

# **CARMAX, INC.**

## **Employee Equity Grant Policy**

### **I. PURPOSE.**

The Board of Directors (the “Board”) of CarMax, Inc. (the “Company”) recognizes that the granting of equity-based awards presents specific legal, tax and accounting issues and has therefore adopted this Employee Equity Grant Policy (the “Policy”). This Policy shall provide guidance to the Board and the Compensation and Personnel Committee (the “Committee”) in their administration of the Company’s 2002 Stock Incentive Plan, as amended and restated (the “SIP”). Defined terms not otherwise defined in this Policy shall have the meanings assigned to them in the SIP. All Incentive Awards, including stock options, cash-settled and stock-settled restricted stock units, and stock appreciation rights, made under this Policy shall be made on terms that are consistent with the SIP.

### **II. INCENTIVE AWARD AUTHORITY.**

The Board has determined that the Committee is best suited to review and approve Incentive Awards. Accordingly, any and all Incentive Awards shall be approved by the Committee. To avoid the timing issues inherent in actions taken by unanimous written consent, all Incentive Awards shall be reviewed and approved at a Committee meeting (including a telephonic meeting), and not by unanimous written consent. To the extent that the Board reviews and approves Incentive Awards (as opposed to the Committee), the Policy shall apply to such Board actions as well.

Notwithstanding the foregoing and in accordance with the terms and conditions of the SIP and as permitted by applicable law, the Committee may delegate to one or more Officers the authority to do one or both of the following: (i) designate Participants who are not Officers to be recipients of Incentive Awards, and (ii) determine the number of shares of Company Stock or units to be subject to such Incentive Awards granted to such Participants; provided, however, that the Committee’s delegation of this authority shall specify the total number of shares of Company Stock or units subject to such delegation, and that, in no event, shall such Officer grant an Incentive Award to himself or herself (collectively, the “Delegated Awards”). All other terms and conditions of the Delegated Awards shall be determined by the Committee.

### **III. INCENTIVE AWARD RESOLUTION.**

Prior to the grant of any Incentive Award, the Committee shall adopt a resolution, or with respect solely to the Delegated Awards, the authorized Officer shall determine and complete the Committee-approved authorization form, substantially in the form of the attached Exhibit A hereto, that specifically sets forth:

- A. the number of shares of Company Stock or units to be awarded for the relevant Incentive Award;
- B. the grant date for each such Incentive Award; and
- C. the relevant pricing for each such Incentive Award.

The Committee or authorized Officer shall make its determinations regarding the foregoing in accordance with the following (subject to the exception described in Section IV below):

**A. *Number of Shares or Units.*** The number of shares or units awarded for each Incentive Award shall be reviewed and determined by the Committee or authorized Officer. From time to time, the Committee or authorized Officer may solicit the advice of (i) an independent compensation consultant or (ii) the Company's Chief Executive Officer or Chief Financial Officer in determining the number of shares or units to be awarded to Participants, either individually or as a class, as an Incentive Award. Notwithstanding the foregoing, the Committee or authorized Officer shall have the final decision-making authority for such determination; provided, however, that the number of shares or units awarded pursuant to a Delegated Award shall be within the limits previously adopted by Committee resolution.

**B. *Grant Date.***

- (i) *Annual Incentive Awards.* Generally, the Company grants Incentive Awards to Participants once annually during the first quarter of the Company's fiscal year. For such Incentive Awards, the grant date shall be the business day that is three business days following the date on which the Company releases its fiscal year-end earnings information. An Officer may not grant annual Incentive Awards.
- (ii) *Other Current Employee Incentive Awards.* From time to time, the Company grants Incentive Awards to Participants outside of the annual grant cycle for various reasons (e.g., a promotion award, a retention risk award, etc.). After the Committee or authorized Officer has determined to grant such an Incentive Award, the Committee, or such Officer, shall set the grant date as the business day that is three business days following the date on which the Company first releases quarterly earnings information following the related award determination.
- (iii) *New Hire Incentive Awards.* From time to time, the Company may grant Incentive Awards to newly hired Company employees as an incentive to join the Company. For such Incentive Awards, the grant date shall be the business day that is three business days following the date on which the Company first releases quarterly earnings information following both the new hire's first day of employment and the Committee's or authorized Officer's related award determination.

**C. *Pricing.*** The relevant price for all Incentive Awards shall be determined in accordance with the SIP. In no instance shall the relevant price of any Incentive Award be less than the Fair Market Value of the Company's common stock, as determined in accordance with the terms of the SIP and which the Board and Committee have determined to be weighted average price of the Company's common stock, on the effective date of the grant.

#### **IV. POLICY EXCEPTIONS.**

From time to time, the Committee may determine that it is in the best interests of the Company to deviate from this Policy (No Officer shall have the authority to deviate from this Policy). In the event that the Committee makes such a determination, any such Incentive Award made pursuant to such determination shall be reviewed and approved by the full Board. Further, the minutes of such meeting where such determination is made shall set forth the reason for such deviation. Notwithstanding the foregoing exception, any and all Incentive Awards shall be made in accordance with the terms and conditions of the SIP and shall comply with all applicable laws, rules and regulations.

*This Policy was approved by the Board of Directors on March 27, 2009.*

# EXHIBIT A

## DELEGATED AWARD AUTHORIZATION FORM

Defined terms not otherwise defined in this Delegated Award Authorization Form (the "Form") shall have the meanings assigned to them in the Company's Employee Equity Grant Policy.

In accordance with the resolution and the terms and conditions of the SIP, the Committee has delegated the authority to certain Officers to (i) designate Participants who are not Officers to be recipients of Incentive Awards, and (ii) determine the number of shares of the Company Stock or units to be subject to such Incentive Awards granted to such Participants. All other terms and conditions of any Incentive Award made pursuant to this delegation of authority shall be determined by the Committee.

Participant (Recipient of Incentive Award) .....	_____
Number of Options to Purchase Company Stock to be Awarded .....	_____
Number of Market Stock Units to be Awarded .....	_____
Number of Shares of Restricted Company Stock to be Awarded .....	_____
Number of Restricted Stock Units to be Awarded .....	_____
Date of Officer Approval .....	_____
First Date of Employment (applicable to new hires only) .....	_____
Grant Date (The business day that is three business days following the date on which the Company first releases quarterly earnings information following the approval of this Incentive Award, and, if applicable, the new hire's first day of employment) .....	_____
<u>For Options Only</u> : Strike Price (Equal to the weighted average price of the Company Stock on the Grant Date) .....	_____
<u>For Units Only</u> : Grant Date Fair Market Value .....	_____
Number of Shares/Units Originally Allocated by the Committee to be Granted as Delegated Awards .....	_____
Number of Shares/Units Remaining to be Granted as Delegated Awards .....	_____

This Delegated Award has been approved by the following duly authorized Officer:

Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

This Form has been reviewed by the Company's Office of the General Counsel:

Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_