

U.S. FEDERAL INCOME TAX INFORMATION FOR THE SHAREHOLDERS OF CARMAX STOCK

November 14, 2002

Dear CarMax Shareholder:

On October 1, 2002 (the “Distribution Date”), Circuit City Stores, Inc. (“Circuit City”) distributed shares of CarMax, Inc. (“CarMax”) stock to the holders of record of CarMax Group stock on September 16, 2002 (the “Record Date”). This letter contains information regarding:

- the U.S. federal income tax implications to you of the distribution of CarMax stock by Circuit City;
- calculating your U.S. federal income tax basis; and
- determining your holding period.

Also included is:

- a shareholder statement to be filed with your U.S. federal income tax return.

U.S. Federal Income Tax Implications

Circuit City obtained a ruling from the Internal Revenue Service (“IRS”) stating that the distribution of CarMax stock will qualify as a tax-free distribution for U.S. federal income tax purposes. Accordingly, you will not recognize any gain or loss on the exchange of CarMax stock for your CarMax Group stock.

U.S. Federal Income Tax Basis

As a former shareholder of CarMax Group stock, you received one share of CarMax stock in exchange for every share of CarMax Group stock you owned on the Record Date. U.S. federal income tax law provides that your aggregate tax basis in the CarMax stock you received will be equal to your aggregate tax basis in the CarMax Group stock surrendered in the distribution. If your CarMax Group shares were acquired at different times in separate lots, it would be appropriate to apportion your tax basis in each such lot to the CarMax shares you received in exchange for such lots.

Holding Period

The ruling obtained from the IRS by Circuit City addresses the appropriate manner to calculate the holding period of your CarMax shares if you held your CarMax Group shares as a capital asset on the Distribution Date. To determine your holding period, the ruling provides that you add (i) the period you hold the CarMax shares from the Distribution Date until you sell them to (ii) the previous period during which you held the CarMax Group shares for which you received the distribution of CarMax shares. For example, assume you hold the CarMax shares

for three months after the Distribution Date before disposing of such shares. If you held the CarMax Group shares that entitled you to receive the CarMax shares for ten months prior to the separation, you would be treated as having held the CarMax shares for a total of thirteen months before the disposition.

U.S. Federal Income Tax Reporting Requirements

The IRS requires that each taxpayer who received shares of CarMax stock pursuant to the distribution attach to their U.S. federal income return for the tax period including the Distribution Date, a statement containing the details of the transaction. To assist you in complying with this requirement, a shareholder statement is enclosed, which you can complete and attach to your U.S. federal income tax return for the applicable tax period. For those shareholders who are calendar year taxpayers, the enclosed statement should be attached to your U.S. federal income tax return for 2002.

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The information regarding the U.S. federal income tax consequences of the separation presented in this letter is for general reference only and does not purport to cover all U.S. federal income tax consequences that may apply to all categories of shareholders. Shareholders should consult their own tax advisors regarding their particular federal, foreign, state and local tax consequences of the separation to them.

CIRCUIT CITY STORES, INC.

**CARMAX GROUP STOCK SHAREHOLDER STATEMENT
PURSUANT TO TREASURY REGULATION §1.355-5(b)**

Statement of shareholder receiving a distribution of stock in CarMax, Inc. (a controlled corporation) pursuant to Treasury Regulation § 1.355-5(b).

1. The undersigned, a shareholder owning CarMax Group shares in Circuit City Stores, Inc. as of September 16, 2002, received a distribution of stock in a controlled corporation pursuant to Section 355 of the Internal Revenue Code.
2. The names and addresses of the corporations involved are as follows:
 - (a) Circuit City Stores, Inc. ("Distributing")
9950 Mayland Drive
Richmond, VA 23233-1464
 - (b) CarMax, Inc. ("Controlled")
4900 Cox Road
Glen Allen, VA 23060-3314
3. The undersigned surrendered all CarMax Group stock owned in Distributing in connection with the distribution.
4. The undersigned received _____ shares of Controlled in the distribution constituting only common shares in such corporation.
5. By letter dated April 10, 2002, the Internal Revenue Service ruled that the distribution by Distributing of shares of Controlled was a nontaxable Section 355 corporate separation.

Shareholder's Signature

Spouse's Signature (if stock held jointly)

**ATTACH TO YOUR U.S. FEDERAL INCOME TAX RETURN
FOR THE TAX PERIOD INCLUDING OCTOBER 1, 2002.**