not expire this year. This information includes a summary of the specific experience, qualifications, attributes or skills that led to the conclusion that each person should serve as a CarMax director.

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Nominees for Election at the 2013 Annual Meeting for Terms Expiring at the 2016 Annual Meeting (or, if Proposal Four Is Approved by the Shareholders, for Terms Expiring at the 2014 Annual Meeting)

RONALD E. BLAYLOCK, 53. Director since 2007.

Founder and Managing Partner of GenNx360 Capital Partners, a private-equity buyout fund, focused on industrial business-to-business companies. Prior to founding GenNx360 in 2006, Mr. Blaylock was chief executive officer of Blaylock & Company, a full-service investment banking firm that he founded in 1993. Previously, Mr. Blaylock held senior management positions with PaineWebber and Citigroup. He is a director of Radio One, Inc. and W. R. Berkley Corporation. Mr. Blaylock's experience managing two successful investment enterprises, as well as his considerable finance experience, qualify him to serve on our Board. Further, Mr. Blaylock's years of relevant experience growing companies and serving on other public company boards enable him to provide additional insight to our Board and its committees.

RAKESH GANGWAL, 59. Director since 2011.

Former Chief Executive Officer of US Airways Group, Inc. and Worldspan Technologies, Inc. From 2003 to 2007, Mr. Gangwal served as chairman, president and chief executive officer of Worldspan Technologies, Inc., a provider of travel and information technology services to the travel and transportation industry. From 2002 to 2003, he was involved in various personal business endeavors, including private equity and consulting projects. From 1998 until his resignation in 2001, Mr. Gangwal served as president and chief executive officer of US Airways Group, Inc. and US Airways, Inc. and from 1996 to 1998, he was the president and chief operating officer of US Airways Group. He is a co-founder of IndiGo, India's largest low-fare airline. Mr. Gangwal is a director of PetSmart, Inc. and OfficeMax Incorporated, where he is the non-executive chairman. Mr. Gangwal's experience as a chief executive officer, as well as his extensive background in corporate strategy, operations and technology management, provide valuable insight to our Board and qualify him to serve on our Board. Mr. Gangwal's service as a board member of two publicly traded retail companies, including his service as chairman of one, further qualifies him to serve on our Board.

MITCHELL D. STEENROD, 46. Director since 2011.

Senior Vice President, Chief Financial Officer and Chief Information Officer of Pilot Travel Centers LLC, the nation's largest operator of travel centers and truck stops, since 2006. Mr. Steenrod joined Pilot Travel Centers in 2001 as controller and treasurer. In 2004, he was promoted to senior vice president and chief financial officer and in 2006 took on the additional role of chief information officer. Previously, he spent 12 years with Marathon Oil Company and Marathon Ashland Petroleum LLC in a variety of positions of increasing responsibility in accounting, general management and marketing. Mr. Steenrod's extensive retail industry and operational experience as well as his experience implementing successful growth strategies, including growing Pilot Travel Centers from more than 200 travel centers to over 500 branded locations over a span of 10 years, qualify him to serve on our Board. Additionally, Mr. Steenrod's extensive financial and accounting experience, including his years of experience as a chief financial officer, strengthens our Board through his understanding of accounting principles, financial reporting rules and regulations, and internal controls.

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PROPOSAL ONE CONTINUED

THOMAS G. STEMBERG, 64. Director since 2003.

Managing General Partner of the Highland Consumer Fund at Highland Capital Partners, a venture capital firm. From 2005 to 2007, he acted as the Venture Partner of Highland Capital Partners. Mr. Stemberg is the founder and Chairman Emeritus of the Board of Staples, Inc., the world's largest office products company and second largest internet retailer. He pioneered the office superstore industry and was chief executive officer of Staples from 1986 to 2002. From 2002 to 2004, Mr. Stemberg served as an executive officer at Staples with the title of Chairman. Mr. Stemberg is a director of PetSmart, Inc., lululemon athletica inc. and Guitar Center, Inc. Mr. Stemberg's creation and development of the world's leading office products company, a "big-box" retailer that experienced significant growth and profitability under Mr. Stemberg's leadership, provides meaningful insight and knowledge to CarMax. His prior chief executive experience, his board service with various growth retailers, and his current retail-focused venture capital work provide a deep understanding of the retail industry and qualify him to serve on our Board.

Directors Whose Terms Expire at the 2014 Annual Meeting

THOMAS J. FOLLIARD, 48. Director since 2006.

President and Chief Executive Officer of CarMax since 2006. He joined CarMax in 1993 as senior buyer and became director of purchasing in 1994. Mr. Folliard was promoted to vice president of merchandising in 1996, senior vice president of store operations in 2000, executive vice president of store operations in 2001 and president and chief executive officer in 2006. He is a director of PulteGroup, Inc. As the chief executive of CarMax, Mr. Folliard leads the day-to-day operations of CarMax and is responsible for establishing and executing the Company's strategic plans. His significant experience in the auto retail industry, his tenure with CarMax and his motivational leadership of more than 18,000 CarMax associates provide the Board with unique insight into the Company and qualify him to serve on our Board.

SHIRA GOODMAN, 52. Director since 2007.

Executive Vice President, Global Growth of Staples, Inc., the world's largest office products company and second largest internet retailer, since 2012. She joined Staples in 1992 and has held a variety of positions of increasing responsibility in general management, marketing and human resources, including serving as executive vice president, marketing from 2001 to 2009 and executive vice president, human resources from 2009 to 2012. From 1986 to 1992, Ms. Goodman worked at Bain & Company in project design, client relationships and case team management. In her current position, she is responsible for international growth strategy, global marketing, mergers and acquisitions and new ventures of Staples globally. Additionally, she has served as Staples' chief human resources officer overseeing over 90,000 employees and as its chief marketing executive directing the company's marketing efforts. Ms. Goodman has proven business acumen, having served in various leadership positions at an internationally renowned retailer. Ms. Goodman's experiences in retail marketing, human resources and business growth at the world's largest office products company all qualify her to serve on our Board.

W. ROBERT GRAFTON, 72. Director since 2003.

Retired Managing Partner-Chief Executive, Andersen Worldwide S.C. Andersen Worldwide provided global professional auditing and consulting services through its two service entities, Arthur Andersen and Andersen Consulting. He is a retired certified public accountant and joined Arthur Andersen in 1963. He was elected a member of the Board of Partners, Andersen Worldwide in 1991 and chairman of the Board of Partners in 1994. He served as

Managing Partner-Chief Executive from 1997 through 2000. Mr. Grafton is currently lead director of DiamondRock Hospitality Company. He previously served as a director of SRA International, Inc. (2010-2011). Mr. Grafton's extensive accounting experience, as well as his role as the chief executive of an international audit and consulting firm with more than 100,000 employees, qualify him to serve on our Board. His designation as an "audit committee financial expert" and his years of service as our Audit Committee chairman provide significant and consistent leadership.

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EDGAR H. GRUBB, 73. Director since 2007.

Retired Executive Vice President and Chief Financial Officer of Transamerica Corporation, a leading insurance and financial services company. He joined Transamerica in 1989, became executive vice president in 1993 and retired in 1999. From 1986 to 1989, he was the senior vice president and chief financial officer of Lucky Stores, Inc. Mr. Grubb is a director and chair of the board of AAA Northern California, Nevada & Utah Insurance Exchange and he is a director of Auto Club Partners, Inc., an affiliation of ten AAA clubs in the United States. With meaningful experience as the chief financial officer of a public company, Mr. Grubb provides CarMax with his extensive understanding of complex financial and operational issues that public companies confront. His financial acumen, as well as his demonstrated leadership capabilities, qualify him to serve on our Board.

Directors Whose Terms Expire at the 2015 Annual Meeting

JEFFREY E. GARTEN, 66. Director since 2002.

Juan Trippe Professor in the Practice of International Trade, Finance and Business at the Yale School of Management since July 2005 and Chairman of Garten Rothkopf, an international consulting firm, since October 2005. He was the Dean of the Yale School of Management from 1995 to 2005. He was the United States Undersecretary of Commerce for International Trade from 1993 to 1995 and previously spent 13 years in investment banking with Lehman Brothers and Blackstone Group. He is a director of Aetna Inc. and certain mutual funds of Credit Suisse Asset Management. He also serves on the board of management of Standard & Poor's and is a member of the board of overseers of the International Rescue Committee. Mr. Garten's record as a distinguished business scholar and teacher, as well as his years of government service, investment banking work and service to other significant boards of directors, qualify him to serve on our Board. His appreciation of corporate governance, as well as his tenure as a CarMax Board member, provide wisdom, continuity and value to our Board.

BETH A. STEWART, 56. Director since 2002.

Co-managing member of Trewstar, LLC, a private investment company, since 1998 and Chief Executive Officer of Trewstar Corporate Board Services, an executive search firm, since 2011. Ms. Stewart served as chief executive officer of Storetrax.com, an Internet retail real estate service, from 2001 until her retirement in 2011. She was an adjunct professor at Columbia University Graduate School of Business from 1994 to 1996. She previously spent 12 years in investment banking with Goldman, Sachs & Co. She previously served as a director of Avatar Holdings Inc. (2001-2012) and General Growth Properties, Inc. (1993-2010). Ms. Stewart's expertise in the commercial real estate market, honed through nearly 20 years of service as a director at a national retail-focused REIT and as the chief executive of an on-line retail real estate service, provides meaningful experience to CarMax as a growth retailer and qualifies her to serve on our Board. Further, her investment banking experience bolsters the financial depth of our Audit Committee.

WILLIAM R. TIEFEL, 79. Director since 2002.

Chairman of the Board of CarMax since 2007. Retired Vice Chairman of Marriott International, Inc. and Chairman Emeritus of The Ritz-Carlton Hotel Company, LLC since 2002. He joined Marriott Corporation in 1961. He was named president of Marriott Hotels and Resorts in 1989, president of Marriott Lodging in 1992 and vice chairman of Marriott International and chairman of The Ritz-Carlton Hotel Company in 1998. He previously served as a director of Lydian Private Bank (2005-2011). In September 2010, Lydian Private Bank became a party to a publicly available Office of Thrift Supervision Order to Cease and Desist regarding its banking practices. Mr. Tiefel's vast leadership experience with a customer-focused, service-oriented lodging and hospitality enterprise qualify him to serve on our

Board. His considerable management roles have been valuable to the Board as not only a director, but also as the Board's chairman.

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CORPORATE GOVERNANCE

CarMax is committed to good corporate governance. This section of the proxy statement describes our governance policies and practices and the role our Board plays in shaping them.

Overview

Our business and affairs are managed under the direction of the Board in accordance with the Virginia Stock Corporation Act, our articles of incorporation and our bylaws. The standing committees of the Board are the Audit Committee, the Compensation and Personnel Committee, and the Nominating and Governance Committee.

The Board and its committees direct CarMax's governance practices. The Board has made significant changes to those practices in the past three years in response to shareholder feedback, evolving best practices and the Board's independent judgment. In 2011, the Board approved the adoption of a majority vote standard for the election of directors. In 2012, the Board allowed CarMax's shareholder rights plan to expire without renewal. This year the Board is seeking shareholder approval of Proposal Four, which will declassify the Board and establish annual elections for all directors.

The Board has approved documents that memorialize our governance standards and practices. These documents include our bylaws, our corporate governance guidelines and a code of business conduct. These documents, each of which is described below, are available under the "Corporate Governance" link at investor.carmax.com.

- Bylaws** Our bylaws regulate the corporate affairs of CarMax. They include provisions relating to shareholder meetings, voting and the nomination of directors.
- Corporate Governance Guidelines** Our corporate governance guidelines set forth the practices of the Board with respect to its responsibilities, qualifications, performance, access to management and independent advisors, compensation, orientation and continuing education, and management evaluation and succession. The guidelines also include director stock ownership requirements.
- Code of Business Conduct** Our code of business conduct is a cornerstone of our compliance and ethics program. It applies to all CarMax associates and Board members. It includes provisions relating to honest and ethical conduct, compliance with laws, the handling of confidential information and diversity. It explains how to use our associate help line and related website, both of which allow associates to report misconduct anonymously. It also describes our zero-tolerance policy on retaliation for making such reports.

Any amendment to, or waiver from, a provision of this code for our directors or executive officers will be promptly disclosed under the “Corporate Governance” link at investor.carmax.com.

We will send you a printed copy of any of these documents, without charge, upon written request to our Corporate Secretary at CarMax, Inc., 12800 Tuckahoe Creek Parkway, Richmond, Virginia 23238.

Independence

10 of 11 directors are independent.

Our Board, in consultation with the Nominating and Governance Committee, evaluates the independence of our directors at least annually. The most recent evaluation took place in April 2013. During this evaluation, the Board considered transactions between the directors (and their immediate family members) and the Company and its affiliates. The Board determined that all of our non-employee directors (Ms. Goodman and Ms. Stewart and Messrs. Blaylock, Gangwal, Garten, Grafton, Grubb, Steenrod, Stemberg and Tiefel) are independent under NYSE listing standards and our corporate governance guidelines. The Board determined that Mr. Folliard is not independent because he is an executive officer of CarMax.

In assessing independence, the Board considered transactions not just between CarMax and the individual directors themselves (and their immediate family members), but also between CarMax and entities associated with the directors or their immediate family members. The Board’s review included the following transactions:

Ms. Goodman is an officer of Staples, Inc. CarMax purchased goods and services from Staples, Inc. in the ordinary course of business in fiscal 2013. The amount that CarMax paid to Staples, Inc. in each of the last three fiscal years did not exceed the greater of \$1 million or 2% of the total revenue of Staples, Inc. in each year.

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Each of Messrs. Blaylock, Gangwal and Garten are non-employee directors of companies that did business with CarMax in fiscal 2013. These companies are, respectively, RadioOne, Inc., OfficeMax Incorporated and Aetna Inc. These business relationships involved the supply of goods or services to CarMax in the ordinary course of business.

The Board determined that none of the relationships it considered impaired the independence of the directors.

Board Leadership Structure

CarMax has an independent Board chairman.

CarMax has historically split the roles of CEO and Board chairman. Mr. Folliard has been our CEO since 2006, while Mr. Tiefel, a director since 2002, has served as the independent chairman of the Board since 2007. As our Board chairman, Mr. Tiefel is responsible for chairing Board meetings and meetings of shareholders, setting the agendas for Board meetings, and presiding over executive sessions of the independent directors. Mr. Folliard oversees the day-to-day affairs of CarMax and directs the formulation and implementation of our strategic plans. We believe that this leadership structure is currently the most appropriate for CarMax because it allows our CEO to focus primarily on our business strategy and operations while leveraging the experience of our chairman to direct the business of the Board. The Board periodically reviews this structure and elects its chairman annually.

Our Board recognizes that, depending on the circumstances, a different leadership model might be appropriate. The Board has no fixed policy on whether the roles of chairman and CEO should be separate or combined, which gives the Board flexibility based on CarMax's needs and the Board's assessment of the Company's leadership from time to time. Although the Board has no fixed policy on this issue, our corporate governance guidelines also provide that in the event the CEO is elected chairman, the Board will appoint a lead independent director to serve in accordance with the Company's Lead Independent Director Charter. This charter is available under the "Corporate Governance" link at investor.carmax.com.

Board Committees

The Board has three standing committees: the Audit Committee, the Compensation and Personnel Committee, and the Nominating and Governance Committee. Each committee has a charter that describes the committee's responsibilities. These charters are available under the "Corporate Governance" link at investor.carmax.com or upon written request to our Corporate Secretary at CarMax, Inc., 12800 Tuckahoe Creek Parkway, Richmond, Virginia 23238.

The table on the following page summarizes the responsibilities of the three committees.

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CORPORATE GOVERNANCE CONTINUED

Audit Committee The Audit Committee assists in the Board’s oversight of:

the integrity of our financial statements;

our compliance with legal and regulatory requirements;

the independent auditors’ qualifications, performance and independence; and

the performance of our internal audit function.

The Audit Committee retains, and approves all fees paid to, the independent auditors, who report directly to the Committee. Each member of the Audit Committee is independent and financially literate, with Messrs. Grafton and Steenrod considered audit committee financial experts under our corporate governance guidelines and the standards of the New York Stock Exchange (“NYSE”) and the U.S. Securities and Exchange Commission (“SEC”).

The Audit Committee’s report to shareholders can be found on page 18.

**Compensation
and
Personnel
Committee**

The Compensation and Personnel Committee assists in the Board’s oversight of:

our executive compensation philosophy;

our executive and director compensation programs, including related risks;

salaries, short- and long-term incentives and other benefits and perquisites for our CEO and other executive officers, including any severance agreements; and

the administration of our incentive compensation plans and all equity-based plans.

The Compensation and Personnel Committee has sole authority to retain and terminate a compensation consultant, as well as to approve the consultant’s fees. Each member of the Compensation and Personnel Committee is independent under NYSE and SEC standards and our corporate governance guidelines.

The Compensation and Personnel Committee’s report to shareholders can be found on page 32.

**Nominating and
Governance
Committee**

The Nominating and Governance Committee assists in the Board’s oversight of:

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Board organization and membership, including by identifying individuals qualified to become members of the Board, considering director nominees submitted by shareholders, and recommending director nominees to the Board;

management succession planning, including for our CEO; and

our corporate governance guidelines.

Each member of the Nominating and Governance Committee is independent under NYSE standards and our corporate governance guidelines.

Table of Contents**Board and Committee Meetings**

Our Board met four times in fiscal 2013 and our Board committees met a combined 22 times in fiscal 2013. Each director attended 75% or more of the total number of meetings of the Board and the committees on which he or she served. Although we do not have a formal policy regarding director attendance at our annual shareholder meetings, eleven out of twelve directors who were directors at the time of the 2012 annual meeting of shareholders attended the meeting in person.

Our independent directors meet in executive session, without management present, at each regularly scheduled Board meeting. As independent chairman, Mr. Tiefel presides over these executive sessions.

The table below lists the number of Board and committee meetings in fiscal 2013 and discloses each director's attendance at those meetings.

| Director | Board | Audit | Compensation and Personnel | Nominating and Governance |
|-------------------------------------|--------------|--------------|---------------------------------------|--------------------------------------|
| Ronald E. Blaylock | 4 | — | 5 | — |
| Thomas J. Folliard | 4 | — | — | — |
| Rakesh Gangwal ^(a) | 4 | 12 | — | — |
| Jeffrey E. Garten | 4 | — | — | 4 |
| Shira Goodman ^(b) | 4 | — | — | 5 |
| W. Robert Grafton | 4 | 12 | * | — |
| Edgar H. Grubb ^(c) | 4 | — | 5 | — |
| Mitchell D. Steenrod | 4 | 12 | — | — |
| Thomas G. Stemberg | 4 | — | 5 | * |
| Vivian M. Stephenson ^(d) | 3 | — | — | 5 |
| Beth A. Stewart | 4 | 12 | — | — |
| William R. Tiefel | 4 | * | — | — |
| TOTAL MEETINGS | 4 | 12 | 5 | 5 |

* Chairman

(a) Mr. Gangwal served on the Audit Committee until January 30, 2013, when he was appointed to the Nominating and Governance Committee.

- (b) Ms. Goodman served on the Nominating and Governance Committee until January 30, 2013, when she was appointed to the Compensation and Personnel Committee.
- (c) Mr. Grubb served on the Compensation and Personnel Committee until January 30, 2013, when he was appointed to the Nominating and Governance Committee.
- (d) Ms. Stephenson retired from the Board effective January 29, 2013. Ms. Stephenson had been an independent director under both NYSE listing standards and our corporate governance guidelines.

In connection with Ms. Stephenson's retirement from the Board in January 2013, the Board reassessed its committee membership structure. As of February 28, 2013, committee membership was as follows:

| | |
|---|--|
| Audit Committee | W. Robert Grafton (Chair) Mitchell D. Steenrod Beth A. Stewart |
| Compensation and Personnel Committee | Thomas G. Stemberg (Chair) Ronald E. Blaylock Shira Goodman |
| Nominating and Governance Committee | Edgar H. Grubb (Chair) Rakesh Gangwal Jeffrey E. Garten |

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CORPORATE GOVERNANCE CONTINUED

Selection of Directors

Criteria

We believe our Board should include directors with diverse backgrounds.

The Board and the Nominating and Governance Committee believe that the Board should include directors with diverse backgrounds and that directors should have, at a minimum, high integrity, sound judgment and a record of proven leadership in their field. In addition, the Committee takes into account a number of factors in assessing director nominees, including the current size of the Board, the particular challenges facing CarMax, and the nominee's character, reputation, experience, independence from management and ability to devote the requisite time to the Company.

Although we do not have a written policy with respect to the consideration of diversity in identifying director nominees, we consider and value diversity in our director selection process. Our code of business conduct defines diversity as the celebration of all people and their individual talents and the embracing of new ideas and new ways of thinking to maximize the potential of the overall organization. Through its consideration of the factors listed above, the Nominating and Governance Committee seeks directors with diverse backgrounds to maximize the potential of the Board. We believe that the diverse backgrounds and experiences of our current directors demonstrate the Committee's success.

Process

The Nominating and Governance Committee screens and recommends candidates for nomination by the Board. The Committee may consider input from several sources, including Board members, management, shareholders and outside search firms. The Committee evaluates candidates in the same manner regardless of the source of the recommendation, using the criteria summarized above.

Shareholders may send their recommendations for director candidates to the attention of our Corporate Secretary at CarMax, Inc., 12800 Tuckahoe Creek Parkway, Richmond, Virginia 23238. Shareholders who wish to include director nominations in our proxy statement or nominate directors directly at an annual meeting must follow the instructions under "Shareholder Proposal Information" on page 58.

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Board's Role in Risk Oversight

Our Board takes seriously its responsibility to oversee risks to CarMax and its strategic, operational and financial goals. The Board discharges this responsibility through a risk governance framework designed to:

identify critical risks;

allocate responsibilities for overseeing those risks to the Board and its committees; and

evaluate the Company's risk management processes.

The Board does not view risk in isolation. Rather, it considers risks in virtually every business decision and as part of CarMax's business strategy. This consideration occurs in the ordinary course of the Board's business and is not tied to any of the formal processes described below, although it is enhanced by those processes.

The following table describes the components of CarMax's risk governance framework.

Assignment of Risk Categories to Board and its Committees

The Board has assigned oversight of certain key risk categories to either the full Board or one of its committees. For each category, management reports regularly to the Board or the assigned committee, as appropriate, describing CarMax's strategies for monitoring, managing and mitigating risks that fall within that category.

Examples of the risk categories assigned to each committee and the full Board are described below. This list is not comprehensive and is subject to change:

Audit Committee: oversees risks related to financial reporting, compliance and ethics, information technology, and legal and regulatory issues.

Compensation and Personnel Committee: oversees risks related to our human resources function and compensation practices.

Nominating and Governance Committee: oversees risks related to government affairs and CarMax's reputation.

Board: oversees risks related to the economy, competition, finance and strategy.

Risk Committee: We have a management-level Risk Committee, which is chaired by Thomas W. Reedy, our Executive Vice President and Chief Financial Officer ("CFO"), and includes more than ten other members from across CarMax. The Risk Committee meets periodically to identify and discuss the risks facing CarMax.

Enterprise Risk Management

Board Reporting: The Risk Committee delivers biannual reports to the Board identifying the most significant risks facing the Company.

Board Oversight: On an annual basis, Mr. Reedy, on behalf of the Risk Committee, discusses our procedures for identifying significant risks with the Audit Committee.

The Board oversees other processes that are not intended primarily to support enterprise risk management, but that assist the Company in identifying and controlling risk. These processes include our compliance and ethics program, our internal audit function, pre-filing review of SEC filings by our management-level disclosure committee, and the work of our independent auditors.

Other Processes that Support Risk Oversight and Management

We believe that our Board leadership structure, discussed in detail beginning on page 11, supports the Board's risk oversight function. Our independent chairman and committee chairs set their respective agendas and lead their respective meetings to ensure strong risk oversight, while our CEO and his management team are charged with managing risk.