

CarMax, Inc.
Related Person Transactions Policy

The purpose of this Related Person Transactions Policy (the “Policy”) is to provide for the review and approval of transactions involving a Related Person (as defined below) and CarMax, Inc. and its subsidiaries and affiliates (the “Company”). Transactions between Related Persons and the Company raise special concerns of transparency and fairness due to direct and indirect relationships that may pose actual or potential conflicts of interest relating to a transaction. Accordingly, the Company’s Board of Directors (the “Board”) has developed this Policy to address those concerns. The Board has determined that the Audit Committee of the Board shall have responsibility for applying this Policy and making determinations with respect thereto.

For purposes of this Policy, a “Related Person” shall mean any director or executive officer of the Company, any nominee for director of the Company, any shareholder who beneficially owns more than 5% of the Company’s Common Stock, any immediate family member of any of the foregoing persons, and any entity in which any of the foregoing persons has, or will have, a direct or indirect material interest. A “Related Person Transaction” shall mean, without limitation, any financial transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness) or any series of similar transactions, arrangements or relationships, between the Company as a participant and a Related Person in which the amount involved exceeds \$120,000 and in which the Related Person has, or will have, a direct or indirect material interest.

The duties of the Audit Committee with respect to this Policy shall include the review and approval of only those Related Person Transactions that are required to be publicly reported by the Company pursuant to Item 404(a) of Regulation S-K (or any successor rule) adopted by the Securities and Exchange Commission and the periodic review and assessment of relationships with Related Parties to determine compliance with guidelines and directives of the Audit Committee.

Transactions that do not require review and approval under this Policy include compensation paid to executive officers and directors of the Company to the extent such compensation has been approved by the Compensation and Personnel Committee, the Nominating and Governance Committee or the Board.

Evaluation of Related Person Transactions

At the time of consideration of a potential Related Person Transaction, the Audit Committee shall be provided with the following information: (i) the Related Person’s name and relationship to the Company; (ii) the facts and circumstances of the proposed transaction; (iii) the aggregate dollar amount involved in the transaction or, in the case of indebtedness, information regarding the principal amount of the debt, interest rate, repayment and other material terms; (iv) the Related Person’s interest in the transaction with the Company, including the Related Person’s position or relationship with, or ownership in, a firm, corporation or other entity that is a party to, or has an interest in, the

transaction; (v) the benefits to the Company of the proposed transaction and, if applicable, the terms and availability of comparable products and services from unrelated third parties; and (vi) any other information regarding the Related Person Transaction or the Related Person that is material to the Audit Committee's determination.

Management shall apprise the Audit Committee of any requirements of the Company's financing agreements that may relate to the consideration or approval of a Related Person Transaction and shall disclose to the Committee any transactions with Related Parties that are not required to be approved under the terms of this Policy.

Standards for Determination

Under this Policy, any Related Person Transaction shall be approved or ratified only if the Audit Committee determines that, based on the facts and circumstances known to the Committee at the time of approval, (i) the Related Person Transaction serves the best interests of the Company and its shareholders or (ii) the transaction is on terms reasonably comparable to those that could be obtained in arm's length dealings with an unrelated third party.

All conflict of interest transactions between the Company and a director who has an interest that precludes the director from being a "disinterested director," as defined in Section 13.1-603 of the Virginia Code, shall be approved or ratified in accordance with this Policy and Section 13.1-691 of the Virginia Code.

The Company shall submit a Related Person Transaction to the shareholders of the Company for approval in the circumstances required by Rule 312.03(b) of the New York Stock Exchange Listed Company Manual.

Approval Procedures

At the first regularly scheduled Audit Committee meeting of each fiscal year, management shall present for approval any proposed or continuing Related Person Transactions for that fiscal year. After review, the Audit Committee shall determine whether the presented transactions are in fact Related Person Transactions and then approve or disapprove such transactions in accordance with the standards set forth in this Policy. The Audit Committee may establish, as appropriate, guidelines and directives for management to follow with respect to a Related Person Transaction. At each subsequently scheduled meeting, management shall update the Audit Committee as to any material changes in the transactions previously approved and shall seek approval of any further proposed Related Person Transactions. The Audit Committee shall review and approve any material change to a previously approved Related Person Transaction.

Related Person Transactions ordinarily should be presented to the Audit Committee for approval in advance; provided, however, that it may be appropriate in limited circumstances for transactions to be preliminarily entered into by management subject to ratification or amendment by the Audit Committee. If the Audit Committee determines not to ratify or amend the transaction, management shall take all necessary steps to cancel or rescind such transaction. The Audit Committee may adopt such policies and

procedures relating to the approval of Related Person Transactions as it shall determine necessary or appropriate.

For purposes of this Policy, a Related Person Transaction is approved or ratified if it receives the affirmative vote of a majority of the disinterested directors on the Audit Committee. No member of the Audit Committee shall participate in any review, approval or ratification of any Related Person Transaction with respect to which such member or any of his or her immediate family members is a Related Person.

The Audit Committee shall report its determinations under this Policy to the Board of Directors.

This Policy was approved by the Board of Directors on January 22, 2007.