CARMAX INC
Form DEF 14A
May 06, 2016

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 ý Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

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

ý Definitive Proxy Statement

o Definitive Additional Materials

o 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)

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Dear Fellow CarMax Shareholders:

I am pleased to invite you to attend the 2016 annual meeting of CarMax, Inc. shareholders, which will be held on Tuesday, June 28, 2016, in Richmond, Virginia. The attached notice of annual meeting and proxy statement are your guides to the meeting.

We have taken key actions this year to highlight our ongoing commitment to strong governance standards. In December 2015, our board adopted proxy access, which provides eligible CarMax shareholders a process for nominating director candidates to be included in CarMax’s proxy materials. We believe this action, which was carefully structured to serve the best interests of all shareholders, is responsive to shareholder concerns and supports shareholder value.

Another important step we’ve taken is to add independent director Alan B. Colberg to our board of directors. His experience will bring valuable insights to our business and support our strong commitments to growth and customer service. Our proxy statement includes more information about Mr. Colberg and our continuing directors, each of whom is nominated for election at the 2016 annual meeting.

We are once again providing live audio coverage of the annual meeting from the CarMax investor relations website at investors.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.

We also are pleased to furnish proxy materials to shareholders primarily over the internet. On or about May 6, 2016, we mailed our shareholders a Notice of Internet Availability containing instructions on how to access our proxy statement and annual report and to vote online. Internet distribution of our proxy materials expedites receipt by shareholders, lowers the cost of the annual meeting, and conserves natural resources. However, if you would prefer to receive paper copies of our proxy materials, please follow the instructions included in the Notice of Internet Availability.

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 6, 2016

NOTICE OF 2016 ANNUAL MEETING OF SHAREHOLDERS

When:	Tuesday, June 28, 2016, at 1:00 p.m. Eastern Time
Where:	Hilton Richmond Hotel, Short Pump 12042 West Broad Street Richmond, VA 23233
Items of Business:	(1) To elect the eleven directors named in the proxy statement 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 the CarMax, Inc. 2002 Stock Incentive Plan, as amended and restated. (5) To vote on the shareholder proposal for a report on political contributions, if properly presented at the meeting. (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 22, 2016.

By order of the Board of Directors,

Eric M. Margolin
Executive Vice President,
General Counsel and Corporate Secretary
May 6, 2016

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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 29, 2016.

Fiscal 2016 Results

We achieved solid revenue and net earnings growth for fiscal 2016. Annual highlights included the following:

Store Growth	We opened 14 stores in fiscal 2016. In fiscal 2017, we plan to open 15 stores. In fiscal 2018, we plan to open between 13 and 16 stores.
Revenues/Earnings	We achieved top and bottom-line growth. Net sales and operating revenues increased 6.2%, to a record of $15.15 billion. Net earnings rose 4.4%, to a record of $623.4 million.
Units	Total used unit sales increased 6.5% and comparable store used unit sales increased 2.4%. Total wholesale unit sales increased 4.9%.
CarMax Auto Finance	CarMax Auto Finance ("CAF") finished the year with income of $392.0 million, an increase of 6.7% over the prior year.
Share Repurchases	We continued our share repurchase program in fiscal 2016, buying back 16.3 million shares with a market value of $971.2 million.
Twelfth Year on Fortune "Best Companies" List	We were named by Fortune magazine as one of its "100 Best Companies to Work For" for the twelfth year in a row.

Corporate Governance Highlights

PROXY ACCESS

In 2015, our board of directors proactively adopted proxy access amendments to our bylaws, enabling eligible CarMax shareholders to have their own director nominee included in the Company's proxy materials along with candidates nominated by our board.

KEY GOVERNANCE POLICIES

- Annual election of all directors
- Substantial majority of directors are independent (10 of 11)
- Board oversight of risk management program
- Shareholder rights plan expired in 2012 and was not renewed
- Majority voting for directors
- Independent Board Chair
- Annual "say on pay" vote

Annual Meeting of Shareholders

When	Tuesday, June 28, 2016, at 1:00 p.m., Eastern Time
Where	Hilton Richmond Hotel, Short Pump 12042 West Broad Street Richmond, VA 23233
Who May Attend	All shareholders as of the record date may attend the meeting.
Record Date	April 22, 2016
Live Audio Webcast	Available at investors.carmax.com

Voting Matters and Board Recommendations

Agenda Item	Board Recommendation	Page of Proxy Statement
1. Election of Eleven Directors	FOR each Director nominee	6
2. Ratification of Auditors	FOR	20
3. Advisory Approval of Executive Compensation	FOR	23
4. Approval of Amended and Restated Stock Incentive Plan	FOR	53
5. Shareholder Proposal for a Report on Political Contributions	AGAINST	62

Proposal One:
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	56	2007	Yes	Founder and Managing Partner of GenNx360 Capital Partners, a private-equity buyout fund	Compensation and Personnel
Alan B. Colberg	54	2015	Yes	President and Chief Executive Officer of Assurant, Inc.	Audit Committee
Thomas J. Folliard	51	2006	No	Chief Executive Officer of CarMax, Inc.	N/A

Rakesh Gangwal	62	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
Jeffrey E. Garten	69	2002	Yes	Chairman of Garten Rothkopf, an international consulting firm	Nominating and Governance
Shira Goodman	55	2007	Yes	President, North American Operations of Staples, Inc.	Compensation and Personnel
W. Robert Grafton	75	2003	Yes	Retired Managing Partner-Chief Executive, Andersen Worldwide S.C.	Compensation and Personnel
Edgar H. Grubb	76	2007	Yes	Retired Executive Vice President and Chief Financial Officer of Transamerica Corporation, a leading insurance and financial services company	Nominating and Governance
Marcella Shinder	49	2015	Yes	Chief Marketing Officer of Nielsen Holdings plc, a leading global performance management company	Audit
Mitchell D. Steenrod	49	2011	Yes	Senior Vice President and Chief Financial Officer of Pilot Travel Centers LLC, the nation’s largest operator of travel centers and truck stops	Audit
William R. Tiefel	82	2002	Yes	Chairman of the Board of CarMax, Inc., retired Vice Chairman of Marriott International, Inc. and Chairman Emeritus of The Ritz-Carlton Hotel Company, LLC	None

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 2017. The following table summarizes the fees billed by KPMG for fiscal 2016 and 2015.

	Audit Fees	Audit-Related Fees	Tax Fees	Other Fees	Total Fees
Fiscal 2016	$1,591,134	$424,000	$266,822	$—	$2,281,956
Fiscal 2015	$1,459,600	$387,000	$346,900	$465,000	$2,658,500

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, a significant majority of our shareholders supported our executive compensation program, with more than 97% and 91% of votes cast in 2015 and 2014, respectively, voting in favor of our program.

We strive to tie pay to performance. The following chart illustrates the relationship over the last three fiscal years between our net earnings and the total direct compensation (base salary, annual incentive bonus and long-term equity grants) paid to our Chief Executive Officer (“CEO”), as reported in our proxy statements.

Net Earnings and CEO Total Direct Compensation

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 paid in fiscal 2016 was composed of our annual incentive bonus and long-term equity and how most of that performance-based compensation was tied to our long-term performance.

CEO Total Direct Compensation CEO Performance-Based Compensation

You will find additional information on our executive compensation program beginning on page 24. This information includes a chart on page 25 describing changes we made to the compensation of our named executive officers in fiscal 2016.

Proposal Four:
Approval of Amended and Restated Stock Incentive Plan

We are asking that you approve amendments to the CarMax, Inc. 2002 Stock Incentive Plan, as amended and restated (the "Stock Incentive Plan") to (a) increase the number of shares of the Company's common stock reserved for issuance under the Stock Incentive Plan by 5,000,000 shares, (b) establish an annual limit on the total value of cash fees and equity compensation each non-employee director may receive, (c) extend the termination date of the Stock Incentive Plan from June 25, 2022 to June 28, 2026 and (d) otherwise approve the Stock Incentive Plan with these amendments.

You will find additional information regarding the Stock Incentive Plan and the proposed amendments beginning on page 53.
Proposal Five:
Shareholder Proposal for a Report on Political Contributions

The Board recommends a vote against this proposal, which would require that CarMax make certain political contribution disclosures. CarMax's political contributions, while purposeful, are limited in amount; subject to the CarMax Corporate Political Contribution Policy and Board committee oversight; and already disclosed as required under state contribution disclosure laws. The Board believes that adoption of the shareholder proposal is both unnecessary and not in the best interest of shareholders.
Next Year's Annual Meeting

Expected Date of 2017 Annual Meeting	June 26, 2017
Deadline for Shareholder Proposals	January 6, 2017

PROPOSAL ONE: ELECTION OF DIRECTORS

We are asking you to vote for the election of the eleven director nominees listed on the following pages. Our Board has nominated these individuals at the recommendation of our independent Nominating and Governance Committee. The Committee based its recommendation on, among other things, the results of an annual Board and peer evaluation process, as well as the integrity, experience and skills of each nominee. All of the nominees are current directors who were elected by shareholders at our 2015 annual meeting, except Mr. Colberg, who joined the Board in October 2015.

Our Board is declassified. This means that each director stands for election for a one-year term every year.

We appointed Mr. Colberg to the Board after conducting an extensive search for a director with, among other qualities, executive experience. The search was led by our Nominating and Governance Committee with the assistance of an outside search firm, which first brought Mr. Colberg to the Committee's attention.

Our Board is declassified. Accordingly, each of our directors is standing for election to hold office until our 2017 annual meeting of shareholders.

Each nominee must receive a majority of the votes cast.

CarMax uses 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.

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.

The following pages include information about the nominees. 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.

The Board recommends a vote FOR each of the nominees.

Ronald E. Blaylock

Director since: 2007
Age: 56

Independent

MR. BLAYLOCK is the 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.

Other Current Directorships

Radio One, Inc. and W. R. Berkley Corporation.

Other Directorships within Past 5 Years

None.

Qualifications

Mr. Blaylock's experience managing two successful investment enterprises, as well as his considerable finance experience, qualify him to serve

Alan B. Colberg

Director since: 2015
Age: 54

Independent

MR. COLBERG has been the President, Chief Executive Officer and Director of Assurant, Inc., a provider of diverse insurance products and related services, since 2015. Mr. Colberg joined Assurant as Executive Vice President of Marketing and Business Development in March 2011. He was named Assurant's President in 2014. Previously, Mr. Colberg worked for Bain & Company, Inc. for 22 years, founding Bain's Atlanta office in 1996 and heading it until 2011. He also served as Bain's global practice leader for financial services.

Other Current Directorships

Assurant, Inc.

Other Directorships within Past 5 Years

None.

Qualifications

Mr. Colberg's chief executive experience at Assurant and senior leadership experience in the financial services, insurance and consulting industries qualify him to serve on our Board. Further, Mr.

on our Board. 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.	Colberg's extensive background in corporate strategy and finance enables him to provide additional insight to our Board and its committees.

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Thomas J. Folliard	Rakesh Gangwal
Director since: 2006 Age: 51	Director since: 2011 Age: 62 Independent
MR. FOLLIARD is the Chief Executive Officer of CarMax and was the President and Chief Executive Officer of CarMax from 2006 until February 2016. 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.	MR. GANGWAL is the 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.
Other Current Directorships	Other Current Directorships

PulteGroup, Inc. and DAVIDsTEA, Inc.	Office Depot, Inc. and InterGlobe Aviation Limited (IndiGo)
Other Directorships within Past 5 Years	Other Directorships within Past 5 Years
None.	PetSmart, Inc. (2005-2015) and OfficeMax Incorporated (1998-2013).
Qualifications	Qualifications
As the chief executive of CarMax, Mr. Folliard leads the Company's day-to-day operations 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 22,000 CarMax associates qualify him to serve on our Board.	Mr. Gangwal's experience as a chief executive officer, as well as his extensive background in corporate strategy, operations and technology management, qualify him to serve on our Board. Mr. Gangwal's service as a board member of publicly traded retail companies further qualifies him to serve on our Board.

Jeffrey E. Garten	Shira Goodman
Director since: 2002 Age: 69	Director since: 2007 Age: 55
Independent	Independent
MR. GARTEN has been chairman of Garten Rothkopf, an international consulting firm, since 2005. He was the Juan Trippe Professor in the Practice of International Trade, Finance and Business at the Yale School of Management from 2005 to 2015 and 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 member of the board of overseers of the International Rescue Committee.	MS. GOODMAN has been the President, North American Operations of Staples, Inc., the world's leading online, delivery and retail seller of business products, since February 2016. In her current position, she leads all of Staples' U.S. and Canadian business units. Ms. Goodman 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, executive vice president, human resources from 2009 to 2012, executive vice president, global growth from 2012 to 2014, and president, North American Commercial from 2014 to 2016. From 1986 to 1992, Ms. Goodman worked at Bain & Company in project design, client relationships and case team management.

Other Current Directorships	Other Current Directorships
Aetna Inc. and certain mutual funds of Credit Suisse Asset Management.	None.
Other Directorships within Past 5 Years	Other Directorships within Past 5 Years
Served on the board of managers of Standard & Poor's LLC, a division of The McGraw-Hill Companies (2012-2015).	None.
Qualifications	Qualifications
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.	Ms. Goodman has proven business acumen, having served in various leadership positions at an internationally renowned retailer. Ms. Goodman's experiences in retail marketing, sales force management, human resources, and business growth at the world's largest office products company all qualify her to serve on our Board. In her current position, Ms. Goodman is responsible for leading Staples business units that reported $18 billion in sales in its most recent fiscal year.

W. Robert Grafton	Edgar H. Grubb
Director since: 2003 Age: 75	Director since: 2007 Age: 76
Independent	Independent
MR. GRAFTON is the 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. GRUBB is the 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.
Other Current Directorships None.	Other Current Directorships CSAA Insurance Group, an AAA affiliate providing auto and property coverage to AAA members in 23 states (where Mr. Grubb is a former chairman of the board) and Auto Club Partners, Inc., an affiliation of

	seven AAA clubs representing over 12 million members in the United States.
Other Directorships within Past 5 Years	Other Directorships within Past 5 Years
DiamondRock Hospitality Company (2004-2016) and SRA International, Inc. (2010-2011).	None.
Qualifications	Qualifications
Mr. Grafton's extensive management and 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 experience on other public company compensation committees and his years of service as a CarMax director provide significant and consistent leadership.	With extensive experience as the chief financial officer of a public company, Mr. Grubb provides CarMax with his comprehensive understanding of the 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.

Marcella Shinder

Director since: 2015
Age: 49

Independent

MS. SHINDER is the Chief Marketing Officer of Nielsen Holdings plc, a leading global performance management company. Prior to joining Nielsen in 2011, Ms. Shinder was with American Express, serving in a variety of executive roles including head of global marketing, head of brand management and social media, and general manager, small business charge cards, American Express OPEN.

Other Current Directorships
None.
Other Directorships within Past 5 Years
None.
Qualifications
Ms. Shinder's experience as the chief marketing officer of a leading performance management company focused on

Mitchell D. Steenrod

Director since: 2011
Age: 49

Independent

MR. STEENROD has been the Senior Vice President and Chief Financial Officer of Pilot Travel Centers LLC, the nation's largest operator of travel centers and truck stops, since 2004. 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. 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.

Other Current Directorships
None.
Other Directorships within Past 5 Years
None.
Qualifications
Mr. Steenrod's extensive retail industry and operational experience as well as his experience implementing

consumer analytics qualifies her to serve on our Board. Further, Ms. Shinder’s deep experience with social media, digital marketing and branding enable her to provide additional insight to our Board and its committees.	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.

William R. Tiefel

Director since: 2002
Age: 82

Independent
MR. TIEFEL has been the Chairman of the Board of CarMax since 2007. He is also the 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.
Other Current Directorships
None.
Other Directorships within Past 5 Years
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.
Qualifications

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 not only as a director, but also as the Board's chairman. His steady leadership, as well as his tenure both as a director and as Chairman, provide continuity and value to our Board.

CORPORATE GOVERNANCE

CarMax is committed to good corporate governance. In this section of the proxy statement we describe 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 our governance practices. The Board has made significant changes to those practices in recent years in response to shareholder feedback and based on evolving practices and the Board's independent judgment.

We adopted a proxy access right for our shareholders in 2015	Most recently, in December 2015, the Board acted to adopt a proxy access right for eligible CarMax shareholders. Although CarMax did not receive any shareholder proposals or requests to adopt proxy access, the Board determined proxy access to be in the best interest of CarMax shareholders and proceeded to adopt the right. Additional information concerning the proxy access right and shareholder eligibility can be found on page 17.

The adoption of proxy access demonstrated the Board's continued interest in adopting meaningful shareholder focused changes. In 2011, the Board approved a majority vote standard for the election of directors. In 2012, the Board allowed CarMax's shareholder rights plan to expire without renewal. In 2013, we declassified our Board and established annual elections for all directors. In 2014, we adopted a mandatory director retirement policy providing that directors, with limited exceptions, may not stand for reelection after reaching age 76.

These changes supplement longstanding good governance practices, such as maintaining independent Board leadership and a largely independent Board (10 of 11 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 investors.carmax.com.

Bylaws	Our bylaws regulate the corporate affairs of CarMax. They include provisions relating to shareholder meetings, voting, the nomination of directors and the proxy access right.
Corporate Governance Guidelines	Our corporate governance guidelines set forth the Board's practices with respect to its responsibilities, qualifications, performance, access to management and independent advisors, compensation, 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 investors.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

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 2016. 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 (Mses. Goodman and Shinder and Messrs. Blaylock, Colberg, Gangwal, Garten, Grafton, Grubb, Steenrod and Tiefel) are independent under the listing standards of the New York Stock Exchange ("NYSE"). 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 2016. 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.

Each of Messrs. Blaylock, Gangwal and Garten are non-employee directors of companies that did business with CarMax in fiscal 2016. These companies are, respectively, RadioOne, Inc., Office Depot, Inc. and Aetna Inc. In addition, Mr. Gangwal was formerly a non-employee director of OfficeMax Incorporated, which did business with CarMax in fiscal 2016. All of 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 non-employee directors.

Board Leadership Structure

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, presiding over executive sessions of the independent directors, and assisting management in representing CarMax to external groups as needed and as determined by the Board.

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 maintains flexibility based on CarMax's needs and the Board's assessment of the Company's leadership. Our corporate governance guidelines 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 Job Description. In February 2016, the Company announced that Mr. Folliard expected to retire by the end of calendar year 2016. The

Board expects to appoint Mr. Folliard as non-executive chairman of the Board following his retirement.

Board Committees

The Board has three standing committees: Audit, Compensation and Personnel, and Nominating and Governance. Each committee is composed solely of independent directors as that term is defined in applicable rules of the U.S. Securities and Exchange Commission ("SEC") and the NYSE.

Each committee is composed solely of independent directors.	In addition, all members of the Compensation and Personnel Committee qualify as "outside directors" within the meaning of Section 162(m) of the Internal Revenue Code and "non-employee directors" as defined by Rule 16b-3 under the Securities Exchange Act of 1934. Each committee has a charter that describes the committee's responsibilities. These charters are available under the "Corporate Governance" link at investors.carmax.com or upon written request to our Corporate Secretary at CarMax, Inc., 12800 Tuckahoe Creek Parkway, Richmond, Virginia 23238.

The table below summarizes the responsibilities of the three committees.

Committee	Current Members	Responsibilities
Audit	Mitchell D. Steenrod (Chair) Alan B. Colberg Marcella Shinder	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 financially literate, with Messrs. Colberg and Steenrod considered audit committee financial experts under the standards of the NYSE and the SEC. The Audit Committee's report to shareholders can be found on page 21.
Compensation and Personnel	W. Robert Grafton (Chair) Ronald E. Blaylock Shira Goodman	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 its independent compensation consultant, as well as to approve the consultant's fees. The Compensation and Personnel Committee's report to shareholders can be found on page 37.
Nominating and Governance	Edgar H. Grubb (Chair) Rakesh Gangwal Jeffrey E. Garten	The Nominating and Governance Committee assists in the Board's oversight of: § 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.

Board and Committee Meetings

During fiscal 2016, our Board met five times and our Board committees met a combined 24 times. Each director attended 88% or more of the total number of meetings of the Board and the committees on which he or she served. The average attendance of all directors in fiscal 2016 was 99%. We expect our directors to attend the annual meeting of shareholders and all of our directors at the time of the 2015 annual meeting of shareholders did so.

Our independent directors meet in executive session, without management present, at least once during 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 2016 and discloses each director's attendance.

Director	Board	Audit	Compensation and Personnel	Nominating and Governance
Ronald E. Blaylock	5	—	5	—
Alan B. Colberg[(a)]	2	3	—	—
Thomas J. Folliard	5	—	—	—
Rakesh Gangwal	5	—	—	7
Jeffrey E. Garten	5	—	—	7
Shira Goodman	5	—	5	—
W. Robert Grafton[(b)]	5	9	1*	—
Edgar H. Grubb	5	—	—	7*
Marcella Shinder	5	11	—	—
Mitchell D. Steenrod[(c)]	5	12*	—	—
Thomas G. Stemberg[(d)]	2	—	3	—
William R. Tiefel[(e)]	5*	10	—	—
TOTAL MEETINGS	5	12	5	7

* Chairman

(a) Mr. Colberg was elected to the Board on October 21, 2015.

(b) Mr. Grafton was appointed chair of the Compensation and Personnel Committee on October 30, 2015 and concurrently stepped down as chair and as a member of the Audit Committee.

(c) Mr. Steenrod was appointed chair of the Audit Committee on October 30, 2015.

(d) Mr. Stemberg served as a director until his passing on October 23, 2015.

(e) Mr. Tiefel stepped down from his seat on the Audit Committee following the January 26, 2016 meeting.

Selection of Directors

CRITERIA

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 significant experience or skills that will benefit the Company.

We believe our Board should include directors with diverse backgrounds.

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, the Board's need for specific skills or perspectives, and the nominee's character, reputation, experience, independence from management and ability to devote the requisite time.

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, shareholders, outside search firms, and management. The

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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.

In 2015, our board of directors adopted proxy access amendments to our bylaws, enabling eligible CarMax shareholders to have their own director nominee included in the Company's proxy materials along with candidates nominated by our board. Our proxy access right permits an eligible shareholder, or a group of up to 20 shareholders, to nominate and include in CarMax's proxy materials directors constituting up to 20% of the Board of Directors. To be eligible, the shareholder or shareholder group must have owned 3% or more of our outstanding capital stock continuously for at least three years and satisfy certain notice and other requirements set forth in our bylaws. 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 70.

EVALUATION AND REFRESHMENT

In connection with the annual election of directors and at other times throughout the year, the Nominating and Governance Committee considers whether our Board has the right mix of skills and experience to meet the challenges facing CarMax. One of the processes that assists the Committee in its consideration is our Board's annual evaluation process. The Board and each of its committees conducts a self-evaluation. In addition, the Chairman and the Committee preside over a peer evaluation process in which each individual director evaluates each other director. The results of these evaluations assist the Committee in determining both whether to nominate incumbent directors for reelection and whether to search for additional directors.

As part of its consideration, the Committee reviews both the age and tenure of incumbent directors. The average age of our directors is 62 and their average tenure on our Board is 8.1 years. In fiscal 2015, the Board adopted a mandatory director retirement policy providing that directors may not stand for reelection after reaching age 76. The Board may waive this limitation in appropriate circumstances and there is a limited grandfather period for directors serving prior to the adoption of this policy.

Board's Role in Succession Planning

The Board oversees the recruitment, development and retention of executive talent. As part of its oversight, the Board regularly reviews short- and long-term succession plans for the Chief Executive Officer and other senior management positions. In assessing possible CEO candidates, the independent directors identify the skills, experience and other attributes they believe are required to be an effective CEO in light of CarMax's business strategies, opportunities and challenges.

On February 1, 2016, the Company announced that, as the culmination of a multi-year management succession plan overseen by the Board, the Board had promoted William D. Nash, formerly executive vice president, human resources and administrative services, to president of the Company. Mr. Folliard will continue as the Company's chief executive officer until his retirement, expected to occur prior to the end of 2016, at which time it is anticipated that Mr. Nash will assume the role of CEO.

The Board also considers its own succession. In doing so, the Nominating and Governance Committee and the Board take into account, among other things, the needs of the Board and the Company in light of the overall composition of the Board with a view to achieving a balance of skills, experience and attributes that would be beneficial to the Board's oversight role.

Board's Role in Risk Oversight

Our Board discharges its responsibility to oversee risks to CarMax 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 its business decisions 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 human resources 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.
Enterprise Risk Management	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 as members more than ten other associates from across CarMax. The Risk Committee meets periodically to identify and discuss the risks facing CarMax. 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.
Other Processes that Support Risk Oversight and Management	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.

We believe that our Board leadership structure, discussed in detail beginning on page 14, 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.

Related Person Transactions

Our Board has adopted a written Related Person Transactions Policy that applies to any transaction in which:

- CarMax or one of its affiliates is a participant;
- the amount involved exceeds $120,000; and
- the related person involved in the transaction (whether a director, executive officer, owner of more than 5% of our common stock, or an immediate family member of any such person) has a direct or indirect material interest.

A copy of our policy is available under the "Corporate Governance" link at investors.carmax.com. The Audit Committee is responsible for applying the Company's policy and reviewing any related person transaction that is required to be disclosed pursuant to SEC rules.

We did not have any related person transactions in fiscal 2016.

In reviewing related person transactions, the Audit Committee considers, among other things:

- the related person's relationship to CarMax;

- the facts and circumstances of the proposed transaction;
- the aggregate dollar amount involved in the transaction;
- the related person's interest in the transaction, including his or her position or relationship with, or ownership in, an entity that is a party to, or has an interest in, the transaction; and

- the benefits to CarMax of the proposed transaction and, if applicable, the terms and availability of comparable products and services from unrelated third parties.

The Audit Committee will approve or ratify a related person transaction only if it determines that: (i) the transaction serves the best interests of CarMax 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.

We did not have any related person transactions in fiscal 2016.

Shareholder Communication with Directors

Shareholders or other interested parties wishing to contact the Board or any individual director may send correspondence to CarMax, Inc., c/o Corporate Secretary, 12800 Tuckahoe Creek Parkway, Richmond, Virginia 23238, or may send an e-mail to chairman@carmax.com, which is monitored by Eric M. Margolin, our Corporate Secretary. Mr. Margolin will forward to the Board or appropriate Board member any correspondence that deals with the functions of the Board or its committees or any other matter that would be of interest to the Board. If the correspondence is unrelated to Board or shareholder matters, it will be forwarded to the appropriate department within the Company for further handling.

PROPOSAL TWO: RATIFICATION OF THE APPOINTMENT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We are asking you to ratify the Audit Committee's appointment of KPMG LLP ("KPMG") as CarMax's independent registered public accounting firm for fiscal 2017. KPMG has served as our independent registered public accounting firm continuously since fiscal 2003 and has been appointed by the Audit Committee to continue as CarMax's independent registered public accounting firm for fiscal 2017. The members of the Audit Committee and the Board believe that the continued retention of KPMG to serve as CarMax's independent registered public accounting firm is in the best interests of CarMax and its shareholders.

The Audit Committee is directly responsible for the appointment, compensation, retention, and oversight of the independent registered public accounting firm retained to audit CarMax's financial statements. The Audit Committee is also responsible for the audit fee negotiations associated with CarMax's retention of KPMG. In accordance with the SEC-mandated rotation of the audit firm's lead engagement partner, the Audit Committee and its chairperson are directly involved in the selection of KPMG's lead engagement partner and were directly involved in the selection of KPMG's current lead engagement partner, whose period of service began in fiscal 2016. Furthermore, in order to ensure continuing auditor independence, the Audit Committee periodically considers whether there should be a regular rotation of the independent registered public accounting firm.

Although we are not required to seek shareholder ratification, we are doing so as a matter of good corporate governance. If the shareholders do not ratify the appointment of KPMG, the Audit Committee will reconsider its decision. Even if the appointment is ratified, the Audit Committee, in its discretion, may change the appointment at any time during the year if it determines that a change would be in the best interests of CarMax and its shareholders.

We expect that representatives of KPMG will attend the annual meeting. They will be given the opportunity to make a statement if they desire to do so and to respond to appropriate questions.

The Board recommends a vote FOR Proposal Two.

AUDIT COMMITTEE REPORT

The Audit Committee reports to and acts on behalf of CarMax's Board of Directors by providing oversight of the integrity of the Company's financial statements, the Company's independent and internal auditors, and the Company's compliance with legal and regulatory requirements. The Audit Committee operates under a written charter adopted by the Board, which is reviewed annually and is available under the "Corporate Governance" link at investors.carmax.com. The members of the Audit Committee meet the independence and financial literacy requirements of the NYSE and the SEC.

Management is responsible for the preparation, presentation and integrity of the Company's financial statements and the establishment of effective internal controls over financial reporting. KPMG, the Company's independent registered public accounting firm, is responsible for auditing those financial statements in accordance with the standards of the Public Company Accounting Oversight Board ("PCAOB") and expressing an opinion on the conformity of CarMax's audited financial statements with generally accepted accounting principles and on the effectiveness of CarMax's internal controls over financial reporting.

In this context, the Committee has met and held discussions with management, KPMG and the Company's internal auditors, meeting 12 times in fiscal 2016. These meetings have included regular private sessions with each of KPMG and the Company's head of internal audit, as well as regular private sessions with each of the Company's Chief Financial Officer, Controller, and General Counsel and Chief Compliance Officer. Management represented to the Committee that the Company's fiscal 2016 consolidated financial statements were prepared in accordance with generally accepted accounting principles, and the Committee reviewed and discussed the fiscal 2016 consolidated financial statements with management and KPMG.

The Committee has discussed with KPMG the matters required to be discussed by applicable auditing standards, including significant accounting policies and the quality, not just the acceptability, of the accounting principles utilized. The Committee has also received from KPMG the written disclosures and the letter required by applicable requirements of the PCAOB regarding the independent auditor's communications with the Audit Committee regarding independence, and the Audit Committee has discussed with KPMG the firm's independence. The Audit Committee concluded that KPMG is independent from the Company and management.

In reliance on these reviews and discussions, the Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended February 29, 2016, for filing with the SEC.

AUDIT COMMITTEE

Mitchell D. Steenrod, Chairman
Alan B. Colberg
Marcella Shinder

AUDITOR FEES AND PRE-APPROVAL POLICY

Auditor Fees and Services

The following table sets forth fees billed by KPMG for fiscal 2016 and 2015.

	Years Ended February 29 and 28	
Type of Fee	2016	2015
Audit Fees[(a)]	$1,591,134	$1,459,600
Audit-Related Fees[(b)]	424,000	387,000
Tax Fees[(c)]	266,822	346,900
All Other Fees[(d)]	—	465,000
TOTAL FEES	$2,281,956	$2,658,500

(a) This category includes fees associated with the annual audit of CarMax's consolidated financial statements and the audit of CarMax's internal control over financial reporting. It also includes fees associated with quarterly reviews of CarMax's unaudited consolidated financial statements.
(b) This category includes fees associated with attestation services related to our asset-backed securitizations.
(c) This category includes fees associated with tax compliance, consultation and planning services.
(d) This category includes reimbursement of professional and administrative costs associated with a completed informal regulatory inquiry.

Approval of Auditor Fees and Services

The Audit Committee's charter provides for pre-approval of audit and non-audit services to be performed by the independent auditors. The Committee typically pre-approves specific types of audit, audit-related and tax services, together with related fee estimates, on an annual basis. The Committee pre-approves all other services on an individual basis throughout the year as the need arises. The Committee has delegated to its chairman the authority to pre-approve independent auditor engagements in an amount not to exceed $50,000 per engagement. Any such pre-approvals are reported to and ratified by the entire Committee at its next regular meeting.

All audit, audit-related and tax services in fiscal 2016 were pre-approved by the Audit Committee or pre-approved by the Chairman pursuant to his delegated authority and subsequently ratified by the Audit Committee. In all cases, the Audit Committee concluded that the provision of such services by KPMG was compatible with the maintenance of KPMG's independence.

PROPOSAL THREE: ADVISORY RESOLUTION TO APPROVE EXECUTIVE COMPENSATION

We are asking you to approve an advisory resolution approving the compensation of our named executive officers as disclosed in this proxy statement. This vote is commonly referred to as a “Say on Pay” vote and is required by Section 14A of the Securities Exchange Act of 1934. Although this resolution is not binding, we value your opinion and our Compensation and Personnel Committee will consider the outcome of this vote when making future decisions.

We believe our executive compensation program promotes the achievement of positive results for our shareholders, aligns pay and performance, and allows us to attract and retain the talented executives that drive our long-term financial success. We urge you to read the “Compensation Discussion and Analysis” section of this proxy statement beginning on page 24, which describes in more detail how our executive compensation program operates and how it is designed to achieve our compensation objectives. We also encourage you to review the “Summary Compensation Table” and other compensation tables and narratives, found on pages 38 through 50.

We have adopted a policy providing for an annual “Say on Pay” vote. Accordingly, the next advisory vote on the compensation of our named executive officers will occur in 2017.

Our Board recommends that, on an advisory basis, shareholders vote in favor of the following resolution:

RESOLVED, that the compensation of the named executive officers of CarMax, Inc. (the “Company”), as disclosed in the Company’s 2016 Proxy Statement pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, compensation tables and the narrative discussion that accompanies the compensation tables, is hereby APPROVED.

The Board recommends a vote FOR Proposal Three.

COMPENSATION DISCUSSION AND ANALYSIS

Overview

The Compensation and Personnel Committee oversees an executive compensation program that is intended to drive the creation of long-term shareholder value. This section describes that program and details the compensation earned by our CEO and CFO and our three other most highly compensated executive officers . We refer to these five individuals, listed below, as our “named executive officers” or “NEOs”:

Thomas J. Folliard	Chief Executive Officer. Mr. Folliard joined CarMax in 1993 and served as President and Chief Executive Officer from 2006 to February 2016. He is also a member of our Board.
William D. Nash	President. Mr. Nash joined CarMax in 1997 and was promoted to his current position in February 2016.
Thomas W. Reedy	Executive Vice President and Chief Financial Officer. Mr. Reedy joined CarMax in 2003 and was promoted to his current position in 2012.
William C. Wood	Executive Vice President and Chief Operating Officer. Mr. Wood joined CarMax in 1993 and was promoted to his current position in February 2016.
Edwin J. Hill	Executive Vice President, Strategy and Business Transformation. Mr. Hill joined CarMax in 1995 and was promoted to his current position in 2016.

Executive Summary

FISCAL 2016 RESULTS

CarMax continued to deliver solid growth and performance in Fiscal 2016. Highlights of the year include the following:

- We opened 14 stores in fiscal 2016. In fiscal 2017, we plan to open 15 stores. In fiscal 2018, we plan to open between 13 and 16 stores.
- We achieved top and bottom-line growth, with record net sales and operating revenues of $15.15 billion and record net earnings of $623.4 million, increases of 6.2% and 4.4%, respectively.
- Total used unit sales increased 6.5%, comparable store used unit sales increased 2.4%, and total wholesale unit sales increased 4.9%.
- CAF income increased 6.7% to $392.0 million.
- We continued our share repurchase program, buying back 16.3 million shares with a market value of $971.2 million.
- We were named by Fortune magazine as one of its “100 Best Companies to Work For” for the twelfth year in a row.

MANAGEMENT SUCCESSION

As the culmination of a multi-year management succession plan, on February 1, 2016, Mr. Nash, formerly Executive Vice President, Human Resources and Administrative Services, was promoted to President of CarMax and Mr. Wood, formerly Executive Vice President, Stores, was promoted to Executive Vice President and Chief Operating Officer of CarMax.

Mr. Folliard will continue as CarMax’s Chief Executive Officer until his retirement, expected to occur prior to the end of 2016, at which time it is anticipated that Mr. Nash will assume the role of CEO. The Board expects to appoint Mr. Folliard as non-executive chairman of the Board following his retirement.

SUMMARY OF FISCAL 2016 COMPENSATION CHANGES

The following chart summarizes the key changes we made to the compensation of our named executive officers in fiscal 2016.

Compensation Category	Changes We Made in Fiscal 2016	Why We Made These Changes
Base Salary	5% increase for Mr. Folliard, 18.2% increase for Mr. Nash, 9.1% increase for Mr. Reedy and Mr. Wood, 5.0% increase for Mr. Hill	Based on individual performance in fiscal 2015 and to better align base salary among our executive vice presidents and with the 50th percentile of our blended peer/survey data. See pages 28 to 29 for more detail.
Annual Incentive Bonus	67.8% payout versus an 179.4% payout in fiscal 2015	Based on Company performance measured against pre-determined net income target set at the beginning of fiscal 2016. See pages 29 to 30 for more detail.
Long-Term Equity Award	7.7% increase in grant date fair value for Mr. Folliard, 11.5% increase for Messrs. Nash, Reedy and Wood, no increase for Mr. Hill	Based on individual performance in fiscal 2015 and to ensure the executives are provided the opportunity to achieve total compensation above the median of our blended peer/survey data for sustained shareholder value creation and above-target Company performance. See pages 30 to 32 for more detail.
	Replacement of market stock units ("MSUs") with performance stock units ("PSUs")	The Committee replaced MSUs with PSUs for our executive officers to further strengthen the link between pay and the performance of the Company by directly tying equity payments to a meaningful and appropriate measure of earnings growth. See pages 30 to 31 for more detail.
Management Succession Compensation Adjustment	23.1% increase to Mr. Nash's base salary following his February 1, 2016 promotion to President	Mr. Nash's base salary was increased following his promotion to reflect his new position. See page 29 for more detail.
	Mr. Nash's annual incentive bonus target was increased from 75% to 100% of his base salary for the portion of fiscal 2016 following his promotion to President	Mr. Nash's target bonus amount applicable to the final month of fiscal 2016 was increased to reflect his new position. The bonus percentage applicable to the portion of the fiscal year before his promotion remained 75% of his prior base salary. See page 30 for more detail.

Performance drives pay at CarMax. Eighty-seven percent of our CEO's total direct compensation (the sum of base salary, annual incentive bonus and long-term equity) earned in fiscal 2016 was performance-based. Our pay-for-performance philosophy is in place across our leadership team. In fiscal 2016, an average of 77% of the total direct compensation of our other named executive officers was performance-based. Compensation mix is discussed in more detail on pages 32 and 33.

How We Make Compensation Decisions

The Compensation and Personnel Committee oversees our executive and director compensation programs and determines all executive officer and director compensation.

COMPENSATION PHILOSOPHY AND OBJECTIVES

CarMax has a pay-for-performance philosophy. The Committee believes that the best way to implement this philosophy is by tying a significant portion of our executives' total direct compensation to the attainment of both annual financial goals and multi-year stock price appreciation.

The Committee has established the following objectives for our executive compensation program:
Align the interests of executive officers with the financial interests of our shareholders.

Encourage the achievement of our key strategic, operational and financial goals.
Link incentive compensation to Company and stock price performance, which the Committee believes promotes a unified vision for senior management and creates common motivation among our executives.
Attract, retain and motivate executives with the talent necessary to drive our long-term success.
Provide the Committee the flexibility to respond to the continually changing environment in which we operate.

The key elements of our executive compensation program are base salaries, annual incentive bonuses and long-term equity awards. The Committee generally makes determinations regarding long-term equity awards, base salaries and annual incentive bonuses at its March and April meetings. The Committee makes decisions regarding each element of pay to further the objectives described above. The specific ways in which each element of compensation supports these objectives are described beginning on page 28.

The Committee recognizes the impact that an adjustment to one element of compensation may have on other elements. For example, an increase in an officer's base salary will result in a larger target annual incentive amount since that amount is determined as a percentage of base salary. Although the Committee considers these relationships between the various elements of compensation—and also considers each executive officer's total compensation—decisions regarding any one element of compensation are not determinative of decisions regarding other elements.

The Committee generally considers the value of stock-based compensation as an element of our executive compensation program at the time of grant of an equity award, not at the time of exercise or vesting. Accordingly, the Committee does not consider the realized value of long-term equity compensation when designing and evaluating our executive compensation program.

COMPENSATION CONSULTANT

The Committee has engaged Frederic W. Cook & Co., Inc. ("FWC"), a compensation consultant, to obtain access to independent compensation data, analysis and advice. Pursuant to its charter, the Committee has the sole authority to hire, oversee and terminate FWC, as well as to approve FWC's fees and any other terms of the engagement.

The Committee has retained an independent compensation consultant.

Committee members have direct access to FWC without going through management. FWC provides no services to CarMax other than those it provides to the Committee.

The Committee assessed FWC's independence in April 2016 under SEC and NYSE standards and concluded that FWC was independent.

The Committee considered, among other factors:
whether FWC provided other services to CarMax;
the amount of fees paid by CarMax to FWC as a percentage of FWC's total revenue;
FWC's policies and procedures designed to prevent conflicts of interest;
any business or personal relationship between the individuals advising the Committee and any Committee member;
any CarMax stock owned by the individuals advising the Committee; and
any business or personal relationship between the individuals advising the Committee, or FWC itself, and an executive officer of CarMax.

FWC frequently attends Committee meetings and provides analysis and recommendations that inform the Committee's decisions. FWC assisted the Committee in fiscal 2016 by analyzing and providing recommendations with regard to total direct compensation for the Company's CEO, President and executive and senior vice presidents, including adjustments to Mr. Nash's compensation made on his promotion to President. FWC provided general compensation advice throughout fiscal 2016, including analysis related to long-term equity awards, our internal pay equity (that is, the relationship between the compensation of our CEO and our other named executive officers), the composition of our peer group and the appropriate performance criteria for the fiscal 2016 annual incentive bonus.

MANAGEMENT'S ROLE

Although management does not have any decision-making authority regarding executive compensation, management assists the Committee by recommending base salary levels, annual incentive bonus objectives and targets, and individual long-term equity awards for executives other than the CEO. Management also assists the Committee with the preparation of meeting agendas and prepares materials for those meetings as directed by the Committee.

The Committee has not delegated any authority with respect to the compensation of our executive officers and directors. The Committee, however, has delegated limited authority to our CEO and CFO to grant long-term equity awards to our non-executive officers between regularly scheduled Committee meetings in an amount not to exceed 75,000 shares or units. These awards are subject to our Employee Equity Grant Policy, which is available under the "Corporate Governance" link at investors.carmax.com. The Committee's practice is to review and ratify any such grant at its next regularly scheduled meeting.

Notwithstanding the Committee's use of outside advisers and management's participation in the executive compensation process, the Committee makes all executive compensation decisions using its own independent judgment and analysis.

CONSIDERATION OF THE MOST RECENT ADVISORY "SAY-ON-PAY" VOTE

At our 2015 annual meeting, a significant majority of our shareholders approved our executive compensation program, with more than 97% of the votes cast in favor of the program. The Committee was pleased with this response, which improved on an already strong result at the 2014 annual meeting, at which more than 91% of the votes cast were in favor of the program.

97% of the votes cast on last year's say-on-pay proposal approved CarMax's executive compensation.

Based on these results and the Committee's independent judgment, the Committee made no material changes to the structure of our executive compensation program for fiscal 2016. However, as part of its commitment to pay-for-performance practices, the Committee approved the grant of performance-based PSUs (in lieu of the historical MSU grants) for fiscal 2016. This change is described on page 30.

PEER GROUP

Each year, the Committee reviews market compensation data provided by its independent consultant to determine whether the compensation opportunities of the named executive officers are appropriate and competitive.

The Committee used the following peer group of companies to benchmark the fiscal 2016 compensation disclosed in this proxy statement. The Committee selected this peer group in October 2013 based on an analysis by FWC and the Committee's independent judgment. These peers fell within a reasonable range (both above and below CarMax) of comparative factors such as revenue, market capitalization, net income, assets and one- and three-year total shareholder return. These peers are generally "big box" retailers, specialty auto retailers or direct competitors.

Advance Auto Parts, Inc.	Kohl's Corporation
AutoNation, Inc.	Lowe's Companies, Inc.
AutoZone, Inc.	Macy's, Inc.
Avis Budget Group, Inc.	PetSmart, Inc.
Dick's Sporting Goods, Inc.	Ross Stores, Inc.
Dollar General Corporation	The Sherwin-Williams Company
eBay Inc.	Southwest Airlines Co.
Family Dollar Stores, Inc.	Staples, Inc.
Genuine Parts Company	Tractor Supply Company
Hertz Global Holdings, Inc.	

In preparation for fiscal 2017 compensation decisions, the Committee re-evaluated this peer group in June 2015 based on an analysis by FWC and the Committee's independent judgment. The Committee determined that the peer group remained appropriate, with the peers continuing to fall within a reasonable range (both above and below CarMax) of comparative factors such as revenue, market capitalization, net income, assets and one- and three-year total shareholder return. The Committee selected The Gap, Inc. to replace PetSmart following PetSmart's recent acquisition. The Committee added The Gap to the peer group based on the comparative factors mentioned above, as well as its frequent appearance as a peer to other companies within the CarMax peer group. The Committee will use the revised peer group to benchmark compensation practices for fiscal year 2017.

In addition to the peer group, the Committee uses broader survey data to benchmark compensation practices. In fiscal 2016, the Committee considered three national surveys produced by Equilar, Towers Watson and Mercer with a focus on executives within the retail/wholesale and automotive industries.

The Committee considers a blend of peer group data and broader survey data in benchmarking compensation. The Committee believes that this mix of data provides the most comprehensive view of executive compensation practices at companies against whom we compete for talent and allows the Committee to ensure that CarMax continues to provide appropriate and competitive compensation. This mix of data also allows the Committee to obtain broader market context with regard to certain positions that may not exist in a comparable form at every company in our peer group or that may not be classified as a named executive officer at every company in our peer group.

The Committee generally uses the 50th percentile of the blended peer/survey data as a reference in setting the base salaries and target annual incentive bonus opportunities of our named executive officers. The Committee uses long-term equity awards that are tied to objective performance metrics to further reward executive officers when CarMax performs well. If the Company delivers sustained performance gains, these long-term equity awards are targeted to provide an opportunity for total direct compensation beyond the median of the blended peer/survey data.

The Committee uses peer group and broader survey data as one of many factors in making compensation decisions. Other factors include individual performance, Company performance, tenure, internal pay equity and succession planning.

What We Pay and Why: Elements of Compensation

The key elements of compensation for our named executive officers are base salary, an annual incentive bonus and long-term equity awards. Together, these elements make up total direct compensation.

Base Salary + Annual Incentive Bonus + Long-Term Equity Awards = Total Direct Compensation

This section describes these elements and details the amounts of each earned by our named executive officers in fiscal 2016.

BASE SALARY

We pay competitive base salaries to retain key officers and attract the new talent necessary for our long-term success. An executive officer's base salary generally reflects the officer's responsibilities, tenure and job performance, as well as the market for the officer's services. The Committee reviews officer base salaries every year, generally in March or April. When the Committee reviews base salaries, it considers the reports and advice provided by FWC, its independent compensation consultant, and the peer group and survey data described above, as well as the recommendations provided by our CEO (except when setting the CEO's base salary).

At the beginning of fiscal 2016, the Committee approved the following base salary adjustments.

Name	Prior Base Salary ($)	Fiscal 2016 Base Salary	Percentage Increase (%)

		($)	
Thomas J. Folliard	1,195,446	1,255,218	5.0
William D. Nash	550,000	650,000	18.2
Thomas W. Reedy	595,794	650,000	9.1
William C. Wood	595,794	650,000	9.1
Edwin J. Hill	504,972	530,221	5.0

The Committee increased Mr. Folliard's base salary by 5% based on a review of his individual and Company performance in fiscal 2015 and to maintain alignment of his base salary with the 50th percentile of the blended peer/survey data described above under the heading "Peer Group." The Committee approved Mr. Folliard's recommendation to increase the base salaries of Mr. Nash, Mr. Reedy and Mr. Wood based on fiscal 2015 performance, to align salaries among our Executive Vice Presidents, and to better align Mr. Reedy and Mr. Wood's salaries with the 50th percentile of the blended peer/survey data. The Committee also approved Mr. Folliard's recommendation to increase Mr. Hill's base salary by 5% based on the individual contribution that he made to CarMax's performance in fiscal 2015.

On his promotion to President, effective February 1, 2016, the Committee increased Mr. Nash's base salary by 23.1% to $800,000. This decision was made in recognition of his increased responsibilities and in consultation with FWC, who analyzed pay considerations related to the Company's succession planning efforts, including the relationship between prospective CEO and outgoing CEO pay.

ANNUAL INCENTIVE BONUS

We pay annual incentive bonuses to drive the achievement of CarMax's financial goals. The amount of the incentive bonus depends on our performance as measured against objective performance goals established by the Committee at the beginning of each fiscal year. Bonuses are not guaranteed.

We calculate bonuses using the following formula:

Base Salary	x	Target Percentage of Base Salary	x	Performance Adjustment Factor	=	Annual Incentive Bonus

Base salaries, which are the first component of this formula, are discussed above. The "target percentage of base salary" is an individual's incentive bonus target expressed as a percentage of base salary. This percentage differs among our named executive officers depending on their level of responsibility and is set forth in a written agreement between each officer and the Company. Each named executive officer's target percentage is listed in the table on page 30.

The last component of the bonus formula – the "performance adjustment factor" – is a percentage representing the Company's success in meeting the performance goals set by the Committee at the beginning of each fiscal year.

The following chart describes how the Committee applied this formula in fiscal 2016.

Step One: Select Performance Measure	The Committee determined in April 2015 that the performance goals for fiscal 2016 would be based on our fiscal 2016 net income, determined in conformity with U.S. generally accepted accounting principles. The Committee believes that tying performance goals to net income aligns management and shareholder interests.
Step Two: Select Performance Targets	The Committee then established the following net income targets for fiscal 2016: $597.4 million as the threshold goal; $643.0 million as the target goal; $675.2 million as the premium goal; and $694.4 million as the maximum goal.
Step Three: Select Performance Adjustment Factors	The Committee then established the following performance adjustment factors for fiscal 2016: § 25% if the threshold goal of $597.4 million was achieved § 100% if the target goal of $643.0 million was achieved § 150% if the premium goal of $675.2 million was achieved § 200% if the maximum goal of $694.4 million was achieved If the threshold performance goal was not achieved, no incentive bonus would be paid. The performance adjustment factors are determined using straight-line interpolation when our actual performance falls between two performance goals.

Step Four: Assess Performance Against Targets and Determine Payouts	The Committee certified in April 2016 that CarMax had achieved net income for fiscal 2016 of $623.4 million, yielding a performance adjustment factor of 67.8%. The Committee multiplied this percentage by each named executive officer’s target incentive amount to determine each executive officer's fiscal 2016 bonus payout.

The following table shows each named executive officer’s base salary, incentive target percentage of base salary, and target and maximum bonus amounts. The table also shows each officer’s actual fiscal 2016 bonus.

Name	Base Salary ($)	Incentive Target Percentage of Base Salary (%)	Target Incentive Amount ($)	Actual Fiscal 2016 Incentive Bonus	Maximum Incentive Amount ($)
Thomas J. Folliard	1,255,218	150	1,882,827	1,276,557	3,765,654
William D. Nash[(a)]	650,000/800,000	75/100	513,542	348,181	1,027,084
Thomas W. Reedy	650,000	75	487,500	330,525	975,000
William C. Wood	650,000	75	487,500	330,525	975,000
Edwin J. Hill	530,221	50	265,110	179,745	530,220

(a) A base salary of $650,000 and incentive target percentage of 75% were used to calculate the portion of Mr. Nash's incentive bonus attributable to the first eleven months of fiscal 2016. For the portion of his incentive bonus attributable to the final month of fiscal 2016, his new base salary of $800,000 and incentive target percentage of 100% were used.

For the last five fiscal years, our average performance adjustment factor has been 108.5% (67.8%, 179.4%, 120.6%, 88.3% and 86.4% for fiscal 2016, 2015, 2014, 2013 and 2012), meaning that, on average for the past five years, we have paid our named executive officers an annual incentive bonus of 108.5% of their respective target incentive amounts for achievement against the targets established by the Committee.

The Committee determines all incentive bonuses in accordance with the CarMax, Inc. Annual Performance-Based Bonus Plan ("Bonus Plan"). We adopted the Bonus Plan as a mechanism to provide annual incentive compensation and it is intended to preserve the deductibility of this compensation in accordance with Section 162(m) of the Internal Revenue Code. The Bonus Plan provides that the maximum amount payable to any one individual in any one fiscal year is $5 million. In fiscal 2016, however, the Committee limited the maximum performance adjustment factor to 200%, ensuring that Mr. Folliard's bonus could not exceed $3,765,654 and that no other individual bonus could exceed $1,027,084.

The Bonus Plan authorizes the Committee to reduce the amount of any bonus paid to a named executive officer below the amount that otherwise would be payable. The Committee may also decide not to pay a bonus even when performance goals have been satisfied. Under no circumstances, however, may the Committee increase the amount of any bonus payable under the Bonus Plan above what would be payable to an executive upon application of the relevant performance adjustment factor.

LONG-TERM EQUITY AWARDS

We grant long-term equity awards to tie our executives' long-term compensation directly to CarMax's stock price and to drive the achievement of our strategic goals. We also believe that long-term equity awards are an important retention tool.

In fiscal 2016, we granted our named executive officers two kinds of long-term equity awards: stock options and PSUs. Options accounted for 75% and PSUs accounted for 25% of the fair value awarded as long-term equity to our named executive officers in fiscal 2016. We granted these options and PSUs pursuant to the CarMax, Inc. 2002 Stock Incentive Plan ("Stock Incentive Plan"). The Committee introduced PSUs for fiscal year 2016, replacing MSU awards for our CEO and executive and senior vice presidents. The MSUs were tied solely to the performance of our stock while the PSUs are tied to CarMax earnings before interest and taxes, or EBIT, which the Committee considers a meaningful and appropriate measure of earnings growth. By measuring earnings growth using EBIT over a three-year time horizon, the Committee can assess core business earnings performance without regard to changes in the Company's effective tax rate or level of interest expense, which are factors for purposes of determining the annual incentive bonus. The Committee believes the new PSU award further strengthens the link between pay and the performance of our executives.

Our long-term equity awards historically contained a modified single-trigger feature under which 50% of the award vested automatically upon a change-in-control and the remaining 50% vested automatically upon the one-year anniversary of the change in control. In January 2014, the Committee eliminated this single-trigger feature and replaced it with a double-trigger feature under which a change-in-control does not, on its own, trigger accelerated vesting of long-term equity awards. All long-term equity awards granted in fiscal 2015 and fiscal 2016 contain a double-trigger.

Stock Options

Each option represents the right to purchase one share of our common stock at the exercise, or “strike,” price. The strike price is equal to the volume-weighted average price of our common stock on the grant date. The Committee believes that the use of the volume-weighted average price, as opposed to the closing price, is more representative of the value of the common stock on the grant date because it incorporates all trades made on the grant date.

Our option awards generally vest in 25% increments over four years; that is, one quarter of the options granted vests on the first anniversary of the grant, another quarter vests on the second anniversary, and so forth. Limited circumstances may result in earlier vesting. The awards expire on the seventh anniversary of the grant date.

We believe that granting stock options supports our pay-for-performance philosophy by aligning management and shareholder interests. If our stock price does not rise, the options have no value. In addition to promoting alignment of management and shareholder interests, the four-year vesting schedule of our options ensures that our executives are appropriately focused on CarMax's long-term strategic goals. This vesting schedule also operates as a retention tool.

Performance Stock Units

Depending on the Company's achievement of performance goals over a three-year period, PSUs represent the right to receive between 0% and 200% of a targeted number of shares of our common stock. The number of shares delivered to each PSU holder will be determined based upon actual three-year cumulative EBIT performance compared to pre-determined three-year EBIT goals. Specifically, each PSU is multiplied by a percentage that represents the Company's success in meeting the EBIT goals set by the Committee. If the threshold EBIT goal is met, each PSU is multiplied by 25%. The target multiplier is 100% and the maximum multiplier is 200%. The multiplier is determined using straight-line interpolation for EBIT performance that falls between the threshold and the target or between the target and the maximum. If the threshold performance goal is not achieved, no shares will be paid.

PSUs generally vest on the three-year anniversary of the grant date. Limited circumstances may result in earlier vesting.

The Committee considered PSUs to be a key component of our pay-for-performance philosophy in fiscal 2016 because the PSUs directly tie equity payments to a measure of CarMax's earnings growth that the Committee believes to be an appropriate reflection of the Company's performance. In addition, similar to our stock options, a PSU's multi-year vesting schedule operates as a retention tool and ensures that our executives are appropriately focused on CarMax's long-term strategic and financial goals.

In determining the number of options and PSUs to award, the Committee considers the named executive officer's role at CarMax; benchmarking data; our recent financial performance; the performance of our common stock; the fair market value, expense and dilutive effect of any potential award; succession planning; and the importance of retaining the officer's services. The Committee solicits the advice of its independent compensation consultant and the opinion of the Company's CEO, except with respect to the CEO's own award. The CEO generally gives the Committee an initial recommendation for annual long-term equity awards for the other named executive officers. The Committee reviews this recommendation and makes its own independent determination.

Fiscal 2016 Long-Term Equity Awards

In fiscal 2016, the Committee approved stock option and PSU awards for our named executive officers as noted below. This table also describes the long-term equity awards made in fiscal 2015.

	Options and PSUs Granted in Fiscal 2016			Options and MSUs Granted in Fiscal 2015		
Name	Number of Stock Options[(a)]	Number of PSUs	Total Grant Date Fair Value ($)	Number of Stock Options[(a)]	Number of MSUs	Total Grant Date Fair Value ($)

Thomas J. Folliard	254,731	24,111	6,999,982	369,039	29,348	6,500,004
William D. Nash	70,641	6,686	1,941,181	98,858	7,862	1,741,233
Thomas W. Reedy	70,641	6,686	1,941,181	98,858	7,862	1,741,233
William C. Wood	70,641	6,686	1,941,181	98,858	7,862	1,741,233
Edwin J. Hill	52,532	4,972	1,443,553	81,959	6,518	1,443,580

(a) We grant limited stock appreciation rights ("SARs") in tandem with each option. The SARs may be exercised only in the event of a change-in-control of the Company. Upon the exercise of the SAR and the surrender of the related option, the officer is entitled to receive an amount equal to the difference between the value of our common stock on the date of exercise and the exercise price of the underlying stock option. No free-standing SARs have been granted.

The Committee approved a 7.7% increase in the value of Mr. Folliard's fiscal 2016 long-term equity award. The Committee approved this increase based on a review of Mr. Folliard's individual performance as well as Company performance in fiscal 2015 and to provide Mr. Folliard long-term equity compensation at a competitive market rate versus the blended peer/survey data described above under the heading "Peer Group."

The grant date fair value of the annual long-term equity awards provided to Messrs. Nash, Reedy and Wood was increased by 11.5% in fiscal 2016 after remaining essentially unchanged from fiscal 2013 through fiscal 2015. The Committee approved this increase based on each executive's individual performance in fiscal 2015 and to ensure that the long-term equity component of their compensation would continue to offer an opportunity, depending on CarMax performance, for their total compensation to exceed the median for comparable executives as measured by the blended peer/survey data described above under the heading "Peer Group." The Committee determined that Mr. Hill's equity awards continued to provide competitive pay and therefore decided to maintain his awards at prior year levels.

Our Employee Equity Grant Policy requires us to grant our annual long-term equity awards three business days after we release the prior fiscal year's year-end earnings information. The Committee complied with this requirement for options issued in fiscal 2016, granting the options listed above on April 8, 2015. To give the Board an opportunity to consider and approve our first issuance of PSUs, the Committee and the Board approved an exception to Employee Equity Grant Policy and granted the PSUs on April 15, 2015. The awards were priced using the volume-weighted average price of our common stock on the grant date, in accordance with our Stock Incentive Plan and our Employee Equity Grant Policy.

COMPENSATION MIX

As our executives assume more responsibility, we generally increase the percentage of their compensation that is performance-based. We do not have a pre-established policy or target for allocation between specific compensation components. The following charts, however, show that the majority of annual total direct compensation for both our CEO and our other named executive officers as a group is determined by our performance.

The table below illustrates how each named executive officer's total direct compensation in fiscal 2016 was allocated between performance-based and fixed compensation, as well as the breakdown of performance-based compensation that was based on annual and long-term Company performance.

	Percentage of Total Direct Compensation		Percentage of Performance-Based Compensation	
	Performance-Based	Fixed	Annual	Long-Term
Thomas J. Folliard	87%	13%	15%	85%
William D. Nash	78%	22%	15%	85%
Thomas W. Reedy	78%	22%	15%	85%
William C. Wood	78%	22%	15%	85%
Edwin J. Hill	75%	25%	11%	89%

ADDITIONAL ELEMENTS OF COMPENSATION

We provide our executive officers the benefits available to CarMax associates generally. We also provide the limited perquisites described below. These benefits and perquisites are intended to be part of a competitive compensation package.

Benefits Available to CarMax Associates Generally

Our executives and our full-time associates generally are eligible for health insurance coverage, life insurance, short- and long-term disability insurance, matching gifts to qualified charitable organizations, and a defined contribution, or 401(k), plan that we refer to as our Retirement Savings Plan. In addition, executives and CarMax associates generally who satisfied certain criteria as of December 31, 2008, may be eligible for benefits under our frozen Pension Plan. Additional details regarding these frozen benefits can be found in the “Pension Benefits in Fiscal 2016” table on page 43.

Non-Qualified Retirement Plans

Our executives and other highly-compensated associates are eligible to participate in two non-qualified retirement plans: the Retirement Restoration Plan (“RRP”) and the Executive Deferred Compensation Plan (“EDCP”). A description of these plans can be found in the narrative discussion following the “Nonqualified Deferred Compensation” table on pages 45 and 46. Details regarding the fiscal 2016 contributions to each named executive officer’s RRP and EDCP accounts, as well as the earnings and aggregate balances for those accounts, can be found in the “Nonqualified Deferred Compensation” table on page 45.

In addition to the RRP and the EDCP, executives and other highly compensated CarMax associates who satisfied certain criteria as of December 31, 2008, may be eligible for benefits under our frozen Benefit Restoration Plan. Additional details regarding these frozen benefits can be found in the “Pension Benefits in Fiscal 2016” table on page 43.

Company Transportation

We provide the use of a CarMax-owned vehicle to each of our named executive officers and to certain other eligible associates. For all associates using CarMax-owned vehicles, we bear the maintenance and insurance costs. We treat the personal use of a Company-owned vehicle as income to the associate. The associate pays the related income taxes.

We encourage our executive officers to use our plane for business travel. Our plane is also available for personal use by our Chief Executive Officer (Mr. Folliard), President (Mr. Nash) and Executive Vice Presidents (Messrs. Reedy and Wood) when we do not need the plane for business travel. Mr. Folliard is required to reimburse CarMax for the incremental costs associated with his personal use to the extent that those costs exceed $175,000 in any fiscal year.

Messrs. Nash, Reedy and Wood are required to reimburse CarMax for the incremental costs associated with their respective personal uses of the plane to the extent that those costs exceed $70,000 in any fiscal year. Our executives bear all income taxes associated with their personal use of the plane.

We do not provide tax gross-ups on any of these transportation benefits.

Tax and Financial Planning Services

We provide a tax and financial planning benefit to our named executive officers. This benefit was valued at $13,000 per year. Officers who forego this benefit may engage their own tax professional at the Company's expense in an amount up to $10,000 per year. The Committee approved this benefit to reduce the amount of time and attention that our executive officers must spend on personal tax and financial planning, which permits them to focus on their responsibilities to CarMax, and to maximize the financial reward of the compensation that CarMax provides. Officers bear all income taxes associated with these tax and financial planning benefits. We do not provide tax gross-ups on these benefits.

Additional Information

SEVERANCE AGREEMENTS

We have severance agreements with each of our named executive officers. The Committee has determined that these agreements are beneficial to us because they contain restrictive covenants relating to confidential information, non-competition and non-solicitation of our associates. The Committee also believes that these agreements serve as a recruiting tool and better enable our current executives to focus on CarMax's strategic and operating goals. The agreements provide for severance payments under certain circumstances, which are discussed in more detail under "Potential Payments Upon Termination or Change-in-Control on page 46. None of the severance agreements provide a guaranteed term of employment, nor do they provide tax gross-ups on any compensation or perquisite.

Our severance agreements do not provide tax gross-ups.

Under the terms of the severance agreements, the Committee establishes and approves each named executive officer's annual base salary, which cannot be less than the minimum base salary set forth in each agreement unless across-the-board reductions in salary are implemented for all of our senior officers. Additionally, the Committee approves the performance measures and payment amounts that determine each named executive officer's annual incentive bonus under the Bonus Plan.

The agreements provide further that each named executive officer is eligible to participate in our Stock Incentive Plan and to participate in all other incentive, compensation, benefit and similar plans available to our other executive officers.

Clawback and Forfeiture Provisions

The severance agreements contain a clawback provision. If any named executive officer engages in conduct for which he could be terminated for cause, with certain limitations, and the conduct directly results in the filing of a restatement of any financial statement that was previously filed with the SEC, the named executive officer shall, upon demand by the Company, repay with interest all compensation that was expressly conditioned on the achievement of certain financial results if the restated financial statements would have resulted in a lesser amount being paid.

In addition, at our 2012 annual meeting, we asked our shareholders to approve amendments to add clawback provisions to both our Bonus Plan and Stock Incentive Plan. Our shareholders approved these provisions, which provide that any award that is subject to recovery under any law, including the Dodd-Frank Wall Street Reform and Consumer Protection Act, will be subject to a clawback as required by such law or any CarMax policy adopted pursuant to such law.

In addition to the clawback provisions discussed above, our equity award agreements contain a forfeiture provision. If a named executive officer is terminated for cause, the officer's unexercised vested and unvested options, unvested MSUs and unvested PSUs will be forfeited.

Change-in-Control and Severance Benefits

Each severance agreement provides for payments and other benefits in certain circumstances involving a termination of employment, including a termination of employment in connection with a change-in-control. Payments in connection with a change-in-control are subject to a double trigger; that is, the executive is not entitled to payment unless there is both a change-in-control and the executive is subsequently terminated without cause (or resigns for good reason). Our executives are not entitled to any severance payments as a result of voluntary termination (outside of the retirement context) or if they are terminated for cause. Detailed information with respect to these payments and benefits can be found under the heading "Potential Payments Upon Termination or Change-in-Control" beginning on page 46.

The Committee believes that these severance benefits encourage the commitment of our named executive officers and ensure that they will be able to devote their full attention and energy to our affairs in the face of potentially disruptive and distracting circumstances. In the event of a potential change-in-control, our named executive officers will be able to analyze and evaluate proposals objectively with a view to the best interests of CarMax and its shareholders and to act as the Board may direct without fear of retribution if a change-in-control occurs. The Committee recognizes that the severance benefits may have the effect of discouraging takeovers and protecting our officers from removal because the severance benefits increase the cost that would be incurred by an acquiring company seeking to replace current management. The Committee believes, however, that the benefit to CarMax and its shareholders outweighs this concern.

RISK AND COMPENSATION POLICIES AND PRACTICES

The Compensation and Personnel Committee assesses CarMax's compensation policies and practices each year to ensure that they do not create risks that are reasonably likely to have a material adverse effect on the Company. In fiscal 2016, management reviewed the compensation policies and practices for all CarMax associates (including store associates, store management, regional leadership teams, home office and CarMax Auto Finance associates, and executive officers). Management then presented a summary of its review at the Committee's January 2016 meeting. The summary listed each compensation policy or practice applicable to the various groups of CarMax associates, including base salaries, annual incentive bonuses, long-term equity awards, sales bonuses, sales commissions and hourly pay. The summary also listed the potential risks associated with those policies or practices and the tools we employ to mitigate those risks, including the following:

- Annual Incentive Bonuses: payments made to senior management are: (i) subject to a clawback provision; (ii) capped at 200% of the target incentive bonus amount or at the $5 million plan maximum, whichever is lower; and (iii) only paid when CarMax satisfies the objective metrics determined at the beginning of the year by an independent committee of non-employee directors.
- Long-Term Equity Awards: equity awards: (i) are approved by an independent committee of non-employee directors; (ii) contain three and four-year vesting provisions; and (iii) for senior management, must be held in compliance with CarMax's executive stock ownership guidelines.
- Sales Bonuses: sales bonuses are monitored to ensure that associates are not overpaid based on inflated sales figures. Monitoring tools include: (i) centralized assignment of sales targets; (ii) centralized and non-negotiable vehicle pricing; (iii) electronic reporting of sales from each store to the home office; and (iv) performance of a daily vehicle inventory at each store.
- Hourly Pay: hourly pay is tracked and managed through a centralized time management and reporting system.

Following discussion and a review of the summary noted above, the Committee determined that none of our compensation policies and practices create risks that are reasonably likely to have a material adverse effect on the Company.

STOCK OWNERSHIP GUIDELINES

To further align the long-term financial interests of our executives and our shareholders, the Committee has established the following stock ownership guidelines:

Subject Officers	Required to Own the Lesser of:
Chief Executive Officer and/or President	6 x Base Salary or 300,000 shares
Executive Vice President	3 x Base Salary or 100,000 shares
Senior Vice President	2 x Base Salary or 50,000 shares

Executives have five years from the date they first become subject to a particular level of stock ownership to meet the corresponding requirement. The Committee measures compliance on an annual basis at the end of each fiscal year. Acceptable forms of ownership include shares owned outright (by the executive or an immediate family member), vested stock options, PSUs and MSUs. Our stock ownership guidelines are available under the "Corporate Governance" link at investors.carmax.com.

As of February 29, 2016, all of our current named executive officers satisfied the ownership guidelines set forth above.

PROHIBITION ON HEDGING AND PLEDGING

We have a policy prohibiting all CarMax associates from engaging in any hedging or pledging transactions involving CarMax stock. This prohibition applies to both our named executive officers and our non-employee directors.

TAX AND ACCOUNTING CONSIDERATIONS

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction for compensation over $1 million paid in any fiscal year to the CEO or any of the three other highest paid executive officers (other than the CFO) unless that compensation is performance-based. Compensation under our Bonus Plan and stock options and PSUs granted pursuant to our Stock Incentive Plan may qualify as performance-based under Section 162(m). Although the Committee generally seeks to preserve the deductibility of compensation paid to our executive officers, the primary function of our executive compensation program is to drive the creation of long-term shareholder value.

Section 409A of the Internal Revenue Code imposes certain requirements on non-qualified deferred compensation, which can include long-term equity awards and severance. CarMax’s executive compensation programs generally are designed to comply with, or be exempt from, the requirements of that section so as to avoid potential adverse tax consequences that may result from non-compliance.

In developing CarMax’s executive compensation programs, the Committee also considers the accounting treatment of, and the expenses associated with, the Company’s long-term equity compensation practices.

FISCAL 2017 EQUITY GRANT TO MR. FOLLIARD

In March of 2016, the Committee approved the fiscal 2017 equity awards for our named executive officers as part of its annual compensation review. As Mr. Folliard is expected to retire before the end of calendar 2016, the Committee decreased the value of the equity compensation granted to Mr. Folliard from approximately $7.0 million in fiscal 2016 to approximately $3.5 million in fiscal 2017. In conjunction with the decrease in pay, the Committee also removed continued employment as a vesting condition to Mr. Folliard's fiscal 2017 equity awards. However, Mr. Folliard's fiscal 2017 option award will become exercisable in accordance with the same schedule as the option awards made to our other executive officers and the PSUs will be subject to the same performance requirements as the PSU awards made to our other executive officers.

COMPENSATION AND PERSONNEL COMMITTEE REPORT

The Compensation and Personnel Committee has reviewed and discussed the foregoing Compensation Discussion and Analysis with management. Based on this review and discussion, the Committee recommended to the CarMax, Inc. Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference into CarMax's Annual Report on Form 10-K for the fiscal year ended February 29, 2016.

THE COMPENSATION AND PERSONNEL COMMITTEE
W. Robert Grafton, Chairman
Ronald E. Blaylock
Shira Goodman

COMPENSATION TABLES

Summary Compensation Table

The table below shows the compensation paid to or earned by our named executive officers in fiscal 2016, 2015 and 2014.

Name and Principal Position	Fiscal Year	Salary ($)	Stock Awards[(a)] ($)	Option Awards[(a)] ($)	Non-Equity Incentive Plan Compensation[(b)] ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings[(c)] ($)	All Other Compensation[(d)] ($)	Total ($)
Thomas J. Folliard	2016	1,257,747	1,749,976	5,250,006	1,276,557	—	487,794	10,022,080
Chief Executive Officer	2015	1,191,062	1,624,999	4,875,005	3,216,945	384,705	403,382	11,696,098
	2014	1,129,175	1,374,961	4,124,995	2,059,449	—	354,754	9,043,334
William D. Nash	2016	660,769	485,270	1,455,911	348,181	—	122,926	3,073,057
President	2015	546,002	435,319	1,305,914	740,025	67,206	88,688	3,183,154
	2014	492,806	430,977	1,310,212	450,460	—	87,155	2,771,610
Thomas W. Reedy	2016	650,415	485,270	1,455,911	330,525	—	135,173	3,057,294
Executive VP and Chief	2015	594,244	435,319	1,305,914	801,640	57,764	103,926	3,298,807
Financial Officer	2014	570,230	430,977	1,310,212	520,672	—	92,808	2,924,899
William C. Wood	2016	650,415	485,270	1,455,911	330,525	—	149,269	3,071,390
Executive VP and Chief	2015	594,244	435,319	1,305,914	801,640	142,232	115,065	3,394,414
Operating Officer	2014	570,229	430,977	1,310,212	520,672	—	88,662	2,920,752
Edwin J. Hill	2016	531,289	360,868	1,082,685	179,745	—	87,806	2,242,393
Executive VP, Strategy and Business Transformation	2015	503,659	360,902	1,082,678	452,960	108,017	74,420	2,582,636

(a) Represents the aggregate grant date fair value of the awards made in each fiscal year as computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 ("ASC Topic 718"). These amounts do not correspond to the actual value that may be realized by each named executive officer. Additional information regarding outstanding awards, including exercise prices and expiration dates, can be found in the "Outstanding Equity Awards at Fiscal 2016 Year End" table on pages 41 and 42. The assumptions used in determining the grant date fair values of the awards are disclosed in Note 12 to our consolidated financial statements, which are included in our Annual Report on Form 10-K for the fiscal year ended February 29, 2016.

(b) Represents the annual incentive bonus earned under our Bonus Plan.

(c) Represents the aggregate increase in the actuarial value of accumulated benefits under our frozen Pension Plan and frozen Benefit Restoration Plan accrued during the relevant fiscal year. In fiscal 2016, the actuarial value of these benefits for each of Messrs. Folliard, Nash, Reedy, Wood and Hill decreased by the following amounts, respectively: $137,855; $27,229; $20,192; $53,455 and $30,419. The "Pension Benefits in Fiscal 2016" table and its accompanying narrative on pages 43 and 44 contain additional details with respect to these amounts.

(d) Further details are included in the "All Other Compensation in Fiscal 2016" table below.

All Other Compensation in Fiscal 2016

Name	Personal Use of Company Plane[(a)] ($)	Personal Use of Company Automobile[(b)] ($)	Retirement Savings Plan Contribution[(c)]($)	Deferred Compensation Account Contributions[(d)]($)	Other[(e)] ($)	Total ($)
Thomas J. Folliard	175,000	2,269	17,455	272,569	20,501	487,794
William D. Nash	31,904	1,271	12,427	51,963	25,361	122,926
Thomas W. Reedy	—	8,132	17,433	85,691	23,917	135,173
William C. Wood	31,404	—	17,433	76,319	24,113	149,269
Edwin J. Hill	—	5,936	17,322	51,010	13,538	87,806

(a) The compensation associated with the personal use of the Company plane is based on the aggregate incremental cost to CarMax of operating the plane. The cost is calculated based on the average variable costs of operating the plane, which include fuel, maintenance, travel expenses for the flight crews and other miscellaneous expenses. We divided the total annual variable costs by the total number of miles our plane flew in fiscal 2016 to determine an average variable cost per mile. The average variable cost per mile is multiplied by the miles flown for personal use to derive the incremental cost. This methodology excludes fixed costs that do not change based on usage, such as salaries and benefits for the flight crews, monthly service contracts, hangar rental fees, taxes, rent, depreciation and insurance. The costs associated with deadhead flights (i.e., flights that travel to a destination with no passengers as a result of an executive's personal use) and incremental plane charters (i.e., plane charters, if any, that we pay for because our plane was not available for business use due to an executive's personal use) are included in the incremental cost calculations for each executive. The personal use of the Company plane is treated as income to the executive. The related income taxes are calculated using Standard Industry Fare Level rates and are paid by the executive.

(b) The value of the personal use of a Company automobile is determined based on the annual lease value method and excludes any expenses such as maintenance and insurance.

(c) Includes the Company matching portion of each executive's Retirement Savings Plan ("RSP") contributions. Also includes a Company-funded contribution made regardless of an executive's participation in the RSP, as well as an additional Company-funded contribution to those executives who met certain age and service requirements as of December 31, 2008, the date that our Pension Plan was frozen. These RSP benefits are offered on the same terms to all CarMax associates.

(d) Includes the Company matching portion of each executive's Retirement Restoration Plan ("RRP") and Executive Deferred Compensation Plan ("EDCP") contributions. Also includes a Company-funded contribution regardless of each executive's participation in the RRP, as well as an additional Company-funded contribution to those executives who met certain age and service requirements as of December 31, 2008, the date that our Pension Plan was frozen. These RRP benefits are offered on the same terms to all CarMax associates whose salary exceeds the compensation limits imposed by Section 401(a)(17) of the Internal Revenue Code ($265,000 in 2016). Also includes a restorative contribution designed to compensate executives for any loss of Company contributions under the RSP and RRP due to a reduction in the executive's eligible compensation under the RSP and RRP resulting from deferrals into the Executive Deferred Compensation Plan.

(e) Represents the total amount of other benefits provided. None of the benefits individually exceeded the greater of $25,000 or 10% of the total amount of these benefits for the named executive officer. These other benefits include tax and financial planning services, which are described on page 34, and matching charitable gifts made by The CarMax Foundation as part of its matching gifts program (which is available to all CarMax associates).

Grants of Plan-Based Awards in Fiscal 2016

The following table lists grants of plan-based awards to each of our named executive officers during fiscal 2016.

Name	Approval Date	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (a) Threshold ($)	Target ($)	Maximum ($)	All Other Stock Awards: Number of Shares of Stock or Units(b)(#)	All Other Option Awards: Number of Securities Underlying Options(c) (#)	Exercise or Base Price of Option Awards(d)($/Sh)	Grant Date Closing Price ($/Sh)	Grant Date Fair Value of Stock and Option Awards (e) ($)
Thomas J. Folliard			470,707	1,882,827	3,765,654					
	4/13/2015	4/15/2015				24,111				1,749,976
	3/26/2015	4/8/2015					254,731	73.76	74.07	5,250,006
William D. Nash			128,386	513,542	1,027,084					
	4/13/2015	4/15/2015				6,686				485,270
	3/26/2015	4/8/2015					70,641	73.76	74.07	1,455,911
Thomas W. Reedy			121,875	487,500	975,000					
	4/13/2015	4/15/2015				6,686				485,270
	3/26/2015	4/8/2015					70,641	73.76	74.07	1,455,911
William C. Wood			121,875	487,500	975,000					
	4/13/2015	4/15/2015				6,686				485,270
	3/26/2015	4/8/2015					70,641	73.76	74.07	1,455,911
Edwin J. Hill			66,278	265,110	530,220					
	4/13/2015	4/15/2015				4,972				360,868
	3/26/2015	4/8/2015					52,532	73.76	74.07	1,082,685

(a) Represents threshold, target and maximum payout levels under our Bonus Plan for fiscal 2016 performance. The actual amount of each named executive officer's annual incentive bonus in fiscal 2016 is reported under the "Non-Equity Incentive Plan Compensation" column in the "Summary Compensation Table" on page 38. Additional information regarding the design of our Bonus Plan is included on pages 29 and 30.

(b) Represents stock-settled performance stock units, which we refer to as "performance stock units" or "PSUs." PSUs generally vest on the third anniversary of the grant date. Additional information regarding PSUs, including the formula used to convert PSUs to shares of our common stock upon vesting and settlement, is included on page 31.

(c) Option awards generally vest in 25% increments annually over a four-year period. Additional information regarding stock options is included on pages 30 and 31. We granted limited stock appreciation rights, or "SARs," in tandem with each option award. The SARs may be exercised only in the event of a change-in-control. To the extent a SAR is exercised, the related option must be surrendered. Upon the exercise of the SAR and the surrender of the related option, the officer is entitled to receive an amount equal to the difference between the value of our common stock on the date of exercise and the exercise price of the underlying stock option, multiplied by the number of shares of our common stock underlying such SAR.

(d) All fiscal 2016 stock options were issued with an exercise price equal to the volume-weighted average price of our common stock on the grant date. Additional information regarding our use of the volume-weighted average price is included on page 32.

(e) Represents the grant date fair value of the award as determined in accordance with ASC Topic 718.

Outstanding Equity Awards at Fiscal 2016 Year End

The following table lists outstanding equity awards previously granted to our named executive officers as of February 29, 2016.

	Option Awards [a]					Stock Awards [b][c]	
Name	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($/Sh)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)
Thomas J. Folliard	4/10/2012	203,577	67,858	31.76	4/10/2019		
	4/15/2013	132,637	132,636	42.68	4/15/2020		
	4/15/2013					26,467	1,327,063
	4/9/2014	92,260	276,779	44.96	4/9/2021		
	4/9/2014					29,348	1,396,894
	4/8/2015	—	254,731	73.76	4/8/2022		
	4/15/2015					24,111	1,115,375
William D. Nash	12/27/2011	14,952	—	30.24	12/27/2018		
	4/10/2012	77,133	25,710	31.76	4/10/2019		
	4/15/2013	42,130	42,128	42.68	4/15/2020		
	4/15/2013					8,296	415,964
	4/9/2014	24,715	74,143	44.96	4/9/2021		
	4/9/2014					7,862	374,212
	4/8/2015	—	70,641	73.76	4/8/2022		
	4/15/2015					6,686	309,294
Thomas W. Reedy	12/27/2011	14,952	—	30.24	12/27/2018		
	4/10/2012	77,133	25,710	31.76	4/10/2019		
	4/15/2013	42,130	42,128	42.68	4/15/2020		
	4/15/2013					8,296	415,964
	4/9/2014	24,715	74,143	44.96	4/9/2021		
	4/9/2014					7,862	374,212
	4/8/2015	—	70,641	73.76	4/8/2022		
	4/15/2015					6,686	309,294
William C. Wood	12/27/2011	3,738	—	30.24	12/27/2018		
	4/10/2012	—	25,710	31.76	4/10/2019		
	4/15/2013	42,130	42,128	42.68	4/15/2020		
	4/15/2013					8,296	415,964
	4/9/2014	24,715	74,143	44.96	4/9/2021		
	4/9/2014					7,862	374,212
	4/8/2015	—	70,641	73.76	4/8/2022		
	4/15/2015					6,686	309,294

Edwin J.	4/5/2011	64,894	—	32.69	4/5/2018
Hill	12/27/2011	14,952	—	30.24	12/27/2018
	4/10/2012	52,873	17,624	31.76	4/10/2019

4/15/2013	34,908	34,907	42.68	4/15/2020		
4/15/2013					6,889	345,416
4/9/2014	20,490	61,469	44.96	4/9/2021		
4/9/2014					6,518	310,241
4/8/2015	—	52,532	73.76	4/8/2022		
4/15/2015					4,972	230,005

(a) Option awards generally vest in 25% increments annually over a four-year period. Additional information regarding stock options is included on pages 30 and 31. We granted limited stock appreciation rights, or “SARs,” in tandem with each option award. Additional information regarding SARs is included on pages 31 and 32 under the chart titled “Grants of Plan-Based Awards in Fiscal 2016.”

(b) For awards granted before fiscal 2016, represents stock-settled restricted stock units, which we refer to as “market stock units” or “MSUs.” MSUs generally vest on the third anniversary of the grant date. The number of shares awarded for each MSU award is calculated by dividing the average closing price of our common stock during the final 40 trading days of the vesting period by the volume weighted average of our stock price on the date of grant. The resulting quotient is capped at two. The quotient is multiplied by the number of MSUs granted to yield the number of shares of stock awarded. To calculate the market value of the unvested MSUs in the table above, we assumed that the average closing price of our stock during the final 40 trading days of the three-year period was equal to the closing price of our stock on February 29, 2016, the last trading day of our fiscal year (which was $46.26).

(c) For fiscal 2016 awards, represents stock-settled performance stock units, which we refer to as “performance stock units” or “PSUs.” PSUs generally vest on the third anniversary of the grant date. To calculate the number of shares awarded at vesting, each PSU is multiplied by a percentage that represents the Company’s success in meeting the EBIT goals set by the Committee. If the threshold EBIT goal is met, each PSU is multiplied by 25%. The target multiplier is 100% and the maximum multiplier is 200%. The multiplier is determined using straight-line interpolation for EBIT performance that falls between the threshold and the target or between the target and the maximum. If the threshold performance goal is not achieved, no shares will be paid. To calculate the market value of the unvested PSUs in the table above, we assumed that the multiplier was 100% and the value of each resulting share was equal to the closing price of our stock on February 29, 2016, the last trading day of our fiscal year (which was $46.26).

Option Exercises and Stock Vested in Fiscal 2016

The following table includes information with respect to the options exercised by, and the MSUs vested in, our named executive officers during fiscal 2016.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise[a] (#)	Value Realized on Exercise[b] ($)	Number of Shares Acquired on Vesting[c] (#)	Value Realized on Vesting[d] ($)
Thomas J. Folliard	209,951	8,551,304	57,120	4,180,613
William D. Nash	99,788	4,319,091	21,358	1,563,192
Thomas W. Reedy	78,650	3,212,218	21,358	1,563,192
William C. Wood	153,241	6,277,885	21,358	1,563,192
Edwin J. Hill	—	—	14,640	1,071,502

(a) Represents the number of shares of common stock underlying stock options exercised during fiscal 2016.

(b) Amounts were calculated based on difference between (i) the closing price of the Company's common stock on the exercise date and (ii) the exercise price of the stock options.

(c) Represents the number of shares of common stock acquired on vesting of the underlying MSUs during fiscal 2016.

(d) Amounts were calculated by multiplying the closing price of the Company's common stock on the vesting date by the number of shares acquired on vesting.

Pension Benefits in Fiscal 2016

The following table lists the accumulated benefits, credited service and benefit payments for each named executive officer under our Pension Plan and Benefit Restoration Plan in fiscal 2016.

Name	Plan Name	Number of Years Credited Service [a] (#)	Present Value of Accumulated Benefit [b] ($)	Payments During Last Fiscal Year ($)
Thomas J. Folliard	Pension Plan	16	307,513	—
	Benefit Restoration Plan	16	1,434,095	—
William D. Nash	Pension Plan	15	225,859	—
	Benefit Restoration Plan	15	41,809	—
Thomas W. Reedy	Pension Plan	6	119,284	—
	Benefit Restoration Plan	6	149,262	—
William C. Wood	Pension Plan	19	342,888	—
	Benefit Restoration Plan	19	274,393	—
Edwin J. Hill	Pension Plan	14	343,707	—
	Benefit Restoration Plan	14	253,212	—

(a) We have not granted any of our named executive officers extra years of service under either the Pension Plan or the Benefit Restoration Plan.

(b) Determined assuming retirement at age 65. The discount rate (4.50%) and mortality assumptions used in calculating the present value of the accumulated benefit shown above were consistent with those used for our financial reporting purposes. Additional information regarding our assumptions is set forth in Note 10 to our consolidated financial statements, which are included in our Annual Report on Form 10-K for the fiscal year ended February 29, 2016.

PENSION PLAN

We froze our Pension Plan, a tax-qualified defined benefit plan, effective December 31, 2008. Prior to that date, this plan was generally available to all full-time associates upon completion of one year of service.

No additional benefits have accrued under the Pension Plan since it was frozen. Previously accrued benefits are determined under a formula that defines an annual annuity amount payable at termination or retirement. The benefit formula is the sum of (1) 0.85% times highest average earnings times years of service up to 35 years and (2) 0.65% times the excess of highest average earnings over Social Security Covered Compensation times years of service up to 35 years. Earnings are defined as total earnings including base pay, bonuses, overtime pay and commissions, but may not exceed the compensation limit imposed by the Internal Revenue Code. In the final year of benefit accruals, that compensation limit was $230,000. Highest average earnings are based on the highest five consecutive calendar years of earnings during the ten consecutive years before termination or December 31, 2008, if earlier. All participants are vested after five years of service. Benefits are payable at age 65 as a lifetime annuity or actuarially equivalent optional annuity. Actuarially reduced benefits are available to participants retiring after age 55 with at least ten years of service, or after age 62 with at least seven years of service.

BENEFIT RESTORATION PLAN

We froze our Benefit Restoration Plan, a non-qualified defined benefit plan, effective December 31, 2008. Prior to that date, this plan provided an alternate means of paying benefits to participants in the Pension Plan, including our named executive officers, who were prohibited from receiving additional benefits under the Pension Plan because of the Internal Revenue Code's compensation limit.

No additional benefits have accrued under the Benefit Restoration Plan since it was frozen. Previously accrued benefits are generally determined and payable under the same terms and conditions as the Pension Plan without regard to Internal Revenue Code limitations on amounts of includable earnings and maximum benefits. Benefits paid are reduced by benefits payable under the Pension Plan. Participants must have 15 years of service to be eligible to receive benefits under the Benefit Restoration Plan, or upon termination meet the early retirement or normal retirement requirements of our Pension Plan.

EARLY RETIREMENT BENEFITS

As of February 29, 2016, Mr. Hill was eligible to retire with actuarially reduced benefits from the Pension Plan and the Benefit Restoration Plan because he is over age 55 and has at least ten years of service, and therefore has met the requirements for early retirement under our Pension Plan.

Nonqualified Deferred Compensation

The following table lists fiscal 2016 contributions to each named executive officer's Retirement Restoration Plan ("RRP") and Executive Deferred Compensation Plan ("EDCP") accounts. The table also lists the aggregate earnings, withdrawals and distributions, and balances for each account.

Name	Plan Name	Executive Contributions in Last Fiscal Year [(a)]($)	Registrant Contributions in Last Fiscal Year [(b)]($)	Aggregate Earnings in Last Fiscal Year [(c)]($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last Fiscal Year End [(d)] ($)
Thomas J. Folliard	RRP	209,669	272,569	(131,551)	—	2,055,242
	EDCP	—	—	—	—	—
William D. Nash	RRP	46,149	41,526	(13,344)	—	262,691
	EDCP	180,409	10,437	(30,106)	—	469,978
Thomas W. Reedy	RRP	58,707	76,319	(36,469)	—	440,464
	EDCP	—	9,372	(17,962)	58,619	199,896
William C. Wood	RRP	58,707	76,319	(15,490)	—	545,254
	EDCP	—	—	(160)	—	1,844
Edwin J. Hill	RRP	26,559	34,526	(14,778)	—	269,599
	EDCP	181,184	16,484	(26,524)	—	305,078

(a) These amounts represent payroll deductions and are therefore included in the "Salary" and "Non-Equity Incentive Plan Compensation" columns of the "Summary Compensation Table" on page 38.

(b) Company contributions are included in the "All Other Compensation" column of the "Summary Compensation Table" on page 38 and were credited to each executive's account after the close of the fiscal year.

(c) We do not pay above-market interest or preferential dividends on investments in the RRP or the EDCP. Earnings are determined by the performance of the mutual funds or other investment vehicles selected by each executive.

(d) For each of Messrs. Folliard, Nash, Reedy, Wood and Hill, the following amounts were reported as compensation to each person in the "Summary Compensation Table" in prior fiscal years, respectively: $1,166,246; $368,225; $513,157; $341,675; and $173,348.

RETIREMENT RESTORATION PLAN

Our executives are eligible to participate in the RRP. The RRP is a nonqualified defined contribution plan that supplements the Retirement Savings Plan we offer to all of our associates. The RRP allows individuals whose benefits under the Retirement Savings Plan are limited due to the compensation limits imposed by Section 401(a)(17) of the Internal Revenue Code ($265,000 for 2016) to continue to defer portions of their compensation for retirement savings. Eligible associates may defer up to 5% of their combined salary and annual incentive bonus. As we do in our broadly available Retirement Savings Plan, we provide RRP participants with matching contribution and an additional Company-funded contribution to those participants meeting certain age and service requirements. RRP accounts are paid in a single lump sum payment at separation from service, subject to the requirements of Section 409A of the Internal Revenue Code.

EXECUTIVE DEFERRED COMPENSATION PLAN

Our executives are also eligible to participate in the EDCP. The EDCP is an additional nonqualified deferred compensation plan that permits eligible associates to elect to defer portions of their compensation to save for retirement or other life events. Eligible associates may defer up to 75% of their salary and up to 90% of their annual incentive bonus. We do not match funds deferred through this plan. The EDCP merely provides a mechanism for eligible associates to defer the taxation of income and related investment gains until the compensation is actually received at a later date. We do, however, provide a restorative contribution designed to compensate associates for any loss of Company contributions under the Retirement Savings Plan and RRP due to a reduction in eligible compensation, as defined under those plans, resulting from deferrals into the EDCP. EDCP accounts are paid based on the participant's election at the time of the deferral, subject to the requirements of Section 409A of the Internal Revenue Code, and may be paid in a lump sum, a series of annual installments or a partial lump sum followed by a series of annual installments. Participants may elect to receive these distributions upon separation from service or upon the occurrence of one or more specified dates.

All RRP and EDCP accounts are considered unfunded general contractual obligations and are subject to the claims of our general, unsecured creditors.

Potential Payments Upon Termination or Change-in-Control

As discussed on pages 34 and 35, we have agreed to provide payments or other benefits to our named executive officers under various scenarios related to a termination of employment. This section describes those payments and benefits and the events that trigger them. For ease of reference, this section uses an abbreviation for the term "Change-in-Control" ("CIC").

Our payment obligations under each employment or severance agreement are contingent upon the NEO satisfying the following obligations:

During his employment and for two years following his termination, the NEO must comply with the provisions of a covenant not to compete.

During his employment and for two years following his termination, the NEO may not solicit or induce our associates to leave us or hire any of our associates.

During his employment and at all times subsequent to the last day of his employment, the NEO must hold in strict confidence and safeguard any and all protected information, including our trade secrets.

The NEO must return our property and must execute an agreement releasing us from any claims.

TERMINATION SCENARIOS THAT CAN TRIGGER PAYMENTS AND BENEFITS

There are four categories of events related to a termination of employment that can trigger payments or other benefits under the agreements we have with our NEOs: (i) retirement; (ii) death and disability; (iii) involuntary termination; and (iv) voluntary termination. The following chart describes each category.

Category	Specific Event	Requirements
Retirement	Early Retirement	Termination due to early retirement occurs when an NEO voluntarily terminates his employment at a time when he is eligible for "early retirement" as this term is defined in our Pension Plan (generally, an NEO is eligible for early retirement after age 55 with at least ten years of service or after age 62 with at least seven years of service). The effective date of termination due to early retirement is the date set forth in a notice from the NEO to us, which must be given at least 90 days in advance. Mr. Hill is currently our only NEO eligible for early retirement.
	Normal Retirement	Termination due to normal retirement occurs when an NEO voluntarily terminates his employment at a time when he is eligible for "normal retirement" as this term is defined in our Pension Plan (generally, an NEO is eligible for normal retirement after age 65 with at least five years of service). The effective date of termination is the date set forth in a notice from the NEO to us, which must be given at least 90 days in advance. None of our NEOs are currently eligible for normal retirement.
Death or Disability	Death	The effective date of termination is the date of death.
	Disability	Termination due to disability occurs when we notify the NEO that we have decided to terminate him because he has a physical or mental illness that causes him: (i) to be considered "disabled" for the purpose of eligibility to receive benefits under our long-term disability plan if he is a participant; or (ii) if he does not participate in this plan, to be unable to substantially perform the duties of his position for a total of 180 days during any period of 12 consecutive months and a physician selected by us has furnished to us a certification that

the return of the NEO to his normal duties is impossible or improbable. The effective date of termination is the date set forth in a notice from us to the NEO, which must be given to the NEO at least 30 days in advance.

Involuntary Termination	For Cause	Termination for cause occurs when we decide to terminate an NEO based on our good faith determination that one of certain events have occurred. These events generally consist of, or relate to, the NEO’s material breach of his severance agreement, the NEO’s willful failure to perform his duties or the NEO’s conviction of a felony or a crime involving dishonesty or moral turpitude. We will not owe any payments to an NEO as a result of a termination for cause. The effective date of termination is the date of the termination.
	Without Cause	Termination by us without cause occurs when we terminate the NEO’s employment for any reason other than for cause, as described above, or for disability. The effective date of termination is the date of the notice from us to the NEO.
Voluntary Termination	With Good Reason	Termination by the NEO for good reason occurs when the NEO terminates his employment with us for one of the following events, which we do not cure: (i) a reduction in the NEO’s base salary (which was not part of an across-the-board reduction) or target bonus rate; (ii) a material reduction in the NEO’s duties or authority; (iii) a required relocation to a new principal place of employment more than 35 miles from our home office, excluding a relocation of our home office; or (iv) our failure to obtain an agreement from any successor to substantially all of our assets or our business to assume and agree to perform the employment or severance agreement within 15 days after a merger, consolidation, sale or similar transaction. The effective date of termination is the date set forth in a notice from the NEO to us, which notice must be given to us at least 45 days prior to the effective date of termination.
	Without Good Reason	Termination by the NEO without good reason occurs when the NEO terminates his employment for any reason other than good reason, as described above. The effective date of termination is the date set forth in a notice from the NEO to us, which notice must be given to us at least 45 days prior to the effective date of termination. We will not owe any payments to an NEO as a result of a termination without good reason.

The benefits paid in connection with each of these categories may change if the termination event occurs during the two years following a CIC or an asset sale. Each agreement defines a CIC as the acquisition by a third party of beneficial ownership of 20% or more of the voting power of our securities or, in connection with a tender or exchange offer, merger or other business transaction, the directors serving immediately prior to the transaction no longer constitute a majority of our Board following the transaction. Each agreement defines an asset sale as a sale of all or substantially all of CarMax’s assets in a single transaction or a series of related transactions.

TABLE OF POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE-IN-CONTROL

The following table shows the estimated payments and benefits that we would provide to each NEO under various scenarios related to a termination of employment or a CIC. The table assumes that each termination event occurred on February 29, 2016. Accordingly, we made certain calculations using a common stock value of $46.26 per share, which was the closing market price on February 29, 2016, the last trading day of our fiscal year. The footnotes to the table explain how these amounts are calculated and how they are paid (that is, in a lump sum or over an extended period). The payments described below would be made by CarMax. Section 409A of the Internal Revenue Code imposes a six-month delay on payments related to a termination of employment in certain circumstances. Accordingly, the payment (or first payment) of any amount listed below may be delayed by six months.

The following table does not include amounts payable to each NEO under our Pension Plan, Benefit Restoration Plan, Retirement Restoration Plan or Executive Deferred Compensation Plan, the details of which can be found in the sections titled “Pension Benefits in Fiscal 2016” on pages 43 and 44 and “Nonqualified Deferred Compensation” on pages 45 and 46. None of the termination events discussed below enhances any payments to be made under these plans.

TYPE OF TERMINATION EVENT

Name	Type of Payment		Term. Without Cause ($)	Resignation for Good Reason ($)	Early or Normal Retirement ($)	Death or Disability ($)	CIC Followed by Term. for Cause or Resignation Without Good Reason ($)	CIC Followed by Term. Without Cause or Resignation With Good Reason ($)
Thomas J. Folliard	Severance Payment(a)		8,944,326	8,944,326	—	—	—	—
	Annual Incentive Bonus(b)		1,276,557	—	—	1,882,827	—	1,882,827
	Long-Term Equity Award(c)		4,542,548	4,542,548	—	5,657,923	1,392,920	4,542,548
	Other Payments:	Good Reason(d)	—	1,882,827	—	—	—	—
		CIC(e)	—	—	—	—	—	13,371,768
		Health(f)	14,368	14,368	—	—	—	14,368
	Other Benefits:	Financial Services(g)	13,000	13,000	—	13,000	—	13,000
		Outplacement(h)	50,000	50,000	—	—	—	50,000
	TOTAL		14,840,799	15,447,069	—	7,553,750	1,392,920	19,874,511
William D. Nash	Severance Payment(a)		3,080,050	3,080,050	—	—	—	—
	Annual Incentive Bonus(b)		348,181	—	—	513,542	—	513,542
	Long-Term Equity Award(c)		1,410,175	1,410,175	—	1,719,470	469,789	1,410,175
	Other Payments:	Good Reason(d)	—	513,542	—	—	—	—
		CIC(e)	—	—	—	—	—	4,604,675
		Health(f)	14,368	14,368	—	—	—	14,368
	Other Benefits:	Financial Services(g)	13,000	13,000	—	13,000	—	13,000
		Outplacement(h)	25,000	25,000	—	—	—	25,000
	TOTAL		4,890,774	5,056,135	—	2,246,012	469,789	6,580,760
Thomas W. Reedy	Severance Payment(a)		2,903,280	2,903,280	—	—	—	—
	Annual Incentive Bonus(b)		330,525	—	—	487,500	—	487,500
	Long-Term Equity Award(c)		1,410,175	1,410,175	—	1,719,470	469,789	1,410,175
	Other Payments:	Good Reason(d)	—	487,500	—	—	—	—
		CIC(e)	—	—	—	—	—	4,340,406
		Health(f)	14,368	14,368	—	—	—	14,368
	Other Benefits:	Financial Services(g)	13,000	13,000	—	13,000	—	13,000
		Outplacement(h)	25,000	25,000	—	—	—	25,000
	TOTAL		4,696,348	4,853,323	—	2,219,970	469,789	6,290,449

TYPE OF TERMINATION EVENT

Name	Type of Payment		Term. Without Cause ($)	Resignation for Good Reason ($)	Early or Normal Retirement ($)	Death or Disability ($)	CIC Followed by Term. for Cause or Resignation Without Good Reason ($)	CIC Followed by Term. Without Cause or Resignation With Good Reason ($)
William C. Wood	Severance Payment(a)		2,903,280	2,903,280	—	—	—	—
	Annual Incentive Bonus(b)		330,525	—	—	487,500	—	487,500
	Long-Term Equity Award(c)		1,410,175	1,410,175	—	1,719,470	269,789	1,410,175
	Other Payments:	Good Reason(d)	—	487,500	—	—	—	—
	Other Benefits:	Health(e)	14,382	14,382	—	—	—	14,382
		CIC(f)	—	—	—	—	—	4,338,206