

CARMAX INC  
Form 4  
June 26, 2014

**FORM 4**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

Check this box  
if no longer  
subject to  
Section 16.  
Form 4 or  
Form 5  
obligations  
may continue.  
*See Instruction*  
1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF  
SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,  
Section 17(a) of the Public Utility Holding Company Act of 1935 or Section  
30(h) of the Investment Company Act of 1940

## OMB APPROVAL

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(Print or Type Responses)

1. Name and Address of Reporting Person \*  
Wood William C Jr.

(Last) (First) (Middle)

12800 TUCKAHOE CREEK  
PARKWAY

(Street)

RICHMOND, VA 23238

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading  
Symbol

CARMAX INC [KMX]

3. Date of Earliest Transaction  
(Month/Day/Year)

06/24/2014

4. If Amendment, Date Original  
Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to  
Issuer

(Check all applicable)

\_\_\_\_ Director \_\_\_\_\_ 10% Owner  
\_\_\_\_ Officer (give title below) \_\_\_\_\_ Other (specify below)

EVP, Stores

6. Individual or Joint/Group Filing(Check  
Applicable Line)  
\_\_\_\_X\_\_\_\_ Form filed by One Reporting Person  
\_\_\_\_ Form filed by More than One Reporting  
Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
Common Stock	06/24/2014		M	49,656 A	\$ 11.43	79,808	D
Common Stock	06/24/2014		S	49,656 D	\$ 50.15 (1)	30,152	D

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474  
(9-02)

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**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**  
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	Amount or Number of Shares
Stock Options (Right to Buy)	\$ 11.43	06/24/2014		M	49,656	04/07/2010 04/07/2016	Common Stock	49,656

## Reporting Owners

Reporting Owner Name / Address	Relationships
	Director 10% Owner Officer Other
Wood William C Jr. 12800 TUCKAHOE CREEK PARKWAY RICHMOND, VA 23238	EVP, Stores

## Signatures

Terence  
Rasmussen 06/26/2014  
 \*\*Signature of Date  
 Reporting Person

## Explanation of Responses:

\* If the form is filed by more than one reporting person, see Instruction 4(b)(v).

\*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

The shares with respect to this transaction were sold at prices ranging from \$50.12 to \$50.29. Upon request, the Reporting Person will  
 (1) provide the Securities and Exchange Commission staff, the Issuer, or any security holder of the Issuer, full information regarding the  
 number of shares sold at each separate price.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays  
 a currently valid OMB number. N="BOTTOM" style="font-family:times;">

Agency obligations

1,654 76 1 1 1,655 77

Total U.S. Treasury and federal agency securities

1,654 76 1 1 1,655 77

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### State and municipal

12,827 3,872 3,762 498 16,589 4,370

### Foreign government

10,697 201 9,080 207 19,777 408

### Corporate

1,985 270 4,393 410 6,378 680

### Other debt securities

944 96 303 128 1,247 224

### Marketable equity securities available-for-sale

3,254 386 102 73 3,356 459

### **Total securities available-for-sale**

\$39,161 \$6,078 \$21,434 \$3,336 \$60,595 \$9,414

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(1)

Reclassified to conform to the current period's presentation.

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The following table presents the amortized cost and fair value of AFS debt securities by contractual maturity dates as of September 30, 2009, and December 31, 2008:

<i>In millions of dollars</i>	September 30, 2009		December 31, 2008(1)	
	Amortized Cost	Fair value	Amortized cost	Fair value
<b>Mortgage-backed securities(2)</b>				
Due within 1 year	\$ 2	\$ 2	\$ 87	\$ 80
After 1 but within 5 years	29	30	639	567
After 5 but within 10 years	690	658	1,362	1,141
After 10 years(3)	31,494	30,771	30,710	28,080
<b>Total</b>	<b>\$ 32,215</b>	<b>\$ 31,461</b>	<b>\$ 32,798</b>	<b>\$ 29,868</b>
<b>U.S. Treasury and federal agencies</b>				
Due within 1 year	\$ 5,546	\$ 5,556	\$ 15,736	\$ 15,846
After 1 but within 5 years	7,600	7,629	5,755	5,907
After 5 but within 10 years	6,535	6,593	1,902	1,977
After 10 years(3)	3,410	3,423	309	235
<b>Total</b>	<b>\$ 23,091</b>	<b>\$ 23,201</b>	<b>\$ 23,702</b>	<b>\$ 23,965</b>
<b>State and municipal</b>				
Due within 1 year	\$ 219	\$ 219	\$ 214	\$ 214
After 1 but within 5 years	111	121	84	84
After 5 but within 10 years	354	381	411	406
After 10 years(3)	17,283	16,104	17,447	13,120
<b>Total</b>	<b>\$ 17,967</b>	<b>\$ 16,825</b>	<b>\$ 18,156</b>	<b>\$ 13,824</b>
<b>Foreign government</b>				
Due within 1 year	\$ 34,753	\$ 34,824	\$ 26,481	\$ 26,937
After 1 but within 5 years	37,442	37,945	45,652	45,462
After 5 but within 10 years	6,711	6,706	6,771	6,899
After 10 years(3)	1,059	1,196	601	744
<b>Total</b>	<b>\$ 79,965</b>	<b>\$ 80,671</b>	<b>\$ 79,505</b>	<b>\$ 80,042</b>
<b>All other(4)</b>				
Due within 1 year	\$ 2,893	\$ 2,883	\$ 4,160	\$ 4,319
After 1 but within 5 years	23,456	23,711	2,662	2,692
After 5 but within 10 years	3,282	3,327	12,557	11,842
After 10 years(3)	2,514	2,434	3,051	2,774
<b>Total</b>	<b>\$ 32,145</b>	<b>\$ 32,355</b>	<b>\$ 22,430</b>	<b>\$ 21,627</b>
<b>Total debt securities available-for-sale</b>	<b>\$ 185,383</b>	<b>\$ 184,513</b>	<b>\$ 176,591</b>	<b>\$ 169,326</b>

(1) Reclassified to conform to the current period's presentation.

(2) Includes mortgage-backed securities of U.S. federal agencies.

Explanation of Responses:

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(3) Investments with no stated maturities are included as contractual maturities of greater than 10 years. Actual maturities may differ due to call or prepayment rights.

(4) Includes corporate securities and other debt securities.

The following tables present interest and dividends on investments for the periods ended September 30, 2009 and 2008:

<i>In millions of dollars</i>	Three months ended	
	Sept 30, 2009	Sept 30, 2008
Taxable interest	\$ 2,956	\$ 2,334
Interest exempt from U.S. federal income tax	226	136
Dividends	101	127
<b>Total interest and dividends</b>	<b>\$ 3,283</b>	<b>\$ 2,597</b>

<i>In millions of dollars</i>	Nine months ended	
	Sept 30, 2009	Sept 30, 2008
Taxable interest	\$ 9,084	\$ 7,019
Interest exempt from U.S. federal income tax	591	433
Dividends	219	380
<b>Total interest and dividends</b>	<b>\$ 9,894</b>	<b>\$ 7,832</b>

The following table presents realized gains and losses on investments for the periods ended September 30, 2009 and 2008. The gross realized investment losses exclude losses from other-than-temporary impairment:

<i>In millions of dollars</i>	Three months ended		Nine months ended	
	Sept 30, 2009	Sept 30, 2008	Sept 30, 2009	Sept 30, 2008
Gross realized investment gains	\$ 439	\$ 192	\$ 1,797	\$ 506
Gross realized investment losses	(12)	(42)	(78)	(130)
<b>Net realized gains (losses)</b>	<b>\$ 427</b>	<b>\$ 150</b>	<b>\$ 1,719</b>	<b>\$ 376</b>

Table of Contents**Debt Securities Held-to-Maturity**

The carrying value and fair value of securities held-to-maturity (HTM) at September 30, 2009 and December 31, 2008 were as follows:

<i>In millions of dollars</i>	Amortized cost(1)	Net unrealized loss recognized in OCI	Carrying value(2)	Gross unrecognized gains	Gross unrecognized losses	Fair value
<b>September 30, 2009</b>						
<b>Debt securities held-to-maturity</b>						
Mortgage-backed securities						
U.S. government agency guaranteed	\$	\$	\$	\$	\$	\$
Prime	6,388	1,211	5,177	50	50	5,177
Alt-A	15,436	4,609	10,827	411	419	10,819
Subprime	1,165	171	994	56	117	933
Non-U.S. residential	9,485	1,168	8,317	364	240	8,441
Commercial	1,308	52	1,256		377	879
Total mortgage-backed securities	33,782	7,211	26,571	881	1,203	26,249
U.S. Treasury and federal agency securities						
U.S. Treasury						
Agency and direct obligations						
Total U.S. Treasury and federal agency securities						
State and municipal	3,169	146	3,023	200	138	3,085
Corporate	7,365	307	7,058	472	138	7,392
Asset-backed securities	19,590	427	19,163	435	722	18,876
Other debt securities	7	6	1			1
<b>Total debt securities held-to-maturity</b>	<b>\$ 63,913</b>	<b>\$ 8,097</b>	<b>\$ 55,816</b>	<b>\$ 1,988</b>	<b>\$ 2,201</b>	<b>\$ 55,603</b>
<b>December 31, 2008</b>						
<b>Debt securities held-to-maturity</b>						
Mortgage-backed securities						
U.S. government agency guaranteed	\$	\$	\$	\$	\$	\$
Prime	7,481	1,436	6,045		623	5,422
Alt-A	16,658	4,216	12,442	23	1,802	10,663
Subprime	1,368	125	1,243	15	163	1,095
Non-U.S. residential	10,496	1,128	9,368	5	397	8,976
Commercial	1,021		1,021		130	891
Total mortgage-backed securities	37,024	6,905	30,119	43	3,115	27,047
U.S. Treasury and federal agency securities						
U.S. Treasury						
Agency and direct obligations						
Total U.S. Treasury and federal agency securities	1		1			1
State and municipal	3,371	183	3,188	14	253	2,949
Corporate	6,906	175	6,731	130	305	6,556
Asset-backed securities	22,698	415	22,283	86	555	21,814
Other debt securities	2,478	341	2,137		127	2,010
<b>Total debt securities held-to-maturity</b>	<b>\$ 72,478</b>	<b>\$ 8,019</b>	<b>\$ 64,459</b>	<b>\$ 273</b>	<b>\$ 4,355</b>	<b>\$ 60,377</b>

(1)

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For securities transferred to HTM from *Trading account assets*, amortized cost is defined as the fair value amount of the securities at the date of transfer. For securities transferred to HTM from AFS, amortized cost is defined as the original purchase cost, plus or minus any accretion or amortization of interest, less any impairment previously recognized in earnings.

(2)

HTM securities are carried on the Consolidated Balance Sheet at amortized cost and the changes in the value of these securities, other than impairment charges, are not reported on the financial statements.

The net unrealized losses classified in accumulated other comprehensive income (AOCI) relate to debt securities reclassified from AFS investments to HTM investments, and to additional declines in fair value for HTM securities that suffer credit impairment. The balance was \$8.1 billion as of September 30, 2009, compared to \$8.0 billion as of December 31, 2008. This balance is amortized over the remaining life of the related securities as an adjustment of yield in a manner consistent with the accretion of discount on the same transferred debt securities. This will have no impact on the Company's net income because the amortization of the unrealized holding loss reported in equity will offset the effect on interest income of the accretion of the discount on these securities.

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The table below shows the fair value of investments in HTM that have been in an unrealized loss position for less than 12 months or for 12 months or longer as of September 30, 2009 and December 31, 2008:

	Less than 12 months		12 months or longer		Total	
	Fair	Gross	Fair	Gross	Fair	Gross
	value	unrealized	value	unrealized	value	unrealized
		losses		losses		losses
<i>In millions of dollars</i>						
<b>September 30, 2009</b>						
<b>Debt securities held-to-maturity</b>						
Mortgage-backed securities	\$ 5,235	\$ 1,046	\$ 13,656	\$ 157	\$ 18,891	\$ 1,203
State and municipal	733	138			733	138
Corporate	2,801	138			2,801	138
Asset-backed securities	5,713	701	807	21	6,520	722
Other debt securities						
<b>Total debt securities held-to-maturity</b>	<b>\$ 14,482</b>	<b>\$ 2,023</b>	<b>\$ 14,463</b>	<b>\$ 178</b>	<b>\$ 28,945</b>	<b>\$ 2,201</b>
<b>December 31, 2008</b>						
<b>Debt securities held-to-maturity</b>						
Mortgage-backed securities	\$ 2,348	\$ 631	\$ 24,236	\$ 2,484	\$ 26,584	\$ 3,115
State and municipal	2,499	253			2,499	253
Corporate	23		4,107	305	4,130	305
Asset-backed securities	9,051	381	4,164	174	13,215	555
Other debt securities	439		5,246	127	5,685	127
<b>Total debt securities held-to-maturity</b>	<b>\$ 14,360</b>	<b>\$ 1,265</b>	<b>\$ 37,753</b>	<b>\$ 3,090</b>	<b>\$ 52,113</b>	<b>\$ 4,355</b>

Excluded from the gross unrealized losses presented in the above table is the \$8.1 billion and \$8.0 billion of gross unrealized losses recorded in AOCI related to the HTM securities that were reclassified from AFS investments as of September 30, 2009 and December 31, 2008, respectively. Approximately \$6.6 billion and \$5.2 billion of these unrealized losses relate to securities that have been in a loss position for 12 months or longer at September 30, 2009 and December 31, 2008, respectively.



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The following table presents the carrying value and fair value of HTM debt securities by contractual maturity dates as of September 30, 2009 and December 31, 2008:

<i>In millions of dollars</i>	September 30, 2009		December 31, 2008	
	Carrying value	Fair value	Carrying value	Fair value
<b>Mortgage-backed securities</b>				
Due within 1 year	\$ 1	\$ 1	\$ 88	\$ 65
After 1 but within 5 years	479	314	363	282
After 5 but within 10 years	1,922	1,787	513	413
After 10 years(1)	24,169	24,147	29,155	26,287
<b>Total</b>	<b>\$ 26,571</b>	<b>\$ 26,249</b>	<b>\$ 30,119</b>	<b>\$ 27,047</b>
<b>State and municipal</b>				
Due within 1 year	\$ 6	\$ 6	\$ 86	\$ 86
After 1 but within 5 years	48	81	105	105
After 5 but within 10 years	168	140	112	106
After 10 years(2)	2,801	2,858	2,885	2,652
<b>Total</b>	<b>\$ 3,023</b>	<b>\$ 3,085</b>	<b>\$ 3,188</b>	<b>\$ 2,949</b>
<b>All other(2)</b>				
Due within 1 year	\$ 5,618	\$ 5,888	\$ 4,482	\$ 4,505
After 1 but within 5 years	5,636	5,587	10,892	10,692
After 5 but within 10 years	6,852	7,087	6,358	6,241
After 10 years(1)	8,116	7,707	9,420	8,943
<b>Total</b>	<b>\$ 26,222</b>	<b>\$ 26,269</b>	<b>\$ 31,152</b>	<b>\$ 30,381</b>
<b>Total debt securities held-to-maturity</b>	<b>\$ 55,816</b>	<b>\$ 55,603</b>	<b>\$ 64,459</b>	<b>\$ 60,377</b>

- (1) Investments with no stated maturities are included as contractual maturities of greater than 10 years. Actual maturities may differ due to call or prepayment rights.
- (2) Includes asset-backed securities and all other debt securities.

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**Evaluating Investments for Other-than-Temporary Impairments**

The Company conducts and documents periodic reviews of all securities with unrealized losses to evaluate whether the impairment is other than temporary. Prior to January 1, 2009, these reviews were conducted pursuant to FASB Staff Position No. FAS 115-1, *The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments* (ASC 320-10-35). Any unrealized loss identified as other than temporary was recorded directly in the Consolidated Statement of Income. As of January 1, 2009, the Company adopted FSP FAS 115-2 and FAS 124-2 (ASC 320-10-65-1). Accordingly, any credit-related impairment related to debt securities the Company does not plan to sell and is not likely to be required to sell is recognized in the Consolidated Statement of Income, with the non-credit-related impairment recognized in OCI. For other impaired debt securities, the entire impairment is recognized in the Consolidated Statement of Income.

An unrealized loss exists when the current fair value of an individual security is less than its amortized cost basis. Unrealized losses that are determined to be temporary in nature are recorded, net of tax, in AOCI for AFS securities, while such losses related to HTM securities are not recorded, as these investments are carried at their amortized cost. For securities transferred to HTM from *Trading account assets*, amortized cost is defined as the fair value of the securities at the date of transfer, plus any accretion income and less any impairment recognized in earnings subsequent to transfer. For securities transferred to HTM from AFS, amortized cost is defined as the original purchase cost, plus or minus any accretion or amortization of a purchase discount or premium, less any impairment recognized in earnings subsequent to transfer.

Regardless of the classification of the securities as AFS or HTM, the Company has assessed each position for credit impairment.

Factors considered in determining whether a loss is temporary include:

the length of time and the extent to which fair value has been below cost;

the severity of the impairment;

the cause of the impairment and the financial condition and near-term prospects of the issuer;

activity in the market of the issuer which may indicate adverse credit conditions; and

the Company's ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery.

The Company's review for impairment generally entails:

identification and evaluation of investments that have indications of possible impairment;

analysis of individual investments that have fair values less than amortized cost, including consideration of the length of time the investment has been in an unrealized loss position and the expected recovery period;

discussion of evidential matter, including an evaluation of factors or triggers that could cause individual investments to qualify as having other-than-temporary impairment and those that would not support other-than-temporary impairment; and

documentation of the results of these analyses, as required under business policies.

For equity securities, management considers the various factors described above, including its intent and ability to hold the equity security for a period of time sufficient for recovery to amortized cost. Where management lacks that intent or ability, the security's decline in fair value is deemed to be other than temporary and is recorded in earnings.

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For debt securities that are not deemed to be credit impaired, management performs additional analysis to assess whether it intends to sell or more-likely-than-not would not be required to sell the investment before the expected recovery of the amortized cost basis. In most cases, management has asserted that it has no intent to sell and that it believes it is more-likely-than-not that it will not be required to sell the investment before recovery of its amortized cost basis. Where such an assertion has not been made, the security's decline in fair value is deemed to be other than temporary and is recorded in earnings.

For debt securities, a critical component of the evaluation for other-than-temporary impairments is the identification of credit impaired securities, where management does not expect to receive cash flows sufficient to recover the entire amortized cost basis of the security. For securities purchased and classified as AFS with the expectation of receiving full principal and interest cash flows, this analysis the likelihood of receiving all contractual principal and interest. For securities reclassified out of the trading category in the fourth quarter of 2008, the analysis considers the likelihood of receiving the expected principal and interest cash flows anticipated as of the date of reclassification in the fourth quarter of 2008. The extent of the Company's analysis regarding credit quality and the stress on assumptions used in the analysis have been refined for securities where the current fair value or other characteristics of the security warrant. The paragraphs below describe the Company's process for identifying credit impairment in security types with the most significant unrealized losses as of September 30, 2009.

AFS equity securities deemed other-than-temporarily impaired are written down to fair value, with the full difference between fair value and amortized cost recognized in earnings.

### ***Mortgage-Backed Securities***

For U.S. mortgage-backed securities (and in particular for Alt-A and other mortgage-backed securities that have significant unrealized losses as a percentage of amortized cost), credit impairment is assessed using a cash flow model that estimates the cash flows on the underlying mortgages, using the security-specific collateral and transaction structure. The model estimates cash flows from the underlying mortgage loans and distributes those cash flows to various tranches of securities, considering the transaction structure and any subordination and credit enhancements that exist in that structure. The cash flow model incorporates actual cash flows on the mortgage-backed securities through the current period and then projects the remaining cash flows using a number of assumptions, including default rates, prepayment rates, and recovery rates (on foreclosed properties).

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Management develops specific assumptions using as much market data as possible and includes internal estimates as well as estimates published by rating agencies and other third-party sources. Default rates are projected by considering current underlying mortgage loan performance, generally assuming the default of (1) 10% of current loans, (2) 25% of 30-59 day delinquent loans, (3) 75% of 60-90 day delinquent loans and (4) 100% of 91+ day delinquent loans. These estimates are extrapolated along a default timing curve to estimate the total lifetime pool default rate. Other assumptions used contemplate the actual collateral attributes, including geographic concentrations, rating agency loss projections, rating actions and current market prices.

The key base assumptions for mortgage-backed securities as of September 30, 2009 are in the table below:

	September 30, 2009
Prepayment rate	3-8 CRR
Loss severity(1)	45%-75%
Unemployment rate	10%
Peak-to-trough housing price decline	32.3%

(1)

Loss severity rates are estimated considering collateral characteristics and generally range from 45%-60% for prime bonds, 50%-70% for Alt-A bonds, and 65%-75% for subprime bonds.

In addition, cash flow projections are developed using more stressful parameters, and management assesses the results of those stress tests (including the severity of any cash shortfall indicated and the likelihood of the stress scenario's actually occurring based on the underlying pool's characteristics and performance) to assess whether management expects to recover the amortized cost basis of the security. If cash flow projections indicate that the Company does not expect to recover its amortized cost basis, the Company recognizes the estimated credit loss in earnings.

### ***State and Municipal Securities***

Citigroup's AFS state and municipal bonds consist primarily of bonds that are financed through Tender Option Bond programs. The process for identifying credit impairment for bonds in this program is largely based on third-party credit ratings. Individual bond positions must meet minimum ratings requirements, which vary based on the sector of the bond issuer. The average portfolio rating, ignoring any insurance, is Aa3/AA-.

Citigroup monitors the bond issuer and insurer ratings on a daily basis. In the event of a downgrade of the bond below the Aa3/AA-, the subject bond is specifically reviewed for potential shortfall in contractual principal and interest. Citigroup has not recorded any credit impairments on bonds held as part of the Tender Option Bond program.

The remainder of Citigroup's AFS state and municipal bonds, outside of the Tender Option Bond Programs, are specifically reviewed for credit impairment based on instrument-specific estimates of cash flows, probability of default and loss given default.

Table of Contents**Recognition and Measurement of Other-Than-Temporary Impairment**

The following table presents the total other-than-temporary impairments recognized during the three months and nine months ended September 30, 2009:

**Other-Than-Temporary Impairments (OTTI) on Investments**

<i>In millions of dollars</i>	Three months ended Sept. 30, 2009			Nine months ended Sept. 30, 2009		
	AFS	HTM	Total	AFS	HTM	Total
Impairment losses related to securities which the Company does not intend to sell nor will likely be required to sell:						
Total OTTI losses recognized during the quarter ended September 30, 2009	\$ 158	\$ 2,182	\$ 2,340	\$ 263	\$ 5,730	\$ 5,993
Less: portion of OTTI loss recognized in OCI (before taxes)	25	1,716	1,741	54	3,952	4,006
Net impairment losses recognized in earnings for securities that the Company does not intend to sell nor will likely be required to sell	\$ 133	\$ 466	\$ 599	\$ 209	\$ 1,778	\$ 1,987
OTTI losses recognized in earnings for securities that the Company intends to sell or more-likely-than-not will be required to sell before recovery	113		113	168		168
<b>Total impairment losses recognized in earnings</b>	<b>\$ 246</b>	<b>\$ 466</b>	<b>\$ 712</b>	<b>\$ 377</b>	<b>\$ 1,778</b>	<b>\$ 2,155</b>

The following is a three-month roll forward of the credit-related position recognized in earnings for AFS and HTM debt securities held as of September 30, 2009:

<i>In millions of dollars</i>	Cumulative Other-Than-Temporary Impairment Credit Losses Recognized in Earnings				
	June 30, 2009 Balance	Credit impairments recognized in earnings on securities not previously impaired	Credit impairments recognized in earnings on securities that have been previously impaired	Reductions due to sales of credit impaired securities sold or matured	Sept. 30, 2009 Balance
<b>AFS debt securities</b>					
Mortgage-backed securities					
Prime	\$ 7	\$ 92	\$	\$	\$ 99
Commercial real estate	2				2
Total mortgage-backed securities	9	92			101
Foreign government	14			(1)	13
Corporate	97	24	10		131
Asset backed securities	3		5		8
Other debt securities	6	2			8
<b>Total OTTI credit losses recognized for AFS debt securities</b>	<b>\$ 129</b>	<b>\$ 118</b>	<b>\$ 15</b>	<b>(1)</b>	<b>\$ 261</b>
<b>HTM debt securities</b>					
Mortgage-backed securities					

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Prime	\$	14	\$	93	\$	1	\$	\$	108
Alt-A		1,901		297					2,198
Subprime		105		66					171
Non-U.S. residential		96							96
Commercial real estate		4							4
Total mortgage-backed securities		2,120		456		1			2,577
Corporate		320		8			(3)		325
Asset backed securities		32							32
Other debt securities		3				1			4
<b>Total OTTI credit losses recognized for HTM debt securities</b>	\$	2,475	\$	464	\$	2	\$	(3) \$	2,938

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The following is a nine-month roll forward of the credit-related position recognized in earnings for AFS and HTM debt securities held as of September 30, 2009:

Cumulative Other-Than-Temporary Impairment Credit Losses Recognized in Earnings					
	January 1, 2009 Balance	Credit impairments recognized in earnings on securities not previously impaired	Credit impairments recognized in earnings on securities than have been previously impaired	Reductions due to sales of credit impaired securities sold or matured	Sept. 30, 2009 Balance
<i>In millions of dollars</i>					
<b>AFS debt securities</b>					
Mortgage-backed securities					
Prime	\$	\$	99	\$	\$ 99
Commercial real estate		1	1		2
Total mortgage-backed securities	1	100			101
Foreign government		14		(1)	13
Corporate	53	54	25	(1)	131
Asset backed securities		3	5		8
Other debt securities		8			6
<b>Total OTTI credit losses recognized for AFS debt securities</b>					
	\$ 54	\$ 179	\$ 30	(2) \$	261
<b>HTM debt securities</b>					
Mortgage-backed securities					
Prime	\$ 8	\$ 99	\$ 1	\$	108
Alt-A	1,091	1,088	19		2,198
Subprime	85	86			171
Non- U.S. residential	28	68			96
Commercial real estate	4				4
Total mortgage-backed securities	1,216	1,341	20		2,577
Corporate		398		(73)	325
Asset backed securities	17	15			32
Other debt securities		3	1		4
<b>Total OTTI credit losses recognized for HTM debt securities</b>					
	\$ 1,233	\$ 1,757	\$ 21	(73) \$	2,938

Table of Contents**11. GOODWILL AND INTANGIBLE ASSETS****Goodwill**

The changes in goodwill during the nine months ended September 30, 2009 were as follows:

<i>In millions of dollars</i>	<b>Goodwill</b>
<b>Balance at December 31, 2008</b>	<b>\$ 27,132</b>
Foreign exchange translation	(844)
Purchase accounting adjustments and other	122
<b>Balance at March 31, 2009</b>	<b>\$ 26,410</b>
Morgan Stanley Smith Barney joint venture	(1,146)
Estimated impact from the Sale of Nikko Cordial Securities, reclassified as <i>Assets of discontinued operations held for sale</i>	(533)
Foreign exchange translation	847
<b>Balance at June 30, 2009</b>	<b>\$ 25,578</b>
Estimated impact from the Sale of Nikko Asset Management, reclassified as <i>Other Assets of businesses held for sale</i>	(446)
Foreign exchange translation	409
Purchase accounting adjustments and other	(118)
<b>Balance at September 30, 2009</b>	<b>\$ 25,423</b>

During the first nine months of 2009, no goodwill was written off due to impairment. The Company performed its annual goodwill impairment test during the third quarter of 2009 and while no impairment was noted in step one for any of the reporting units, goodwill for the Latin America Regional Consumer Banking and Local Consumer Lending Cards reporting units may be particularly sensitive to further deterioration in economic conditions. The fair value as a percentage of allocated book value for Latin America Regional Consumer Banking and Local Consumer Lending Cards is 111% and 112%, respectively. If the future were to differ adversely from management's best estimate of key economic assumptions and associated cash flows were to decrease by a small margin, the Company could potentially experience future material impairment charges with respect to the \$1,317 million and \$4,751 million of goodwill remaining in our Latin America Regional Consumer Banking and Local Consumer Lending Cards reporting units, respectively. Any such charges, by themselves, would not negatively affect the Company's Tier 1, Tier 1 Common and Total Capital regulatory ratios, its Tangible Common Equity or the Company's liquidity position.

The following tables present the Company's goodwill balances by reporting unit and by segment at September 30, 2009:

<i>In millions of dollars</i>	<b>September 30, 2009</b>
<b>By Reporting Unit</b>	
North America Regional Consumer Banking	\$ 2,461
EMEA Regional Consumer Banking	342
Asia Regional Consumer Banking	5,375
Latin America Regional Consumer Banking	1,317
Securities and Banking	8,767
Transaction Services	1,579
Brokerage and Asset Management	831
Local Consumer Lending Cards	4,751
Local Consumer Lending Other	
<b>Total</b>	<b>\$ 25,423</b>

<b>By Segment</b>	
Regional Consumer Banking	\$ 9,495
Institutional Clients Group	10,346



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Citi Holdings	5,582
<b>Total</b>	<b>\$ 25,423</b>

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## Intangible Assets

The components of intangible assets were as follows:

<i>In millions of dollars</i>	September 30, 2009			December 31, 2008		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Purchased credit card relationships	\$ 8,138	\$ 4,684	\$ 3,454	\$ 8,443	\$ 4,513	\$ 3,930
Core deposit intangibles	1,351	744	607	1,345	662	683
Other customer relationships	696	170	526	4,031	168	3,863
Present value of future profits	416	275	141	415	264	151
Other(1)	4,965	1,292	3,673	5,343	1,285	4,058
<b>Total amortizing intangible assets</b>	<b>\$ 15,566</b>	<b>\$ 7,165</b>	<b>\$ 8,401</b>	<b>\$ 19,577</b>	<b>\$ 6,892</b>	<b>\$ 12,685</b>
Indefinite-lived intangible assets	556	N/A	556	1,474	N/A	1,474
Mortgage servicing rights	6,228	N/A	6,228	5,657	N/A	5,657
<b>Total intangible assets</b>	<b>\$ 22,350</b>	<b>\$ 7,165</b>	<b>\$ 15,185</b>	<b>\$ 26,708</b>	<b>\$ 6,892</b>	<b>\$ 19,816</b>

(1) Includes contract-related intangible assets.

N/A Not Applicable.

The changes in intangible assets during the nine months ended September 30, 2009 were as follows:

	Net carrying amount at					Net carrying amount at
<i>In millions of dollars</i>	December 31, 2008	Acquisitions / Divestitures	Amortization	Impairments	FX and other(1)	September 30, 2009
Purchased credit card relationships	\$ 3,930	\$ (72)	\$ (444)	\$ 40		\$ 3,454
Core deposit intangibles	683		(86)	(3)	13	607
Other customer relationships(2)	3,863	(3,253)	(145)		61	526
Present value of future profits	151		(10)			141
Indefinite-lived intangible assets(2)	1,474	(967)			49	556
Other	4,058	(133)	(222)	(53)	23	3,673
	\$ 14,159	\$ (4,425)	\$ (907)	\$ (56)	\$ 186	\$ 8,957
Mortgage servicing rights(3)	5,657					6,228
<b>Total intangible assets</b>	<b>\$ 19,816</b>					<b>\$ 15,185</b>

(1)

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Includes the impact of FX translation and purchase accounting adjustments.

(2)

Decrease during the third quarter of 2009 is due to the reclassification of assets of the Nikko asset management business to *Other Assets* as described in Note 2 to the Consolidated Financial Statements.

(3)

See Note 15 to the Consolidated Financial Statements for the roll-forward of mortgage servicing rights.

Table of Contents**12. DEBT****Short-Term Borrowings**

Short-term borrowings consist of commercial paper and other borrowings as follows:

<i>In millions of dollars</i>	September 30, 2009	December 31, 2008
<b>Commercial paper</b>		
Citigroup Funding Inc.	\$ 9,983	\$ 28,654
Other Citigroup subsidiaries	433	471
	\$ 10,416	\$ 29,125
<b>Other short-term borrowings</b>	<b>54,315</b>	<b>97,566</b>
<b>Total short-term borrowings</b>	<b>\$ 64,731</b>	<b>\$ 126,691</b>

Borrowings under bank lines of credit may be at interest rates based on LIBOR, CD rates, the prime rate, or bids submitted by the banks. Citigroup pays commitment fees for its lines of credit.

Some of Citigroup's non-bank subsidiaries have credit facilities with Citigroup's subsidiary depository institutions, including Citibank, N.A. Borrowings under these facilities must be secured in accordance with Section 23A of the Federal Reserve Act.

Citigroup Global Markets Holdings Inc. (CGMHI) has committed financing with unaffiliated banks. At September 30, 2009, CGMHI had drawn down the full \$1.175 billion available under these facilities, of which \$725 million is guaranteed by Citigroup. CGMHI has a bilateral facility totaling \$400 million with an unaffiliated bank maturing prior to year end. It also has substantial borrowing agreements consisting of facilities that CGMHI has been advised are available, but where no contractual lending obligation exists. These arrangements are reviewed on an ongoing basis to ensure flexibility in meeting CGMHI's short-term requirements.

**Long-Term Debt**

<i>In millions of dollars</i>	September 30, 2009	December 31, 2008
Citigroup parent company	\$ 214,981	\$ 192,290
Other Citigroup subsidiaries(1)	97,965	109,306
Citigroup Global Markets Holdings Inc. (CGMHI)	15,403	20,623
Citigroup Funding Inc. (CFI)(2)	51,208	37,374
<b>Total long term debt</b>	<b>\$ 379,557</b>	<b>\$ 359,593</b>

(1) At September 30, 2009 and December 31, 2008, collateralized advances from the Federal Home Loan Bank are \$30.6 billion and \$67.4 billion, respectively.

(2) Includes Principal-Protected Trust Securities (Safety First Trust Securities) with carrying values of \$521 million issued by Safety First Trust Series 2006-1, 2007-1, 2007-2, 2007-3, 2007-4, 2008-1, 2008-2, 2008-3, 2008-4, 2008-5, 2008-6, 2009-1, 2009-2, and 2009-3 (collectively, the "Safety First Trusts") at September 30, 2009 and \$452 million issued by Safety First Trust Series 2006-1, 2007-1, 2007-2, 2007-3, 2007-4, 2008-1, 2008-2, 2008-3, 2008-4, 2008-5 and 2008-6 at December 31, 2008. CFI owns all of the voting securities of the Safety First Trusts. The Safety First Trusts have no assets, operations, revenues or cash flows other than those related to the issuance, administration, and repayment of the Safety First Trust Securities and the Safety First Trusts' common securities. The Safety First Trusts' obligations under the Safety First Trust Securities are fully and unconditionally guaranteed by CFI, and CFI's guarantee obligations are fully and unconditionally guaranteed by Citigroup.

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CGMHI has a syndicated five-year committed uncollateralized revolving line of credit facility with unaffiliated banks totaling \$3.0 billion, which was undrawn at September 30, 2009 and matures in 2011. CGMHI also has committed long-term financing facilities with unaffiliated banks. At September 30, 2009, CGMHI had drawn down the full \$900 million available under these facilities, of which \$150 million is guaranteed by Citigroup. Generally, a bank can terminate these facilities by giving CGMHI one-year prior notice.

The Company issues both fixed and variable rate debt in a range of currencies. It uses derivative contracts, primarily interest rate swaps, to effectively convert a portion of its fixed rate debt to variable rate debt and variable rate debt to fixed rate debt. The maturity structure of the derivatives generally corresponds to the maturity structure of the debt being hedged. In addition, the Company uses other derivative contracts to manage the impact of FX translation certain debt issuances.

Citigroup and other U.S. financial services firms are currently benefiting from government programs that are improving markets and providing Citigroup and other institutions with significant current funding capacity and significant liquidity support, including the Temporary Liquidity Guarantee Program (TLGP). See "TARP and Other Regulatory Programs" above.

Long-term debt at September 30, 2009 and December 31, 2008 includes \$34.5 billion and \$24.1 billion, respectively, of junior subordinated debt. The Company formed statutory business trusts under the laws of the state of Delaware. The trusts exist for the exclusive purposes of (1) issuing trust securities representing undivided beneficial interests in the assets of the trust; (2) investing the gross proceeds of the trust securities in junior subordinated deferrable interest debentures (subordinated debentures) of its parent; and (3) engaging in only those activities necessary or incidental thereto. Upon approval from the Federal Reserve Board, Citigroup has the right to redeem these securities.

Citigroup has contractually agreed not to redeem or purchase (i) the 6.50% Enhanced Trust Preferred Securities of Citigroup Capital XV before September 15, 2056, (ii) the 6.45% Enhanced Trust Preferred Securities of Citigroup

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Capital XVI before December 31, 2046, (iii) the 6.35% Enhanced Trust Preferred Securities of Citigroup Capital XVII before March 15, 2057, (iv) the 6.829% Fixed Rate/Floating Rate Enhanced Trust Preferred Securities of Citigroup Capital XVIII before June 28, 2047, (v) the 7.250% Enhanced Trust Preferred Securities of Citigroup Capital XIX before August 15, 2047, (vi) the 7.875% Enhanced Trust Preferred Securities of Citigroup Capital XX before December 15, 2067, and (vii) the 8.300% Fixed Rate/Floating Rate Enhanced Trust Preferred Securities of Citigroup Capital XXI before December 21, 2067, unless certain conditions, described in Exhibit 4.03 to Citigroup's Current Report on Form 8-K filed on September 18, 2006, in Exhibit 4.02 to Citigroup's Current Report on Form 8-K filed on November 28, 2006, in Exhibit 4.02 to Citigroup's Current Report on Form 8-K filed on March 8, 2007, in Exhibit 4.02 to Citigroup's Current Report on Form 8-K filed on July 2, 2007, in Exhibit 4.02 to Citigroup's Current Report on Form 8-K filed on August 17, 2007, in Exhibit 4.2 to Citigroup's Current Report on Form 8-K filed on November 27, 2007, and in Exhibit 4.2 to Citigroup's Current Report on Form 8-K filed on December 21, 2007, respectively, are met. These agreements are for the benefit of the holders of Citigroup's 6.00% Junior Subordinated Deferrable Interest Debentures due 2034. In addition, see Note 23 to the Consolidated Financial Statements, "Exchange Offers," below.

Citigroup owns all of the voting securities of these subsidiary trusts. These subsidiary trusts have no assets, operations, revenues or cash flows other than those related to the issuance, administration, and repayment of the subsidiary trusts and the subsidiary trusts' common securities. These subsidiary trusts' obligations are fully and unconditionally guaranteed by Citigroup.

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The following table summarizes the financial structure of each of the Company's subsidiary trusts at September 30, 2009:

Trust securities with distributions guaranteed by Citigroup	Issuance date	Securities issued	Liquidation value	Coupon rate	Junior subordinated debentures owned by trust		Maturity	Redeemable by issuer beginning
					Common shares issued to parent	Amount(1)		
<i>In millions of dollars, except share amounts</i>								
Citigroup Capital III	Dec. 1996	194,053	\$ 194	7.625%	6,003	\$ 200	Dec. 1, 2036	Not redeemable
Citigroup Capital VII	July 2001	35,885,898	897	7.125%	1,109,874	925	July 31, 2031	July 31, 2006
Citigroup Capital VIII	Sept. 2001	43,651,597	1,091	6.950%	1,350,050	1,125	Sept. 15, 2031	Sept. 17, 2006
Citigroup Capital IX	Feb. 2003	33,874,813	847	6.000%	1,047,675	873	Feb. 14, 2033	Feb. 13, 2008
Citigroup Capital X	Sept. 2003	14,757,823	369	6.100%	456,428	380	Sept. 30, 2033	Sept. 30, 2008
Citigroup Capital XI	Sept. 2004	18,387,128	460	6.000%	568,675	474	Sept. 27, 2034	Sept. 27, 2009
Citigroup Capital XIV	June 2006	12,227,281	306	6.875%	40,000	307	June 30, 2066	June 30, 2011
Citigroup Capital XV	Sept. 2006	25,210,733	630	6.500%	40,000	631	Sept. 15, 2066	Sept. 15, 2011
Citigroup Capital XVI	Nov. 2006	38,148,947	954	6.450%	20,000	954	Dec. 31, 2066	Dec. 31, 2011
Citigroup Capital XVII	Mar. 2007	28,047,927	701	6.350%	20,000	702	Mar. 15, 2067	Mar. 15, 2012
Citigroup Capital XVIII	June 2007	99,901	160	6.829%	50	160	June 28, 2067	June 28, 2017
Citigroup Capital XIX	Aug. 2007	22,771,968	569	7.250%	20,000	570	Aug. 15, 2067	Aug. 15, 2012
Citigroup Capital XX	Nov. 2007	17,709,814	443	7.875%	20,000	443	Dec. 15, 2067	Dec. 15, 2012
Citigroup Capital XXI	Dec. 2007	2,345,801	2,346	8.300%	500	2,346	Dec. 21, 2077	Dec. 21, 2037
Citigroup Capital XXIX	Nov. 2007	1,875,000	1,875	6.320%	10	1,875	Mar. 15, 2041	Mar. 15, 2013
Citigroup Capital XXX	Nov. 2007	1,875,000	1,875	6.455%	10	1,875	Sept. 15, 2041	Sept. 15, 2013
Citigroup Capital XXXI	Nov. 2007	1,875,000	1,875	6.700%	10	1,875	Mar. 15, 2042	Mar. 15, 2014
Citigroup Capital XXXII	Nov. 2007	1,875,000	1,875	6.935%	10	1,875	Sept. 15, 2042	Sept. 15, 2014
Citigroup Capital XXXIII	July 2009	27,059,000	27,059	8.000%	100	27,059	July 30, 2039	July 30, 2014
Adam Capital Trust III	Dec. 2002	17,500	18	3 mo. LIB +335 bp.	542	18	Jan. 7, 2033	Jan. 7, 2008
Adam Statutory Trust III	Dec. 2002	25,000	25	3 mo. LIB +325 bp.	774	26	Dec. 26, 2032	Dec. 26, 2007
Adam Statutory Trust IV	Sept. 2003	40,000	40	3 mo. LIB +295 bp.	1,238	41	Sept. 17, 2033	Sept. 17, 2008
Adam Statutory Trust V	Mar. 2004	35,000	35	3 mo. LIB +279 bp.	1,083	36	Mar. 17, 2034	Mar. 17, 2009
<b>Total obligated</b>			<b>\$ 44,644</b>			<b>\$ 44,770</b>		

(1) Represents the proceeds received from the trust at the date of issuance.

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In each case, the coupon rate on the debentures is the same as that on the trust securities. Distributions on the trust securities and interest on the debentures are payable quarterly, except for Citigroup Capital III, Citigroup Capital XVIII and Citigroup Capital XXI on which distributions are payable semiannually.

During the third quarter of 2009, pursuant to the "Exchange Offers", Citigroup converted \$5.8 billion liquidation value of trust preferred securities across Citigroup Capital III, Citigroup Capital VII, Citigroup Capital VIII, Citigroup Capital IX, Citigroup Capital X, Citigroup Capital XI, Citigroup Capital XIV, Citigroup Capital XV, Citigroup Capital XVI, Citigroup Capital XVII, Citigroup Capital XVIII, Citigroup Capital XIX, Citigroup Capital XX and Citigroup Capital XXI to common stock and issued \$27.1 billion of Citigroup Capital XXXIII trust preferred securities to the USG in exchange for the Series G and I of preferred stock.



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## 13. PREFERRED STOCK

The following table summarizes the Company's preferred stock outstanding at September 30, 2009, June 30, 2009, and December 31, 2008:

	Dividend rate	Redemption price per depository share / preference share	Number of depository shares	Carrying value (in millions of dollars)		
				September 30, 2009	June 30, 2009	December 31, 2008
Series A1(1)	7.000%	\$ 50	137,600,000	\$	\$ 6,880	\$ 6,880
Series B1(1)	7.000%	50	60,000,000		3,000	3,000
Series C1(1)	7.000%	50	20,000,000		1,000	1,000
Series D1(1)	7.000%	50	15,000,000		750	750
Series E(2)	8.400%	1,000	6,000,000	121	6,000	6,000
Series F(3)	8.500%	25	81,600,000	71	2,040	2,040
Series G(4)	8.000%	1,000,000	7,059		3,529	
Series H(5)	5.000%	1,000,000	25,000		23,835	23,727
Series I(6)	8.000%	1,000,000	20,000		19,513	19,513
Series J1(1)	7.000%	50	9,000,000		450	450
Series K1(1)	7.000%	50	8,000,000		400	400
Series L2(1)	7.000%	50	100,000		5	5
Series N1(1)	7.000%	50	300,000		15	15
Series T(7)	6.500%	50	63,373,000	23	3,169	3,169
Series AA(8)	8.125%	25	148,600,000	97	3,715	3,715
				\$ 312	\$ 74,301	\$ 70,664

- (1) Issued on January 23, 2008 as depository shares, each representing a 1/1,000th interest in a share of the corresponding series of Non-Cumulative Convertible Preferred Stock. Redeemable in whole or in part on or after February 15, 2015. Under the terms of pre-existing conversion price reset agreements with holders of Series A, B, C, D, J, K, L1 and N (the "Old Preferred Stock"), on February 17, 2009, Citigroup exchanged shares of new preferred stock (the "New Preferred Stock") for an equal number of shares of Old Preferred Stock. The terms and conditions of the New Preferred Stock were identical in all material respects to the terms and conditions of the Old Preferred Stock, except that the Conversion Price and Conversion Rate of the New Preferred Stock were reset to \$26.3517 and 1,897.4108, respectively. All shares of the Old Preferred Stock were canceled. The dividend of \$0.88 per depository share was payable quarterly when, as and if declared by the Company's Board of Directors. Redemption was subject to a capital replacement covenant.
- (2) Issued on April 28, 2008 as depository shares, each representing a 1/25th interest in a share of the corresponding series of Fixed Rate/Floating Rate Non-Cumulative Preferred Stock. Redeemable in whole or in part on or after April 30, 2018. Dividends are payable semi-annually for the first 10 years until April 30, 2018 at \$42.00 per depository share and thereafter quarterly at a floating rate when, as and if declared by the Company's Board of Directors.
- (3) Issued on May 13, 2008 and May 28, 2008 as depository shares, each representing a 1/1,000th interest in a share of the corresponding series of Non-Cumulative Preferred Stock. Redeemable in whole or in part on or after June 15, 2013. The dividend of \$0.53 per depository share is payable quarterly when, as and if declared by the Company's Board of Directors.
- (4) Issued on January 15, 2009 as shares of Cumulative Preferred Stock to the U.S. Treasury and the FDIC as consideration for guaranteeing approximately \$300.8 billion of assets. Redeemable in whole or in part subject to approval of the investor and compliance with certain conditions. The dividend of \$20,000 per preferred share was payable quarterly when, as and if declared by the Company's Board of Directors.

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- (5) Issued on October 28, 2008 as shares of Cumulative Preferred Stock to the U.S. Treasury under the Troubled Asset Relief Program (TARP). Redeemable in whole or in part subject to approval of the investor and compliance with certain conditions. Dividends were payable quarterly for the first five years until February 15, 2013 at \$12,500 per preferred share and thereafter at \$22,500 per preferred share when, as and if declared by the Company's Board of Directors.
- (6) Issued on December 31, 2008 as shares of Cumulative Preferred Stock to the U.S. Treasury under TARP. Redeemable in whole or in part subject to approval of the investor and compliance with certain conditions. The dividend of \$20,000 per preferred share was payable quarterly when, as and if declared by the Company's Board of Directors.
- (7) Issued on January 23, 2008 and January 29, 2008 as depositary shares, each representing a 1/1,000th interest in a share of the corresponding series of Non-Cumulative Convertible Preferred Stock. Redeemable in whole or in part on or after February 15, 2015. Convertible into Citigroup common stock at a conversion rate of approximately 1,482.3503 per share, which is subject to adjustment under certain conditions. The dividend of \$0.81 per depositary share is payable quarterly when, as and if declared by the Company's Board of Directors. Redemption is subject to a capital replacement covenant.
- (8) Issued on January 25, 2008 as depositary shares, each representing a 1/1,000th interest in a share of the corresponding series of Non-Cumulative Preferred Stock. Redeemable in whole or in part on or after February 15, 2018. The dividend of \$0.51 per depositary share is payable quarterly when, as and if declared by the Company's Board of Directors. Redemption is subject to a capital replacement covenant.

Other than securities containing customary anti-dilution provisions, Citigroup's only outstanding instruments subject to potential resets are the warrant to purchase 210,084,034 shares of common stock issued to the U.S. Treasury as part of TARP on November 28, 2008, the warrant to purchase 188,501,414 shares of common stock issued to the U.S. Treasury as part of TARP on December 31, 2008, and the warrant to purchase 66,531,728 shares of common stock issued to the U.S. Treasury as consideration for the loss-sharing agreement on January 15, 2009. Under the terms of the warrants, the number of shares of common stock for which the warrants are exercisable and the exercise price of the warrants will be subject to a reset if, prior to the third anniversary of issue date of the warrants, Citigroup issues shares of common stock (or

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rights or warrants or other securities exercisable or convertible into or exchangeable for shares of common stock) (collectively, "convertible securities") without consideration or at a consideration per share (or having a conversion price per share) that is less than 90% of the market price of Citigroup's common stock on the last trading day preceding the date of the agreement on pricing such shares (or such convertible securities), subject to specified exceptions.

*Exchange Offers*

During the third quarter of 2009, Citigroup closed its exchange offers with the private and public holders of preferred stock. The UST matched \$25 billion of these exchange offers. In total, approximately \$74 billion in preferred stock was exchanged for common stock and converted into TRuPs as a result of the completion of the exchange offers.

Table of Contents**14. CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

Changes in each component of Accumulated Other Comprehensive Income (Loss) (AOCI) for the first three quarters of 2009 were as follows:

<i>In millions of dollars</i>	Net unrealized gains (losses) on investment securities	Foreign currency translation adjustment, net of hedges	Cash flow hedges	Pension liability adjustments	Accumulated other comprehensive income (loss)
<b>Balance, December 31, 2008</b>	\$ (9,647)	\$ (7,744)	\$ (5,189)	\$ (2,615)	\$ (25,195)
Cumulative effect of accounting change (ASC 320-10-65- 1/FSP FAS 115-2)	(413)				(413)
<b>Balance, January 1, 2009</b>	\$ (10,060)	\$ (7,744)	\$ (5,189)	\$ (2,615)	\$ (25,608)
Decrease (increase) in net unrealized gains (losses) on investment securities, net of taxes(1)(3)	31				31
Less: Reclassification adjustment for gains included in net income, net of taxes	(11)				(11)
FX translation adjustment, net of taxes(2)		(2,974)			(2,974)
Cash flow hedges, net of taxes(3)			1,483		1,483
Pension liability adjustment, net of taxes				66	66
<b>Change</b>	\$ 20	\$ (2,974)	\$ 1,483	\$ 66	\$ (1,405)
<b>Citigroup Stockholders AOCI balance, March 31, 2009</b>	\$ (10,040)	\$ (10,718)	\$ (3,706)	\$ (2,549)	\$ (27,013)
Decrease (increase) in net unrealized gains (losses) on investment securities, net of taxes(1)(3)	2,890				2,890
Less: Reclassification adjustment for gains included in net income, net of taxes	95				95
FX translation adjustment, net of taxes(4)		2,406			2,406
Cash flow hedges, net of taxes(3)			41		41
Pension liability adjustment, net of taxes				(62)	(62)
<b>Change</b>	\$ 2,985	\$ 2,406	\$ 41	\$ (62)	\$ 5,370
<b>Citigroup Stockholders AOCI balance, June 30, 2009</b>	\$ (7,055)	\$ (8,312)	\$ (3,665)	\$ (2,611)	\$ (21,643)
Decrease (increase) in net unrealized gains (losses) on investment securities, net of taxes(1)(3)	2,968				2,968
Less: Reclassification adjustment for gains included in net income, net of taxes	(155)				(155)
FX translation adjustment, net of taxes(5)		1,699			1,699
Cash flow hedges, net of taxes(3)			(512)		(512)
Pension liability adjustment, net of taxes				(8)	(8)
<b>Change</b>	\$ 2,813	\$ 1,699	\$ (512)	\$ (8)	\$ 3,992
<b>Citigroup Stockholders AOCI balance, September 30, 2009</b>	\$ (4,242)	\$ (6,613)	\$ (4,177)	\$ (2,619)	\$ (17,651)

- (1) Primarily related to AFS Prime MBS, municipal and other debt securities.
- (2) Reflects, among other items, the movements in the Japanese Yen, Korean Won, Euro, Pound Sterling, Polish Zloty, Mexican Peso and the Singapore Dollar against the U.S. Dollar, and changes in related tax effects.
- (3) Decrease (increase) in net unrealized gains (losses) on investment securities, net of taxes includes the change in the hedged senior debt securities retained from the sale of a portfolio of highly leveraged loans. The offsetting change in the corresponding cash flow hedge is reflected in Cash Flow hedges, net of taxes.
- (4) Reflects, among other items, the movements in the British Pound, Mexican Peso, Japanese Yen, Australian Dollar, Korean Won, and the Euro against the U.S. dollar, and changes in related tax effects.
- (5) Reflects among other items, the movements in the Japanese Yen, Korean Won, Brazilian Real, Australian Dollar, Polish Zloty, Canadian Dollar, Euro, British Pound and the Mexican Peso against the U.S. dollar, and changes in related tax effects.

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**15. SECURITIZATIONS AND VARIABLE INTEREST ENTITIES**

**Overview**

Citigroup and its subsidiaries are involved with several types of off-balance sheet arrangements, including special purpose entities (SPEs). See Note 1 to the Consolidated Financial Statements for a discussion of impending accounting changes to the accounting for transfers and servicing of financial assets and Consolidation of Variable Interest Entities, including the elimination of qualifying SPEs

**Uses of SPEs**

An SPE is an entity designed to fulfill a specific limited need of the company that organized it.

The principal uses of SPEs are to obtain liquidity and favorable capital treatment by securitizing certain of Citigroup's financial assets, to assist clients in securitizing their financial assets, and to create investment products for clients. SPEs may be organized in many legal forms including trusts, partnerships or corporations. In a securitization, the company transferring assets to an SPE converts those assets into cash before they would have been realized in the normal course of business, through the SPE's issuance of debt and equity instruments, certificates, commercial paper and other notes of indebtedness, which are recorded on the balance sheet of the SPE and not reflected on the transferring company's balance sheet, assuming applicable accounting requirements are satisfied. Investors usually have recourse to the assets in the SPE and often benefit from other credit enhancements, such as a collateral account or over collateralization in the form of excess assets in the SPE, or from a liquidity facility, such as a line of credit, liquidity put option or asset purchase agreement. The SPE can typically obtain a more favorable credit rating from rating agencies than the transferor could obtain for its own debt issuances, resulting in less expensive financing costs. The SPE may also enter into derivative contracts in order to convert the yield or currency of the underlying assets to match the needs of the SPE investors, or to limit or change the credit risk of the SPE. Citigroup may be the provider of certain credit enhancements as well as the counterparty to any related derivative contracts.

SPEs may be Qualifying SPEs (QSPEs) or Variable Interest Entities (VIEs) or neither.

***Qualifying SPEs***

QSPEs are a special class of SPEs that have significant limitations on the types of assets and derivative instruments they may own or enter into and the types and extent of activities and decision-making they may engage in. Generally, QSPEs are passive entities designed to purchase assets and pass through the cash flows from those assets to the investors in the QSPE. QSPEs may not actively manage their assets through discretionary sales and are generally limited to making decisions inherent in servicing activities and issuance of liabilities. QSPEs are generally exempt from consolidation by the transferor of assets to the QSPE and any investor or counterparty.

***Variable Interest Entities***

VIEs are entities defined as entities that have either a total equity investment that is insufficient to permit the entity to finance its activities without additional subordinated financial support or whose equity investors lack the characteristics of a controlling financial interest (i.e., ability to make significant decisions through voting rights, right to receive the expected residual returns of the entity and obligation to absorb the expected losses of the entity). Investors that finance the VIE through debt or equity interests or other counterparties that provide other forms of support, such as guarantees, subordinated fee arrangements, or certain types of derivative contracts, are variable interest holders in the entity. The variable interest holder, if any, that will absorb a majority of the entity's expected losses, receive a majority of the entity's expected residual returns, or both, is deemed to be the primary beneficiary and must consolidate the VIE. Consolidation of a VIE is determined based primarily on variability generated in scenarios that are considered most likely to occur, rather than based on scenarios that are considered more remote. Certain variable interests may absorb significant amounts of losses or residual returns contractually, but if those scenarios are considered very unlikely to occur, they may not lead to consolidation of the VIE.

All of these facts and circumstances are taken into consideration when determining whether the Company has variable interests that would deem it the primary beneficiary and, therefore, require consolidation of the related VIE or otherwise rise to the level where disclosure would provide useful information to the users of the Company's financial statements. In some cases, it is qualitatively clear based on the extent of the Company's involvement or the seniority of its investments that the Company is not the primary beneficiary of the VIE. In other cases, a more detailed and quantitative analysis is required to make such a determination.

The Company generally considers the following types of involvement to be significant:

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assisting in the structuring of a transaction and retaining any amount of debt financing (e.g., loans, notes, bonds or other debt instruments) or an equity investment (e.g., common shares, partnership interests or warrants);

writing a "liquidity put" or other liquidity facility to support the issuance of short-term notes;

writing credit protection (e.g., guarantees, letters of credit, credit default swaps or total return swaps where the Company receives the total return or risk on the assets held by the VIE); or

certain transactions where the Company is the investment manager and receives variable fees for services.

In various other transactions, the Company may act as a derivative counterparty (for example, interest rate swap, cross-currency swap, or purchaser of credit protection under a credit default swap or total return swap where the Company pays the total return on certain assets to the SPE); may act as underwriter or placement agent; may provide administrative, trustee, or other services; or may make a market in debt securities or other instruments issued by VIEs. The Company generally considers such involvement, by itself, "not significant".

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Citigroup's involvement with QSPEs and Consolidated and Unconsolidated VIEs with which the Company holds significant variable interests as of September 30, 2009 and December 31, 2008 is presented below:

	As of September 30, 2009				Maximum exposure to loss in significant unconsolidated VIEs(1)			
	Total involvement with SPE assets	QSPE assets	Consolidated VIE assets	Significant unconsolidated VIE assets(4)	Funded exposures(2) Debt investments	Funded exposures(2) Equity investments	Unfunded exposures(3) Funding commitments	Unfunded exposures(3) Guarantees and derivatives
<i>In millions of dollars</i>								
<b>Citicorp</b>								
Credit card securitizations	\$ 78,346	\$ 78,346	\$	\$	\$	\$	\$	\$
Citi-administered asset-backed commercial paper conduits (ABCP)	24,733			24,733	109		24,250	374
Third-party commercial paper conduits	4,114			4,114			353	
Collateralized debt obligations (CDOs)	3,477			3,477	15			
Collateralized loan obligations (CLOs)	3,991			3,991	44			
Mortgage loan securitization	82,916	82,916						
Asset-based financing	19,763		1,426	18,337	3,965	44	649	491
Municipal securities tender option bond trusts (TOBs)	19,754	710	9,781	9,263			6,079	689
Municipal investments	577			577		40	17	
Client intermediation	7,525		2,948	4,577	1,225	12		
Investment funds	108		38	70	13			2
Trust preferred securities	34,531			34,531		128		
Other	7,643	1,809	1,782	4,052	258		10	
<b>Total</b>	<b>\$ 287,478</b>	<b>\$ 163,781</b>	<b>\$ 15,975</b>	<b>\$ 107,722</b>	<b>\$ 5,629</b>	<b>\$ 224</b>	<b>\$ 31,358</b>	<b>\$ 1,556</b>
<b>Citi Holdings</b>								
Credit card securitizations	\$ 41,315	\$ 41,315	\$	\$	\$	\$	\$	\$
Mortgage securitizations	513,004	513,004						
Student loan securitizations	14,691	14,691						
Citi-administered asset-backed commercial paper conduits (ABCP)	15,106		153	14,953			14,935	18
Third-party commercial paper conduits	7,770			7,770	298		252	
Collateralized debt obligations (CDOs)	21,148		8,491	12,657	962			463
Collateralized loan obligations (CLOs)	9,896		72	9,824	1,543		32	247
Asset-based financing	53,381		430	52,951	16,166	75	1,697	
Municipal securities tender option bond trusts (TOBs)	2,336		2,336					
Municipal investments	16,294		879	15,415		2,012	529	
Client intermediation	671		226	445	43			353
Investment funds	10,042		1,283	8,759		247	169	
Other	3,427	694	1,866	867	203	125	224	
<b>Total</b>	<b>\$ 709,081</b>	<b>\$ 569,704</b>	<b>\$ 15,736</b>	<b>\$ 123,641</b>	<b>\$ 19,215</b>	<b>\$ 2,459</b>	<b>\$ 17,838</b>	<b>\$ 1,081</b>
<b>Total Citigroup</b>	<b>\$ 996,559</b>	<b>\$ 733,485</b>	<b>\$ 31,711</b>	<b>\$ 231,363</b>	<b>\$ 24,844</b>	<b>\$ 2,683</b>	<b>\$ 49,196</b>	<b>\$ 2,637</b>

(1)



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The definition of maximum exposure to loss is included in the text that follows.

- (2) Included in Citigroup's September 30, 2009 Consolidated Balance Sheet.
- (3) Not included in Citigroup's September 30, 2009 Consolidated Balance Sheet.
- (4) A significant unconsolidated VIE is an entity where the Company has any variable interest considered to be significant, regardless of the likelihood of loss or the notional amount of exposure.

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As of September 30, 2009 (continued)		As of December 31, 2008(1)			
Total maximum exposure to loss in significant unconsolidated VIEs (continued)(3)		In millions of dollars			
	Total involvement with SPEs	QSPE assets	Consolidated VIE assets	Significant unconsolidated VIE assets(2)	Maximum exposure to loss in significant unconsolidated VIE assets(3)
\$	\$ 78,254	\$ 78,254	\$	\$	\$
24,733	36,108			36,108	36,108
353	10,589			10,589	579
15	4,042			4,042	12
44	3,343			3,343	2
	84,953	84,953			
5,149	16,930		1,629	15,301	4,556
6,768	27,047	5,964	12,135	8,948	7,884
57	593			593	35
1,237	8,332		3,480	4,852	1,476
15	71		45	26	31
128	23,899			23,899	162
268	10,394	3,737	2,419	4,238	370
\$ 38,767	\$ 304,555	\$ 172,908	\$ 19,708	\$ 111,939	\$ 51,215
\$	\$ 45,613	\$ 45,613	\$	\$	\$
	586,410	586,407	3		
	15,650	15,650			
14,953	23,527			23,527	23,527
550	10,166			10,166	820
1,425	26,018		11,466	14,552	1,461
1,822	19,610		122	19,488	1,680
17,938	85,224		2,218	83,006	23,676
	3,024	540	2,484		
2,541	16,545		866	15,679	2,915
396	1,132		331	801	61
416	10,330		2,084	8,246	158
552	9,472	1,014	4,306	4,152	892
\$ 40,593	\$ 852,721	\$ 649,224	\$ 23,880	\$ 179,617	\$ 55,190
\$ 79,360	\$ 1,157,276	\$ 822,132	\$ 43,588	\$ 291,556	\$ 106,405

- (1) Reclassified to conform to the current period's presentation.
- (2) A significant unconsolidated VIE is an entity where the Company has any variable interest considered to be significant, regardless of the likelihood of loss or the notional amount of exposure.
- (3) The definition of maximum exposure to loss is included in the text that follows.

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This table does not include:

certain venture capital investments made by some of the Company's private equity subsidiaries, as the Company accounts for these investments in accordance with the Investment Company Audit Guide;

certain limited partnerships where the Company is the general partner and the limited partners have the right to replace the general partner or liquidate the funds;

certain investment funds for which the Company provides investment management services and personal estate trusts for which the Company provides administrative, trustee and/or investment management services;

VIEs structured by third parties where the Company holds securities in inventory. These investments are made on arm's-length terms; and

transferred assets to a VIE where the transfer did not qualify as a sale and where the Company did not have any other involvement that is deemed to be a variable interest with the VIE. These transfers are accounted for as secured borrowings by the Company.

The asset balances for consolidated VIEs represent the carrying amounts of the assets consolidated by the Company. The carrying amount may represent the amortized cost or the current fair value of the assets depending on the legal form of the asset (e.g., security or loan) and the Company's standard accounting policies for the asset type and line of business.

The asset balances for unconsolidated VIEs where the Company has significant involvement represent the most current information available to the Company. In most cases, the asset balances represent an amortized cost basis without regard to impairments in fair value, unless fair value information is readily available to the Company. For VIEs that obtain asset exposures synthetically through derivative instruments (for example, synthetic CDOs), the table includes the full original notional amount of the derivative as an asset.

The maximum funded exposure represents the balance sheet carrying amount of the Company's investment in the VIE. It reflects the initial amount of cash invested in the VIE plus any accrued interest and is adjusted for any impairments in value recognized in earnings and any cash principal payments received. The maximum exposure of unfunded positions represents the remaining undrawn committed amount, including liquidity and credit facilities provided by the Company, or the notional amount of a derivative instrument considered to be a variable interest, adjusted for any declines in fair value recognized in earnings. In certain transactions, the Company has entered into derivative instruments or other arrangements that are not considered variable interests in the VIE (e.g., interest rate swaps, cross-currency swaps, or where the Company is the purchaser of credit protection under a credit default swap or total return swap where the Company pays the total return on certain assets to the SPE). Receivables under such arrangements are not included in the maximum exposure amounts.

### ***Funding Commitments for Significant Unconsolidated VIEs Liquidity Facilities and Loan Commitments***

The following table presents the notional amount of liquidity facilities and loan commitments that are classified as funding commitments in the SPE table as of September 30, 2009:

<i>In billions of dollars</i>	<b>Liquidity Facilities</b>		<b>Loan Commitments</b>	
<b><i>Citicorp</i></b>				
Citi-administered asset-backed commercial paper conduits (ABCP)	\$	22,456	\$	1,794
Third-party commercial paper conduits		353		
Asset-based financing				649
Municipal securities tender option bond trusts (TOBs)		6,079		
Municipal investments				17
Other		10		
<b>Total Citicorp</b>	<b>\$</b>	<b>28,898</b>	<b>\$</b>	<b>2,460</b>

### ***Citi Holdings***

Explanation of Responses:

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Citi-administered asset-backed commercial paper conduits (ABCP)	\$	13,329	\$	1,606
Third-party commercial paper conduits		252		
Collateralized loan obligations (CLOs)		32		
Asset-based financing				1,697
Municipal investments				529
Investment Funds				169
Other				224
<b>Total Citi Holdings</b>	<b>\$</b>	<b>13,613</b>	<b>\$</b>	<b>4,225</b>
<b>Total Citigroup funding commitments</b>	<b>\$</b>	<b>42,511</b>	<b>\$</b>	<b>6,685</b>

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### Citicorp's Consolidated VIEs Balance Sheet Classification

The following table presents the carrying amounts and classifications of consolidated assets that are collateral for consolidated VIE obligations:

<i>In billions of dollars</i>	September 30, 2009	December 31, 2008
Cash	\$ 0.0	\$ 0.7
Trading account assets	3.5	4.3
Investments	10.2	12.5
Loans	0.3	0.5
Other assets	2.0	1.7
<b>Total assets of consolidated VIEs</b>	<b>\$ 16.0</b>	<b>\$ 19.7</b>

The following table presents the carrying amounts and classification of the third-party liabilities of the consolidated VIEs:

<i>In billions of dollars</i>	September 30, 2009	December 31, 2008
Short-term borrowings	\$ 9.4	\$ 14.2
Long-term debt	5.6	5.6
Other liabilities	0.2	0.9
<b>Total liabilities of consolidated VIEs</b>	<b>\$ 15.2</b>	<b>\$ 20.7</b>

The consolidated VIEs included in the table above represent hundreds of separate entities with which the Company is involved. In general, the third-party investors in the obligations of consolidated VIEs have legal recourse only to the assets of the VIEs and do not have such recourse to the Company, except where the Company has provided a guarantee to the investors or is the counterparty to certain derivative transactions involving the VIE. In addition, the assets are generally restricted only to pay such liabilities. Thus, the Company's maximum legal exposure to loss related to consolidated VIEs is significantly less than the carrying value of the consolidated VIE assets due to outstanding third-party financing. Intercompany liabilities are excluded from the table.

### Citi Holdings' Consolidated VIEs Balance Sheet Classification

The following table presents the carrying amounts and classifications of consolidated assets that are collateral for consolidated VIE obligations:

<i>In billions of dollars</i>	September 30, 2009	December 31, 2008
Cash	\$ 0.5	\$ 1.2
Trading account assets	10.9	16.6
Investments	3.1	3.3
Loans	0.6	2.1
Other assets	0.6	0.7
<b>Total assets of consolidated VIEs</b>	<b>\$ 15.7</b>	<b>\$ 23.9</b>

The following table presents the carrying amounts and classification of the third-party liabilities of the consolidated VIEs:

<i>In billions of dollars</i>	September 30, 2009	December 31, 2008
Trading account liabilities	\$ 0.2	\$ 0.5
Short-term borrowings	3.0	2.8
Long-term debt	0.5	1.2
Other liabilities	1.2	2.1
<b>Total liabilities of consolidated VIEs</b>	<b>\$ 4.9</b>	<b>\$ 6.6</b>

### Citicorp's Significant Interests in Unconsolidated VIEs Balance Sheet Classification

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The following table presents the carrying amounts and classification of significant interests in unconsolidated VIEs:

<i>In billions of dollars</i>	September 30, 2009	December 31, 2008
Trading account assets	\$ 3.4	\$ 1.9
Investments	0.8	0.2
Loans	2.4	3.5
Other assets	0.6	0.4
<b>Total assets of significant interest in unconsolidated VIEs</b>	<b>\$ 7.2</b>	<b>\$ 6.0</b>

<i>In billions of dollars</i>	September 30, 2009	December 31, 2008
Long-term debt	\$ 0.5	\$ 0.4
<b>Total liabilities of significant interest in unconsolidated VIEs</b>	<b>\$ 0.5</b>	<b>\$ 0.4</b>

### *Citi Holdings' Significant Interests in Unconsolidated VIEs Balance Sheet Classification*

The following table presents the carrying amounts and classification of significant interests in unconsolidated VIEs:

<i>In billions of dollars</i>	September 30, 2009	December 31, 2008
Trading account assets	\$ 2.8	\$ 4.4
Investments	8.8	8.2
Loans	12.6	12.4
Other assets	0.1	2.6
<b>Total assets of significant interest in unconsolidated VIEs</b>	<b>\$ 24.3</b>	<b>\$ 27.6</b>

<i>In billions of dollars</i>	September 30, 2009	December 31, 2008
Trading account liabilities	\$ 0.0	\$ 0.2
Other liabilities	0.3	0.6
<b>Total liabilities of significant interest in unconsolidated VIEs</b>	<b>\$ 0.3</b>	<b>\$ 0.8</b>

Table of Contents**Credit Card Securitizations**

The Company securitizes credit card receivables through trusts that are established to purchase the receivables. Citigroup sells receivables into the QSPE trusts on a non-recourse basis. Credit card securitizations are revolving securitizations; that is, as customers pay their credit card balances, the cash proceeds are used to purchase new receivables and replenish the receivables in the trust. The Company relies on securitizations to fund a significant portion of its managed *North America* Cards business.

The following table reflects amounts related to the Company's securitized credit card receivables at September 30, 2009 and December 31, 2008:

<i>In billions of dollars</i>	Citicorp		Citi Holdings	
	September 30, 2009	December 31, 2008	September 30, 2009	December 31, 2008
Principal amount of credit card receivables in trusts	\$ 78.3	\$ 78.3	\$ 41.3	\$ 45.7
Ownership interests in principal amount of trust credit card receivables:				
Sold to investors via trust-issued securities	65.5	68.2	26.5	30.0
Retained by Citigroup as trust-issued securities	5.1	1.2	9.5	5.4
Retained by Citigroup via non-certificated interests recorded as consumer loans	7.7	8.9	5.3	10.3
<b>Total ownership interests in principal amount of trust credit card receivables</b>	<b>\$ 78.3</b>	<b>\$ 78.3</b>	<b>\$ 41.3</b>	<b>\$ 45.7</b>
Other amounts recorded on the balance sheet related to interests retained in the trusts:				
Other retained interests in securitized assets	\$ 1.3	\$ 1.2	\$ 1.6	\$ 2.0
Residual interest in securitized assets(1)	0.3	0.3	1.0	1.4
Amounts payable to trusts	1.1	1.0	0.7	0.7

(1)

September 30, 2009 balances include net unbilled interest of \$0.3 billion for Citicorp and \$0.4 billion for Citi Holdings. December 31, 2008 balances included net unbilled interest of \$0.3B for Citicorp and \$0.3B for Citi Holdings.

**Credit Card Securitizations Citicorp**

In the third quarter of 2009 and 2008, the Company recorded net gains (losses) from securitization of Citicorp's credit card receivables of \$102 million and (\$682) million, and \$253 million and (\$828) million for the nine months ended September 30, 2009 and 2008, respectively. Net gains (losses) reflect the following:

incremental gains (losses) from new securitizations;

the reversal of the allowance for loan losses associated with receivables sold;

net gains on replenishments of the trust assets offset by other-than-temporary impairments; and

changes in fair value for the portion of the residual interest classified as trading assets.

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The following tables summarize selected cash flow information related to Citicorp's credit card securitizations for the three and nine months ended September 30, 2009 and 2008:

<i>In billions of dollars</i>	Three months ended			
	September 30, 2009		September 30, 2008	
Proceeds from new securitizations	\$	1.0	\$	0.8
Proceeds from collections reinvested in new receivables		38.5		42.4
Contractual servicing fees received		0.3		0.3
Cash flows received on retained interests and other net cash flows		0.7		1.0

<i>In billions of dollars</i>	Nine months ended			
	September 30, 2009		September 30, 2008	
Proceeds from new securitizations	\$	11.7	\$	10.0
Proceeds from collections reinvested in new receivables		110.0		129.1
Contractual servicing fees received		1.0		1.0
Cash flows received on retained interests and other net cash flows		2.3		3.1

As of September 30, 2009 and December 31, 2008, the residual interest in securitized credit card receivables was valued at \$0 for Citicorp. As such, key assumptions used in measuring the fair value of the residual interest are not provided for the three months ended September 30, 2009 or as of September 30, 2009. Key assumptions used in measuring the fair value of the residual interests at the date of sale or securitization of Citicorp's credit card receivables for the three months ended September 30 are as follows:

	September 30, 2009	September 30, 2008
Discount rate	NA	14.5% to 17.4%
Constant prepayment rate	NA	5.9% to 20.0%
Anticipated net credit losses	NA	5.8% to 6.2%



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At September 30, 2009, the sensitivity of the fair value to adverse changes of 10% and 20% in each of the key assumptions were as follows:

<i>In millions of dollars</i>	<b>Residual interest</b>	<b>Retained certificates</b>	<b>Other retained interests</b>
<b>Carrying value of retained interests</b>	<b>\$</b>	<b>\$ 5,186</b>	<b>\$ 1,547</b>
Discount rates			
Adverse change of 10%	\$	\$ (6)	\$ (1)
Adverse change of 20%		(12)	(2)
Constant prepayment rate			
Adverse change of 10%	\$	\$	\$
Adverse change of 20%			
Anticipated net credit losses			
Adverse change of 10%	\$	\$	\$ (31)
Adverse change of 20%			(62)

## Managed Loans Citicorp

After securitization of credit card receivables, the Company continues to maintain credit card customer account relationships and provides servicing for receivables transferred to the trusts. As a result, the Company considers the securitized credit card receivables to be part of the business it manages.

Managed-basis (Managed) presentations are non-GAAP financial measures. Managed presentations include results from both the on-balance sheet loans and off-balance sheet loans, and exclude the impact of card securitization activity. Managed presentations assume that securitized loans have not been sold and present the results of the securitized loans in the same manner as Citigroup's owned loans. Citigroup's management believes that Managed presentations provide a greater understanding of ongoing operations and enhance comparability of those results in prior periods as well as demonstrating the effects of unusual gains and charges in the current period. Management further believes that a meaningful analysis of the Company's financial performance requires an understanding of the factors underlying that performance and that investors find it useful to see these non-GAAP financial measures to analyze financial performance without the impact of unusual items that may obscure trends in Citigroup's underlying performance.

The following tables present a reconciliation between the Managed basis and on-balance sheet credit card portfolios and the related delinquencies (loans which are 90 days or more past due) and credit losses, net of recoveries.

<i>In millions of dollars, except loans in billions</i>	<b>September 30, 2009</b>	<b>December 31, 2008</b>
<b>Loan amounts, at period end</b>		
On balance sheet	\$ 44.3	\$ 45.5
Securitized amounts	70.8	69.5
<b>Total managed loans</b>	<b>\$ 115.1</b>	<b>\$ 115.0</b>
<b>Delinquencies, at period end</b>		
On balance sheet	\$ 1,160	\$ 1,126
Securitized amounts	1,730	1,543
<b>Total managed delinquencies</b>	<b>\$ 2,890</b>	<b>\$ 2,669</b>

<b>Credit losses, net of recoveries, for the three months ended September 30,</b>	<b>2009</b>	<b>2008</b>
On balance sheet	\$ 1,047	\$ 779
Securitized amounts	1,876	1,123
<b>Total managed</b>	<b>\$ 2,923</b>	<b>\$ 1,902</b>

Explanation of Responses:

**Credit losses, net of recoveries, for the nine months ended September 30,**

	<b>2009</b>		<b>2008</b>	
On balance sheet	\$	<b>2,862</b>	\$	2,117
Securitized amounts		<b>5,205</b>		3,046
<b>Total managed</b>	<b>\$</b>	<b>8,067</b>	<b>\$</b>	<b>5,163</b>

***Credit Card Securitizations Citi Holdings***

In the third quarter of 2009 and 2008, the Company recorded net gains (losses) from securitization of Citi Holding's credit card receivables of (\$105) million and (\$762) million, and (\$781) million and (\$570) million for the nine months ended September 30, 2009 and 2008, respectively.

The following tables summarize selected cash flow information related to Citi Holding's credit card securitizations for the three and nine months ended September 30, 2009 and 2008:

<i>In billions of dollars</i>	<b>Three months ended</b>		<b>September 30,</b>		<b>September 30,</b>	
	<b>September 30,</b>		<b>2009</b>		<b>2008</b>	
Proceeds from new securitizations	\$	<b>4.3</b>	\$		2.5	
Proceeds from collections reinvested in new receivables		<b>11.1</b>			13.9	
Contractual servicing fees received		<b>0.2</b>			0.2	
Cash flows received on retained interests and other net cash flows		<b>0.7</b>			0.8	

<i>In billions of dollars</i>	<b>Nine months ended</b>		<b>September 30,</b>		<b>September 30,</b>	
	<b>September 30,</b>		<b>2009</b>		<b>2008</b>	
Proceeds from new securitizations	\$	<b>23.0</b>	\$		13.3	
Proceeds from collections reinvested in new receivables		<b>36.9</b>			40.3	
Contractual servicing fees received		<b>0.5</b>			0.5	
Cash flows received on retained interests and other net cash flows		<b>1.9</b>			2.6	

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Key assumptions used in measuring the fair value of the residual interest at the date of sale or securitization of Citi Holding's credit card receivables for the three months ended September 30, 2009 and 2008, respectively, are as follows:

	September 30, 2009	September 30, 2008
Discount rate	<b>19.7%</b>	17.9% to 20.9%
Constant prepayment rate	<b>6.0% to 10.7%</b>	6.4% to 12.4%
Anticipated net credit losses	<b>13.1% to 13.2%</b>	6.8% to 8.3%

The constant prepayment rate assumption range reflects the projected payment rates over the life of a credit card balance, excluding new card purchases. This results in a high payment in the early life of the securitized balances followed by a much lower payment rate, which is depicted in the disclosed range.

The effect of two negative changes in each of the key assumptions used to determine the fair value of retained interests is required to be disclosed. The negative effect of each change must be calculated independently, holding all other assumptions constant. Because the key assumptions may not in fact be independent, the net effect of simultaneous adverse changes in the key assumptions may be less than the sum of the individual effects shown below.

At September 30, 2009, the key assumptions used to value retained interests and the sensitivity of the fair value to adverse changes of 10% and 20% in each of the key assumptions were as follows:

	September 30, 2009
Discount rate	<b>19.7%</b>
Constant prepayment rate	<b>6.0% to 10.6%</b>
Anticipated net credit losses	<b>13.2%</b>
Weighted average life	<b>11.7 months</b>

<i>In millions of dollars</i>	Residual interest	Retained certificates	Other retained interests
<b>Carrying value of retained interests</b>	\$ 628	\$ 9,398	\$ 1,926

Discount rates			
Adverse change of 10%	\$ (31)	\$ (14)	\$ (6)
Adverse change of 20%	(61)	(29)	(12)
Constant prepayment rate			
Adverse change of 10%	\$ (33)	\$	
Adverse change of 20%	(63)		
Anticipated net credit losses			
Adverse change of 10%	\$ (353)	\$	\$ (41)
Adverse change of 20%	(628)		(83)

### **Managed Loans Citi Holdings**

After securitization of credit card receivables, the Company continues to maintain credit card customer account relationships and provides servicing for receivables transferred to the trusts. As a result, the Company considers the securitized credit card receivables to be part of the business it manages.

Managed-basis (Managed) presentations are non-GAAP financial measures. Managed presentations include results from both the on-balance sheet loans and off-balance sheet loans, and exclude the impact of card securitization activity. Managed presentations assume that securitized loans have not been sold and present the results of the securitized loans in the same manner as Citigroup's owned loans. Citigroup's management believes that Managed presentations provide a greater understanding of ongoing operations and enhance comparability of those results in prior periods as well as demonstrating the effects of unusual gains and charges in the current period. Management further believes that a meaningful analysis of the Company's financial performance requires an understanding of the factors underlying that performance and that

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investors find it useful to see these non-GAAP financial measures to analyze financial performance without the impact of unusual items that may obscure trends in Citigroup's underlying performance.

The following tables present a reconciliation between the Managed basis and on-balance sheet credit card portfolios and the related delinquencies (loans which are 90 days or more past due) and credit losses, net of recoveries.

<i>In millions of dollars, except loans in billions</i>	<b>September 30, 2009</b>	<b>December 31, 2008</b>
<b>Loan amounts, at period end</b>		
On balance sheet	\$ 21.7	\$ 30.1
Securitized amounts	36.5	36.3
<b>Total managed loans</b>	<b>\$ 58.2</b>	<b>\$ 66.4</b>
<b>Delinquencies, at period end</b>		
On balance sheet	\$ 885	\$ 1,017
Securitized amounts	1,219	1,113
<b>Total managed delinquencies</b>	<b>\$ 2,104</b>	<b>\$ 2,130</b>

<b>Credit losses, net of recoveries, for the three months ended September 30,</b>	<b>2009</b>	<b>2008</b>
On balance sheet	\$ 867	\$ 646
Securitized amounts	1,137	812
<b>Total managed</b>	<b>\$ 2,004</b>	<b>\$ 1,458</b>

<b>Credit losses, net of recoveries, for the nine months ended September 30,</b>	<b>2009</b>	<b>2008</b>
On balance sheet	\$ 2,640	\$ 1,694
Securitized amounts	3,472	2,248
<b>Total managed</b>	<b>\$ 6,112</b>	<b>\$ 3,942</b>

### Funding, Liquidity Facilities and Subordinated Interests

Citigroup securitizes credit card receivables through three securitization trusts: Citibank Credit Card Master Trust ("Master Trust"), which is part of Citicorp and the Citibank OMNI Master Trust ("Omni Trust") and Broadway Credit Card Trust ("Broadway Trust"), which are part of Citi Holdings.

Master Trust issues fixed and floating-rate term notes as well as commercial paper. Some of the term notes are issued to multi-seller commercial paper conduits. In the first half of 2009, the Master Trust has issued \$4.3 billion of notes that are eligible for the Term Asset-Backed Securities Loan Facility (TALF) program, where investors can borrow from the Federal Reserve using the trust securities as collateral. The

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weighted average maturity of the term notes issued by the Master Trust was 3.7 years as of September 30, 2009 and 3.8 years as of December 31, 2008.

### Master Trust liabilities:

<i>In billions of dollars</i>	September 30, 2009	December 31, 2008
Term notes issued to multi- seller CP conduits	\$ 0.5	\$ 1.0
Term notes issued to other third parties	53.0	56.2
Term notes retained by Citigroup affiliates	5.1	1.2
Commercial paper	12.0	11.0
<b>Total Master Trust liabilities</b>	<b>\$ 70.6</b>	<b>\$ 69.4</b>

Both Omni and Broadway Trusts issue fixed and floating-rate term notes, some of which are purchased by multi-seller commercial paper conduits. The Omni Trust also issues commercial paper. From time to time, a portion of the Omni Trust commercial paper has been purchased by the Federal Reserve's Commercial Paper Funding Facility (CPFF). In addition, some of the multi-seller conduits that hold Omni Trust term notes have placed commercial paper with CPFF. The total amount of Omni Trust liabilities funded directly or indirectly through the CPFF was \$5.2 billion at September 30, 2009 and \$6.9 billion at December 31, 2008.

In the third quarter of 2009, Omni Trust issued \$3.7 billion of term notes that are eligible for the TALF program. The weighted average maturity of the third party term notes issued by the Omni Trust was 2.6 years as of September 30, 2009 and 0.5 years as of December 31, 2008. The weighted average maturity of the third party term notes issued by the Broadway Trust was 2.4 years as of September 30, 2009 and 3.3 years as of December 31, 2008.

### Omni Trust liabilities:

<i>In billions of dollars</i>	September 30, 2009	December 31, 2008
Term notes issued to multi- seller CP conduits	\$ 12.3	\$ 17.8
Term notes issued to other third parties	8.3	2.3
Term notes retained by Citigroup affiliates	9.2	5.1
Commercial paper	4.4	8.5
<b>Total Omni Trust liabilities</b>	<b>\$ 34.2</b>	<b>\$ 33.7</b>

### Broadway Trust liabilities:

<i>In billions of dollars</i>	September 30, 2009	December 31, 2008
Term notes issued to multi- seller CP conduits	\$ 0.5	\$ 0.4
Term notes issued to other third parties	1.0	1.0
Term notes retained by Citigroup affiliates	0.3	0.3
<b>Total Broadway Trust liabilities</b>	<b>\$ 1.8</b>	<b>\$ 1.7</b>

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Citibank (South Dakota), N.A. is the sole provider of full liquidity facilities to the commercial paper programs of the Master and Omni Trusts. Both of these facilities, which represent contractual obligations on the part of Citibank (South Dakota), N.A. to provide liquidity for the issued commercial paper, are made available on market terms to each of the trusts. The liquidity facilities require Citibank (South Dakota), N.A. to purchase the commercial paper issued by each trust at maturity, if the commercial paper does not roll over, as long as there are available credit enhancements outstanding, typically in the form of subordinated notes. The liquidity commitment related to the Omni Trust commercial paper programs, amounted to \$4.4 billion at September 30, 2009 and \$8.5 billion at December 31, 2008. The liquidity commitment related to the Master Trust commercial paper program amounted to \$12 billion at September 30, 2009 and \$11 billion at December 31, 2008. As of September 30, 2009 and December 31, 2008, none of the Master Trust or Omni Trust liquidity commitments were drawn.

In addition, Citibank (South Dakota), N.A. provides liquidity to a third-party, non-consolidated multi-seller commercial paper conduit, which is not a VIE. The commercial paper conduit has acquired notes issued by the Omni Trust. Citibank (South Dakota), N.A. provides the liquidity facility on market terms. Citibank (South Dakota), N.A. will be required to act in its capacity as liquidity provider as long as there are available credit enhancements outstanding and if: (1) the conduit is unable to roll over its maturing commercial paper; or (2) Citibank (South Dakota), N.A. loses its A-1/P-1 credit rating. The liquidity commitment to the third-party conduit was \$5.2 billion at September 30, 2009 and \$4 billion at December 31, 2008. As of September 30, 2009 and December 31, 2008, none of this liquidity commitment was drawn.

All three of Citigroup's primary credit card securitization trusts have had bonds placed on ratings watch with negative implications by rating agencies during the first, second and third quarters of 2009. As a result of the ratings watch status, certain actions were taken with respect to each of the trusts. In general, the actions subordinated certain senior interests in the trust assets that were retained by Citigroup, which effectively placed these interests below investor interests in terms of priority of payment. With respect to the Master Trust, in the first quarter of 2009, Citigroup subordinated a portion of its "seller's interest", which represents a senior interest in Trust receivables, thus making those cash flows available to pay investor coupon each month. In addition, during the second quarter of 2009, a subordinated note with a \$3 billion principal amount was issued by the Master Trust and retained by Citibank (South Dakota), N.A., in order to provide additional credit support for the senior note classes. The note is classified as held-to-maturity investment securities as Citigroup has the intent and ability to hold the security until its maturity. With respect to the Omni Trust, in the second quarter of 2009, subordinated notes with a principal amount of \$2 billion were issued by the Trust and retained by Citibank (South Dakota), N.A., in order to provide additional credit support for the senior note classes. The notes are classified as *Trading account assets*. These notes are in addition to a \$265 million subordinated note issued by Omni Trust and retained by Citibank (South Dakota), N.A. in the fourth quarter of 2008 for the purpose of providing additional credit support for senior noteholders. With respect to the Broadway Trust, subordinated notes with a principal amount of \$82 million were issued by the Trust and retained by Citibank, N.A., in order to provide additional credit support for the senior note classes. The notes are classified as *Trading account assets*.

Table of Contents***Mortgage Securitizations***

The Company provides a wide range of mortgage loan products to a diverse customer base. In connection with the securitization of these loans, the Company's U.S. Consumer mortgage business retains the servicing rights, which entitle the Company to a future stream of cash flows based on the outstanding principal balances of the loans and the contractual servicing fee. Failure to service the loans in accordance with contractual requirements may lead to a termination of the servicing rights and the loss of future servicing fees. In non-recourse servicing, the principal credit risk to the Company is the cost of temporary advances of funds. In recourse servicing, the servicer agrees to share credit risk with the owner of the mortgage loans, such as FNMA or FHLMC, or with a private investor, insurer or guarantor. Losses on recourse servicing occur primarily when foreclosure sale proceeds of the property underlying a defaulted mortgage loan are less than the outstanding principal balance and accrued interest of the loan and the cost of holding and disposing of the underlying property. The Company's mortgage loan securitizations are primarily non-recourse, thereby effectively transferring the risk of future credit losses to the purchasers of the securities issued by the trust. Securities and Banking and Special Asset Pool retains servicing for a limited number of its mortgage securitizations.

The Company's Consumer business provides a wide range of mortgage loan products to its customers. Once originated, the Company often securitizes these loans through the use of QSPEs. These QSPEs are funded through the issuance of Trust Certificates backed solely by the transferred assets. These certificates have the same average life as the transferred assets. In addition to providing a source of liquidity and less expensive funding, securitizing these assets also reduces the Company's credit exposure to the borrowers. These mortgage loan securitizations are primarily non-recourse, thereby effectively transferring the risk of future credit losses to the purchasers of the securities issued by the trust. However, the Company generally retains the servicing rights and in certain instances retains investment securities, interest-only strips and residual interests in future cash flows from the trusts.

***Mortgage Securitizations Citicorp***

The following tables summarize selected cash flow information related to mortgage securitizations for the three and nine months ended September 30, 2009 and 2008:

	Three months ended September 30, 2009		Three months ended September 30, 2008	
	U.S. agency sponsored mortgages	Non-agency sponsored mortgages	Agency and non-agency sponsored mortgages	
<i>In billions of dollars</i>				
Proceeds from new securitizations	\$ 3.5	\$ 1.5	\$	0.7
Contractual servicing fees received				
Cash flows received on retained interests and other net cash flows				

	Nine months ended September 30, 2009		Nine months ended September 30, 2008	
	U.S. agency sponsored mortgages	Non-agency sponsored mortgages	Agency and non-agency sponsored mortgages	
<i>In billions of dollars</i>				
Proceeds from new securitizations	\$ 8.8	\$ 3.2	\$	5.9
Contractual servicing fees received				
Cash flows received on retained interests and other net cash flows				0.2

Gains (losses) recognized on the securitization of agency sponsored mortgage activity during the third quarter of 2009 were \$4 million. For the nine months ended September 30, 2009, gains (losses) recognized on the securitization of agency and non-agency sponsored mortgages were (\$2) million and \$21 million, respectively.

Agency and non-agency securitization gains (losses) for the three and nine months ended September 30, 2008 were \$1 and (\$14) million, respectively.

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Key assumptions used in measuring the fair value of retained interests at the date of sale or securitization of mortgage receivables for the three months ended September 30, 2009 and 2008 are as follows:

	Three months ended September 30, 2009		Three months ended September 30, 2008
	U.S. agency sponsored mortgages	Non-agency sponsored mortgages	Agency and non-agency sponsored mortgages
Discount rate	2.6% to 43.3%	0.4% to 46.8%	4.6% to 53.8%
Constant prepayment rate	1.2% to 45.6%	4.0% to 31.3%	2.0% to 23.2%
Anticipated net credit losses		6.0% to 70.0%	25.0% to 80.0%

The range in the key assumptions for retained interests in Securities and Banking is due to the different characteristics of the interests retained by the Company. The interests retained by Securities and Banking and Special Asset Pool range from highly rated and/or senior in the capital structure to unrated and/or residual interests.

The effect of adverse changes of 10% and 20% in each of the key assumptions used to determine the fair value of retained interests is disclosed below. The negative effect of each change is calculated independently, holding all other assumptions constant. Because the key assumptions may not in fact be independent, the net effect of simultaneous adverse changes in the key assumptions may be less than the sum of the individual effects shown below.

At September 30, 2009, the key assumptions used to value retained interests and the sensitivity of the fair value to adverse changes of 10% and 20% in each of the key assumptions were as follows:

	September 30, 2009	
	U.S. agency sponsored mortgages	Non-agency sponsored mortgages
Discount rate	2.6% to 43.3%	0.4% to 46.8%
Constant prepayment rate	1.2% to 45.6%	4.0% to 31.3%
Anticipated net credit losses	NA	6.0% to 70.0%

<i>In millions of dollars</i>	U.S. agency sponsored mortgages	Non-agency sponsored mortgages
<b>Carrying value of retained interests</b>	<b>\$ 396</b>	<b>\$ 655</b>
Discount rates		
Adverse change of 10%	\$ (8)	\$ (17)
Adverse change of 20%	(15)	(33)
Constant prepayment rate		
Adverse change of 10%	\$ (2)	\$ (4)
Adverse change of 20%	(4)	(8)
Anticipated net credit losses		
Adverse change of 10%	\$	\$ (32)
Adverse change of 20%		(58)



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**Mortgage Securitizations Citi Holdings**

The following tables summarize selected cash flow information related to mortgage securitizations for the three and nine months ended September 30, 2009 and 2008:

<i>In billions of dollars</i>	Three months ended September 30, 2009		Three months ended September 30, 2008	
	U.S. agency sponsored mortgages	Non-agency sponsored mortgages	Agency and non-agency sponsored mortgages	
Proceeds from new securitizations	\$ 15.9	\$		19.1
Contractual servicing fees received	0.3			0.4
Cash flows received on retained interests and other net cash flows	0.1			0.2

<i>In billions of dollars</i>	Nine months ended September 30, 2009		Nine months ended September 30, 2008	
	U.S. agency sponsored mortgages	Non-agency sponsored mortgages	Agency and non-agency sponsored mortgages	
Proceeds from new securitizations	\$ 61.0	\$		65.5
Contractual servicing fees received	1.0			1.1
Cash flows received on retained interests and other net cash flows	0.3	0.1		0.6

The Company did not recognize gains (losses) on the securitization of U.S. agency and non-agency sponsored mortgages in the third quarter of 2009, as well as the nine months ended September 30, 2009. There were gains (losses) from the securitization of agency and non-agency sponsored mortgages of (\$81) million and (\$4) million in the third quarter of 2008 and the nine months ended September 30, 2008, respectively.

Key assumptions used in measuring the fair value of retained interests at the date of sale or securitization of mortgage receivables for the three months ended September 30, 2009 and 2008 are as follows:

	Three months ended September 30, 2009		Three months ended September 30, 2008	
	U.S. agency sponsored mortgages	Non-agency sponsored mortgages	Agency and non-agency sponsored mortgages	
Discount rate	11.7% to 12.0%	NA		10.8% to 15.3%
Constant prepayment rate	3.7% to 4.2%	NA		4.7% to 8.0%
Anticipated net credit losses		NA		

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The range in the key assumptions for the retained interests in Special Asset Pool is due to the different characteristics of the interests retained by the Company. The interests retained by Securities and Banking range from highly rated and/or senior in the capital structure to unrated and/or residual interests.

The effect of adverse changes of 10% and 20% in each of the key assumptions used to determine the fair value of retained interests is disclosed below. The negative effect of each change is calculated independently, holding all other assumptions constant. Because the key assumptions may not in fact be independent, the net effect of simultaneous adverse changes in the key assumptions may be less than the sum of the individual effects shown below.

At September 30, 2009, the key assumptions used to value retained interests and the sensitivity of the fair value to adverse changes of 10% and 20% in each of the key assumptions were as follows:

	September 30, 2009	
	U.S. agency sponsored mortgages	Non-agency sponsored mortgages
Discount rate	13.1%	0.4% to 41.3%
Constant prepayment rate	14.4%	4.0% to 33.6%
Anticipated net credit losses	0.1%	0.3% to 70.0%
Weighted average life	6.0 years	0.1 to 7.8 years

<i>In millions of dollars</i>	U.S. agency sponsored mortgages	Non-agency sponsored mortgages
<b>Carrying value of retained interests</b>	<b>\$ 6,037</b>	<b>\$ 1,011</b>

Discount rates		
Adverse change of 10%	\$ (201)	\$ (41)
Adverse change of 20%	(388)	(79)
Constant prepayment rate		
Adverse change of 10%	\$ (361)	\$ (51)
Adverse change of 20%	(693)	(96)
Anticipated net credit losses		
Adverse change of 10%	\$ (19)	\$ (44)
Adverse change of 20%	(37)	(86)

## Mortgage Servicing Rights

The fair value of capitalized mortgage loan servicing rights (MSR) was \$6.2 billion and \$8.3 billion at September 30, 2009 and 2008, respectively. The MSRs correspond to principal loan balances of \$577 billion and \$648 billion as of September 30, 2009 and 2008, respectively. The following table summarizes the changes in capitalized MSRs for the three and nine months ended September 30, 2009 and 2008:

<i>In millions of dollars</i>	Three Months Ended September 30,	
	2009	2008
<b>Balance, at June 30</b>	<b>\$ 6,770</b>	<b>\$ 8,934</b>
Originations	267	297
Purchases		
Changes in fair value of MSRs due to changes in inputs and assumptions	(490)	(595)
Transfer to <i>Trading account assets</i>		
Other changes(1)	(319)	(290)
<b>Balance, at September 30</b>	<b>\$ 6,228</b>	<b>\$ 8,346</b>

Nine Months Ended  
September 30,

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<i>In millions of dollars</i>			
		<b>2009</b>	<b>2008</b>
<b>Balance, beginning of period</b>	\$	<b>5,657</b>	\$ 8,380
Originations		<b>893</b>	1,066
Purchases			1
Changes in fair value of MSR's due to changes in inputs and assumptions		<b>1,027</b>	(90)
Transfer to <i>Trading account assets</i>			(163)
Other changes(1)		<b>(1,349)</b>	(848)
<b>Balance, end of period</b>	\$	<b>6,228</b>	\$ 8,346

(1) Represents changes due to customer payments and passage of time.

The market for MSR's is not sufficiently liquid to provide participants with quoted market prices. Therefore, the Company uses an option-adjusted spread valuation approach to determine the fair value of MSR's. This approach consists of projecting servicing cash flows under multiple interest rate scenarios and discounting these cash flows using risk-adjusted discount rates. The key assumptions used in the valuation of MSR's include mortgage prepayment speeds and discount rates. The model assumptions and the MSR's' fair value estimates are compared to observable trades of similar MSR portfolios and interest-only security portfolios, as available, as well as to MSR broker valuations and industry surveys. The cash flow model and underlying prepayment and interest rate models used to value these MSR's are subject to validation in accordance with the Company's model validation policies.

The fair value of the MSR's is primarily affected by changes in prepayments that result from shifts in mortgage interest rates. In managing this risk, the Company economically hedges a significant portion of the value of its MSR's through the use of interest rate derivative contracts, forward purchase commitments of mortgage-backed securities and purchased securities classified as trading.

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The Company receives fees during the course of servicing previously securitized mortgages. The amount of these fees for the months ended September 30, 2009 and 2008 were as follows:

<i>In millions of dollars</i>	Three months ended,		Nine months ended,	
	2009	2008	2009	2008
Servicing fees	\$ 397	\$ 429	\$ 1,255	\$ 1,261
Late fees	23	25	71	75
Ancillary fees	18	16	60	50
<b>Total MSR fees</b>	<b>\$ 438</b>	<b>\$ 470</b>	<b>\$ 1,386</b>	<b>\$ 1,386</b>

These fees are classified in the Consolidated Statement of Income as *Commissions and fees*.

### *Student Loan Securitizations*

Through the Company's Local Consumer Lending business within Citi Holdings, the Company maintains programs to securitize certain portfolios of student loan assets. Under these securitization programs, transactions qualifying as sales are off-balance sheet transactions in which the loans are removed from the Consolidated Financial Statements of the Company and sold to a QSPE. These QSPEs are funded through the issuance of pass-through term notes collateralized solely by the trust assets. For these off-balance sheet securitizations, the Company generally retains interests in the form of subordinated residual interests (i.e., interest-only strips) and servicing rights.

Under terms of the trust arrangements, the Company has no obligations to provide financial support and has not provided such support. A substantial portion of the credit risk associated with the securitized loans has been transferred to third-party guarantors or insurers either under the Federal Family Education Loan Program, authorized by the U.S. Department of Education under the Higher Education Act of 1965, as amended, or private credit insurance.

The following tables summarize selected cash flow information related to student loan securitizations for the three and nine months ended September 30, 2009 and 2008:

<i>In billions of dollars</i>	Three months ended	
	September 30, 2009	September 30, 2008
Proceeds from new securitizations	\$	\$
Proceeds from collections reinvested in new receivables		
Contractual servicing fees received		
Cash flows received on retained interests and other net cash flows		

<i>In billions of dollars</i>	Nine months ended	
	September 30, 2009	September 30, 2008
Proceeds from new securitizations	\$	\$ 2.0
Proceeds from collections reinvested in new receivables		
Contractual servicing fees received	0.1	0.1
Cash flows received on retained interests and other net cash flows	0.1	0.1

The Company did not recognize any gains or losses during the third quarters of 2009 and 2008. The company recognized a gain of \$1 million during the 9 months ended September 30, 2008.

Key assumptions used in measuring the fair value of the residual interest at the date of sale or securitization of Citi Holding's student loan receivables for the three months ended September 30, 2009 and 2008, respectively, are as follows:

	September 30, 2009	September 30, 2008
Discount rate	NA	11.1% to 14.1%
Constant prepayment rate	NA	1.1% to 9.9%

### Explanation of Responses:

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Anticipated net credit losses	NA	0.3% to 0.9%
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At September 30, 2009, the key assumptions used to value retained interests and the sensitivity of the fair value to adverse changes of 10% and 20% in each of the key assumptions were as follows:

	Retained interests
Discount rate	10.8% to 16.3%
Constant prepayment rate	0.2% to 5.2%
Anticipated net credit losses	0.3% to 0.7%
Weighted average life	4.1 to 10.4 years

<i>In millions of dollars</i>	Retained interests
<b>Carrying value of retained interests</b>	<b>\$ 1,045</b>
Discount rates	
Adverse change of 10%	\$ (29)
Adverse change of 20%	(55)
Constant prepayment rate	
Adverse change of 10%	\$ (4)
Adverse change of 20%	(9)
Anticipated net credit losses	
Adverse change of 10%	\$ (5)
Adverse change of 20%	(10)

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Table of Contents**On-Balance Sheet Securitizations Citi Holdings**

The Company engages in on-balance sheet securitizations. These are securitizations that do not qualify for sales treatment; thus, the assets remain on the Company's balance sheet. The following table presents the carrying amounts and classification of consolidated assets and liabilities transferred in transactions from the Consumer credit card, student loan, mortgage and auto businesses, accounted for as secured borrowings:

<i>In billions of dollars</i>	September 30, 2009	December 31, 2008
Cash	\$ 0.7	\$ 0.3
Available-for-sale securities	0.1	0.1
Loans	21.8	7.5
Allowance for loan losses	(0.2)	(0.1)
Other	1.0	
<b>Total assets</b>	<b>\$ 23.4</b>	<b>\$ 7.8</b>
Long-term debt	\$ 17.2	\$ 6.3
Other liabilities	3.9	0.3
<b>Total liabilities</b>	<b>\$ 21.1</b>	<b>\$ 6.6</b>

All assets are restricted from being sold or pledged as collateral. The cash flows from these assets are the only source used to pay down the associated liabilities, which are non-recourse to the Company's general assets.

***Citi-Administered Asset-Backed Commercial Paper Conduits***

The Company is active in the asset-backed commercial paper conduit business as administrator of several multi-seller commercial paper conduits, and also as a service provider to single-seller and other commercial paper conduits sponsored by third parties.

The multi-seller commercial paper conduits are designed to provide the Company's customers access to low-cost funding in the commercial paper markets. The conduits purchase assets from or provide financing facilities to customers and are funded by issuing commercial paper to third-party investors. The conduits generally do not purchase assets originated by the Company. The funding of the conduit is facilitated by the liquidity support and credit enhancements provided by the Company.

As administrator to the conduits, the Company is responsible for selecting and structuring assets purchased or financed by the conduits, making decisions regarding the funding of the conduits, including determining the tenor and other features of the commercial paper issued, monitoring the quality and performance of the conduits' assets, and facilitating the operations and cash flows of the conduits. In return, the Company earns structuring fees from customers for individual transactions and earns an administration fee from the conduit, which is equal to the income from client program and liquidity fees of the conduit after payment of interest costs and other fees. This administration fee is fairly stable, since most risks and rewards of the underlying assets are passed back to the customers and, once the asset pricing is negotiated, most ongoing income, costs and fees are relatively stable as a percentage of the conduit's size.

The conduits administered by the Company do not generally invest in liquid securities that are formally rated by third parties. The assets are privately negotiated and structured transactions that are designed to be held by the conduit, rather than actively traded and sold. The yield earned by the conduit on each asset is generally tied to the rate on the commercial paper issued by the conduit, thus passing interest rate risk to the client. Each asset purchased by the conduit is structured with transaction-specific credit enhancement features provided by the third-party seller, including over-collateralization, cash and excess spread collateral accounts, direct recourse or third-party guarantees. These credit enhancements are sized with the objective of approximating a credit rating of A or above, based on the Company's internal risk ratings.

Substantially all of the funding of the conduits is in the form of short-term commercial paper, with a weighted average life generally ranging from 30-45 days. As of September 30, 2009 and December 31, 2008, the weighted average life of the commercial paper issued was approximately 47 and 37 days, respectively. In addition, the conduits have issued subordinate loss notes and equity with a notional amount of approximately \$76 million and varying remaining tenors ranging from 10 month to 6 years.

The primary credit enhancement provided to the conduit investors is in the form of transaction-specific credit enhancement described above. In addition, there are generally two additional forms of credit enhancement that protect the commercial paper investors from defaulting

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assets. First, the subordinate loss notes issued by each conduit absorb any credit losses up to their full notional amount. It is expected that the subordinate loss notes issued by each unconsolidated conduit are sufficient to absorb a majority of the expected losses from each conduit, thereby making the single investor in the subordinate loss note the primary beneficiary. Second, each conduit has obtained a letter of credit from the Company, which is generally 8-10% of the conduit's assets. The letters of credit provided by the Company total approximately \$3.7 billion and are included in the Company's maximum exposure to loss. The net result across all multi-seller conduits administered by the Company is that, in the event defaulted assets exceed the transaction-specific credit enhancement described above, any losses in each conduit are allocated in the following order:

subordinate loss note holders,

the Company, and

the commercial paper investors.

The Company also provides the conduits with two forms of liquidity agreements that are used to provide funding to the conduits in the event of a market disruption, among other events. Each asset of the conduit is supported by a transaction-specific liquidity facility in the form of an asset purchase agreement (APA). Under the APA, the Company has agreed to purchase non-defaulted eligible receivables from the conduit at par. Any assets purchased under the APA are subject to increased pricing. The APA is not designed to provide credit support to the conduit, as it generally does not permit the purchase of defaulted or impaired assets and generally reprices

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the assets purchased to consider potential increased credit risk. The APA covers all assets in the conduits and is considered in the Company's maximum exposure to loss. In addition, the Company provides the conduits with program-wide liquidity in the form of short-term lending commitments. Under these commitments, the Company has agreed to lend to the conduits in the event of a short-term disruption in the commercial paper market, subject to specified conditions. The total notional exposure under the program-wide liquidity agreement is \$11.3 billion and is considered in the Company's maximum exposure to loss. The Company receives fees for providing both types of liquidity agreement and considers these fees to be on fair market terms.

Finally, the Company is one of several named dealers in the commercial paper issued by the conduits and earns a market-based fee for providing such services. Along with third-party dealers, the Company makes a market in the commercial paper and may from time to time fund commercial paper pending sale to a third party. On specific dates with less liquidity in the market, the Company may hold in inventory commercial paper issued by conduits administered by the Company, as well as conduits administered by third parties. The amount of commercial paper issued by its administered conduits held in inventory fluctuates based on market conditions and activity. As of September 30, 2009, the Company owned \$109 million of the commercial paper issued by its administered conduits.

The Company is required to quantitatively analyze the expected variability of the conduit to determine whether the Company is the primary beneficiary of the conduit. The Company performs this analysis on a quarterly basis. For conduits where the subordinate loss notes or third-party guarantees are sufficient to absorb a majority of the expected loss of the conduit, the Company does not consolidate. In circumstances where the subordinate loss notes or third-party guarantees are insufficient to absorb a majority of the expected loss, the Company consolidates the conduit as its primary beneficiary due to the additional credit enhancement provided by the Company. In conducting this analysis, the Company considers three primary sources of variability in the conduit: credit risk, interest-rate risk and fee variability.

The Company models the credit risk of the conduit's assets using a Credit Value at Risk (C-VAR) model. The C-VAR model considers changes in credit spreads (both within a rating class as well as due to rating upgrades and downgrades), name-specific changes in credit spreads, credit defaults and recovery rates and diversification effects of pools of financial assets. The model incorporates data from independent rating agencies as well as the Company's own proprietary information regarding spread changes, ratings transitions and losses given default. Using this credit data, a Monte Carlo simulation is performed to develop a distribution of credit risk for the portfolio of assets owned by each conduit, which is then applied on a probability-weighted basis to determine expected losses due to credit risk. In addition, the Company continuously monitors the specific credit characteristics of the conduit's assets and the current credit environment to confirm that the C-VAR model used continues to incorporate the Company's best information regarding the expected credit risk of the conduit's assets.

The Company also analyzes the variability in the fees that it earns from the conduit using monthly actual historical cash flow data to determine average fee and standard deviation measures for each conduit. Because any unhedged interest rate and foreign-currency risk not contractually passed on to customers is absorbed by the fees earned by the Company, the fee variability analysis incorporates those risks.

The fee variability and credit risk variability are then combined into a single distribution of the conduit's overall returns. This return distribution is updated and analyzed on at least a quarterly basis to ensure that the amount of the subordinate loss notes issued to third parties is sufficient to absorb greater than 50% of the total expected variability in the conduit's returns. The expected variability absorbed by the subordinate loss note investors is therefore measured to be greater than the expected variability absorbed by the Company through its liquidity arrangements and other fees earned, and the investors in commercial paper and medium-term notes. While the notional amounts of the subordinate loss notes are quantitatively small compared to the size of the conduits, this is reflective of the fact that most of the substantive risks of the conduits are absorbed by the enhancements provided by the sellers (customers) and other third parties that provide transaction-level credit enhancement. Because these risks and related enhancements are generally required to be excluded from the analysis, the remaining risks and expected variability are quantitatively small. The calculation of variability focuses primarily on *expected* variability, rather than the risks associated with extreme outcomes (for example, large levels of default) that are expected to occur very infrequently. So while the subordinate loss notes are sized appropriately compared to expected losses, they do not provide significant protection against extreme or unusual credit losses. Where such credit losses occur or become expected to occur, the Company would consolidate the conduit due to the additional credit enhancement provided by the Company.

***Third-Party Commercial Paper Conduits***

The Company also provides liquidity facilities to single- and multi-seller conduits sponsored by third parties. These conduits are independently owned and managed and invest in a variety of asset classes, depending on the nature of the conduit. The facilities provided by the Company typically represent a small portion of the total liquidity facilities obtained by each conduit, and are collateralized by the assets of each conduit. As of September 30, 2009, the notional amount of these facilities was approximately \$903 million and \$298 million was funded under these facilities.

***Collateralized Debt and Loan Obligations***



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A collateralized debt obligation (CDO) is an SPE that purchases a pool of assets consisting of asset-backed securities and synthetic exposures through derivatives on asset-backed securities and issues multiple tranches of equity and notes to investors. A third-party manager is typically retained by the CDO to select the pool of assets and manage those assets over the term of the CDO. The Company earns fees for

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warehousing assets prior to the creation of a CDO, structuring CDOs and placing debt securities with investors. In addition, the Company has retained interests in many of the CDOs it has structured and makes a market in those issued notes.

A cash CDO, or arbitrage CDO, is a CDO designed to take advantage of the difference between the yield on a portfolio of selected assets, typically residential mortgage-backed securities, and the cost of funding the CDO through the sale of notes to investors. "Cash flow" CDOs are vehicles in which the CDO passes on cash flows from a pool of assets, while "market value" CDOs pay to investors the market value of the pool of assets owned by the CDO at maturity. Both types of CDOs are typically managed by a third-party asset manager. In these transactions, all of the equity and notes issued by the CDO are funded, as the cash is needed to purchase the debt securities. In a typical cash CDO, a third-party investment manager selects a portfolio of assets, which the Company funds through a warehouse financing arrangement prior to the creation of the CDO. The Company then sells the debt securities to the CDO in exchange for cash raised through the issuance of notes. The Company's continuing involvement in cash CDOs is typically limited to investing in a portion of the notes or loans issued by the CDO and making a market in those securities, and acting as derivative counterparty for interest rate or foreign currency swaps used in the structuring of the CDO.

A synthetic CDO is similar to a cash CDO, except that the CDO obtains exposure to all or a portion of the referenced assets synthetically through derivative instruments, such as credit default swaps. Because the CDO does not need to raise cash sufficient to purchase the entire referenced portfolio, a substantial portion of the senior tranches of risk is typically passed on to CDO investors in the form of unfunded liabilities or derivative instruments. Thus, the CDO writes credit protection on select referenced debt securities to the Company or third parties and the risk is then passed on to the CDO investors in the form of funded notes or purchased credit protection through derivative instruments. Any cash raised from investors is invested in a portfolio of collateral securities or investment contracts. The collateral is then used to support the CDO's obligations on the credit default swaps written to counterparties. The Company's continuing involvement in synthetic CDOs generally includes purchasing credit protection through credit default swaps with the CDO, owning a portion of the capital structure of the CDO, in the form of both unfunded derivative positions (primarily super senior exposures discussed below) and funded notes, entering into interest-rate swap and total-return swap transactions with the CDO, lending to the CDO, and making a market in those funded notes.

A collateralized loan obligation (CLO) is substantially similar to the CDO transactions described above, except that the assets owned by the SPE (either cash instruments or synthetic exposures through derivative instruments) are corporate loans and to a lesser extent corporate bonds, rather than asset-backed debt securities.

**Consolidation**

The Company has retained significant portions of the "super senior" positions issued by certain CDOs. These positions are referred to as "super senior" because they represent the most senior positions in the CDO and, at the time of structuring, were senior to tranches rated AAA by independent rating agencies. These positions include facilities structured in the form of short-term commercial paper, where the Company wrote put options ("liquidity puts") to certain CDOs. Under the terms of the liquidity puts, if the CDO was unable to issue commercial paper at a rate below a specified maximum (generally LIBOR + 35 bps to LIBOR + 40 bps), the Company was obligated to fund the senior tranche of the CDO at a specified interest rate. As of September 30, 2009, the Company had purchased all \$25 billion of the commercial paper subject to these liquidity puts.

Since inception of many CDO transactions, the subordinate tranches of the CDOs have diminished significantly in value and in rating. The declines in value of the subordinate tranches and in the super senior tranches indicate that the super senior tranches are now exposed to a significant portion of the expected losses of the CDOs, based on current market assumptions. The Company evaluates these transactions for consolidation when reconsideration events occur.

Upon a reconsideration event, the Company is at risk for consolidation only if the Company owns a majority of either a single tranche or a group of tranches that absorb the remaining risk of the CDO. Due to reconsideration events during 2007 and 2008, the Company has consolidated 30 of the 46 CDOs/CLOs in which the Company holds a majority of the senior interests of the transaction.

The Company continues to monitor its involvement in unconsolidated VIEs and if the Company were to acquire additional interests in these vehicles or if the CDOs' contractual arrangements were to be changed to reallocate expected losses or residual returns among the various interest holders, the Company may be required to consolidate the CDOs. For cash CDOs, the net result of such consolidation would be to gross up the Company's balance sheet by the current fair value of the subordinate securities held by third parties, which amounts are not considered material. For synthetic CDOs, the net result of such consolidation may reduce the Company's balance sheet by eliminating intercompany derivative receivables and payables in consolidation.

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### Cash Flows and Retained Interests Citi Holdings

The following tables summarize selected cash flow information related to CDO and CLO securitizations for the three and nine months ended September 30, 2009:

<i>In billions of dollars</i>	<b>Three months ended September 30, 2009</b>	
	<b>CDOs</b>	<b>CLOs</b>
Cash flows received on retained interests		

<i>In billions of dollars</i>	<b>Nine months ended September 30, 2009</b>	
	<b>CDOs</b>	<b>CLOs</b>
Cash flows received on retained interests		

The key assumptions, used for the securitization of CDOs and CLOs during the three months ended September 30, 2009, in measuring the fair value of retained interests at the date of sale or securitization, are as follows:

	<b>CDOs</b>	<b>CLOs</b>
Discount rate	36.4% to 39.7%	5.7% to 6.3%

The effect of two negative changes in discount rates used to determine the fair value of retained interests is disclosed below.

<i>In millions of dollars</i>	<b>CDOs</b>	<b>CLOs</b>
<b>Carrying value of retained interests</b>	<b>\$ 251</b>	<b>\$ 709</b>
Discount rates		
Adverse change of 10%	\$ (24)	\$ (11)
Adverse change of 20%	(47)	(23)

### Asset-Based Financing Citicorp

The Company provides loans and other forms of financing to VIEs that hold assets. Those loans are subject to the same credit approvals as all other loans originated or purchased by the Company. Financings in the form of debt securities or derivatives are, in most circumstances, reported in *Trading account assets* and accounted for at fair value through earnings.

The primary types of Citicorp's asset-based financing, total assets of the unconsolidated VIEs with significant involvement and the Company's maximum exposure to loss at September 30, 2009 are shown below. For the Company to realize that maximum loss, the VIE (borrower) would have to default with no recovery from the assets held by the VIE.

<i>In billions of dollars</i>	<b>Total assets</b>	<b>Maximum exposure</b>
<b>Type</b>		
Commercial and other real estate	\$ 0.6	\$
Hedge funds and equities	5.8	3.1
Airplanes, ships and other assets	11.9	2.1
<b>Total</b>	<b>\$ 18.3</b>	<b>\$ 5.2</b>

### Asset-Based Financing Citi Holdings

The Company provides loans and other forms of financing to VIEs that hold assets. Those loans are subject to the same credit approvals as all other loans originated or purchased by the Company. Financings in the form of debt securities or derivatives are, in most circumstances, reported in *Trading account assets* and accounted for at fair value through earnings.

The primary types of Citi Holdings' asset-based financing, total assets of the unconsolidated VIEs with significant involvement and the Company's maximum exposure to loss at September 30, 2009 are shown below. For the Company to realize that maximum loss, the VIE

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(borrower) would have to default with no recovery from the assets held by the VIE.

*In billions of dollars*

Type	Total assets	Maximum exposure
Commercial and other real estate	\$ 36.9	\$ 7.0
Hedge funds and equities	2.2	0.8
Corporate loans	7.9	6.7
Airplanes, ships and other assets	6.0	3.4
<b>Total</b>	<b>\$ 53.0</b>	<b>\$ 17.9</b>

The following table summarizes selected cash flow information related to asset-based financing for the three months ended September 30, 2009 and 2008:

<i>In billions of dollars</i>	Three months ended September 30,	
	2009	2008
Cash flows received on retained interests and other net cash flows	\$ 0.4	\$

<i>In billions of dollars</i>	Nine months ended September 30,	
	2009	2008
Cash flows received on retained interests and other net cash flows	\$ 2.4	\$

The effect of two negative changes in discount rates used to determine the fair value of retained interests is disclosed below.

<i>In millions of dollars</i>	Asset based financing
<b>Carrying value of retained interests</b>	<b>\$ 6,882</b>
Value of underlying portfolio	
Adverse change of 10%	\$
Adverse change of 20%	(436)

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***Municipal Securities Tender Option Bond (TOB) Trusts***

The Company sponsors TOB trusts that hold fixed- and floating-rate, tax-exempt securities issued by state or local municipalities. The trusts are typically single-issuer trusts whose assets are purchased from the Company and from the secondary market. The trusts issue long-term senior floating rate notes (Floaters) and junior residual securities (Residuals). The Floaters have a long-term rating based on the long-term rating of the underlying municipal bond and a short-term rating based on that of the liquidity provider to the trust. The Residuals are generally rated based on the long-term rating of the underlying municipal bond and entitle the holder to the residual cash flows from the issuing trust.

The Company sponsors three kinds of TOB trusts: customer TOB trusts, proprietary TOB trusts and QSPE TOB trusts.

*Customer TOB trusts* are trusts through which customers finance investments in municipal securities and are not consolidated by the Company. Proprietary and QSPE TOB trusts, on the other hand, provide the Company with the ability to finance its own investments in municipal securities.

*Proprietary TOB trusts* are generally consolidated, in which case the financing (the Floaters) is recognized on the Company's balance sheet as a liability. However, certain proprietary TOB trusts are not consolidated by the Company, where the Residuals are held by hedge funds that are consolidated and managed by the Company. The assets and the associated liabilities of these TOB trusts are not consolidated by the hedge funds (and, thus, are not consolidated by the Company) under the application of ASC 946, *Financial Services Investment Companies*, which precludes consolidation of owned investments. The Company consolidates the hedge funds, because the Company holds controlling financial interests in the hedge funds. Certain of the Company's equity investments in the hedge funds are hedged with derivatives transactions executed by the Company with third parties referencing the returns of the hedge fund.

*QSPE TOB trusts* provide the Company with the same exposure as proprietary TOB trusts and are not consolidated by the Company.

Credit rating distribution is based on the external rating of the municipal bonds within the TOB trusts, including any credit enhancement provided by monoline insurance companies or the Company in the primary or secondary markets, as discussed below. The total assets for proprietary TOB Trusts (consolidated and non-consolidated) includes \$0.8 billion of assets where the Residuals are held by a hedge fund that is consolidated and managed by the Company.

The TOB trusts fund the purchase of their assets by issuing Floaters along with Residuals, which are frequently less than 1% of a trust's total funding. The tenor of the Floaters matches the maturity of the TOB trust and is equal to or shorter than the tenor of the municipal bond held by the trust, and the Floaters bear interest rates that are typically reset weekly to a new market rate (based on the SIFMA index). Floater holders have an option to tender the Floaters they hold back to the trust periodically. Customer TOB trusts issue the Floaters and Residuals to third parties. Proprietary and QSPE TOB trusts issue the Floaters to third parties and the Residuals are held by the Company.

Approximately \$2.2 billion of the municipal bonds owned by TOB trusts have an additional credit guarantee provided by the Company. In all other cases, the assets are either unenhanced or are insured with a monoline insurance provider in the primary market or in the secondary market. While the trusts have not encountered any adverse credit events as defined in the underlying trust agreements, certain monoline insurance companies have experienced downgrades. In these cases, the Company has proactively managed the TOB programs by applying additional secondary market insurance on the assets or proceeding with orderly unwinds of the trusts.

The Company, in its capacity as remarketing agent, facilitates the sale of the Floaters to third parties at inception of the trust and facilitates the reset of the Floater coupon and tenders of Floaters. If Floaters are tendered and the Company (in its role as remarketing agent) is unable to find a new investor within a specified period of time, it can declare a failed remarketing (in which case the trust is unwound) or may choose to buy the Floaters into its own inventory and may continue to try to sell it to a third-party investor. While the level of the Company's inventory of Floaters fluctuates, the Company held none of the Floater inventory related to the Customer, Proprietary and QSPE TOB programs as of September 30, 2009.

If a trust is unwound early due to an event other than a credit event on the underlying municipal bond, the underlying municipal bond is sold in the secondary market. If there is an accompanying shortfall in the trust's cash flows to fund the redemption of the Floaters after the sale of the underlying municipal bond, the trust draws on a liquidity agreement in an amount equal to the shortfall. Liquidity agreements are generally provided to the trust directly by the Company. For customer TOBs where the Residual is less than 25% of the trust's capital structure,

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the Company has a reimbursement agreement with the Residual holder under which the Residual holder reimburses the Company for any payment made under the liquidity arrangement. Through this reimbursement agreement, the Residual holder remains economically exposed to fluctuations in value of the municipal bond. These reimbursement agreements are actively margined based on changes in value of the underlying municipal bond to mitigate the Company's counterparty credit risk. In cases where a third party provides liquidity to a proprietary or QSPE TOB trust, a similar reimbursement arrangement is made whereby the Company (or a consolidated subsidiary of the Company) as Residual holder absorbs any losses incurred by the liquidity provider. As of September 30, 2009, liquidity agreements provided with respect to customer TOB trusts totaled \$6.1 billion, offset by reimbursement agreements in place with a notional amount of \$4.6 billion. The remaining exposure relates to TOB transactions where the Residual owned by the customer is at least 25% of the bond value at the inception of the transaction. In addition, the Company has provided

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liquidity arrangements with a notional amount of \$0.2 billion to QSPE TOB trusts and other non-consolidated proprietary TOB trusts described above.

The Company considers the customer and proprietary TOB trusts (excluding QSPE TOB trusts) to be VIEs. Because third-party investors hold the Residual and Floater interests in the customer TOB trusts, the Company's involvement and variable interests include only its role as remarketing agent and liquidity provider. On the basis of the variability absorbed by the customer through the reimbursement arrangement or significant residual investment, the Company does not consolidate the Customer TOB trusts. The Company's variable interests in the Proprietary TOB trusts include the Residual as well as the remarking and liquidity agreements with the trusts. On the basis of the variability absorbed through these contracts (primarily the Residual), the Company generally consolidates the Proprietary TOB trusts. Finally, certain proprietary TOB trusts and QSPE TOB trusts are not consolidated by application of specific accounting literature. For the nonconsolidated proprietary TOB trusts and QSPE TOB trusts, the Company recognizes only its residual investment on its balance sheet at fair value and the third-party financing raised by the trusts is off-balance sheet.

The following table summarizes selected cash flow information related to Citicorp's municipal bond securitizations for the three and nine months ended September 30, 2009 and 2008:

<i>In billions of dollars</i>	Three months ended September 30,			
	2009	2008	2009	2008
Proceeds from new securitizations	\$	0.1	\$	0.6
Cash flows received on retained interests and other net cash flows	\$	0.1	\$	0.1

<i>In billions of dollars</i>	Nine months ended September 30,			
	2009	2008	2009	2008
Proceeds from new securitizations	\$	0.3	\$	1.1
Cash flows received on retained interests and other net cash flows	\$	0.7	\$	0.4

The following table summarizes selected cash flow information related to Citi Holdings' municipal bond securitizations for the three and nine months ended September 30, 2009 and 2008:

<i>In billions of dollars</i>	Three months ended September 30,			
	2009	2008	2009	2008
Proceeds from new securitizations	\$		\$	
Cash flows received on retained interests and other net cash flows	\$		\$	

<i>In billions of dollars</i>	Nine months ended September 30,			
	2009	2008	2009	2008
Proceeds from new securitizations	\$		\$	0.1
Cash flows received on retained interests and other net cash flows	\$		\$	

### ***Municipal Investments***

Municipal investment transactions represent partnerships that finance the construction and rehabilitation of low-income affordable rental housing. The Company generally invests in these partnerships as a limited partner and earns a return primarily through the receipt of tax credits earned from the affordable housing investments made by the partnership.

### ***Client Intermediation***

Client intermediation transactions represent a range of transactions designed to provide investors with specified returns based on the returns of an underlying security, referenced asset or index. These transactions include credit-linked notes and equity-linked notes. In these transactions, the SPE typically obtains exposure to the underlying security, referenced asset or index through a derivative instrument, such as a total-return

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swap or a credit-default swap. In turn the SPE issues notes to investors that pay a return based on the specified underlying security, referenced asset or index. The SPE invests the proceeds in a financial asset or a guaranteed insurance contract (GIC) that serves as collateral for the



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derivative contract over the term of the transaction. The Company's involvement in these transactions includes being the counterparty to the SPE's derivative instruments and investing in a portion of the notes issued by the SPE. In certain transactions, the investor's maximum risk of loss is limited and the Company absorbs risk of loss above a specified level.

The Company's maximum risk of loss in these transactions is defined as the amount invested in notes issued by the SPE and the notional amount of any risk of loss absorbed by the Company through a separate instrument issued by the SPE. The derivative instrument held by the Company may generate a receivable from the SPE (for example, where the Company purchases credit protection from the SPE in connection with the SPE's issuance of a credit-linked note), which is collateralized by the assets owned by the SPE. These derivative instruments are not considered variable interests and any associated receivables are not included in the calculation of maximum exposure to the SPE.

***Structured Investment Vehicles***

Structured Investment Vehicles (SIVs) are SPEs that issue junior notes and senior debt (medium-term notes and short-term commercial paper) to fund the purchase of high quality assets. The Company acts as manager for the SIVs.

In order to complete the wind-down of the SIVs, the Company purchased the remaining assets of the SIVs in November 2008. The Company funded the purchase of the SIV assets by assuming the obligation to pay amounts due under the medium-term notes issued by the SIVs, as the medium-term notes mature.

***Investment Funds***

The Company is the investment manager for certain investment funds that invest in various asset classes including private equity, hedge funds, real estate, fixed income and infrastructure. The Company earns a management fee, which is a percentage of capital under management, and may earn performance fees. In addition, for some of these funds the Company has an ownership interest in the investment funds.

The Company has also established a number of investment funds as opportunities for qualified employees to invest in private equity investments. The Company acts as investment manager to these funds and may provide employees with financing on both a recourse and non-recourse basis for a portion of the employees' investment commitments.

***Trust Preferred Securities***

The Company has raised financing through the issuance of trust preferred securities. In these transactions, the Company forms a statutory business trust and owns all of the voting equity shares of the trust. The trust issues preferred equity securities to third-party investors and invests the gross proceeds in junior subordinated deferrable interest debentures issued by the Company. These trusts have no assets, operations, revenues or cash flows other than those related to the issuance, administration and repayment of the preferred equity securities held by third-party investors. These trusts' obligations are fully and unconditionally guaranteed by the Company.

Because the sole asset of the trust is a receivable from the Company and the proceeds to the Company from the receivable exceed the Company's investment in the VIE's equity shares, the Company is not permitted to consolidate the trusts, even though the Company owns all of the voting equity shares of the trust, has fully guaranteed the trusts' obligations, and has the right to redeem the preferred securities in certain circumstances. The Company recognizes the subordinated debentures on its balance sheet as long-term liabilities.

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**16. DERIVATIVES ACTIVITIES**

In the ordinary course of business, Citigroup enters into various types of derivative transactions. These derivative transactions include:

*Futures and forward contracts* which are commitments to buy or sell at a future date a financial instrument, commodity or currency at a contracted price and may be settled in cash or through delivery.

*Swap contracts* which are commitments to settle in cash at a future date or dates that may range from a few days to a number of years, based on differentials between specified financial indices, as applied to a notional principal amount.

*Option contracts* which give the purchaser, for a fee, the right, but not the obligation, to buy or sell within a limited time a financial instrument, commodity or currency at a contracted price that may also be settled in cash, based on differentials between specified indices or prices.

Citigroup enters into these derivative contracts relating to interest rate, foreign currency, commodity, and other market/credit risks for the following reasons:

*Trading Purposes Customer Needs* Citigroup offers its customers derivatives in connection with their risk-management actions to transfer, modify or reduce their interest rate, foreign exchange and other market/ credit risks or for their own trading purposes. As part of this process, Citigroup considers the customers' suitability for the risk involved, and the business purpose for the transaction. Citigroup also manages its derivative-risk positions through offsetting trade activities, controls focused on price verification, and daily reporting of positions to senior managers.

*Trading Purposes Own Account* Citigroup trades derivatives for its own account, and as an active market maker. Trading limits and price verification controls are key aspects of this activity.

*Hedging* Citigroup uses derivatives in connection with its risk-management activities to hedge certain risks or reposition the risk profile of the Company. For example, Citigroup may issue fixed-rate long-term debt and then enter into a receive-fixed, pay-variable-rate interest rate swap with the same tenor and notional amount to convert the interest payments to a net variable-rate basis. This strategy is the most common form of an interest rate hedge, as it minimizes interest cost in certain yield curve environments. Derivatives are also used to manage risks inherent in specific groups of on-balance sheet assets and liabilities, including investments, corporate and consumer loans, deposit liabilities, as well as other interest-sensitive assets and liabilities. In addition, foreign-exchange contracts are used to hedge non-U.S. dollar denominated debt, foreign-currency-denominated available-for-sale securities, net capital exposures and foreign-exchange transactions.

Derivatives may expose Citigroup to market, credit or liquidity risks in excess of the amounts recorded on the Consolidated Balance Sheet. Market risk on a derivative product is the exposure created by potential fluctuations in interest rates, foreign-exchange rates and other factors and is a function of the type of product, the volume of transactions, the tenor and terms of the agreement, and the underlying volatility. Credit risk is the exposure to loss in the event of nonperformance by the other party to the transaction where the value of any collateral held is not adequate to cover such losses. The recognition in earnings of unrealized gains on these transactions is subject to management's assessment as to collectability. Liquidity risk is the potential exposure that arises when the size of the derivative position may not be able to be rapidly adjusted in periods of high volatility and financial stress at a reasonable cost.

The notional amounts of Citigroup's derivative instruments for both long and short derivative positions, representing the volume of derivative activity, as of September 30, 2009 are presented in the table below:

Table of Contents**Notionals**

<i>In millions of dollars at September 30, 2009</i>	Hedging Instruments under ASC 815 (SFAS 133)(1)		Other Derivative Instruments Trading Derivatives		Management Hedges(2)
<b>Interest rate contracts</b>					
Swaps	\$	130,241	\$	14,903,492	\$ 194,225
Futures and forwards				3,876,745	84,999
Written options				3,214,707	9,493
Purchased options				3,468,676	43,537
<b>Total interest rate contract notionals</b>	\$	130,241	\$	25,463,620	\$ 332,254
<b>Foreign exchange contracts</b>					
Swaps	\$	61,527	\$	867,475	\$ 101,151
Futures and forwards		18,190		2,025,595	10,672
Written options		316		392,903	15,150
Purchased options		501		415,386	2,603
<b>Total foreign exchange contract notionals</b>	\$	80,534	\$	3,701,359	\$ 129,576
<b>Equity contracts</b>					
Swaps	\$		\$	81,620	\$
Futures and forwards				14,567	
Written options				528,027	
Purchased options				505,812	
<b>Total equity contract notionals</b>	\$		\$	1,130,026	\$
<b>Commodity and other contracts</b>					
Swaps	\$		\$	29,746	\$
Futures and forwards				101,574	
Written options				39,066	
Purchased options				40,662	
<b>Total commodity and other contract notionals</b>	\$		\$	211,048	\$
<b>Credit derivatives(3)</b>					
Citigroup as the Guarantor	\$		\$	1,315,106	\$
Citigroup as the Beneficiary		6,773		1,442,602	
<b>Total credit derivatives</b>	\$	6,773	\$	2,757,708	\$
<b>Total derivative notionals</b>	\$	217,548	\$	33,263,761	\$ 461,830

(1) Derivatives in hedge accounting relationships are recorded in either Other assets/liabilities or Trading account assets/liabilities on the Consolidated Balance Sheet.

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- (2) Management hedges represent derivative instruments used in certain economic hedging relationships that are identified for management purposes, but for which hedge accounting is not applied. These derivatives are recorded in Other assets/liabilities on the Consolidated Balance Sheet.
- (3) Credit derivatives are arrangements designed to allow one party (the "beneficiary") to transfer the credit risk of a "reference asset" to another party (the "guarantor"). These arrangements allow a guarantor to assume the credit risk associated with the reference asset without directly purchasing it. The Company has entered into credit derivatives positions for purposes such as risk management, yield enhancement, reduction of credit concentrations and diversification of overall risk.

Table of Contents**Mark-to-Market (MTM) Receivables/Payables**

<i>In millions of dollars at September 30, 2009</i>	Derivatives classified in Trading account assets / liabilities(1)		Derivatives classified in Other assets / liabilities	
	Assets	Liabilities	Assets	Liabilities
<b>Derivative instruments designated as hedges</b>				
Interest rate contracts	\$ 2,860	\$ 4,380	\$ 5,551	\$ 1,156
Foreign exchange contracts	134	1,246	3,942	2,826
Credit derivatives				110
<b>Total derivative instruments designated as hedges</b>	<b>\$ 2,994</b>	<b>\$ 5,626</b>	<b>\$ 9,493</b>	<b>\$ 4,092</b>
<b>Other derivative instruments</b>				
Interest rate contracts	\$ 523,370	\$ 505,442	\$ 3,062	\$ 4,727
Foreign exchange contracts	88,944	89,225	1,233	1,240
Equity contracts	23,706	47,070		
Commodity and other contracts	16,692	16,275		
Credit derivatives(2)	112,227	100,575		
<b>Total other derivative instruments</b>	<b>\$ 764,939</b>	<b>\$ 758,587</b>	<b>\$ 4,295</b>	<b>\$ 5,967</b>
<b>Total derivatives</b>	<b>\$ 767,933</b>	<b>\$ 764,213</b>	<b>\$ 13,788</b>	<b>\$ 10,059</b>
Cash collateral paid/received	54,169	43,471	510	5,720
Less: Netting agreements and market value adjustments	(753,432)	(745,132)	(4,713)	(4,713)
<b>Net receivables/ payables</b>	<b>\$ 68,670</b>	<b>\$ 62,552</b>	<b>\$ 9,585</b>	<b>\$ 11,066</b>

(1)

The trading derivatives fair values are presented in Note 9 Trading Assets and Liabilities.

(2)

The credit derivatives trading assets are comprised of \$88,903 million related to protection purchased and \$23,324 million related to protection sold at September 30, 2009. The credit derivatives trading liabilities are comprised of \$76,581 million related to protection sold and \$23,994 related to protection purchased at September 30, 2009.

All derivatives are reported on the balance sheet at fair value. In addition, where applicable, all such contracts covered by master netting agreements are reported net. Gross positive fair values are netted with gross negative fair values by counterparty pursuant to a valid master netting agreement. In addition, payables and receivables in respect of cash collateral received from or paid to a given counterparty are included in this netting. However, non-cash collateral is not included.

As of September 30, 2009 the amount of payables in respect of cash collateral received that was netted with unrealized gains from derivatives was \$36 billion, while the amount of receivables in respect of cash collateral paid that was netted with unrealized losses from derivatives was \$46 billion.

The amounts recognized in principal transactions in the Consolidated Statement of Income for the three and nine months ended September 30, 2009 related to derivatives not designated in a qualifying hedging relationship are shown in the table below. Citigroup has elected to present this disclosure by business classification, showing derivative gains and losses related to its trading activities together with gains and losses related to non-derivative instruments within the same trading portfolios, as this better represents the way that these portfolios are risk managed.

<i>In millions of dollars</i>	Gains (losses)		Gains (losses)	
	Three months ended September 30, 2009		Nine months ended September 30, 2009	
Fixed Income	\$	428	\$	5,359
Foreign exchange		445		2,157

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Equity	(353)	550
Commodity and other products	162	990
Credit products	846	(3,500)
<b>Total(1)</b>	<b>\$ 1,528</b>	<b>\$ 5,556</b>

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(1) Balance excludes gains (losses) on derivatives designated within qualifying FAS 133 hedging relationships.

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The amounts recognized in other revenue in the Consolidated Statement of Income for the three and nine months ended September 30, 2009 related to derivatives not designated in a qualifying hedging relationship, and not recorded within Trading account assets or liabilities are shown below.

<i>In millions of dollars</i>	Gains (losses)		Gains (losses)	
	Three months ended September 30, 2009		Nine months ended September 30, 2009	
Interest rate contracts	\$	(384)	\$	36
Foreign exchange contracts		(2,130)		(4,496)
Equity contracts				
Commodity and other contracts				
Credit derivatives				
<b>Total(1)</b>	<b>\$</b>	<b>(2,514)</b>	<b>\$</b>	<b>(4,460)</b>

(1)

Non-designated derivatives are derivative instruments not designated in qualifying hedging relationships.

### Accounting for Derivative Hedging

Citigroup accounts for its hedging activities in accordance with ASC 815 (SFAS 133). As a general rule, hedge accounting is permitted for those situations where the Company is exposed to a particular risk, such as interest-rate or foreign-exchange risk, that causes changes in the fair value of an asset or liability, or variability in the expected future cash flows of an existing asset, liability or a forecasted transaction that may affect earnings.

Derivative contracts hedging the risks associated with the changes in fair value are referred to as fair value hedges, while contracts hedging the risks affecting the expected future cash flows are called cash flow hedges. Hedges that utilize derivatives or debt instruments to manage the foreign exchange risk associated with equity investments in non-U.S. dollar functional currency foreign subsidiaries (net investment in a foreign operation) are called net investment hedges.

If certain hedging criteria specified in ASC 815 (SFAS 133) are met, including testing for hedge effectiveness, special hedge accounting may be applied. The hedge effectiveness assessment methodologies for similar hedges are performed in a similar manner and are used consistently throughout the hedging relationships. For fair value hedges, the changes in value of the hedging derivative, as well as the changes in value of the related hedged item due to the risk being hedged, are reflected in current earnings. For cash flow hedges and net investment hedges, the changes in value of the hedging derivative are reflected in Accumulated other comprehensive income (loss) in Citigroup's stockholders' equity, to the extent the hedge is effective. Hedge ineffectiveness, in either case, is reflected in current earnings.

For asset/liability management hedging, the fixed-rate long-term debt may be recorded at amortized cost under current U.S. GAAP. However, by electing to use hedge accounting, the carrying value of the debt is adjusted for changes in the benchmark interest rate, with any such changes in value recorded in current earnings. The related interest-rate swap is also recorded on the balance sheet at fair value, with any changes in fair value reflected in earnings. Thus, any ineffectiveness resulting from the hedging relationship is recorded in current earnings. Alternatively, an economic hedge, which does not meet the hedging criteria, would involve only recording the derivative at fair value on the balance sheet, with its associated changes in fair value recorded in earnings. The debt would continue to be carried at amortized cost and, therefore, current earnings would be impacted only by the interest rate shifts and other factors that cause the change in the swap's value and the underlying yield of the debt. This type of hedge is undertaken when hedge requirements cannot be achieved or management decides not to apply hedge accounting. Another alternative for the Company would be to elect to carry the debt at fair value. Once the irrevocable election is made upon issuance of the debt, the full change in fair value of the debt would be reported in earnings. The related interest rate swap, with changes in fair value also reflected in earnings, provides a natural offset to the debt's fair value change. To the extent the two offsets would not be exactly equal, the difference would be reflected in current earnings. This type of economic hedge is undertaken when the Company prefers to follow this simpler method that achieves generally similar financial statement results to a fair-value hedge.

Key aspects of achieving hedge accounting are documentation of hedging strategy and hedge effectiveness at the hedge inception and substantiating hedge effectiveness on an ongoing basis. A derivative must be highly effective in accomplishing the hedge objective of offsetting either changes in the fair value or cash flows of the hedged item for the risk being hedged. Any ineffectiveness in the hedge relationship is recognized in current earnings. The assessment of effectiveness excludes changes in the value of the hedged item that are unrelated to the risks being hedged. Similarly, the assessment of effectiveness may exclude changes in the fair value of a derivative related to time value that, if excluded, are recognized in current earnings.





Table of Contents**Fair value hedges***Hedging of benchmark interest rate risk*

Citigroup hedges exposure to changes in the fair value of outstanding fixed-rate issued debt and borrowings. The fixed cash flows from those financing transactions are converted to benchmark variable-rate cash flows by entering into receive fixed, pay-variable interest rate swaps. These fair-value hedge relationships use dollar-offset ratio analysis to determine whether the hedging relationships are highly effective at inception and on an ongoing basis.

Citigroup also hedges exposure to changes in the fair value of fixed-rate assets, including available-for-sale debt securities and loans. The hedging instruments used are receive-variable, pay-fixed interest rate swaps. Most of these fair-value hedging relationships use dollar-offset ratio analysis to determine whether the hedging relationships are highly effective at inception and on an ongoing basis, while certain others use regression analysis.

*Hedging of foreign exchange risk*

Citigroup hedges the change in fair value attributable to foreign-exchange rate movements in available-for-sale securities that are denominated in currencies other than the functional currency of the entity holding the securities, which may be within or outside the U.S. The hedging instrument employed is a forward foreign-exchange contract. In this type of hedge, the change in fair value of the hedged available-for-sale security attributable to the portion of foreign exchange risk hedged is reported in earnings and not Accumulated other comprehensive income a process that serves to offset substantially the change in fair value of the forward contract that is also reflected in earnings. Citigroup considers the premium associated with forward contracts (differential between spot and contractual forward rates) as the cost of hedging; this is excluded from the assessment of hedge effectiveness and reflected directly in earnings. Dollar-offset method is used to assess hedge effectiveness. Since that assessment is based on changes in fair value attributable to changes in spot rates on both the available-for-sale securities and the forward contracts for the portion of the relationship hedged, the amount of hedge ineffectiveness is not significant.

The following table summarizes certain information related to the Company's fair value hedges for the three and nine months ended September 30, 2009:

<i>In millions of dollars</i>	Three months ended September 30, 2009		Nine months ended September 30, 2009	
	Principal Transactions	Other Revenue	Principal Transactions	Other Revenue
<b>Gain (loss) on designated and qualifying fair value hedges</b>				
Interest rate contracts	\$ (238)	\$ 1,511	\$ 727	\$ (4,375)
Foreign exchange contracts	(640)	323	663	645
<b>Total gain (loss) on fair value designated and qualifying hedges</b>	<b>\$ (878)</b>	<b>\$ 1,834</b>	<b>\$ 1,390</b>	<b>\$ (3,730)</b>
<b>Gain (loss) on the hedged item in designated and qualifying fair value hedges</b>				
Interest rate hedges	\$ 293	\$ (1,516)	\$ (749)	\$ 4,474
Foreign exchange hedges	717	(293)	(434)	(576)
<b>Total gain (loss) on the hedged item in designated and qualifying fair value hedge</b>	<b>\$ 1,010</b>	<b>\$ (1,809)</b>	<b>\$ (1,183)</b>	<b>\$ 3,898</b>
<b>Hedge ineffectiveness recognized in earnings on designated and qualifying fair value hedges</b>				
Interest rate hedges	\$ 182	\$ (106)	\$ 313	\$ (21)

Foreign exchange hedges	14	60	22	92
<b>Total hedge ineffectiveness recognized in earnings on designated and qualifying fair value hedges</b>				
	\$	196	\$	(46)
			\$	335
			\$	71
<b>Net gain (loss) excluded from assessment of the effectiveness of fair value hedges</b>				
Interest rate contracts	\$	(127)	\$	101
			\$	(335)
Foreign exchange contracts		63		(30)
				207
				(23)
<b>Total net gain (loss) excluded from assessment of the effectiveness of fair value hedges</b>				
	\$	(64)	\$	71
			\$	(128)
			\$	97

Table of Contents**Cash flow hedges***Hedging of benchmark interest rate risk*

Citigroup hedges variable cash flows resulting from floating-rate liabilities and roll over (re-issuance) of short-term liabilities. Variable cash flows from those liabilities are converted to fixed-rate cash flows by entering into receive-variable, pay-fixed interest-rate swaps and receive-variable, pay-fixed forward-starting interest-rate swaps. For some hedges, the hedge ineffectiveness is eliminated by matching all terms of the hedged item and the hedging derivative at inception and on an ongoing basis. Citigroup does not exclude any terms from consideration when applying the matched terms method. To the extent all terms are not perfectly matched, these cash-flow hedging relationships use either regression analysis or dollar-offset ratio analysis to assess whether the hedging relationships are highly effective at inception and on an ongoing basis. Since efforts are made to match the terms of the derivatives to those of the hedged forecasted cash flows as closely as possible, the amount of hedge ineffectiveness is not significant even when the terms do not match perfectly.

*Hedging of foreign exchange risk*

Citigroup locks in the functional currency equivalent of cash flows of various balance sheet liability exposures, including short-term borrowings and long-term debt (and the forecasted issuances or rollover of such items) that are denominated in a currency other than the functional currency of the issuing entity. Depending on the risk-management objectives, these types of hedges are designated as either cash-flow hedges of only foreign exchange risk or cash-flow hedges of both foreign-exchange and interest rate risk, and the hedging instruments used are foreign-exchange forward contracts, cross-currency swaps and foreign-currency options. For some hedges, Citigroup matches all terms of the hedged item and the hedging derivative at inception and on an ongoing basis to eliminate hedge ineffectiveness. Citigroup does not exclude any terms from consideration when applying the matched terms method. To the extent all terms are not perfectly matched, any ineffectiveness is measured using the "hypothetical derivative method". Efforts are made to match up the terms of the hypothetical and actual derivatives used as closely as possible. As a result, the amount of hedge ineffectiveness is not significant even when the terms do not match perfectly.

*Hedging total return*

Citigroup generally manages the risk associated with highly leveraged financing it has entered into by seeking to sell a majority of its exposures to the market prior to or shortly after funding. The portion of the highly leveraged financing that is retained by Citigroup is hedged with a total return swap.

The hedge ineffectiveness on the cash flow hedges recognized in earnings totals \$3 million for the three months ended September 30, 2009 and \$12 million for the nine months ended September 30, 2009.

The pretax change in Accumulated other comprehensive income (loss) from cash flow hedges for the three and nine months ended September 30, 2009 is presented below:

<i>In millions of dollars</i>	Three months ended September 30, 2009	Nine months ended September 30, 2009
<b>Effective portion of cash flow hedges included in AOCI</b>		
Interest rate contracts	\$ (291)	\$ 279
Foreign exchange contracts	(312)	321
Credit derivatives	(404)	(46)
<b>Total effective portion of cash flow hedges included in AOCI</b>	<b>\$ (1,007)</b>	<b>\$ 554</b>
<b>Effective portion of cash flow hedges reclassified from AOCI to Earnings</b>		
Interest rate contracts(1)	\$ (431)	\$ (1,288)
Foreign exchange contracts(2)	(149)	(128)
Credit derivatives		
<b>Total effective portion of cash flow hedges reclassified from AOCI to Earnings</b>	<b>\$ (580)</b>	<b>\$ (1,416)</b>

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(1) The amount reclassified from AOCI, related to interest rate cash flow hedges, to Other revenue and Principal transactions is (\$404) million and (\$27) million, respectively for the three months ended September 30, 2009, and (\$1,166) million and (\$122) million for the nine months ended September 30, 2009, respectively.

(2) The amount reclassified from AOCI, related to foreign exchange cash flow hedges, to Other Revenue and Principal transactions is \$(146) million and (\$3) million, respectively, for the three months ended September 30, 2009, and \$(121) million and (\$7) million for the nine months ended September 30, 2009, respectively.

For cash flow hedges, any changes in the fair value of the end-user derivative remaining in *Accumulated other comprehensive income (loss)* on the Consolidated Balance Sheet will be included in earnings of future periods to offset the variability of the hedged cash flows when such cash flows affect earnings. The net loss associated with cash flow hedges expected to be reclassified from *Accumulated other comprehensive income* within 12 months of September 30, 2009 is approximately \$2.1 billion.

The impact of cash flow hedges on AOCI is also included within Note 14 to the Consolidated Financial Statements Changes in Accumulated Comprehensive Income (Loss).

#### **Net investment hedges**

ASC 815-20-25-58 (SFAS 133) allows hedging of the foreign-currency risk of a net investment in a foreign operation. Citigroup uses foreign-currency forwards, options and swaps and foreign-currency-denominated debt instruments to manage the foreign-exchange risk associated with Citigroup's equity investments in several non-U.S. dollar functional currency foreign subsidiaries. Citigroup records the change in the carrying amount of these investments in the *Cumulative translation adjustment* account within *Accumulated other comprehensive income (loss)*. Simultaneously, the effective portion of the hedge of this exposure is also recorded in the *Cumulative translation*

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*adjustment account* and the ineffective portion, if any, is immediately recorded in earnings.

For derivatives used in net investment hedges, Citigroup follows the forward-rate method. According to that method, all changes in fair value, including changes related to the forward-rate component of the foreign-currency forward contracts and the time-value of foreign-currency options, are recorded in the Cumulative translation adjustment account. For foreign-currency denominated debt instruments that are designated as hedges of net investments, the translation gain or loss that is recorded in the cumulative translation adjustment account is based on the spot exchange rate between the functional currency of the respective subsidiary and the U.S. dollar, which is the functional currency of Citigroup. To the extent the notional amount of the hedging instrument exactly matches the hedged net investment and the underlying exchange rate of the derivative hedging instrument relates to the exchange rate between the functional currency of the net investment and Citigroup's functional currency (or, in the case of a non-derivative debt instrument, such instrument is denominated in the functional currency of the net investment), no ineffectiveness is recorded in earnings.

The following table summarizes certain information related to the Company's net investment hedges for the three and nine months ended September 30, 2009:

Net Investments Hedges(1) <i>In millions of dollars</i>	Three months ended September 30, 2009	Nine months ended September 30, 2009
Pretax gain (loss) included in FX translation adjustment with AOCI	\$ (1,232)	\$ (4,144)
Gain (loss) on hedge ineffectiveness on net investment hedges included in Other revenue	\$	\$ 4

(1)

No amount, related to the effective portion of net investment hedges, was reclassified from AOCI to earnings for the three and nine months ended September 30, 2009. Additionally, no amount was excluded from the assessment of the effectiveness of the net investment hedges during the three and nine months ended September 30, 2009.

## Credit Derivatives

A credit derivative is a bilateral contract between a buyer and a seller under which the seller agrees to provide protection to the buyer against the credit risk of a particular entity ("reference entity" or "reference credit"). Credit derivatives generally require that the seller of credit protection make payments to the buyer upon the occurrence of predefined credit events (commonly referred to as "settlement triggers"). These settlement triggers are defined by the form of the derivative and the reference credit and are generally limited to the market standard of failure to pay on indebtedness and bankruptcy of the reference credit and, in a more limited range of transactions, debt restructuring. Credit derivative transactions referring to emerging market reference credits will also typically include additional settlement triggers to cover the acceleration of indebtedness and the risk of repudiation or a payment moratorium. In certain transactions, protection may be provided on a portfolio of referenced credits or asset-backed securities. The seller of such protection may not be required to make payment until a specified amount of losses has occurred with respect to the portfolio and/or may only be required to pay for losses up to a specified amount.

The Company makes markets in and trades a range of credit derivatives, both on behalf of clients as well as for its own account. Through these contracts, the Company either purchases or writes protection on either a single name or a portfolio of reference credits. The Company uses credit derivatives to help mitigate credit risk in its corporate loan portfolio and other cash positions, to take proprietary trading positions, and to facilitate client transactions.

The range of credit derivatives sold includes credit default swaps, total return swaps and credit options.

A credit default swap is a contract in which, for a fee, a protection seller (guarantor) agrees to reimburse a protection buyer (beneficiary) for any losses that occur due to a credit event on a reference entity. If there is no credit default event or settlement trigger, as defined by the specific derivative contract, then the guarantor makes no payments to the beneficiary and receives only the contractually specified fee. However, if a credit event occurs as defined in the specific derivative contract sold, the guarantor will be required to make a payment to the beneficiary.

A total return swap transfers the total economic performance of a reference asset, which includes all associated cash flows, as well as capital appreciation or depreciation. The protection buyer (beneficiary) receives a floating rate of interest and any depreciation on the reference asset from the protection seller (guarantor) and, in return, the protection seller receives the cash flows associated with the reference asset plus any appreciation. Thus, according to the total return swap agreement, the beneficiary will be obligated to make a payment any time the floating interest rate payment and any depreciation of the reference asset exceed the cash flows associated with the underlying asset. A total return swap

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may terminate upon a default of the reference asset subject to the provisions of the related total return swap agreement between the protection seller (guarantor) and the protection buyer (beneficiary).

A credit option is a credit derivative that allows investors to trade or hedge changes in the credit quality of the reference asset. For example, in a credit spread option, the option writer (guarantor) assumes the obligation to purchase or sell the reference asset at a specified "strike" spread level. The option purchaser (beneficiary) buys the right to sell the reference asset to, or purchase it from, the option writer at the strike spread level. The payments on credit spread options depend either on a particular credit spread or the price of the underlying credit-sensitive asset. The options usually terminate if the underlying assets default.

A credit-linked note is a form of credit derivative structured as a debt security with an embedded credit default swap. The purchaser of the note writes credit protection to the issuer, and receives a return which will be negatively affected by credit events on the underlying reference credit. If the reference entity defaults, the purchaser of the credit-linked note may assume the long position in the debt security and any future cash flows from it, but will lose the amount paid to the issuer of the credit-linked note. Thus the maximum amount of the exposure is the carrying amount of the credit-linked note. As of September 30, 2009 and December 31,

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2008, the amount of credit-linked notes held by the Company in trading inventory was immaterial.

The following tables summarize the key characteristics of the Company's credit derivative portfolio as protection seller (guarantor) as of September 30, 2009 and December 31, 2008:

<i>In millions of dollars as of September 30, 2009</i>	Maximum potential amount of future payments	Fair value payable(1)
<b>By industry/counterparty</b>		
Bank	\$ 860,437	\$ 46,071
Broker-dealer	301,216	17,661
Monoline		
Non-financial	2,127	96
Insurance and other financial institutions	151,326	12,753
<b>Total by industry/counterparty</b>	<b>\$ 1,315,106</b>	<b>\$ 76,581</b>
<b>By instrument:</b>		
Credit default swaps and options	\$ 1,314,282	\$ 76,383
Total return swaps	824	198
<b>Total by instrument</b>	<b>\$ 1,315,106</b>	<b>\$ 76,581</b>
<b>By rating:</b>		
Investment grade	\$ 759,845	23,362
Non-investment grade	422,865	33,231
Not rated	132,396	19,988
<b>Total by rating</b>	<b>\$ 1,315,106</b>	<b>\$ 76,581</b>

(1)

In addition, fair value amounts receivable under credit derivatives sold were \$23,324 million.

<i>In millions of dollars as of December 31, 2008</i>	Maximum potential amount of future payments	Fair value payable(1)
<b>By industry/counterparty</b>		
Bank	\$ 943,949	\$ 118,428
Broker-dealer	365,664	55,458
Monoline	139	91
Non-financial	7,540	2,556
Insurance and other financial institutions	125,988	21,700
<b>Total by industry/counterparty</b>	<b>\$ 1,443,280</b>	<b>\$ 198,233</b>
<b>By instrument:</b>		
Credit default swaps and options	\$ 1,441,375	\$ 197,981
Total return swaps	1,905	252
<b>Total by instrument</b>	<b>\$ 1,443,280</b>	<b>\$ 198,233</b>
<b>By rating:</b>		
Investment grade	\$ 851,426	\$ 83,672
Non-investment grade	410,483	87,508
Not rated	181,371	27,053

Explanation of Responses:

<b>Total by rating</b>	\$	1,443,280	\$	198,233
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(1)

In addition, fair value amounts receivable under credit derivatives sold were \$5,890 million.

Citigroup evaluates the payment/performance risk of the credit derivatives to which it stands as guarantor based on the credit rating which has been assigned to the underlying referenced credit. Where external ratings by nationally recognized statistical rating organizations (such as Moody's and S&P), are used, investment grade ratings are considered to be Baa/BBB or above, while anything below is considered non-investment grade. The Citigroup internal ratings are in line with the related external credit rating system. On certain underlying referenced credit, mainly related to over-the-counter credit derivatives, ratings are not available, and these are included in the not-rated category. Credit derivatives written on an underlying non-investment grade referenced credit represent greater payment risk to the Company. The non-investment grade category in the table above primarily includes credit derivatives where the underlying referenced entity has been downgraded subsequent to the inception of the derivative.

The maximum potential amount of future payments under credit derivative contracts presented in the table above is based on the notional value of the derivatives. The Company believes that the maximum potential amount of future payments for credit protection sold is not representative of the actual loss exposure based on historical experience. This amount has not been reduced by the Company's rights to the underlying assets and the related cash flows. In accordance with most credit derivative contracts, should a credit event (or settlement trigger) occur, the Company is usually liable for the difference between the protection sold and the recourse it holds in the value of the underlying assets. Thus, if the reference entity defaults, Citi will generally have a right to collect on the underlying reference credit and any related cash flows, while being liable for the full notional amount of credit protection sold to the buyer. Furthermore, this maximum potential amount of future payments for credit protection sold has not been reduced for any cash collateral paid to a given counterparty, as such payments would be calculated after netting all derivative exposures, including any credit derivatives with that counterparty in accordance with a related master netting agreement. Due to such netting processes, determining the amount of collateral that corresponds to credit derivative exposures only is not possible. The Company actively monitors open credit risk exposures, and manages this exposure by using a variety of strategies including purchased credit derivatives, cash collateral or direct holdings of the referenced assets. This risk mitigation activity is not captured in the table above.

#### Credit-Risk-Related Contingent Features in Derivatives

Certain derivative instruments contain provisions that require the Company to either post additional collateral or immediately settle any outstanding liability balances upon the occurrence of a specified credit risk-related event. These events, which are defined by the existing derivative contracts, are primarily downgrades in the credit ratings of the Company and its affiliates. The fair value of all derivative instruments with credit-risk-related contingent features that are in a liability position at September 30, 2009 is \$21 billion. The Company has posted \$13 billion as collateral for this exposure in the normal course of business as of September 30, 2009. Each downgrade would trigger additional collateral requirements for the Company and its affiliates. However, in the event that each legal entity was downgraded to below investment grade credit rating as of September 30, 2009, the Company would be required to post additional collateral of up to \$5 billion.



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**17. FAIR-VALUE MEASUREMENT**

Effective January 1, 2007, the Company adopted ASC 820-10 (SFAS 157). ASC 820-10 (SFAS 157) defines fair value, establishes a consistent framework for measuring fair value and expands disclosure requirements about fair-value measurements. Among other things, the standard requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. In addition, it precludes the use of block discounts when measuring the fair value of instruments traded in an active market; such discounts were previously applied to large holdings of publicly traded equity securities. It also requires recognition of trade-date gains related to certain derivative transactions whose fair value has been determined using unobservable market inputs. This guidance supersedes the guidance in Emerging Issues Task Force Issue No. 02-3, "Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities" (EITF Issue 02-3), which prohibited the recognition of trade-date gains for such derivative transactions when determining the fair value of instruments not traded in an active market.

As a result of the adoption of the standard, the Company made some amendments to the techniques used in measuring the fair value of derivative and other positions. These amendments change the way that the probability of default of a counterparty is factored into the valuation of derivative positions, include for the first time the impact of Citigroup's own credit risk on derivatives and other liabilities measured at fair value, and also eliminate the portfolio servicing adjustment that is no longer necessary.

**Fair-Value Hierarchy**

ASC 820-10 (SFAS 157) also specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair-value hierarchy:

Level 1 Quoted prices for *identical* instruments in active markets.

Level 2 Quoted prices for *similar* instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3 Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are *unobservable*.

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible. The frequency of transactions, the size of the bid-ask spread and the amount of adjustment necessary when comparing similar transactions are all factors in determining the liquidity of markets and the relevance of observed prices in those markets.

**Determination of Fair Value**

For assets and liabilities carried at fair value, the Company measures such value using the procedures set out below, irrespective of whether these assets and liabilities are carried at fair value as a result of an election whether they were previously carried at fair value.

When available, the Company generally uses quoted market prices to determine fair value and classifies such items in Level 1. In some cases where a market price is available, the Company will make use of acceptable practical expedients (such as matrix pricing) to calculate fair value, in which case the items are classified in Level 2.

If quoted market prices are not available, fair value is based upon internally developed valuation techniques that use, where possible, current market-based or independently sourced market parameters, such as interest rates, currency rates, option volatilities, etc. Items valued using such internally generated valuation techniques are classified according to the lowest level input or value driver that is significant to the valuation. Thus, an item may be classified in Level 3 even though there may be some significant inputs that are readily observable.

Where available, the Company may also make use of quoted prices for recent trading activity in positions with the same or similar characteristics to that being valued. The frequency and size of transactions and the amount of the bid-ask spread are among the factors

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considered in determining the liquidity of markets and the relevance of observed prices from those markets. If relevant and observable prices are available, those valuations would be classified as Level 2. If prices are not available, other valuation techniques would be used and the item would be classified as Level 3.

Fair-value estimates from internal valuation techniques are verified, where possible, to prices obtained from independent vendors or brokers. Vendors and brokers' valuations may be based on a variety of inputs ranging from observed prices to proprietary valuation models.

The following section describes the valuation methodologies used by the Company to measure various financial instruments at fair value, including an indication of the level in the fair-value hierarchy in which each instrument is generally classified. Where appropriate, the description includes details of the valuation models, the key inputs to those models as well as any significant assumptions.

### *Securities purchased under agreements to resell and securities sold under agreements to repurchase*

No quoted prices exist for such instruments and so fair value is determined using a discounted cash-flow technique. Cash flows are estimated based on the terms of the contract, taking into account any embedded derivative or other features. Expected cash flows are discounted using market rates appropriate to the maturity of the instrument as well as the nature and amount of collateral taken or received. Generally, such instruments are

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classified within Level 2 of the fair-value hierarchy as the inputs used in the fair valuation are readily observable.

***Trading Account Assets and Liabilities   Trading Securities and Trading Loans***

When available, the Company uses quoted market prices to determine the fair value of trading securities; such items are classified in Level 1 of the fair-value hierarchy. Examples include some government securities and exchange-traded equity securities.

For bonds and secondary market loans traded over the counter, the Company generally determines fair value utilizing internal valuation techniques. Fair-value estimates from internal valuation techniques are verified, where possible, to prices obtained from independent vendors. Vendors compile prices from various sources and may apply matrix pricing for similar bonds or loans where no price is observable. If available, the Company may also use quoted prices for recent trading activity of assets with similar characteristics to the bond or loan being valued. Trading securities and loans priced using such methods are generally classified as Level 2. However, when less liquidity exists for a security or loan, a quoted price is stale or prices from independent sources vary, a loan or security is generally classified as Level 3.

Where the Company's principal market for a portfolio of loans is the securitization market, the Company uses the securitization price to determine the fair value of the portfolio. The securitization price is determined from the assumed proceeds of a hypothetical securitization in the current market, adjusted for transformation costs (i.e., direct costs other than transaction costs) and securitization uncertainties such as market conditions and liquidity. As a result of the severe reduction in the level of activity in certain securitization markets since the second half of 2007, observable securitization prices for certain directly comparable portfolios of loans have not been readily available. Therefore, such portfolios of loans are generally classified in Level 3 of the fair-value hierarchy. However, for other loan securitization markets, such as those related to conforming prime fixed-rate and conforming adjustable-rate mortgage loans, pricing verification of the hypothetical securitizations has been possible, since these markets have remained active. Accordingly, these loan portfolios are classified as Level 2 in the fair-value hierarchy.

***Trading Account Assets and Liabilities   Derivatives***

Exchange-traded derivatives are generally fair valued using quoted market (i.e., exchange) prices and so are classified in Level 1 of the fair-value hierarchy.

The majority of derivatives entered into by the Company are executed over the counter and so are valued using internal valuation techniques as no quoted market prices exist for such instruments. The valuation techniques and inputs depend on the type of derivative and the nature of the underlying instrument. The principal techniques used to value these instruments are discounted cash flows, Black-Scholes and Monte Carlo simulation. The fair values of derivative contracts reflect cash the Company has paid or received (for example, option premiums paid and received).

The key inputs depend upon the type of derivative and the nature of the underlying instrument and include interest rate yield curves, foreign-exchange rates, the spot price of the underlying volatility and correlation. The item is placed in either Level 2 or Level 3 depending on the observability of the significant inputs to the model. Correlation and items with longer tenors are generally less observable.

***Subprime-Related Direct Exposures in CDOs***

The Company accounts for its CDO super senior subprime direct exposures and the underlying securities on a fair-value basis with all changes in fair value recorded in earnings. Citigroup's CDO super senior subprime direct exposures are not subject to valuation based on observable transactions. Accordingly, the fair value of these exposures is based on management's best estimates based on facts and circumstances as of the date of these Consolidated Financial Statements.

Citigroup's CDO super senior subprime direct exposures are Level 3 assets. The valuation of the high-grade and mezzanine ABS CDO positions uses trader prices based on the underlying assets of each high-grade and mezzanine ABS CDO. Unlike the ABCP and CDO-squared positions, the high-grade and mezzanine positions are now largely hedged through the ABX and bond short positions, which are, by necessity, trader priced. This results in closer symmetry in the way these long and short positions are valued by the Company. Citigroup intends to use trader marks to value this portion of the portfolio going forward so long as it remains largely hedged.

The valuation of the ABCP and CDO-squared positions are subject to valuation based on significant unobservable inputs. Fair value of these exposures is based on estimates of future cash flows from the mortgage loans underlying the assets of the ABS CDOs. To determine the performance of the underlying mortgage loan portfolios, the Company estimates the prepayments, defaults and loss severities based on a number of macroeconomic factors, including housing price changes, unemployment rates, interest rates and borrower and loan attributes, such as age, credit scores, documentation status, loan-to-value (LTV) ratios and debt-to-income (DTI) ratios. The model is calibrated using available mortgage loan information including historical loan performance. In addition, the methodology estimates the impact of geographic concentration

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of mortgages and the impact of reported fraud in the origination of subprime mortgages. An appropriate discount rate is then applied to the cash flows generated for each ABCP and CDO-squared tranche, in order to estimate its fair value under current market conditions.

When necessary, the valuation methodology used by Citigroup is refined and the inputs used for the purposes of estimation are modified, in part, to reflect ongoing market developments. More specifically, the inputs of home price appreciation (HPA) assumptions and delinquency data were updated along with discount rates that are based upon a weighted average combination of implied spreads from single name ABS bond prices and ABX indices, as well as CLO spreads under current market conditions.

The housing-price changes were estimated using a forward-looking projection, which incorporated the Loan Performance Index. In addition, the Company's mortgage default model also

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uses recent mortgage performance data, a period of sharp home price declines and high levels of mortgage foreclosures.

The valuation as of September 30, 2009 assumes a cumulative decline in U.S. housing prices from peak to trough of 30.5%. This rate assumes declines of 10% in 2009 and flat in 2010, respectively, the remainder of the 30.5% decline having already occurred before the end of 2008.

In addition, the discount rates were based on a weighted average combination of the implied spreads from single name ABS bond prices, ABX indices and CLO spreads, depending on vintage and asset types. To determine the discount margin, the Company applies the mortgage default model to the bonds underlying the ABX indices and other referenced cash bonds and solves for the discount margin that produces the current market prices of those instruments.

The primary drivers that currently impact the super senior valuations are the discount rates used to calculate the present value of projected cash flows and projected mortgage loan performance.

For most of the lending and structuring direct subprime exposures (excluding super seniors), fair value is determined utilizing observable transactions where available, other market data for similar assets in markets that are not active and other internal valuation techniques.

### ***Investments***

The investments category includes available-for-sale debt and marketable equity securities, whose fair value is determined using the same procedures described for trading securities above or, in some cases, using vendor prices as the primary source.

Also included in investments are nonpublic investments in private equity and real estate entities held by the S&B business. Determining the fair value of nonpublic securities involves a significant degree of management resources and judgment as no quoted prices exist and such securities are generally very thinly traded. In addition, there may be transfer restrictions on private equity securities. The Company uses an established process for determining the fair value of such securities, using commonly accepted valuation techniques, including the use of earnings multiples based on comparable public securities, industry-specific non-earnings-based multiples and discounted cash flow models. In determining the fair value of nonpublic securities, the Company also considers events such as a proposed sale of the investee company, initial public offerings, equity issuances, or other observable transactions.

Private equity securities are generally classified in Level 3 of the fair-value hierarchy.

### ***Short-Term Borrowings and Long-Term Debt***

Where fair-value accounting has been elected, the fair value of non-structured liabilities is determined by discounting expected cash flows using the appropriate discount rate for the applicable maturity. Such instruments are generally classified in Level 2 of the fair-value hierarchy as all inputs are readily observable.

The Company determines the fair value of structured liabilities (where performance is linked to structured interest rates, inflation or currency risks) and hybrid financial instruments (performance linked to risks other than interest rates, inflation or currency risks) using the appropriate derivative valuation methodology (described above) given the nature of the embedded risk profile. Such instruments are classified in Level 2 or Level 3 depending on the observability of significant inputs to the model.

### ***Market Valuation Adjustments***

Liquidity adjustments are applied to items in Level 2 and Level 3 of the fair-value hierarchy to ensure that the fair value reflects the price at which the entire position could be liquidated. The liquidity reserve is based on the bid-offer spread for an instrument, adjusted to take into account the size of the position.

Counterparty credit-risk adjustments are applied to derivatives, such as over-the-counter derivatives, where the base valuation uses market parameters based on the LIBOR interest rate curves. Not all counterparties have the same credit risk as that implied by the relevant LIBOR curve, so it is necessary to consider the market view of the credit risk of a counterparty in order to estimate the fair value of such an item.

Bilateral or "own" credit-risk adjustments are applied to reflect the Company's own credit risk when valuing derivatives and liabilities measured at fair value. Counterparty and own credit adjustments consider the expected future cash flows between Citi and its counterparties under the terms of the instrument and the effect of credit risk on the valuation of those cash flows, rather than a point-in-time assessment of the current recognized net asset or liability. Furthermore, the credit-risk adjustments take into account the effect of credit-risk mitigants, such as

pledged collateral and any legal right of offset (to the extent such offset exists) with a counterparty through arrangements such as netting agreements.

***Auction Rate Securities***

Auction rate securities (ARS) are long-term municipal bonds, corporate bonds, securitizations and preferred stocks with interest rates or dividend yields that are reset through periodic auctions. The coupon paid in the current period is based on the rate determined by the prior auction. In the event of an auction failure, ARS holders receive a "fail rate" coupon, which is specified by the original issue documentation of each ARS.

Where insufficient orders to purchase all of the ARS issue to be sold in an auction were received, the primary dealer or auction agent would traditionally have purchased any residual unsold inventory (without a contractual obligation to do so). This residual inventory would then be repaid through subsequent auctions, typically in a short timeframe. Due to this auction mechanism and generally liquid market, ARS have historically traded and were valued as short-term instruments.

Citigroup acted in the capacity of primary dealer for approximately \$72 billion of ARS and continued to purchase residual unsold inventory in support of the auction mechanism until mid-February 2008. After this date, liquidity in the ARS market deteriorated significantly, auctions failed due to a lack of bids from third-party investors, and Citigroup ceased to purchase unsold inventory. Following a number of ARS refinancings, at September 30, 2009, Citigroup continued to act in the capacity of primary dealer for approximately \$31.5 billion of outstanding ARS.

The Company classifies its ARS as held-to-maturity, available-for-sale and trading securities.

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Prior to our first auction's failing in the first quarter of 2008, Citigroup valued ARS based on observation of auction market prices, because the auctions had a short maturity period (7, 28 and 35 days). This generally resulted in valuations at par. Once the auctions failed, ARS could no longer be valued using observation of auction market prices. Accordingly, the fair value of ARS is currently estimated using internally developed discounted cash flow valuation techniques specific to the nature of the assets underlying each ARS.

For ARS with U.S. municipal securities as underlying assets, future cash flows are estimated based on the terms of the securities underlying each individual ARS and discounted at an estimated discount rate in order to estimate the current fair value. The key assumptions that impact the ARS valuations are estimated prepayments and refinancings, estimated fail rate coupons (i.e., the rate paid in the event of auction failure, which varies according to the current credit rating of the issuer) and the discount rate used to calculate the present value of projected cash flows. The discount rate used for each ARS is based on rates observed for straight issuances of other municipal securities. In order to arrive at the appropriate discount rate, these observed rates were adjusted upward to factor in the specifics of the ARS structure being valued, such as callability, and the illiquidity in the ARS market.

For ARS with student loans as underlying assets, future cash flows are estimated based on the terms of the loans underlying each individual ARS, discounted at an appropriate rate in order to estimate the current fair value. The key assumptions that impact the ARS valuations are the expected weighted average life of the structure, estimated fail rate coupons, the amount of leverage in each structure and the discount rate used to calculate the present value of projected cash flows. The discount rate used for each ARS is based on rates observed for basic securitizations with similar maturities to the loans underlying each ARS being valued. In order to arrive at the appropriate discount rate, these observed rates were adjusted upward to factor in the specifics of the ARS structure being valued, such as callability, and the illiquidity in the ARS market.

During the first quarter of 2008, ARS for which the auctions failed and where no secondary market has developed were moved to Level 3, as the assets were subject to valuation using significant unobservable inputs. The majority of ARS continue to be classified in Level 3.

***Alt-A Mortgage Securities***

The Company classifies its Alt-A mortgage securities as held-to-maturity, available-for-sale, and trading investments. The securities classified as trading and available-for-sale are recorded at fair value with changes in fair value reported in current earnings and AOCI, respectively. For these purposes, Alt-A mortgage securities are non-agency residential mortgage-backed securities (RMBS) where (1) the underlying collateral has weighted average FICO scores between 680 and 720 or (2) for instances where FICO scores are greater than 720, RMBS have 30% or less of the underlying collateral composed of full documentation loans.

Similar to the valuation methodologies used for other trading securities and trading loans, the Company generally determines the fair value of Alt-A mortgage securities utilizing internal valuation techniques. Fair-value estimates from internal valuation techniques are verified, where possible, to prices obtained from independent vendors. Vendors compile prices from various sources. Where available, the Company may also make use of quoted prices for recent trading activity in securities with the same or similar characteristics to that being valued.

The internal valuation techniques used for Alt-A mortgage securities, as with other mortgage exposures, consider estimated housing price changes, unemployment rates, interest rates and borrower attributes. They also consider prepayment rates as well as other market indicators.

Alt-A mortgage securities that are valued using these methods are generally classified as Level 2. However, Alt-A mortgage securities backed by Alt-A mortgages of lower quality or more recent vintages are mostly classified in Level 3 due to the reduced liquidity that exists for such positions, which reduces the reliability of prices available from independent sources.

***Commercial Real Estate Exposure***

Citigroup reports a number of different exposures linked to commercial real estate at fair value with changes in fair value reported in earnings, including securities, loans and investments in entities that hold commercial real estate loans or commercial real estate directly. The Company also reports securities backed by commercial real estate as *Available-for-sale investments*, which are carried at fair value with changes in fair-value reported in AOCI.

Similar to the valuation methodologies used for other trading securities and trading loans, the Company generally determines the fair value of securities and loans linked to commercial real estate utilizing internal valuation techniques. Fair-value estimates from internal valuation techniques are verified, where possible, to prices obtained from independent vendors. Vendors compile prices from various sources. Where available, the Company may also make use of quoted prices for recent trading activity in securities or loans with the same or similar characteristics to that being valued. Securities and loans linked to commercial real estate valued using these methodologies are generally classified as Level 3 as a result of the reduced liquidity currently in the market for such exposures.

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The fair value of investments in entities that hold commercial real estate loans or commercial real estate directly is determined using a similar methodology to that used for other non-public investments in real estate held by the S&B business. The Company uses an established process for determining the fair value of such securities, using commonly accepted valuation techniques, including the use of earnings multiples based on comparable public securities, industry-specific non-earnings-based multiples and discounted cash flow models. In determining the fair value of such investments, the Company also considers events, such as a proposed sale of the investee company, initial public offerings, equity issuances, or other observable transactions. Such investments are generally classified in Level 3 of the fair-value hierarchy.



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***Highly Leveraged Financing Commitments***

The Company reports approximately \$900 million of highly leveraged loans as held for sale, which are measured on a LOCOM basis. The fair value of such exposures is determined, where possible, using quoted secondary-market prices and classified in Level 2 of the fair-value hierarchy if there is a sufficient level of activity in the market and quotes or traded prices are available with suitable frequency.

However, due to the dislocation of the credit markets and the reduced market interest in higher risk/higher yield instruments since the latter half of 2007, liquidity in the market for highly leveraged financings has been limited. Therefore, a majority of such exposures are classified in Level 3 as quoted secondary market prices do not generally exist. The fair value for such exposures is determined using quoted prices for a similar asset or assets, adjusted for the specific attributes of the loan being valued.

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The following tables present for each of the fair-value hierarchy levels the Company's assets and liabilities that are measured at fair value on a recurring basis at September 30, 2009 and December 31, 2008. The Company often hedges positions that have been classified in the Level 3 category with financial instruments that have been classified as Level 1 or Level 2. In addition, the Company also hedges items classified in the Level 3 category with instruments classified in Level 3 of the fair value hierarchy. The effects of these hedges are presented gross in the following table.

<i>In millions of dollars at September 30, 2009</i>	Level 1	Level 2	Level 3	Gross inventory	Netting(1)	Net balance
<b>Assets</b>						
<b>Federal funds sold and securities borrowed or purchased under agreements to resell</b>						
	\$	\$ 114,841	\$	\$ 114,841	\$ (26,955)	\$ 87,886
<b>Trading securities</b>						
<b>Trading mortgage-backed securities</b>						
U.S. government sponsored		\$ 22,387	\$ 1,162	\$ 23,549	\$	\$ 23,549
Prime		719	458	1,177		1,177
Alt-A		743	562	1,305		1,305
Subprime		880	9,758	10,638		10,638
Non-U.S. residential		1,633	290	1,923		1,923
Commercial		1,244	2,731	3,975		3,975
<b>Total trading mortgage-backed securities</b>						
	\$	\$ 27,606	\$ 14,961	\$ 42,567	\$	\$ 42,567
<b>U.S. Treasury and federal agencies securities</b>						
U.S. Treasury	\$ 20,527	\$ 276	\$	\$ 20,803	\$	\$ 20,803
Agency obligations		3,854	79	3,933		3,933
<b>Total U.S. Treasury and federal agencies securities</b>						
	\$ 20,527	\$ 4,130	\$ 79	\$ 24,736	\$	\$ 24,736
<b>Other trading securities</b>						
State and municipal	\$	\$ 6,744	\$ 452	\$ 7,196		\$ 7,196
Foreign government	48,200	17,781	444	66,425		66,425
Corporate		38,856	8,629	47,485		47,485
Equity securities	34,989	10,319	1,155	46,463		46,463
Other debt securities		20,789	16,366	37,155		37,155
<b>Total trading securities</b>						
	\$ 103,716	\$ 126,225	\$ 42,086	\$ 272,027	\$	\$ 272,027
<b>Derivatives</b>						
	\$ 4,977	\$ 786,659	\$ 30,466	\$ 822,102	\$ (753,432)	\$ 68,670
<b>Investments</b>						
<b>Mortgage-backed securities</b>						
U.S. government sponsored	\$ 1,387	\$ 22,232	\$	\$ 23,619	\$	\$ 23,619

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Prime	5,405	873	6,278	6,278
Alt-A	403	67	470	470
Subprime		19	19	19
Non-U.S. Residential	266		266	266
Commercial	45	764	809	809

**Total investment  
mortgage-backed  
securities**

\$ 1,387 \$ 28,351 \$ 1,723 \$ 31,461 \$ 31,461

**U.S. Treasury and  
federal Agency  
securities**

U.S. Treasury	\$ 4,599	\$ 1,635	\$ 6,234	\$ 6,234
Agency obligations		16,963	4	16,967

**Total U.S. Treasury  
and federal agency**

\$ 4,599 \$ 18,598 \$ 4 \$ 23,201 \$ 23,201

<b>State and municipal</b>	\$	\$ 16,571	\$ 254	\$ 16,825	\$ 16,825
<b>Foreign government</b>	37,313	43,087	271	80,671	80,671
<b>Corporate</b>		19,303	1,405	20,708	20,708
<b>Equity securities</b>	3,088	109	2,542	5,739	5,739
<b>Other debt securities</b>	553	2,492	8,602	11,647	11,647
<b>Non-marketable equity securities</b>		119	7,646	7,765	7,765

**Total investments** \$ 46,940 \$ 128,630 \$ 22,447 \$ 198,017 \$ 198,017

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<i>In millions of dollars at September 30, 2009</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Gross inventory</b>	<b>Netting(1)</b>	<b>Net balance</b>
<b>Loans(2)</b>		\$ 1,290	\$ 215	\$ 1,505		\$ 1,505
<b>Mortgage servicing rights</b>			6,228	6,228		6,228
<b>Assets of discontinued operations held for sale(3)</b>	5,961	2,516	727	9,204		9,204
<b>Other financial assets measured on a recurring basis</b>		17,199	1,184	18,383	(4,713)	\$ 13,670
<b>Total assets</b>	\$ 161,594 11.2%	\$ 1,177,360 81.6%	\$ 103,353 7.2%	\$ 1,442,307 100.0%	\$ (785,100)	\$ 657,207
<b>Liabilities</b>						
<b>Interest-bearing deposits</b>	\$	\$ 1,998	\$ 31	\$ 2,029	\$	\$ 2,029
<b>Federal funds purchased and securities loaned or sold under agreements to repurchase</b>		135,165	8,483	143,648	(26,955)	116,693
<b>Trading account liabilities</b>						
Securities sold, not yet purchased	43,864	22,905	1,219	67,988		67,988
Derivatives	5,601	772,149	29,934	807,684	(745,132)	62,552
<b>Short-term borrowings</b>		1,284	159	1,443		1,443
<b>Long-term debt</b>		16,080	11,106	27,186		27,186
<b>Liabilities of discontinued operations held for sale(3)</b>	1,302	1,521		2,823		2,823
<b>Other financial liabilities measured on a recurring basis</b>		19,531	1	19,532	(4,713)	14,819
<b>Total liabilities</b>	\$ 50,767 4.7%	\$ 970,633 90.6%	\$ 50,933 4.7%	\$ 1,072,333 100.0%	\$ (776,800)	\$ 295,533

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- (1) Represents netting of: (i) the amounts due under securities purchased under agreements to resell and the amounts owed under securities sold under agreements to repurchase, and (ii) derivative exposures covered by a qualifying master netting agreement, cash collateral, and the market value adjustment.
- (2) There is no allowance for loan losses recorded for loans reported at fair value.
- (3) Represents the assets and liabilities of Nikko Cordial businesses sold that are measured at fair value. See Note 2 to the Consolidated Financial Statements, "Discontinued Operations," for further discussion.

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<i>In millions of dollars at December 31, 2008</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Gross inventory</b>	<b>Netting(1)</b>	<b>Net balance</b>
<b>Assets</b>						
<b>Federal funds sold and securities borrowed or purchased under agreements to resell</b>	\$	\$ 96,524	\$	\$ 96,524	\$ (26,219)	\$ 70,305
<b>Trading account assets</b>						
Trading securities and loans	90,530	121,043	50,773	262,346		262,346
Derivatives	9,675	1,102,252	60,725	1,172,652	(1,057,363)	115,289
<b>Investments</b>	44,342	111,836	28,273	184,451		184,451
<b>Loans(2)</b>		2,572	160	2,732		2,732
<b>Mortgage servicing rights</b>			5,657	5,657		5,657
<b>Other financial assets measured on a recurring basis</b>		25,540	359	25,899	(4,527)	21,372
<b>Total assets</b>	<b>\$ 144,547</b>	<b>\$ 1,459,767</b>	<b>\$ 145,947</b>	<b>\$ 1,750,261</b>	<b>\$ (1,088,109)</b>	<b>\$ 662,152</b>
	<b>8.3%</b>	<b>83.4%</b>	<b>8.3%</b>	<b>100.0%</b>		
<b>Liabilities</b>						
<b>Interest-bearing deposits</b>	\$	\$ 2,552	\$ 54	\$ 2,606	\$	\$ 2,606
<b>Federal funds purchased and securities loaned or sold under agreements to repurchase</b>		153,918	11,167	165,085	(26,219)	138,866
<b>Trading account liabilities</b>						
Securities sold, not yet purchased	36,848	13,192	653	50,693		50,693
Derivatives	10,038	1,094,435	57,139	1,161,612	(1,046,505)	115,107
<b>Short-term borrowings</b>		16,278	1,329	17,607		17,607
<b>Long-term debt</b>		16,065	11,198	27,263		27,263
<b>Other financial liabilities measured on a recurring basis</b>		18,093	1	18,094	(4,527)	13,567
<b>Total liabilities</b>	<b>\$ 46,886</b>	<b>\$ 1,314,533</b>	<b>\$ 81,541</b>	<b>\$ 1,442,960</b>	<b>\$ (1,077,251)</b>	<b>\$ 365,709</b>
	<b>3.2%</b>	<b>91.1%</b>	<b>5.7%</b>	<b>100.0%</b>		

- 
- (1) Represents netting of: (i) the amounts due under securities purchased under agreements to resell and the amounts owed under securities sold under agreements to repurchase, and (ii) derivative exposures covered by a qualifying master netting agreement, cash collateral, and the market value adjustment.
- (2) There is no allowance for loan losses recorded for loans reported at fair value.

[Table of Contents](#)**Changes in Level 3 Fair-Value Category**

The following tables present the changes in the Level 3 fair-value category for the three months ended September 30, 2009 and December 31, 2008. The Company classifies financial instruments in Level 3 of the fair-value hierarchy when there is reliance on at least one significant unobservable input to the valuation model. In addition to these unobservable inputs, the valuation models for Level 3 financial instruments typically also rely on a number of inputs that are readily observable either directly or indirectly. Thus, the gains and losses presented below include changes in the fair value related to both observable and unobservable inputs.

The Company often hedges positions with offsetting positions that are classified in a different level. For example, the gains and losses for assets and liabilities in the Level 3 category presented in the tables below do not reflect the effect of offsetting losses and gains on hedging instruments that have been classified by the Company in the Level 1 and Level 2 categories. In addition, the Company hedges items classified in the Level 3 category with instruments also classified in Level 3 of the fair-value hierarchy. The effects of these hedges are presented gross in the following tables.

<i>In millions of dollars</i>	<b>June 30, 2009</b>	<b>Net realized/ unrealized gains (losses) included in</b>		<b>Transfers in and/or out of Level 3</b>	<b>Purchases, issuances and settlements</b>	<b>Sept. 30, 2009</b>	<b>Unrealized gains (losses) still held(3)</b>
		<b>Principal transactions</b>	<b>Other(1)(2)</b>				
<b>Assets</b>							
<b>Trading securities</b>							
<b>Trading mortgage-backed securities</b>							
U.S. government sponsored	\$ 1,244	\$ (71)	\$	\$ 127	\$ (138)	\$ 1,162	\$ (116)
Prime	623	(76)		(39)	(50)	458	(37)
Alt-A	777	18		(75)	(158)	562	18
Subprime	10,001	1,752		(515)	(1,480)	9,758	1,785
Non-U.S. residential	345	(3)		(142)	90	290	(3)
Commercial	2,808	(1)		114	(190)	2,731	2
<b>Total trading mortgage-backed securities</b>	<b>\$ 15,798</b>	<b>\$ 1,619</b>	<b>\$</b>	<b>\$ (530)</b>	<b>\$ (1,926)</b>	<b>\$ 14,961</b>	<b>\$ 1,649</b>
<b>U.S. Treasury and federal agencies securities</b>							
U.S. Treasury	\$	\$	\$	\$	\$	\$	\$
Agency obligations	49	9		5	16	79	9
<b>Total U.S. Treasury and federal agencies securities</b>	<b>\$ 49</b>	<b>\$ 9</b>	<b>\$</b>	<b>\$ 5</b>	<b>\$ 16</b>	<b>\$ 79</b>	<b>\$ 9</b>
<b>State and municipal</b>	<b>\$ 109</b>	<b>\$ (49)</b>	<b>\$</b>	<b>\$ 300</b>	<b>\$ 92</b>	<b>\$ 452</b>	<b>\$ (49)</b>
<b>Foreign government</b>	<b>590</b>	<b>24</b>		<b>(134)</b>	<b>(36)</b>	<b>444</b>	<b>4</b>
<b>Corporate</b>	<b>9,435</b>	<b>404</b>		<b>(764)</b>	<b>(446)</b>	<b>8,629</b>	<b>431</b>
<b>Equity securities</b>	<b>1,866</b>	<b>161</b>		<b>(899)</b>	<b>27</b>	<b>1,155</b>	<b>25</b>
<b>Other debt securities</b>	<b>16,846</b>	<b>1,133</b>		<b>(1,122)</b>	<b>(491)</b>	<b>16,366</b>	<b>1,018</b>
<b>Total trading securities</b>	<b>\$ 44,693</b>	<b>\$ 3,301</b>	<b>\$</b>	<b>\$ (3,144)</b>	<b>\$ (2,764)</b>	<b>\$ 42,086</b>	<b>\$ 3,087</b>
<b>Derivatives, net(4)</b>	<b>\$ 1,180</b>	<b>\$ (2,407)</b>	<b>\$</b>	<b>\$ (1,107)</b>	<b>\$ 2,866</b>	<b>\$ 532</b>	<b>\$ (3,064)</b>
<b>Investments</b>							
<b>Mortgage-backed securities</b>							
U.S. government sponsored	\$ 78	\$	\$ 1	\$	\$ (79)	\$	\$ 1
Prime	775		50	99	(51)	873	59
Alt-A	271		11	(114)	(101)	67	16
Subprime	17			2		19	

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Commercial	719	62	2	(19)	764	14
<b>Total investment mortgage-backed debt securities</b>	\$ 1,860	\$ 124	\$ (11)	\$ (250)	\$ 1,723	\$ 90
<b>U.S. Treasury and federal agencies securities</b>						
U.S. Treasury	\$	\$	\$	\$	\$	\$
Agency obligations	9			(5)	4	
<b>Total U.S. Treasury and federal agencies securities</b>	\$ 9	\$	\$	(5)	4	\$
<b>State and municipal</b>	\$ 252	\$ 2	\$	\$	\$ 254	\$
<b>Foreign government</b>	168		89	14	271	
<b>Corporate</b>	1,688	3	(86)	(200)	1,405	\$ 5
<b>Equity securities</b>	2,818	(15)	(22)	(239)	2,542	10
<b>Other debt securities</b>	8,429	523	(194)	(156)	8,602	454
<b>Non-marketable equity securities</b>	7,800	(40)	(8)	(106)	7,646	(226)
<b>Total investments</b>	\$ 23,024	\$ 597	\$ (232)	\$ (942)	\$ 22,447	\$ 333

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<i>In millions of dollars</i>	June 30, 2009	Net realized/ unrealized gains (losses) included in		Transfers in and/or out of Level 3	Purchases, issuances and settlements	Sept. 30, 2009	Unrealized gains (losses) still held(3)
		Principal transactions	Other(1)(2)				
<b>Loans</b>	\$ 196	\$	\$ 24	\$	\$ (5)	\$ 215	\$ 24
<b>Mortgage servicing rights</b>	\$ 6,770	\$	\$ (444)	\$	\$ (98)	\$ 6,228	\$ (444)
<b>Other financial assets measured on a recurring basis</b>	1,645		(347)	(67)	(47)	1,184	\$ (347)
<b>Liabilities</b>							
<b>Interest-bearing deposits</b>	\$ 112	\$	\$ 63	\$	\$ (18)	\$ 31	\$ 63
<b>Federal funds purchased and securities loaned or sold under agreements to repurchase</b>	7,204	(32)		1,622	(375)	8,483	(40)
<b>Trading account liabilities</b>							
Securities sold, not yet purchased	961	(14)		(166)	410	1,219	15
<b>Short-term borrowings</b>	377		9	(75)	(134)	159	9
<b>Long-term debt</b>	11,201		(385)	414	(894)	11,106	(456)
<b>Other financial liabilities measured on a recurring basis</b>	19		(2)		(20)	1	(1)

<i>In millions of dollars</i>	December 31, 2008	Net realized/ unrealized gains (losses) included in		Transfers in and/or out of Level 3	Purchases, issuances and settlements	Sept. 30, 2009	Unrealized gains (losses) still held(3)
		Principal transactions	Other(1)(2)				
<b>Assets</b>							
<b>Trading securities</b>							
<b>Trading mortgage-backed securities</b>							
U.S. government sponsored	\$ 1,325	\$ 145	\$	\$ 137	\$ (445)	\$ 1,162	\$ 89
Prime	147	(131)		400	42	458	(83)
Alt-A	1,153	(101)		(262)	(228)	562	(101)
Subprime	13,844	56		(1,225)	(2,917)	9,758	2,262
Non-U.S. residential	858	(77)		(632)	141	290	12
Commercial	2,949	(196)		273	(295)	2,731	(207)
<b>Total trading mortgage-backed securities</b>	\$ 20,276	\$ (304)	\$	\$ (1,309)	\$ (3,702)	\$ 14,961	\$ 1,972
<b>U.S. Treasury and federal agencies securities</b>							
U.S. Treasury	\$	\$	\$	\$	\$	\$	\$
Agency obligations	59			2	18	79	2
<b>Total U.S. Treasury and federal agencies securities</b>	\$ 59	\$	\$	\$ 2	\$ 18	\$ 79	\$ 2



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<b>State and municipal</b>	\$	233	\$	(71)	\$	220	\$	70	\$	452	\$	(49)
<b>Foreign government</b>		1,261		120		(501)		(436)		444		29
<b>Corporate</b>		13,027		(299)		(1,556)		(2,543)		8,629		457
<b>Equity securities</b>		1,387		252		(778)		294		1,155		90
<b>Other debt securities</b>		14,530		1,144		(2,320)		3,012		16,366		1,044

<b>Total trading securities</b>	\$	50,773	\$	842	\$	(6,242)	\$	(3,287)	\$	42,086	\$	3,545
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<b>Derivatives, net(4)</b>	\$	3,586	\$	(4,783)	\$	(1,824)	\$	3,553	\$	532	\$	(3,026)
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**Investments**

**Mortgage-backed securities**

U.S. government sponsored	\$		\$		\$	1	\$	75	\$	(76)	\$	3
Prime		1,163		211		132		(633)		873		213
Alt-A		111		44		(51)		(37)		67		17
Subprime		25		(9)		(8)		11		19		
Commercial		964		71		(461)		190		764		29

**Total investment mortgage-backed debt securities**

	\$	2,263	\$		\$	318	\$	(313)	\$	(545)	\$	1,723	\$	262
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**U.S. Treasury and federal agencies securities**

U.S. Treasury	\$		\$		\$		\$		\$		\$	
Agency obligations						9		(5)		4		

**Total U.S. Treasury and federal agencies securities**

	\$		\$		\$		\$	9	\$	(5)	\$	4	\$	
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<i>In millions of dollars</i>	December 31, 2008	Net realized/ unrealized gains (losses) included in		Transfers in and/or out of Level 3	Purchases, issuances and settlements	Sept. 30, 2009	Unrealized gains (losses) still held(3)
		Principal transactions	Other(1)(2)				
<b>State and municipal</b>	\$ 222	\$	\$ 2	\$ 30	\$	\$ 254	\$
<b>Foreign government</b>	571			(313)	13	271	(1)
<b>Corporate</b>	1,019		47	568	(229)	1,405	40
<b>Equity securities</b>	3,807		(495)	(152)	(618)	2,542	(34)
<b>Other debt securities</b>	11,324		96	(1,142)	(1,676)	8,602	643
<b>Non-marketable equity securities</b>	9,067		(746)	(247)	(428)	7,646	(238)
<b>Total investments</b>	\$ 28,273	\$	\$ (778)	\$ (1,560)	\$ (3,488)	\$ 22,447	\$ 672
<b>Loans</b>	\$ 160	\$	\$ 43	\$	\$ 12	\$ 215	\$ 24
<b>Mortgage servicing rights</b>	\$ 5,657	\$	\$ 996	\$	\$ (425)	\$ 6,228	\$ 996
<b>Other financial assets measured on a recurring basis</b>	359		205	689	(69)	1,184	\$ 205
<b>Liabilities</b>							
<b>Interest-bearing deposits</b>	\$ 54	\$	\$ 4	\$	\$ (19)	\$ 31	\$ 49
<b>Federal funds purchased and securities loaned or sold under agreements to repurchase</b>	11,167	276		(2,098)	(310)	8,483	(320)
<b>Trading account liabilities</b>							
Securities sold, not yet purchased	653	30		(181)	777	1,219	25
<b>Short-term borrowings</b>	1,329		(56)	(821)	(405)	159	(72)
<b>Long-term debt</b>	11,198		(349)	88	(529)	11,106	(215)
<b>Other financial liabilities measured on a recurring basis</b>	1		(45)		(45)	1	

  

<i>In millions of dollars</i>	June 30, 2008	Net realized/ unrealized gains (losses) included in		Transfers in and/or out of Level 3	Purchases, issuances and settlements	September 30, 2008	Unrealized gains (losses) still held(3)
		Principal transactions	Other(1)(2)				
<b>Assets</b>							
<b>Trading account assets</b>							
Trading securities and loans	\$ 76,819	\$ (5,640)	\$	\$ 13,283	\$ 857	\$ 85,319	\$ (5,439)
<b>Investments</b>	27,086		(1,287)	3,818	(1,381)	28,236	(1,190)
<b>Loans</b>	145	(14)			24	155	(22)
<b>Mortgage servicing rights</b>	8,934		(396)		(192)	8,346	(396)
<b>Other financial assets measured on a recurring basis</b>	1,451		(26)	353	(102)	1,676	(3)
<b>Liabilities</b>							
<b>Interest-bearing deposits</b>	\$ 111	\$ 10	\$	\$	\$ (17)	\$ 84	\$ 8
<b>Securities sold under agreements to repurchase</b>	3,166	(159)		73	(579)	2,819	(39)

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Trading account liabilities						
Securities sold, not yet purchased	1,718	3	366	(950)	1,131	34
Derivatives, net(4)	102	2,904	3,072	2,878	3,148	3,092
Short-term borrowings	1,160	54	511	274	1,891	38
Long-term debt	38,355	940	3,277	(6,877)	33,815	403
Other financial liabilities measured on a recurring basis	26	(45)		(46)	25	(45)

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<i>In millions of dollars</i>	December 31, 2007	Net realized/ unrealized gains (losses) included in Principal transactions	Other(1)(2)	Transfers in and/or out of Level 3	Purchases, issuances and settlements	September 30, 2008	Unrealized gains (losses) still held(3)
<b>Assets</b>							
Securities purchased under agreements to resell	\$ 16	\$	\$	\$	\$ (16)	\$	\$
<b>Trading account assets</b>							
Trading securities and loans	75,573	(18,831)		32,028	(3,451)	85,319	(14,065)
Investments	17,060		(2,834)	6,789	7,221	28,236	(1,268)
Loans	9	(3)			149	155	(2)
Mortgage servicing rights	8,380		568		(602)	8,346	568
<b>Other financial assets measured on a recurring basis</b>							
	1,171		21	422	62	1,676	21
<b>Liabilities</b>							
Interest-bearing deposits	\$ 56	\$ (9)	\$	\$ 13	\$ 6	\$ 84	\$ (3)
Securities sold under agreements to repurchase	6,158	(88)		(2,293)	(1,134)	2,819	45
<b>Trading account liabilities</b>							
Securities sold, not yet purchased	473	(5)		998	(345)	1,131	118
Derivatives, net(4)	2,470	5,701		3,178	3,201	3,148	3,638
Short-term borrowings	5,016	203		(1,772)	(1,150)	1,891	110
Long-term debt	8,953	1,349		41,296	(15,085)	33,815	875
<b>Other financial liabilities measured on a recurring basis</b>							
	1		(59)		(35)	25	(5)

- (1) Changes in fair value for available-for-sale investments (debt securities) are recorded in *Accumulated other comprehensive income*, while gains and losses from sales are recorded in *Realized gains (losses) from sales of investments* on the Consolidated Statement of Income.
- (2) Unrealized gains (losses) on MSRs are recorded in *Commissions and fees* on the Consolidated Statement of Income.
- (3) Represents the amount of total gains or losses for the period, included in earnings (and *Accumulated other comprehensive income* for changes in fair value for available-for-sale investments), attributable to the change in fair value relating to assets and liabilities classified as Level 3 that are still held at September 30, 2009 and 2008.
- (4) Total Level 3 derivative exposures have been netted in these tables for presentation purposes only.

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The following is a discussion of the changes to the Level 3 balances for each of the roll-forward tables presented above.

The significant changes from June 30, 2009 to September 30, 2009 Level 3 assets and liabilities are due to:

A net decrease in trading securities of \$2.6 billion that was driven by:

- (i) Net realized / unrealized gains of \$3.3 billion recorded in *Principal transactions*, composed mainly of gains on subprime mortgage-backed securities (\$1.7 billion) and other debt securities (\$1.1 billion);
- (ii) Net transfers to Level 2 of \$3.1 billion, which relates mainly to securities issued by credit card securitization trusts, for which significant inputs into valuations became more readily observable during the quarter;
- (iii) Net settlements of \$2.8 billion, including liquidations of subprime trading securities of \$1.5 billion during the third quarter.

A net increase in federal funds purchased and securities loaned or sold under agreements to repurchase of \$1.3 billion. This was driven mainly by transfers to Level 3 during the third quarter of \$1.6 billion, and relates to structured repurchase agreements with longer effective maturity dates.

The significant changes from December 31, 2008 to September 30, 2009 Level 3 assets and liabilities are due to:

A net decrease in trading securities of \$8.7 billion that was mainly driven by:

- (i) Net transfers of \$6.2 billion to Level 2 inventory, including corporate debt (\$1.6 billion) and subprime trading securities (\$1.2 billion) and other debt trading securities (\$2.3 billion). The transfer of other debt securities to Level 2 was mainly due to securities issued by credit card securitization trusts, for which significant inputs into valuations became more readily observable;
- (ii) Net realized / unrealized gains of \$0.8 billion recorded in *Principal transactions*.
- (iii) Net settlements of \$3.3 billion, primarily due to liquidations of subprime trading securities of \$2.9 billion.

A net decrease in investments of \$5.8 billion that resulted from:

- (i) Net realized / unrealized losses recorded in other income of \$0.8 billion, due primarily to losses on private equity investments and real estate fund investments;
- (ii) Net settlements of investment securities of \$3.5 billion due to pay-downs and sales.
- (iii) Net transfers of \$1.5 billion of investments to Level 2.

A decrease in trading derivatives of \$3.1 billion includes net realized and unrealized losses of \$4.8 billion recorded in *Principal transactions*, mainly on complex derivative contracts such as those linked to credit and equity exposures. These losses are partially offset by gains recognized on instruments that have been classified in Levels 1 and 2.

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The following is a discussion of the changes to the Level 3 balances for each of the rollforward tables presented above.

For the period June 30, 2008 to September 30, 2008, the changes in Level 3 assets and liabilities are due to:

The increase in trading securities and loans of \$8.5 billion, which was driven primarily by the net transfer of \$13.3 billion of trading assets into Level 3, including ABS securities, warehouse loans backed by auto lease receivables, and certificates issued by the U.S. credit card securitization trust that are retained by the Company. This was offset by various write-downs recognized by the Company during the quarter.

The increase in net derivative trading account liabilities of \$3.0 billion was due to \$3.1 billion of net transfers into Level 3, as illiquid markets continued to negatively impact the availability of observable pricing inputs. \$2.9 billion of net additions was offset by \$2.9 billion of mark-to-market gains. A portion of these gains was offset by losses recognized for positions classified in Level 2.

The decrease in long-term debt of \$4.5 billion as maturities of the consolidated SIV's debt was offset by the transfer of certain debt obligations from Level 2 to Level 3. Long-term debt was also reduced by mark-to-market gains, driven by the widening of Company's own-credit spreads.

The significant changes from December 31, 2007 to September 30, 2008 in Level 3 assets and liabilities are due to:

A net increase in trading securities and loans of \$9.7 billion as net write-downs recognized on various trading securities and net reductions from settlements/sales were more than offset by the net transfer of trading securities into Level 3. The continued lack of availability of observable pricing inputs was the primary cause of this net transfer.

The increase in investments of \$11.2 billion primarily resulted from the \$8.7 billion in senior debt securities retained from the Company's April 17, 2008 sale of a corporate loan portfolio that included highly leveraged loans. In addition, \$1.4 billion of

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certificates issued by the U.S credit card securitization trust and retained by the Company were transferred from Level 2 to Level 3 during the third quarter of 2008.

The reduction in securities sold under agreement to repurchase of \$3.3 billion, was primarily driven by the transfer of positions from Level 3 to Level 2 as valuation methodology inputs considered to be unobservable were determined to be insignificant to the overall valuation.

The decrease in short-term borrowings of \$3.1 billion, which was primarily due to net transfers out of \$1.8 billion as valuation methodology inputs considered to be unobservable were determined to be insignificant to the overall valuation, and payments of \$1.2 billion against the short-term debt obligations.

The increase in long-term debt of \$24.9 billion was driven by the transfer of consolidated SIV liabilities to Level 3 due to the lack of observable inputs, offset by the payments made against this debt in the second and third quarters of 2008.

**Items Measured at Fair Value on a Nonrecurring Basis**

Certain assets and liabilities are measured at fair value on a nonrecurring basis and therefore are not included in the tables above. These include assets measured at cost that have been written down to fair value during the periods as a result of an impairment. In addition, assets such as loans held for sale that are measured at the lower of cost or market (LOCOM) that were recognized at fair value below cost at the end of the period.

The fair value of loans measured on a LOCOM basis is determined where possible using quoted secondary-market prices. Such loans are generally classified in Level 2 of the fair-value hierarchy given the level of activity in the market and the frequency of available quotes. If no such quoted price exists, the fair value of a loan is determined using quoted prices for a similar asset or assets, adjusted for the specific attributes of that loan.

The following table presents all loans held-for-sale that are carried at LOCOM as of September 30, 2009 and December 31, 2008 (in billions):

	Aggregate Cost	Fair Value	Level 2	Level 3
<b>September 30, 2009</b>	\$ 2.8	\$ 1.6	\$ 0.5	\$ 1.1
<b>December 31, 2008</b>	3.1	2.1	0.8	1.3

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**18. FAIR-VALUE ELECTIONS**

The Company may elect to report most financial instruments and certain other items at fair value on an instrument-by-instrument basis with changes in fair value reported in earnings. After the initial adoption, the election is made upon the acquisition of an eligible financial asset, financial liability or firm commitment or when certain specified reconsideration events occur. The fair-value election may not be revoked once an election is made.

Additionally, the transition provisions of ASC 825-10 (SFAS 159) permit a one-time election for existing positions at the adoption date with a cumulative-effect adjustment included in opening retained earnings and future changes in fair value reported in earnings.

The Company also has elected to adopt the fair-value accounting provisions for certain assets and liabilities prospectively. Hybrid financial instruments, such as structured notes containing embedded derivatives that otherwise would require bifurcation, as well as certain interest-only instruments, may be accounted for at fair value if the Company makes an irrevocable election to do so on an instrument-by-instrument basis. The changes in fair value are recorded in current earnings. Additional discussion regarding the applicable areas in which fair value elections were made is presented in Note 17 to the Consolidated Financial Statements.

All servicing rights must now be recognized initially at fair value. At its initial adoption, the standard permits a one-time irrevocable election to re-measure each class of servicing rights at fair value, with the changes in fair value recorded in current earnings. The classes of servicing rights are identified based on the availability of market inputs used in determining their fair values and the methods for managing their risks. The Company has elected fair-value accounting for its mortgage and student loan classes of servicing rights. The impact of adopting this standard was not material. See Note 15 to the Consolidated Financial Statements for further discussions regarding the accounting and reporting of mortgage servicing rights.



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The following table presents, as of September 30, 2009, the fair value of those positions selected for fair-value accounting, as well as the changes in fair value for the nine months ended September 30, 2009 and September 30, 2008.

<i>In millions of dollars</i>	Fair Value at		Changes in fair value gains (losses) for nine months ended September 30,	
	September 30, 2009	December 31, 2008	2009	2008(1)
<b>Assets</b>				
Federal funds sold and securities borrowed or purchased under agreements to resell				
Selected portfolios of securities purchased under agreements to resell, securities borrowed(2)	\$ 87,886	\$ 70,305	\$ (1,284)	\$ 675
Trading account assets:				
Legg Mason convertible preferred equity securities originally classified as available-for-sale	\$	\$	\$	\$ (13)
Selected letters of credit hedged by credit default swaps or participation notes	28		61	(2)
Certain credit products	16,695	16,254	5,461	(1,143)
Certain hybrid financial instruments	6	33		3
Retained interests from asset securitizations	2,153	3,026	1,522	(521)
Total trading account assets	\$ 18,882	\$ 19,313	\$ 7,044	\$ (1,676)
Investments:				
Certain investments in private equity and real estate ventures	\$ 359	\$ 469	\$ (52)	\$ (54)
Other	237	295	(83)	(60)
Total investments	\$ 596	\$ 764	\$ (135)	\$ (114)
Loans:				
Certain credit products	\$ 997	\$ 2,315	\$ 26	\$ (54)
Certain mortgage loans	30	36	(2)	(22)
Certain hybrid financial instruments	478	381	54	5
Total loans	\$ 1,505	\$ 2,732	\$ 78	\$ (71)
Other assets:				
Mortgage servicing rights	\$ 6,228	\$ 5,657	\$ 996	\$ 568
Certain mortgage loans	2,857	4,273	81	21
Certain equity method investments	769	936	174	(154)
Total other assets	\$ 9,854	\$ 10,866	\$ 1,251	\$ 435
<b>Total</b>	<b>\$ 118,723</b>	<b>\$ 103,980</b>	<b>\$ 6,954</b>	<b>\$ (751)</b>
<b>Liabilities</b>				
Interest-bearing deposits:				
Certain structured liabilities	\$ 234	\$ 320	\$	\$
Certain hybrid financial instruments	1,795	2,286	(562)	557
Total interest-bearing deposits	\$ 2,029	\$ 2,606	\$ (562)	\$ 557
Federal funds purchased and securities loaned or sold under agreements to repurchase	\$	\$	\$	\$
	\$ 116,693	\$ 138,866	\$ 213	\$ (44)

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Selected portfolios of securities sold under agreements to repurchase, securities loaned(2)

Trading account liabilities:

Selected letters of credit hedged by credit default swaps or participation notes	\$		\$	72	\$	37	\$	
Certain hybrid financial instruments		5,980		4,679		(1,798)		2,618
Total trading account liabilities	\$	5,980	\$	4,751	\$	(1,761)	\$	2,618

Short-term borrowings:

Certain non-collateralized short-term borrowings	\$	188	\$	2,303	\$	50	\$	45
Certain hybrid financial instruments		523		2,112		(84)		176
Certain structured liabilities		3		3				10
Certain non-structured liabilities		729		13,189		(33)		
Total short-term borrowings	\$	1,443	\$	17,607	\$	(67)	\$	231

Long-term debt:

Certain structured liabilities	\$	3,395	\$	3,083	\$	(64)	\$	446
Certain non-structured liabilities		7,510		7,189		(102)		3,441
Certain hybrid financial instruments		16,281		16,991		(1,572)		2,335
Total long-term debt	\$	27,186	\$	27,263	\$	(1,738)	\$	6,222
<b>Total</b>	\$	<b>153,331</b>	\$	<b>191,093</b>	\$	<b>(3,915)</b>	\$	<b>9,584</b>

(1) Reclassified to conform to current period's presentation.

(2) Reflects netting of the amounts due from securities purchased under agreements to resell and the amounts owed under securities sold under agreements to repurchase.

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**Own-Credit Valuation Adjustment**

The fair value of debt liabilities for which the fair-value option was elected (other than non-recourse and similar liabilities) was impacted by the narrowing of the Company's credit spread. The estimated change in the fair value of these debt liabilities due to such changes in the Company's own credit risk (or instrument-specific credit risk) was a loss of \$1.019 billion and a gain of \$1.525 billion for the three months ended September 30, 2009 and September 30, 2008, respectively, and a loss of \$2.447 billion and a gain of \$2.577 billion for the nine months ended September 30, 2009 and September 30, 2008, respectively. Changes in fair value resulting from changes in instrument-specific credit risk were estimated by incorporating the Company's current observable credit spreads into the relevant valuation technique used to value each liability as described above.

During the fourth quarter of 2008, the Company changed the source of its credit spreads from those observed in the credit default swap market to those observed in the bond market. Had this modification been in place since the beginning of 2008, the change in the Company's own credit spread would have resulted in a gain of \$2.48 billion and a gain of \$3.53 billion for the three and nine months ended September 30, 2008, respectively.

**The Fair-Value Option for Financial Assets and Financial Liabilities**

***Legg Mason convertible preferred equity securities***

The Legg Mason convertible preferred equity securities (Legg shares) were acquired in connection with the sale of Citigroup's Asset Management business in December 2005. Prior to the election of fair-value option accounting, the shares were classified as available-for-sale securities with the unrealized loss of \$232 million as of December 31, 2006 included in *Accumulated other comprehensive income (loss)*. This unrealized loss was recorded upon election of a fair value as a reduction of January 1, 2007 *Retained earnings* as part of the cumulative-effect adjustment.

During the first quarter of 2008, the Company sold the remaining 8.4 million Legg shares at a pretax loss of \$10.3 million (\$6.7 million after-tax).

***Selected portfolios of securities purchased under agreements to resell, securities borrowed, securities sold under agreements to repurchase, securities loaned and certain non-collateralized short-term borrowings***

The Company elected the fair-value option retrospectively for our United States and United Kingdom portfolios of fixed-income securities purchased under agreements to resell and fixed-income securities sold under agreements to repurchase (and certain non-collateralized short-term borrowings). The fair-value option was also elected prospectively in the second quarter of 2007 for certain portfolios of fixed-income securities lending and borrowing transactions based in Japan. In each case, the election was made because the related interest-rate risk is managed on a portfolio basis, primarily with derivative instruments that are accounted for at fair value through earnings. Previously, these positions were accounted for on an accrual basis.

Changes in fair value for transactions in these portfolios are recorded in *Principal transactions*. The related interest revenue and interest expense are measured based on the contractual rates specified in the transactions and are reported as interest revenue and expense in the Consolidated Statement of Income.

***Selected letters of credit and revolving loans hedged by credit default swaps or participation notes***

The Company has elected the fair-value option for certain letters of credit that are hedged with derivative instruments or participation notes. Upon electing the fair-value option, the related portions of the allowance for loan losses and the allowance for unfunded lending commitments were reversed. Citigroup elected the fair-value option for these transactions because the risk is managed on a fair-value basis and to mitigate accounting mismatches.

The notional amount of these unfunded letters of credit was \$1.8 billion as of September 30, 2009 and \$1.4 billion as of December 31, 2008. The amount funded was insignificant with no amounts 90 days or more past due or on a non-accrual status at September 30, 2009 and December 31, 2008.

These items have been classified in *Trading account assets* or *Trading account liabilities* on the Consolidated Balance Sheet. Changes in fair value of these items are classified in *Principal transactions* in the Company's Consolidated Statement of Income.

*Certain credit products*

Citigroup has elected the fair-value option for certain originated and purchased loans, including certain unfunded loan products, such as guarantees and letters of credit, executed by Citigroup's trading businesses. None of these credit products is a highly leveraged financing commitment. Significant groups of transactions include loans and unfunded loan products that are expected to be either sold or securitized in the near term, or transactions where the economic risks are hedged with derivative instruments such as purchased credit default swaps or total return swaps where the Company pays the total return on the underlying loans to a third party. Citigroup has elected the fair-value option to mitigate accounting mismatches in cases where hedge accounting is complex and to achieve operational simplifications. Fair value was not elected for most lending transactions across the Company, including where those management objectives would not be met.

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The following table provides information about certain credit products carried at fair value:

<i>In millions of dollars</i>	September 30, 2009		December 31, 2008(1)	
	Trading assets	Loans	Trading assets	Loans
Carrying amount reported on the Consolidated Balance Sheet	\$ 16,695	\$ 997	\$ 16,254	\$ 2,315
Aggregate unpaid principal balance in excess of fair value	\$ 1,016	\$ (38)	\$ 6,501	\$ 3
Balance of non-accrual loans or loans more than 90 days past due	\$ 794	\$	\$ 77	\$
Aggregate unpaid principal balance in excess of fair value for non-accrual loans or loans more than 90 days past due	\$ 461	\$	\$ 190	\$

(1)

Reclassified to conform to current period's presentation.

In addition to the amounts reported above, \$200 million and \$72 million of unfunded loan commitments related to certain credit products selected for fair-value accounting were outstanding as of September 30, 2009 and December 31, 2008, respectively.

Changes in fair value of funded and unfunded credit products are classified in *Principal transactions* in the Company's Consolidated Statement of Income. Related interest revenue is measured based on the contractual interest rates and reported as *Interest revenue* on trading account assets or loans depending on their balance sheet classifications. The changes in fair value for the nine months ended September 30, 2009 and 2008 due to instrument-specific credit risk totaled to a loss of \$32 million and \$32 million, respectively.

***Certain investments in private equity and real estate ventures and certain equity method investments***

Citigroup invests in private equity and real estate ventures for the purpose of earning investment returns and for capital appreciation. The Company has elected the fair-value option for certain of these ventures, because such investments are considered similar to many private equity or hedge fund activities in our investment companies, which are reported at fair value. The fair-value option brings consistency in the accounting and evaluation of certain of these investments. All investments (debt and equity) in such private equity and real estate entities are accounted for at fair value. These investments are classified as *Investments* on Citigroup's Consolidated Balance Sheet.

Citigroup also holds various non-strategic investments in leveraged buyout funds and other hedge funds that previously were required to be accounted for under the equity method. The Company elected fair-value accounting to reduce operational and accounting complexity. Since the funds account for all of their underlying assets at fair value, the impact of applying the equity method to Citigroup's investment in these funds was equivalent to fair-value accounting. Thus, this fair-value election had no impact on opening *Retained earnings*. These investments are classified as *Other assets* on Citigroup's Consolidated Balance Sheet.

Changes in the fair values of these investments are classified in *Other revenue* in the Company's Consolidated Statement of Income.

***Certain structured liabilities***

The Company has elected the fair-value option for certain structured liabilities whose performance is linked to structured interest rates, inflation or currency risks ("structured liabilities"). The Company elected the fair-value option, because these exposures are considered to be trading-related positions and, therefore, are managed on a fair-value basis. These positions will continue to be classified as debt, deposits or derivatives (*Trading account liabilities*) on the Company's Consolidated Balance Sheet according to their legal form.

For those structured liabilities classified as *Long-term debt* for which the fair-value option has been elected, the aggregate unpaid principal balance exceeded the aggregate fair value by \$208 million and \$671 million as of September 30, 2009 and December 31, 2008, respectively.

The change in fair value for these structured liabilities is reported in *Principal transactions* in the Company's Consolidated Statement of Income.

Related interest expense is measured based on the contractual interest rates and reported as such in the Consolidated Income Statement.

*Certain non-structured liabilities*

The Company has elected the fair-value option for certain non-structured liabilities with fixed and floating interest rates ("non-structured liabilities"). The Company has elected the fair-value option where the interest-rate risk of such liabilities is economically hedged with derivative contracts or the proceeds are used to purchase financial assets that will also be accounted for at fair value through earnings. The election has been made to mitigate accounting mismatches and to achieve operational simplifications. These positions are reported in *Short-term borrowings* and *Long-term debt* on the Company's Consolidated Balance Sheet.

For those non-structured liabilities classified as *Short-term borrowings* for which the fair-value option has been elected, the aggregate unpaid principal balance exceeded the aggregate fair value of such instruments by \$41 million and \$220 million as of September 30, 2009 and December 31, 2008, respectively.

For non-structured liabilities classified as *Long-term debt* for which the fair-value option has been elected, the aggregate unpaid principal balance exceeded the aggregate fair value by \$637 million and \$856 million as of September 30, 2009 and December 31, 2008, respectively. The change in fair value for these non-structured liabilities is reported in *Principal transactions* in the Company's Consolidated Statement of Income.

Related interest expense continues to be measured based on the contractual interest rates and reported as such in the Consolidated Income Statement.

Table of Contents***Certain mortgage loans***

Citigroup has elected the fair-value option for certain purchased and originated prime fixed-rate and conforming adjustable-rate first mortgage loans held-for-sale. These loans are intended for sale or securitization and are hedged with derivative instruments. The Company has elected the fair-value option to mitigate accounting mismatches in cases where hedge accounting is complex and to achieve operational simplifications. The fair-value option was not elected for loans held-for-investment, as those loans are not hedged with derivative instruments. This election was effective for applicable instruments originated or purchased on or after September 1, 2007.

The following table provides information about certain mortgage loans carried at fair value:

<i>In millions of dollars</i>	September 30, 2009	December 31, 2008
Carrying amount reported on the Consolidated Balance Sheet	\$ 2,857	\$ 4,273
Aggregate fair value in excess of unpaid principal balance	\$ 87	\$ 138
Balance of non-accrual loans or loans more than 90 days past due	\$ 8	\$ 9
Aggregate unpaid principal balance in excess of fair value for non-accrual loans or loans more than 90 days past due	\$ 6	\$ 2

The changes in fair values of these mortgage loans is reported in *Other revenue* in the Company's Consolidated Statement of Income. The changes in fair value during the nine months ended September 30, 2009 and September 30, 2008 due to instrument-specific credit risk resulted in a \$6 million loss and \$6 million loss, respectively. Related interest income continues to be measured based on the contractual interest rates and reported as such in the Consolidated Statement of Income.

**Items selected for fair-value accounting*****Certain hybrid financial instruments***

The Company has elected to apply fair-value accounting for certain hybrid financial assets and liabilities whose performance is linked to risks other than interest rate, foreign exchange or inflation (e.g., equity, credit or commodity risks). In addition, the Company has elected fair-value accounting for residual interests retained from securitizing certain financial assets.

The Company has elected fair-value accounting for these instruments because these exposures are considered to be trading-related positions and, therefore, are managed on a fair-value basis. In addition, the accounting for these instruments is simplified under a fair-value approach as it eliminates the complicated operational requirements of bifurcating the embedded derivatives from the host contracts and accounting for each separately. The hybrid financial instruments are classified as *Trading account assets*, *Loans*, *Deposits*, *Trading account liabilities* (for prepaid derivatives), *Short-term borrowings* or *Long-Term Debt* on the Company's Consolidated Balance Sheet according to their legal form, while residual interests in certain securitizations are classified as *Trading account assets*.

For hybrid financial instruments for which fair-value accounting has been elected and that are classified as *Long-term debt*, the aggregate unpaid principal exceeded the aggregate fair value by \$2.4 billion and \$4.1 billion as of September 30, 2009 and December 31, 2008, respectively. The difference for those instruments classified as *Loans* is immaterial.

Changes in fair value for hybrid financial instruments, which in most cases includes a component for accrued interest, are recorded in *Principal transactions* in the Company's Consolidated Statement of Income. Interest accruals for certain hybrid instruments classified as trading assets are recorded separately from the change in fair value as *Interest revenue* in the Company's Consolidated Statement of Income.

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***Mortgage servicing rights***

The Company accounts for mortgage servicing rights (MSRs) at fair value. Fair value for MSRs is determined using an option-adjusted spread valuation approach. This approach consists of projecting servicing cash flows under multiple interest-rate scenarios and discounting these cash flows using risk-adjusted rates. The model assumptions used in the valuation of MSRs include mortgage prepayment speeds and discount rates. The fair value of MSRs is primarily affected by changes in prepayments that result from shifts in mortgage interest rates. In managing this risk, the Company hedges a significant portion of the values of its MSRs through the use of interest-rate derivative contracts, forward-purchase commitments of mortgage-backed securities, and purchased securities classified as trading. See Note 15 to the Consolidated Financial Statements for further discussions regarding the accounting and reporting of MSRs.

These MSRs, which totaled \$6.2 billion and \$5.7 billion as of September 30, 2009 and December 31, 2008, respectively, are classified as Mortgage servicing rights on Citigroup's Consolidated Balance Sheet. Changes in fair value of MSRs are recorded in *Commissions and fees* in the Company's Consolidated Statement of Income.



Table of Contents**19. FAIR VALUE OF FINANCIAL INSTRUMENTS****Estimated Fair Value of Financial Instruments**

The table below presents the carrying value and fair value of Citigroup's financial instruments. The disclosure excludes leases, affiliate investments, pension and benefit obligations and insurance policy claim reserves. In addition, contract-holder fund amounts exclude certain insurance contracts. Also as required, the disclosure excludes the effect of taxes, any premium or discount that could result from offering for sale at one time the entire holdings of a particular instrument, excess fair value associated with deposits with no fixed maturity and other expenses that would be incurred in a market transaction. In addition, the table excludes the values of non-financial assets and liabilities, as well as a wide range of franchise, relationship and intangible values (but includes mortgage servicing rights), which are integral to a full assessment of Citigroup's financial position and the value of its net assets.

The fair value represents management's best estimates based on a range of methodologies and assumptions. The carrying value of short-term financial instruments not accounted for at fair value, as well as receivables and payables arising in the ordinary course of business, approximates fair value because of the relatively short period of time between their origination and expected realization. Quoted market prices are used when available for investments and for both trading and end-user derivatives, as well as for liabilities, such as long-term debt, with quoted prices. For performing loans not accounted for at fair value, contractual cash flows are discounted at quoted secondary market rates or estimated market rates if available. Otherwise, sales of comparable loan portfolios or current market origination rates for loans with similar terms and risk characteristics are used. For loans with doubt as to collectability, expected cash flows are discounted using an appropriate rate considering the time of collection and the premium for the uncertainty of the flows. This method of estimating fair value does not incorporate the exit-price concept of fair value prescribed by ASC 820-10 (SFAS No. 157). The value of collateral is also considered. For liabilities such as long-term debt not accounted for at fair value and without quoted market prices, market borrowing rates of interest are used to discount contractual cash flows.

<i>In billions of dollars</i>	September 30, 2009		December 31, 2008	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
<b>Assets</b>				
Investments	\$ 261.9	\$ 261.7	\$ 256.0	\$ 251.9
Federal funds sold and securities borrowed or purchased under agreements to resell	197.4	197.4	184.1	184.1
Trading account assets	340.7	340.7	377.6	377.6
Loans(1)	582.7	573.6	660.9	642.7
Other financial assets(2)	344.9	344.7	316.6	316.6

<i>In billions of dollars</i>	September 30, 2009		December 31, 2008	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
<b>Liabilities</b>				
Deposits	\$ 832.6	\$ 832.3	\$ 774.2	\$ 772.9
Federal funds purchased and securities loaned or sold under agreements to repurchase	178.2	178.2	205.3	205.3
Trading account liabilities	130.5	130.5	165.8	165.8
Long-term debt	379.6	374.9	359.6	317.1
Other financial liabilities(3)	171.7	171.7	255.6	255.6

(1)

The carrying value of loans is net of the *Allowance for loan losses* of \$36.4 billion for September 30, 2009 and \$29.6 billion for December 31, 2008. In addition, the carrying values exclude \$3.1 billion and \$3.7 billion of lease finance receivables at September 30, 2009 and December 31, 2008, respectively.

(2)

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Includes cash and due from banks, deposits with banks, brokerage receivables, reinsurance recoverable, mortgage servicing rights, and other financial instruments included in *Other assets* on the Consolidated Balance Sheet, for all of which the carrying value is a reasonable estimate of fair value.

(3)

Includes brokerage payables, short-term borrowings and other financial instruments included in Other Liabilities on the Consolidated Balance Sheet, for all of which the carrying value is a reasonable estimate of fair value.

Fair values vary from period to period based on changes in a wide range of factors, including interest rates, credit quality, and market perceptions of value and as existing assets and liabilities run off and new transactions are entered into.

The estimated fair values of loans reflect changes in credit status since the loans were made, changes in interest rates in the case of fixed-rate loans, and premium values at origination of certain loans. The carrying values (reduced by the *Allowance for loan losses*) exceeded the estimated fair values of Citigroup's loans, in aggregate, by \$9.1 billion and \$18.2 billion at September 30, 2009 and December 31, 2008, respectively. At September 30, 2009, the carrying values, net of allowances, exceeded the estimated fair values by \$7 billion and \$2 billion for consumer loans and corporate loans, respectively.

Citigroup has determined that it is not practicable to estimate the fair value on an ongoing basis of the loss sharing program with the United States Government because the program is a unique contract tailored to fit the specific portfolio of assets held by Citigroup, contains various public policy and other non-financial elements, and provides a significant Tier 1 Capital benefit.

Table of Contents**20. GUARANTEES**

The Company provides a variety of guarantees and indemnifications to Citigroup customers to enhance their credit standing and enable them to complete a wide variety of business transactions. For certain contracts meeting the definition of a guarantee, the guarantor must recognize, at inception, a liability for the fair value of the obligation undertaken in issuing the guarantee.

In addition, the guarantor must disclose the maximum potential amount of future payments the guarantor could be required to make under the guarantee, if there were a total default by the guaranteed parties. The determination of the maximum potential future payments is based on the notional amount of the guarantees without consideration of possible recoveries under recourse provisions or from collateral held or pledged. Such amounts bear no relationship to the anticipated losses, if any, on these guarantees.

The following tables present information about the Company's guarantees at September 30, 2009 and December 31, 2008:

<i>In billions of dollars at September 30, except carrying value in millions</i>	Maximum potential amount of future payments			Carrying value (in millions)
	Expire within 1 year	Expire after 1 year	Total amount outstanding	
<b>2009</b>				
Financial standby letters of credit	\$ 48.8	\$ 48.2	\$ 97.0	\$ 465.7
Performance guarantees	9.1	5.4	14.5	32.5
Derivative instruments considered to be guarantees	6.8	9.6	16.4	855.2
Loans sold with recourse		0.3	0.3	65.6
Securities lending indemnifications(1)	66.1		66.1	
Credit card merchant processing(1)	59.4		59.4	
Custody indemnifications and other		27.5	27.5	154.6
<b>Total</b>	<b>\$ 190.2</b>	<b>\$ 91.0</b>	<b>\$ 281.2</b>	<b>\$ 1,573.6</b>

<i>In billions of dollars at December 31, except carrying value in millions</i>	Maximum potential amount of future payments			Carrying value (in millions)
	Expire within 1 year	Expire after 1 year	Total amount outstanding	
<b>2008</b>				
Financial standby letters of credit	\$ 31.6	\$ 62.6	\$ 94.2	\$ 289.0
Performance guarantees	9.4	6.9	16.3	23.6
Derivative instruments considered to be guarantees(2)	7.6	7.2	14.8	1,308.4
Guarantees of collection of contractual cash flows(1)		0.3	0.3	
Loans sold with recourse		0.3	0.3	56.4
Securities lending indemnifications(1)	47.6		47.6	
Credit card merchant processing(1)	56.7		56.7	
Custody indemnifications and other		21.6	21.6	149.2
<b>Total</b>	<b>\$ 152.9</b>	<b>\$ 98.9</b>	<b>\$ 251.8</b>	<b>\$ 1,826.6</b>

(1) The carrying values of guarantees of collections of contractual cash flows, securities lending indemnifications and credit card merchant processing are not material, as the Company has determined that the amount and probability of potential liabilities arising from these guarantees are not significant.

(2) Reclassified to conform to current period presentation.

**Financial Standby Letters of Credit****Explanation of Responses:**

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Citigroup issues standby letters of credit which substitute its own credit for that of the borrower. If a letter of credit is drawn down, the borrower is obligated to repay Citigroup. Standby letters of credit protect a third party from defaults on contractual obligations. Financial standby letters of credit include guarantees of payment of insurance premiums and reinsurance risks that support industrial revenue bond underwriting and settlement of payment obligations to clearing houses, and also support options and purchases of securities or are in lieu of escrow deposit accounts. Financial standbys also backstop loans, credit facilities, promissory notes and trade acceptances.

### *Performance Guarantees*

Performance guarantees and letters of credit are issued to guarantee a customer's tender bid on a construction or systems-installation project or to guarantee completion of such projects in accordance with contract terms. They are also issued to support a customer's obligation to supply specified products, commodities, or maintenance or warranty services to a third party.

### *Derivative Instruments Considered to Be Guarantees*

Derivatives are financial instruments whose cash flows are based on a notional amount or an underlying instrument, where there is little or no initial investment, and whose terms require or permit net settlement. Derivatives may be used for a variety of reasons, including risk management, or to enhance returns. Financial institutions often act as intermediaries for their clients, helping clients reduce their risks. However, derivatives may also be used to take a risk position.

The derivative instruments considered guarantees, which are presented in the table above, include only those instruments that require Citi to make payments to the counterparty based on changes in an underlying that is related to an asset, a liability, or an equity security held by the guaranteed party. More specifically, derivative instruments considered guarantees include certain over-the-counter written put options where the counterparty is not a bank, hedge fund or broker-dealer (such counterparties are considered to be

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dealers in these markets, and may therefore not hold the underlying instruments). However, credit derivatives sold by the Company are excluded from this presentation. In addition, non-credit derivative contracts that are cash settled and for which the Company is unable to assert that it is probable the counterparty held the underlying instrument at the inception of the contract also are excluded from the disclosure above. The Company's credit derivative portfolio as protection seller (guarantor) is presented in Note 16 to the Consolidated Financial Statements, "Derivative Activities."

In instances where the Company's maximum potential future payment is unlimited, the notional amount of the contract is disclosed.

***Guarantees of Collection of Contractual Cash Flows***

Guarantees of collection of contractual cash flows protect investors in credit card receivables securitization trusts from loss of interest relating to insufficient collections on the underlying receivables in the trusts. The notional amount of these guarantees as of December 31, 2008, was \$300 million. No such guarantees were outstanding at September 30, 2009.

***Loans Sold with Recourse***

Loans sold with recourse represent the Company's obligations to reimburse the buyers for loan losses under certain circumstances. Recourse refers to the clause in a sales agreement under which a lender will fully reimburse the buyer/investor for any losses resulting from the purchased loans. This may be accomplished by the seller's taking back any loans that become delinquent.

***Securities Lending Indemnifications***

Owners of securities frequently lend those securities for a fee to other parties who may sell them short or deliver them to another party to satisfy some other obligation. Banks may administer such securities lending programs for their clients. Securities lending indemnifications are issued by the bank to guarantee that a securities lending customer will be made whole in the event that the security borrower does not return the security subject to the lending agreement and collateral held is insufficient to cover the market value of the security.

***Credit Card Merchant Processing***

Credit card merchant processing guarantees represent the Company's indirect obligations in connection with the processing of private label and bankcard transactions on behalf of merchants.

Citigroup's primary credit card business is the issuance of credit cards to individuals. In addition, the Company provides transaction processing services to various merchants with respect to bankcard and private-label cards. In the event of a billing dispute with respect to a bankcard transaction between a merchant and a cardholder that is ultimately resolved in the cardholder's favor, the third party holds the primary contingent liability to credit or refund the amount to the cardholder and charge back the transaction to the merchant. If the third party is unable to collect this amount from the merchant, it bears the loss for the amount of the credit or refund paid to the cardholder.

The Company continues to have the primary contingent liability with respect to its portfolio of private-label merchants. The risk of loss is mitigated as the cash flows between the third party or the Company and the merchant are settled on a net basis and the third party or the Company has the right to offset any payments with cash flows otherwise due to the merchant. To further mitigate this risk, the third party or the Company may require a merchant to make an escrow deposit, delay settlement, or include event triggers to provide the third party or the Company with more financial and operational control in the event of the financial deterioration of the merchant, or require various credit enhancements (including letters of credit and bank guarantees). In the unlikely event that a private label merchant is unable to deliver products, services or a refund to its private label cardholders, Citigroup is contingently liable to credit or refund cardholders. In addition, although a third party holds the primary contingent liability with respect to the processing of bankcard transactions, in the event that the third party does not have sufficient collateral from the merchant or sufficient financial resources of its own to provide the credit or refunds to the cardholders, Citigroup would be liable to credit or refund the cardholders.

The Company's maximum potential contingent liability related to both bankcard and private label merchant processing services is estimated to be the total volume of credit card transactions that meet the requirements to be valid chargeback transactions at any given time. At September 30, 2009 and December 31, 2008, this maximum potential exposure was estimated to be \$59 billion and \$57 billion, respectively.

However, the Company believes that the maximum exposure is not representative of the actual potential loss exposure based on the Company's historical experience and its position as a secondary guarantor (in the case of bankcards). In most cases, this contingent liability is unlikely to arise, as most products and services are delivered when purchased and amounts are refunded when items are returned to merchants. The Company assesses the probability and amount of its contingent liability related to merchant processing based on the financial strength of the

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primary guarantor (in the case of bankcards) and the extent and nature of unresolved chargebacks and its historical loss experience. At September 30, 2009 and December 31, 2008, the estimated losses incurred and the carrying amounts of the Company's contingent obligations related to merchant processing activities were immaterial.

### *Custody Indemnifications*

Custody indemnifications are issued to guarantee that custody clients will be made whole in the event that a third-party subcustodian or depository institution fails to safeguard clients' assets.

### *Other*

As of December 31, 2008, Citigroup carried a reserve of \$149 million related to certain of Visa USA's litigation matters. As

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of September 30, 2009, the carrying value of the reserve was \$155 million. This reserve is included in *Other liabilities* on the Consolidated Balance Sheet.

***Other Guarantees and Indemnifications***

The Company, through its credit card business, provides various cardholder protection programs on several of its card products, including programs that provide insurance coverage for rental cars, coverage for certain losses associated with purchased products, price protection for certain purchases and protection for lost luggage. These guarantees are not included in the table, since the total outstanding amount of the guarantees and the Company's maximum exposure to loss cannot be quantified. The protection is limited to certain types of purchases and certain types of losses and it is not possible to quantify the purchases that would qualify for these benefits at any given time. The Company assesses the probability and amount of its potential liability related to these programs based on the extent and nature of its historical loss experience. At September 30, 2009 and December 31, 2008, the actual and estimated losses incurred and the carrying value of the Company's obligations related to these programs were immaterial.

In the normal course of business, the Company provides standard representations and warranties to counterparties in contracts in connection with numerous transactions and also provides indemnifications that protect the counterparties to the contracts in the event that additional taxes are owed due either to a change in the tax law or an adverse interpretation of the tax law. Counterparties to these transactions provide the Company with comparable indemnifications. While such representations, warranties and tax indemnifications are essential components of many contractual relationships, they do not represent the underlying business purpose for the transactions. The indemnification clauses are often standard contractual terms related to the Company's own performance under the terms of a contract and are entered into in the normal course of business based on an assessment that the risk of loss is remote. Often these clauses are intended to ensure that terms of a contract are met at inception (for example, that loans transferred to a counterparty in a sales transaction did in fact meet the conditions specified in the contract at the transfer date). No compensation is received for these standard representations and warranties, and it is not possible to determine their fair value because they rarely, if ever, result in a payment. In many cases, there are no stated or notional amounts included in the indemnification clauses and the contingencies potentially triggering the obligation to indemnify have not occurred and are not expected to occur. There are no amounts reflected on the Consolidated Balance Sheet as of September 30, 2009 and December 31, 2008, related to these indemnifications and they are not included in the table.

In addition, the Company is a member of or shareholder in hundreds of value-transfer networks (VTNs) (payment clearing and settlement systems as well as securities exchanges) around the world. As a condition of membership, many of these VTNs require that members stand ready to backstop the net effect on the VTNs of a member's default on its obligations. The Company's potential obligations as a shareholder or member of VTN associations are not considered to be guarantees, since the shareholders and members represent subordinated classes of investors in the VTNs. Accordingly, the Company's participation in VTNs is not reported in the table and there are no amounts reflected on the Consolidated Balance Sheet as of September 30, 2009 or December 31, 2008 for potential obligations that could arise from the Company's involvement with VTN associations.

At September 30, 2009 and December 31, 2008, the total carrying amounts of the liabilities related to the guarantees and indemnifications included in the table amounted to approximately \$1.6 billion and \$1.8 billion, respectively. The carrying value of derivative instruments is included in either *Trading liabilities* or *Other liabilities*, depending upon whether the derivative was entered into for trading or non-trading purposes. The carrying value of financial and performance guarantees is included in *Other liabilities*. For loans sold with recourse, the carrying value of the liability is included in *Other liabilities*. In addition, at September 30, 2009 and December 31, 2008, *Other liabilities* on the Consolidated Balance Sheet include an allowance for credit losses of \$1,074 million and \$887 million relating to letters of credit and unfunded lending commitments, respectively.

***Collateral***

Cash collateral available to the Company to reimburse losses realized under these guarantees and indemnifications amounted to \$36 billion at September 30, 2009 and \$33 billion at December 31, 2008. Securities and other marketable assets held as collateral amounted to \$39 billion and \$27 billion at September 30, 2009 and December 31, 2008, respectively, the majority of which collateral is held to reimburse losses realized under securities lending indemnifications. Additionally, letters of credit in favor of the Company held as collateral amounted to \$900 million and \$503 million at September 30, 2009 and December 31, 2008, respectively. Other property may also be available to the Company to cover losses under certain guarantees and indemnifications; however, the value of such property has not been determined.

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## Performance Risk

Citigroup evaluates the performance risk of its guarantees based on the assigned referenced counterparty internal or external ratings. Where external ratings are used, investment-grade ratings are considered to be Baa/BBB and above, while anything below is considered non-investment grade. The Citigroup internal ratings are in line with the related external rating system. On certain underlying referenced credits or entities, ratings are not available. Such referenced credits are included in the "Not-rated" category. The maximum potential amount of the future payments related to guarantees and credit derivatives sold is determined to be the notional amount of these contracts, which is the par amount of the assets guaranteed.

Presented in the tables below is the maximum potential amount of future payments classified based upon internal and external credit ratings as of September 30, 2009 and December 31, 2008. As previously mentioned, the determination of the maximum potential future payments is based on the notional amount of the guarantees without consideration of possible recoveries under recourse provisions or from collateral held or pledged. Such amounts bear no relationship to the anticipated losses, if any, on these guarantees.

<i>In billions of dollars as of September 30, 2009</i>	Maximum potential amount of future payments			
	Investment grade	Non-investment grade	Not rated	Total
Financial standby letters of credit	\$ 48.5	\$ 21.1	\$ 27.4	\$ 97.0
Performance guarantees	7.0	3.7	3.8	14.5
Derivative instruments deemed to be guarantees			16.4	16.4
Loans sold with recourse			0.3	0.3
Securities lending indemnifications			66.1	66.1
Credit card merchant processing			59.4	59.4
Custody indemnifications and other	22.3	5.2		27.5
<b>Total</b>	<b>\$ 77.8</b>	<b>\$ 30.0</b>	<b>\$ 173.4</b>	<b>\$ 281.2</b>

<i>In billions of dollars as of December 31, 2008</i>	Maximum potential amount of future payments			
	Investment grade	Non-investment grade	Not rated	Total
Financial standby letters of credit	\$ 49.2	\$ 28.6	\$ 16.4	\$ 94.2
Performance guarantees	5.7	5.0	5.6	16.3
Derivative instruments deemed to be guarantees			14.8	14.8
Guarantees of collection of contractual cash flows			0.3	0.3
Loans sold with recourse			0.3	0.3
Securities lending indemnifications			47.6	47.6
Credit card merchant processing			56.7	56.7
Custody indemnifications and other	18.5	3.1		21.6
<b>Total</b>	<b>\$ 73.4</b>	<b>\$ 36.7</b>	<b>\$ 141.7</b>	<b>\$ 251.8</b>



Table of Contents**Credit Commitments**

The table below summarizes Citigroup's other commitments as of September 30, 2009 and December 31, 2008.

<i>In millions of dollars</i>	U.S.	Outside of U.S.	September 30, 2009	December 31, 2008
Commercial and similar letters of credit	\$ 1,691	\$ 5,625	\$ 7,316	\$ 8,215
One- to four-family residential mortgages	1,002	260	1,262	937
Revolving open-end loans secured by one- to four-family residential properties	22,186	2,919	25,105	25,212
Commercial real estate, construction and land development	1,059	604	1,663	2,702
Credit card lines	680,750	134,402	815,152	1,002,437
Commercial and other consumer loan commitments	172,708	89,451	262,159	309,997
<b>Total</b>	<b>\$ 879,396</b>	<b>\$ 233,261</b>	<b>\$ 1,112,657</b>	<b>\$ 1,349,500</b>

The majority of unused commitments are contingent upon customers' maintaining specific credit standards. Commercial commitments generally have floating interest rates and fixed expiration dates and may require payment of fees. Such fees (net of certain direct costs) are deferred and, upon exercise of the commitment, amortized over the life of the loan or, if exercise is deemed remote, amortized over the commitment period.

***Commercial and similar letters of credit***

A commercial letter of credit is an instrument by which Citigroup substitutes its credit for that of a customer to enable the customers to finance the purchase of goods or to incur other commitments. Citigroup issues a letter on behalf of its client to a supplier and agrees to pay them upon presentation of documentary evidence that the supplier has performed in accordance with the terms of the letter of credit. When drawn, the customer then is required to reimburse Citigroup.

***One- to four-family residential mortgages***

A one- to four-family residential mortgage commitment is a written confirmation from Citigroup to a seller of a property that the bank will advance the specified sums enabling the buyer to complete the purchase.

***Revolving open-end loans secured by one- to four-family residential properties***

Revolving open-end loans secured by one- to four-family residential properties are essentially home equity lines of credit. A home equity line of credit is a loan secured by a primary residence or second home to the extent of the excess of fair market value over the debt outstanding for the first mortgage.

***Commercial Real Estate, Construction and Land Development***

Commercial real estate, construction and land development include unused portions of commitments to extend credit for the purpose of financing commercial and multifamily residential properties as well as land development projects. Both secured-by-real estate and unsecured commitments are included in this line. In addition, undistributed loan proceeds where there is an obligation to advance for construction progress, are also included in this line. However, this line only includes those extensions of credit that once funded will be classified as Loans on the Consolidated Balance Sheet.

***Credit card lines***

Citigroup provides credit to customers by issuing credit cards. The credit card lines are unconditionally cancellable by the issuer.

***Commercial and other consumer loan commitments***

Commercial and other consumer loan commitments include commercial commitments to make or purchase loans, to purchase third-party receivables and to provide note issuance or revolving underwriting facilities. Amounts include \$130 billion and \$140 billion with an original maturity of less than one year at September 30, 2009 and December 31, 2008, respectively. In addition, included in this line item are highly leveraged financing commitments which are agreements that provide funding to a borrower with higher levels of debt (measured by the ratio of

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debt capital to equity capital of the borrower) than is generally considered normal for other companies. This type of financing is commonly employed in corporate acquisitions, management buy-outs and similar transactions.

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**21. CONTINGENCIES**

The Company is a defendant in numerous lawsuits and other legal proceedings arising out of alleged misconduct in connection with certain matters. In view of the large number of such matters, the uncertainties of the timing and outcome of this type of litigation, the novel issues presented, and the significant amounts involved, it is possible that the ultimate costs of these matters may exceed or be below the Company's litigation reserves. The Company will continue to defend itself vigorously in these cases, and seek to resolve them in the manner management believes is in the best interests of the Company.

In addition, in the ordinary course of business, Citigroup and its subsidiaries are defendants or co-defendants or parties in various litigation and regulatory matters incidental to and typical of the businesses in which they are engaged. In the opinion of the Company's management, the ultimate resolution of these legal and regulatory proceedings would not be likely to have a material adverse effect on the consolidated financial condition of the Company but, if involving monetary liability, may be material to the Company's operating results for any particular period.

Table of Contents**22. CITIBANK, N.A. EQUITY****Statement of Changes in Equity (Unaudited)**

<i>In millions of dollars, except shares</i>	<b>Nine Months Ended September 30,</b>	
	<b>2009</b>	<b>2008</b>
<b>Common stock (\$20 par value)</b>		
Balance, beginning of period Shares: 37,534,553 in 2009 and 2008	\$ 751	\$ 751
<b>Balance, end of period Shares: 37,534,553 in 2009 and 2008</b>	<b>\$ 751</b>	<b>\$ 751</b>
<b>Surplus</b>		
Balance, beginning of period	\$ 74,767	\$ 69,135
Capital contribution from parent company	30,492	77
Employee benefit plans	34	107
Balance, end of period	\$ 105,293	\$ 69,319
<b>Retained earnings</b>		
Balance, beginning of period	\$ 21,735	\$ 31,915
Adjustment to opening balance, net of taxes(1)	402	
Adjusted balance, beginning of period	\$ 22,137	\$ 31,915
Net income (loss)	(2,270)	(1,450)
Dividends paid	4	(34)
Other(2)	117	
Balance, end of period	\$ 19,988	\$ 30,431
<b>Accumulated other comprehensive income (loss)</b>		
Balance, beginning of period	\$ (15,895)	\$ (2,495)
Adjustment to opening balance, net of taxes(1)	(402)	
Adjusted balance, beginning of period	\$ (16,297)	\$ (2,495)
Net change in unrealized gains (losses) on investment securities available-for-sale, net of taxes	3,758	(4,971)
Net change in FX translation adjustment, net of taxes	850	(2,244)
Net change in cash flow hedges, net of taxes	281	(214)
Pension liability adjustment, net of taxes	(7)	90
Net change in Accumulated other comprehensive income (loss)	\$ 4,882	\$ (7,339)
Balance, end of period	\$ (11,415)	\$ (9,834)
<b>Total Citibank common stockholder's equity and total Citibank stockholder's equity</b>	<b>\$ 114,617</b>	<b>\$ 90,667</b>
<b>Noncontrolling interest</b>		
Balance, beginning of period	\$ 1,082	\$ 1,266
Initial consolidation of a noncontrolling interest	123	
Net income attributable to noncontrolling interest shareholders	46	88
Dividends paid to noncontrolling interest shareholders	(16)	(86)
Accumulated other comprehensive income Net change in unrealized gains and losses on investments securities, net of tax	7	3
Accumulated other comprehensive income Net change in FX translation adjustment, net of tax	15	6
All other	(155)	(5)

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Net change in noncontrolling interest	\$	20	\$	6
Balance, end of period	\$	1,102	\$	1,272
<b>Total equity</b>	\$	<b>115,719</b>	\$	91,939
<b>Comprehensive income (loss)</b>				
Net income (loss) before attribution of noncontrolling interest	\$	(2,224)	\$	(1,362)
Net change in Accumulated other comprehensive income (loss)		<b>4,904</b>		(7,330)
<b>Total comprehensive income (loss)</b>	\$	<b>2,680</b>	\$	(8,692)
Comprehensive income attributable to the noncontrolling interest		<b>68</b>		97
<b>Comprehensive income attributable to Citibank</b>	\$	<b>2,612</b>	\$	(8,789)

(1)

The adjustment to the opening balances for *Retained earnings* and *Accumulated other comprehensive income (loss)* represents the cumulative effect of initially adopting ASC 320-10-65-1 (FSP FAS 115-2). See Note 1 to the Consolidated Financial Statements.

(2)

Represents the accounting for the transfers of assets and liabilities between Citibank, N.A. and other affiliates under the common control of Citigroup.

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**23. SUBSEQUENT EVENTS**

The Company has evaluated subsequent events through November 6, 2009, which is the date its Consolidated Financial Statements were issued.

**24. CONDENSED CONSOLIDATING FINANCIAL STATEMENT SCHEDULES**

These unaudited condensed consolidating financial statement schedules are presented for purposes of additional analysis but should be considered in relation to the consolidated financial statements of Citigroup taken as a whole.

**Citigroup Parent Company**

The holding company, Citigroup Inc.

**Citigroup Global Markets Holdings Inc. (CGMHI)**

Citigroup guarantees various debt obligations of CGMHI as well as all of the outstanding debt obligations under CGMHI's publicly issued debt.

**Citigroup Funding Inc. (CFI)**

CFI is a first-tier subsidiary of Citigroup, which issues commercial paper, medium-term notes and structured equity-linked and credit-linked notes, all of which are guaranteed by Citigroup.

**CitiFinancial Credit Company (CCC)**

An indirect wholly owned subsidiary of Citigroup. CCC is a wholly owned subsidiary of Associates First Capital Corporation (described below). Citigroup has issued a full and unconditional guarantee of the outstanding indebtedness of CCC.

**Associates First Capital Corporation (Associates)**

A wholly owned subsidiary of Citigroup. Citigroup has issued a full and unconditional guarantee of the outstanding long-term debt securities and commercial paper of Associates. In addition, Citigroup guaranteed various debt obligations of Citigroup Finance Canada Inc. (CFCI), a wholly owned subsidiary of Associates. CFCI continues to issue debt in the Canadian market supported by a Citigroup guarantee. Associates is the immediate parent company of CCC (described above).

**Other Citigroup Subsidiaries**

Includes all other subsidiaries of Citigroup, intercompany eliminations, and income/loss from discontinued operations.

**Consolidating Adjustments**

Includes Citigroup parent company elimination of distributed and undistributed income of subsidiaries, investment in subsidiaries and the elimination of CCC, which is included in the Associates column.

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**CONDENSED CONSOLIDATING STATEMENT OF INCOME**

<i>In millions of dollars</i>	Three Months Ended September 30, 2009							
	Citigroup parent company	CGMHI	CFI	CCC	Associates	Other Citigroup subsidiaries, eliminations	Consolidating adjustments	Citigroup consolidated
<b>Revenues</b>								
Dividends from subsidiary banks and bank holding companies	\$ 1,005	\$	\$	\$	\$	\$	\$ (1,005)	\$
Interest revenue	\$ 57	1,682	\$	\$ 1,526	\$ 1,759	\$ 15,180	\$ (1,526)	\$ 18,678
Interest revenue intercompany	477	(90)	1,053	1,689	96	(1,536)	(1,689)	
Interest expense	2,495	644	400	17	84	3,057	(17)	6,680
Interest expense intercompany	(137)	(165)	260	2,212	377	(335)	(2,212)	
<b>Net interest revenue</b>	\$ (1,824)	\$ 1,113	\$ 393	\$ 986	\$ 1,394	\$ 10,922	\$ (986)	\$ 11,998
Commissions and fees	\$	\$ 1,229	\$	\$ 16	\$ 36	\$ 1,953	\$ (16)	\$ 3,218
Commissions and fees intercompany		188		51	63	(251)	(51)	
Principal transactions	317	2,431	(610)		2	(480)		1,660
Principal transactions intercompany	(493)	(1,380)	192		(13)	1,694		
Other income	(1,158)	676	(100)	112	142	3,954	(112)	3,514
Other income intercompany	2,485	23	77		5	(2,590)		
<b>Total non-interest revenues</b>	\$ 1,151	\$ 3,167	\$ (441)	\$ 179	\$ 235	\$ 4,280	\$ (179)	\$ 8,392
<b>Total revenues, net of interest expense</b>	\$ 332	\$ 4,280	\$ (48)	\$ 1,165	\$ 1,629	\$ 15,202	\$ (2,170)	\$ 20,390
<b>Provisions for credit losses and for benefits and claims</b>	\$	\$ 58	\$	\$ 770	\$ 875	\$ 8,162	\$ (770)	\$ 9,095
<b>Expenses</b>								
Compensation and benefits	\$ (44)	\$ 1,471	\$	\$ 134	\$ 179	\$ 4,530	\$ (134)	\$ 6,136
Compensation and benefits intercompany	2	68		35	35	(105)	(35)	
Other expense	192	683	1	169	209	4,603	(169)	5,688
Other expense intercompany	163	198	2	143	160	(523)	(143)	
<b>Total operating expenses</b>	\$ 313	\$ 2,420	\$ 3	\$ 481	\$ 583	\$ 8,505	\$ (481)	\$ 11,824
<b>Income (Loss) before taxes and equity in undistributed income of subsidiaries</b>	\$ 19	\$ 1,802	\$ (51)	\$ (86)	\$ 171	\$ (1,465)	\$ (919)	\$ (529)
Income taxes (benefits)	(392)	608	(18)	(53)	37	(1,357)	53	(1,122)
	(310)						310	

Explanation of Responses:

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Equities in undistributed income of subsidiaries											
Income (Loss) from continuing operations	\$	101	\$	1,194	\$	(33)	\$	(33)	\$	134	\$ (108) (662) 593
Income from discontinued operations, net of taxes											(418) (418)
Net income (Loss) before attribution of Noncontrolling Interests	\$	101	\$	1,194	\$	(33)	\$	(33)	\$	134	\$ (526) (662) 175
Net Income (Loss) attributable to Noncontrolling Interests											19 55 74
Citigroup's Net Income (Loss)	\$	101	\$	1,175	\$	(33)	\$	(33)	\$	134	\$ (581) (662) 101

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**CONDENSED CONSOLIDATING STATEMENT OF INCOME**

<i>In millions of dollars</i>	Nine Months Ended September 30, 2009							
	Citigroup parent company	CGMHI	CFI	CCC	Associates	Other Citigroup subsidiaries, eliminations	Consolidating adjustments	Citigroup consolidated
<b>Revenues</b>								
Dividends from subsidiary banks and bank holding companies	\$ 1,040	\$	\$	\$	\$	\$	\$ (1,040)	\$
Interest revenue	\$ 234	\$ 5,881	\$ 1	\$ 4,732	\$ 5,418	\$ 47,398	\$ (4,732)	\$ 58,932
Interest revenue intercompany	1,833	2,079	3,143	46	325	(7,380)	(46)	
Interest expense	6,707	2,060	1,365	63	303	10,744	(63)	21,179
Interest expense intercompany	(667)	1,635	699	1,677	1,242	(2,909)	(1,677)	
<b>Net interest revenue</b>	\$ (3,973)	\$ 4,265	\$ 1,080	\$ 3,038	\$ 4,198	\$ 32,183	\$ (3,038)	\$ 37,753
Commissions and fees	\$	\$ 4,711	\$	\$ 38	\$ 95	\$ 8,017	\$ (38)	\$ 12,823
Commissions and fees intercompany		247		86	107	(354)	(86)	
Principal transactions	434	1,302	(869)		2	4,894		5,763
Principal transactions intercompany	(714)	2,530	133		(99)	(1,850)		
Other income	3,514	13,296	(25)	321	489	1,267	(321)	18,541
Other income intercompany	(1,906)	(12)	16	2	37	1,865	(2)	
<b>Total non-interest revenues</b>	\$ 1,328	\$ 22,074	\$ (745)	\$ 447	\$ 631	\$ 13,839	\$ (447)	\$ 37,127
<b>Total revenues, net of interest expense</b>	\$ (1,605)	\$ 26,339	\$ 335	\$ 3,485	\$ 4,829	\$ 46,022	\$ (4,525)	\$ 74,880
<b>Provisions for credit losses and for benefits and claims</b>								
	\$	\$ 96	\$	\$ 2,708	\$ 3,044	\$ 28,938	\$ (2,708)	\$ 32,078
<b>Expenses</b>								
Compensation and benefits	\$ (89)	\$ 5,144	\$	\$ 393	\$ 514	\$ 13,161	\$ (393)	\$ 18,730
Compensation and benefits intercompany	5	403		106	106	(514)	(106)	
Other expense	600	2,011	2	358	471	13,694	(358)	16,778
Other expense intercompany	260	538	7	416	465	(1,270)	(416)	
<b>Total operating expenses</b>	\$ 776	\$ 8,096	\$ 9	\$ 1,273	\$ 1,556	\$ 25,071	\$ (1,273)	\$ 35,508
<b>Income (Loss) before taxes and equity in undistributed income of subsidiaries</b>								
	\$ (2,381)	\$ 18,147	\$ 326	\$ (496)	\$ 229	\$ (7,987)	\$ (544)	\$ 7,294
Income taxes (benefits)	(1,437)	6,772	97	(201)	52	(4,864)	201	620
	6,917						(6,917)	

Explanation of Responses:

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Equities in undistributed income of subsidiaries													
Income (Loss) from continuing operations	\$	5,973	\$	11,375	\$	229	\$	(295)	\$	177	\$ (3,123) \$ (7,662) \$ 6,674		
Income from discontinued operations, net of taxes											(677)	(677)	
Net income (Loss) before attribution of Noncontrolling Interests	\$	5,973	\$	11,375	\$	229	\$	(295)	\$	177	\$ (3,800) \$ (7,662) \$ 5,997		
Net Income (Loss) attributable to Noncontrolling Interests											(32)	56	24
Citigroup's Net Income (Loss)	\$	5,973	\$	11,407	\$	229	\$	(295)	\$	177	\$ (3,856) \$ (7,662) \$ 5,973		

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CONDENSED CONSOLIDATING STATEMENT OF INCOME

<i>In millions of dollars</i>	Three Months Ended September 30, 2008							
	Citigroup parent company	CGMHI	CFI	CCC	Associates	Other Citigroup subsidiaries, eliminations	Consolidating adjustments	Citigroup consolidated
<b>Revenues</b>								
Dividends from subsidiary banks and bank holding companies	\$ 169	\$	\$	\$	\$	\$	\$ (169)	\$
Interest revenue	\$ 226	\$ 4,455	\$	\$ 1,819	\$ 2,084	\$ 19,365	\$ (1,819)	\$ 26,130
Interest revenue intercompany	1,098	565	1,269	21	147	(3,079)	(21)	
Interest expense	2,388	2,740	835	33	154	6,609	(33)	12,726
Interest expense intercompany	(101)	1,867	(1)	605	490	(2,255)	(605)	
<b>Net interest revenue</b>	\$ (963)	\$ 413	\$ 435	\$ 1,202	\$ 1,587	\$ 11,932	\$ (1,202)	\$ 13,404
Commissions and fees	\$	\$ 1,841	\$	\$ 20	\$ 43	\$ 1,324	\$ (20)	\$ 3,208
Commissions and fees intercompany	346	21		9	11	(378)	(9)	
Principal transactions	(497)	(3,318)	2,239		(1)	(1,436)		(3,013)
Principal transactions intercompany	335	(900)	(1,542)		36	2,071		
Other income	332	784	(130)	65	87	1,586	(65)	2,659
Other income intercompany	206	35	97	8	3	(341)	(8)	
<b>Total non-interest revenues</b>	\$ 722	\$ (1,537)	\$ 664	\$ 102	\$ 179	\$ 2,826	\$ (102)	\$ 2,854
<b>Total revenues, net of interest expense</b>	\$ (72)	\$ (1,124)	\$ 1,099	\$ 1,304	\$ 1,766	\$ 14,758	\$ (1,473)	\$ 16,258
<b>Provisions for credit losses and for benefits and claims</b>								
	\$	\$ 7	\$	\$ 1,288	\$ 1,368	\$ 7,692	\$ (1,288)	\$ 9,067
<b>Expenses</b>								
Compensation and benefits	\$ (57)	\$ 2,244	\$	\$ 174	\$ 232	\$ 5,125	\$ (174)	\$ 7,544
Compensation and benefits intercompany	2	226		46	46	(274)	(46)	
Other expense	42	925	1	159	208	5,287	(159)	6,463
Other expense intercompany	451	(120)	3	174	162	(496)	(174)	
<b>Total operating expenses</b>	\$ 438	\$ 3,275	\$ 4	\$ 553	\$ 648	\$ 9,642	\$ (553)	\$ 14,007
<b>Income (Loss) before taxes and equity in undistributed income of subsidiaries</b>								
	\$ (510)	\$ (4,406)	\$ 1,095	\$ (537)	\$ (250)	\$ (2,576)	\$ 368	\$ (6,816)
Income taxes (benefits)	(868)	(1,893)	376	(185)	(77)	(833)	185	(3,295)

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Equities in undistributed income of subsidiaries	(3,386)									3,386										
Income (Loss) from continuing operations	\$	(3,028)	\$	(2,513)	\$	719	\$	(352)	\$	(173)	\$	(1,743)	\$	3,569	\$	(3,521)				
Income from discontinued operations, net of taxes														213			400			613
Net income (Loss) before attribution of Noncontrolling Interests	\$	(2,815)	\$	(2,513)	\$	719	\$	(352)	\$	(173)	\$	(1,343)	\$	3,569	\$	(2,908)				
Net Income (Loss) attributable to Noncontrolling Interests																			(93)	(93)
Citigroup's Net Income (Loss)	\$	(2,815)	\$	(2,513)	\$	719	\$	(352)	\$	(173)	\$	(1,250)	\$	3,569	\$	(2,815)				

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**CONDENSED CONSOLIDATING STATEMENT OF INCOME**

	Nine Months Ended September 30, 2008								
	Citigroup parent company	CGMHI	CFI	CCC	Associates	Other Citigroup subsidiaries, eliminations	Consolidating adjustments	Citigroup consolidated	
<i>In millions of dollars</i>									
<b>Revenues</b>									
Dividends from subsidiary banks and bank holding companies	\$ 1,617	\$	\$	\$	\$	\$	\$ (1,617)	\$	
Interest revenue	\$ 544	\$ 15,239	\$ 1	\$ 5,447	\$ 6,278	\$ 60,566	\$ (5,447)	\$ 82,628	
Interest revenue intercompany	3,508	1,564	3,911	57	441	(9,424)	(57)		
Interest expense	6,987	10,076	2,645	108	491	21,951	(108)	42,150	
Interest expense intercompany	(242)	4,293	186	1,837	1,651	(5,888)	(1,837)		
<b>Net interest revenue</b>	\$ (2,693)	\$ 2,434	\$ 1,081	\$ 3,559	\$ 4,577	\$ 35,079	\$ (3,559)	\$ 40,478	
Commissions and fees	\$	\$ 6,381	\$ 1	\$ 61	\$ 135	\$ 3,831	\$ (61)	\$ 10,348	
Commissions and fees intercompany		453		24	32	(485)	(24)		
Principal transactions	5	(20,400)	3,524		(1)	1,425		(15,447)	
Principal transactions intercompany	115	4,680	(2,647)		26	(2,174)			
Other income	443	2,798	(45)	286	378	7,000	(286)	10,574	
Other income intercompany	(33)	619	33	21	78	(697)	(21)		
<b>Total non-interest revenues</b>	\$ 530	\$ (5,469)	\$ 866	\$ 392	\$ 648	\$ 8,900	\$ (392)	\$ 5,475	
<b>Total revenues, net of interest expense</b>	\$ (546)	\$ (3,035)	\$ 1,947	\$ 3,951	\$ 5,225	\$ 43,979	\$ (5,568)	\$ 45,953	
<b>Provisions for credit losses and for benefits and claims</b>	\$	\$ 307	\$	\$ 3,046	\$ 3,315	\$ 18,397	\$ (3,046)	\$ 22,019	
<b>Expenses</b>									
Compensation and benefits	\$ (106)	\$ 7,728	\$	\$ 545	\$ 747	\$ 16,429	\$ (545)	\$ 24,798	
Compensation and benefits intercompany	6	693		145	146	(845)	(145)		
Other expense	158	2,855	2	416	550	16,235	(416)	19,800	
Other expense intercompany	596	711	49	336	367	(1,723)	(336)		
<b>Total operating expenses</b>	\$ 654	\$ 11,987	\$ 51	\$ 1,442	\$ 1,810	\$ 30,096	\$ (1,442)	\$ 44,598	
<b>Income (Loss) before taxes and equity in undistributed income of subsidiaries</b>	\$ (1,200)	\$ (15,329)	\$ 1,896	\$ (537)	\$ 100	\$ (4,514)	\$ (1,080)	\$ (20,664)	
Income taxes (benefits)	(1,643)	(6,273)	656	(174)	54	(2,422)	174	(9,628)	
	(11,077)						11,077		

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Equities in undistributed income of subsidiaries																
Income (Loss) from continuing operations	\$	(10,634)	\$	(9,056)	\$	1,240	\$	(363)	\$	46	\$	(2,092)	\$	9,823	\$	(11,036)
Income from discontinued operations, net of taxes		213										365				578
Net income (Loss) before attribution of Noncontrolling Interests	\$	(10,421)	\$	(9,056)	\$	1,240	\$	(363)	\$	46	\$	(1,727)	\$	9,823	\$	(10,458)
Net Income (Loss) attributable to Noncontrolling Interests				(7)								(30)				(37)
Citigroup's Net Income (Loss)	\$	(10,421)	\$	(9,049)	\$	1,240	\$	(363)	\$	46	\$	(1,697)	\$	9,823	\$	(10,421)

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**CONDENSED CONSOLIDATING BALANCE SHEET**

September 30, 2009

<i>In millions of dollars</i>	<b>Citigroup parent company</b>	<b>CGMHI</b>	<b>CFI</b>	<b>CCC</b>	<b>Associates</b>	<b>Other Citigroup subsidiaries and eliminations</b>	<b>Consolidating adjustments</b>	<b>Citigroup consolidated</b>
<b>Assets</b>								
Cash and due from banks	\$	\$ 2,798	\$	\$ 181	\$ 257	\$ 23,427	\$ (181)	\$ 26,482
Cash and due from banks intercompany	16	1,609	1	140	159	(1,785)	(140)	
Federal funds sold and resale agreements		176,406				20,951		197,357
Federal funds sold and resale agreements intercompany		23,165				(23,165)		
Trading account assets	25	145,444	41		16	195,171		340,697
Trading account assets intercompany	1,152	8,592	811		6	(10,561)		
Investments	11,227	274		2,456	2,720	247,669	(2,456)	261,890
Loans, net of unearned income		430		43,534	49,907	571,874	(43,534)	622,211
Loans, net of unearned income intercompany			144,343	3,512	6,716	(151,059)	(3,512)	
Allowance for loan losses		(139)		(3,425)	(3,766)	(32,511)	3,425	(36,416)
Total loans, net	\$	\$ 291	\$ 144,343	\$ 43,621	\$ 52,857	\$ 388,304	\$ (43,621)	\$ 585,795
Advances to subsidiaries	145,529					(145,529)		
Investments in subsidiaries	210,989						(210,989)	
Other assets	12,295	69,947	728	6,161	7,014	362,790	(6,161)	452,774
Other assets intercompany	10,853	54,776	3,235	31	1,353	(70,217)	(31)	
Assets of discontinued operations held for sale						23,604		23,604
<b>Total assets</b>	\$ 392,086	\$ 483,302	\$ 149,159	\$ 52,590	\$ 64,382	\$ 1,010,659	\$ (263,579)	\$ 1,888,599
<b>Liabilities and equity</b>								
Deposits	\$	\$	\$	\$	\$	\$ 832,603	\$	\$ 832,603
Federal funds purchased and securities loaned or sold		139,681				38,478		178,159
Federal funds purchased and securities loaned or sold intercompany	185	4,485				(4,670)		
Trading account liabilities		77,681	52			52,807		130,540
Trading account liabilities intercompany	989	8,839	1,260			(11,088)		
Short-term borrowings	1,249	5,554	10,065		434	47,429		64,731
Short-term borrowings intercompany		91,015	80,610	5,135	34,483	(206,108)	(5,135)	
Long-term debt	214,981	15,403	51,208	1,677	6,348	91,617	(1,677)	379,557
Long-term debt intercompany	445	46,273	1,208	37,868	15,453	(63,379)	(37,868)	
Advances from subsidiaries	21,958					(21,958)		
Other liabilities	5,819	66,135	651	1,910	1,588	69,863	(1,910)	144,056
Other liabilities intercompany	5,618	9,378	177	700	325	(15,498)	(700)	
Liabilities of discontinued operations held for sale						16,004		16,004
<b>Total liabilities</b>	\$ 251,244	\$ 464,444	\$ 145,231	\$ 47,290	\$ 58,631	\$ 826,100	\$ (47,290)	\$ 1,745,650
Citigroup stockholder's equity	\$ 140,842	\$ 18,443	\$ 3,928	\$ 5,300	\$ 5,751	\$ 182,867	\$ (216,289)	\$ 140,842
Noncontrolling interest		415				1,692		2,107

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<b>Total equity</b>	\$	140,842	\$	18,858	\$	3,928	\$	5,300	\$	5,751	\$	184,559	\$	(216,289)	\$	142,949
<b>Total liabilities and equity</b>	\$	392,086	\$	483,302	\$	149,159	\$	52,590	\$	64,382	\$	1,010,659	\$	(263,579)	\$	1,888,599

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**CONDENSED CONSOLIDATING BALANCE SHEET**

December 31, 2008								
<i>In millions of dollars</i>	Citigroup parent company	CGMHI	CFI	CCC	Associates	Other Citigroup subsidiaries and eliminations	Consolidating adjustments	Citigroup consolidated
<b>Assets</b>								
Cash and due from banks	\$	\$ 3,142	\$	\$ 149	\$ 211	\$ 25,900	\$ (149)	\$ 29,253
Cash and due from banks intercompany	13	1,415	1	141	185	(1,614)	(141)	
Federal funds sold and resale agreements		167,589				16,544		184,133
Federal funds sold and resale agreements intercompany		31,446				(31,446)		
Trading account assets	20	155,136	88		15	222,376		377,635
Trading account assets intercompany	818	11,197	4,439		182	(16,636)		
Investments	25,611	382		2,059	2,366	227,661	(2,059)	256,020
Loans, net of unearned income		663		48,663	55,387	638,166	(48,663)	694,216
Loans, net of unearned income intercompany			134,744	3,433	11,129	(145,873)	(3,433)	
Allowance for loan losses		(122)		(3,415)	(3,649)	(25,845)	3,415	(29,616)
Total loans, net	\$	\$ 541	\$ 134,744	\$ 48,681	\$ 62,867	\$ 466,448	\$ (48,681)	\$ 664,600
Advances to subsidiaries	167,043					(167,043)		
Investments in subsidiaries	149,424						(149,424)	
Other assets	12,148	74,740	51	6,156	6,970	332,920	(6,156)	426,829
Other assets intercompany	14,998	108,952	3,997	254	504	(128,451)	(254)	
<b>Total assets</b>	<b>\$ 370,075</b>	<b>\$ 554,540</b>	<b>\$ 143,320</b>	<b>\$ 57,440</b>	<b>\$ 73,300</b>	<b>\$ 946,659</b>	<b>\$ (206,864)</b>	<b>\$ 1,938,470</b>
<b>Liabilities and equity</b>								
Deposits	\$	\$	\$	\$	\$	\$ 774,185	\$	\$ 774,185
Federal funds purchased and securities loaned or sold		165,914				39,379		205,293
Federal funds purchased and securities loaned or sold intercompany	8,673	34,007				(42,680)		
Trading account liabilities		70,006	14			95,780		165,800
Trading account liabilities intercompany	732	12,751	2,660			(16,143)		
Short-term borrowings	2,571	9,735	30,994		222	83,169		126,691
Short-term borrowings intercompany		87,432	66,615	6,360	39,637	(193,684)	(6,360)	
Long-term debt	192,290	20,623	37,374	2,214	8,333	100,973	(2,214)	359,593
Long-term debt intercompany		60,318	878	40,722	17,655	(78,851)	(40,722)	
Advances from subsidiaries	7,660					(7,660)		
Other liabilities	7,347	75,247	855	1,907	1,808	77,629	(1,907)	162,886
Other liabilities intercompany	9,172	10,213	232	833	332	(19,949)	(833)	
<b>Total liabilities</b>	<b>\$ 228,445</b>	<b>\$ 546,246</b>	<b>\$ 139,622</b>	<b>\$ 52,036</b>	<b>\$ 67,987</b>	<b>\$ 812,148</b>	<b>\$ (52,036)</b>	<b>\$ 1,794,448</b>
Citigroup stockholders' equity	141,630	7,819	3,698	5,404	5,313	132,594	(154,828)	141,630
Noncontrolling interest		475				1,917		2,392
<b>Total equity</b>	<b>\$ 141,630</b>	<b>\$ 8,294</b>	<b>\$ 3,698</b>	<b>\$ 5,404</b>	<b>\$ 5,313</b>	<b>\$ 134,511</b>	<b>\$ (154,828)</b>	<b>\$ 144,022</b>
<b>Total liabilities and equity</b>	<b>\$ 370,075</b>	<b>\$ 554,540</b>	<b>\$ 143,320</b>	<b>\$ 57,440</b>	<b>\$ 73,300</b>	<b>\$ 946,659</b>	<b>\$ (206,864)</b>	<b>\$ 1,938,470</b>

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Nine Months Ended September 30, 2009									
<i>In millions of dollars</i>	Citigroup parent company	CGMHI	CFI	CCC	Associates	Other Citigroup subsidiaries and eliminations	Consolidating adjustments	Citigroup Consolidated	
<b>Net cash (used in) provided by operating activities</b>	\$ (1,854)	\$ 18,928	\$ 2,185	\$ 3,312	\$ 3,757	\$ (36,850)	\$ (3,312)	\$ (13,834)	
<b>Cash flows from investing activities</b>									
Change in loans	\$	\$	\$ (9,324)	\$ 1,528	\$ 1,504	\$ (119,841)	\$ (1,528)	\$ (127,661)	
Proceeds from sales and securitizations of loans		163				185,279		185,442	
Purchases of investments	(13,777)	(13)		(531)	(579)	(152,746)	531	(167,115)	
Proceeds from sales of investments	6,892			398	435	59,563	(398)	66,890	
Proceeds from maturities of investments	20,209			230	309	69,700	(230)	90,218	
Changes in investments and advances intercompany	(20,968)			(290)	4,202	16,766	290		
Business acquisitions									
Other investing activities		(775)				(42,291)		(43,066)	
<b>Net cash (used in) provided by investing activities</b>	\$ (7,644)	\$ (625)	\$ (9,324)	\$ 1,335	\$ 5,871	\$ 16,430	\$ (1,335)	\$ 4,708	
<b>Cash flows from financing activities</b>									
Dividends paid	\$ (3,235)	\$	\$	\$	\$	\$	\$	(3,235)	
Dividends paid intercompany	(122)	(1,000)				1,122			
Issuance of common stock									
Issuance of preferred stock									
Treasury stock acquired	(3)							(3)	
Proceeds/(Repayments) from issuance of long-term debt third-party, net	12,235	(2,406)	14,020	(537)	(1,985)	(15,250)	537	6,614	
Proceeds/(Repayments) from issuance of long-term debt intercompany, net		(14,450)		(2,854)	(2,202)	16,652	2,854		
Change in deposits						58,418		58,418	
Net change in short-term borrowings and other investment	(1,339)	(4,181)	(20,932)	(1,225)	(226)	(29,465)	1,225	(56,143)	

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**CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS**

Nine Months Ended September 30, 2008									
<i>In millions of dollars</i>	Citigroup parent company	CGMHI	CFI	CCC	Associates	Other Citigroup subsidiaries and eliminations	Consolidating adjustments	Citigroup Consolidated	
<b>Net cash (used in) provided by operating activities of continuing operations</b>	\$ (1,519)	\$ 4,587	\$ 1,981	\$ 3,232	\$ 2,920	\$ 90,977	\$ (3,232)	\$ 98,946	
<b>Cash flows from investing activities</b>									
Change in loans	\$	\$ 67	\$ 1,379	\$ (3,434)	\$ (2,003)	\$ (187,302)	3,434	\$ (187,859)	
Proceeds from sales and securitizations of loans		91				203,772		203,863	
Purchases of investments	(167,093)	(134)		(945)	(1,142)	(104,446)	945	(272,815)	
Proceeds from sales of investments	11,727			208	473	48,055	(208)	60,255	
Proceeds from maturities of investments	137,005		2	475	584	56,721	(475)	194,312	
Changes in investments and advances intercompany	(20,954)			(1,054)	913	20,041	1,054		
Business acquisitions									
Other investing activities		(19,046)				23,253		4,207	
<b>Net cash (used in) provided by investing activities</b>	\$ (39,315)	\$ (19,022)	\$ 1,381	\$ (4,750)	\$ (1,175)	\$ 60,094	\$ 4,750	\$ 1,963	
<b>Cash flows from financing activities</b>									
Dividends paid	\$ (6,008)	\$	\$	\$	\$	\$	\$	\$ (6,008)	
Dividends paid-intercompany	(180)	(84)				264			
Issuance of common stock	4,961							4,961	
Issuance/(Redemptions) of preferred stock	27,424							27,424	
Treasury stock acquired	(6)					(1)		(7)	
Proceeds/(Repayments) from issuance of long-term debt third-party, net	14,608	(9,068)	6,188	(720)	(2,223)	(36,267)	720	(26,762)	
Proceeds/(Repayments) from issuance of long-term debt intercompany, net		23,322		(1,513)	(2,181)	(21,141)	1,513		
Change in deposits						(32,411)		(32,411)	
Net change in short-term borrowings and other investment	(3,196)	(5,269)	(9,096)		(105)	(23,967)		(41,633)	

Explanation of Responses:

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banking and brokerage borrowings																
third-party																
Net change in short-term borrowings and other advances																
intercompany	3,622		4,873		(448)		3,724		2,721		(10,768)		(3,724)			
Capital contributions from parent	(1)															
Other financing activities	1															
	(377)															
Net cash provided by (used in) financing activities	\$	40,848	\$	13,774	\$	(3,357)	\$	1,491	\$	(1,788)	\$	(124,290)	\$	(1,491)	\$	(74,813)
Effect of exchange rate changes on cash and due from banks	\$		\$		\$		\$		\$		\$	(1,105)	\$		\$	(1,105)
Net cash from discontinued operations	\$		\$		\$		\$		\$		\$	(171)	\$		\$	(171)
Net increase (decrease) in cash and due from banks	\$	14	\$	(661)	\$	5	\$	(27)	\$	(43)	\$	25,505	\$	27	\$	24,820
Cash and due from banks at beginning of period		19		5,297		2		321		440		32,448		(321)		38,206
Cash and due from banks at end of period	\$	33	\$	4,636	\$	7	\$	294	\$	397	\$	57,953		(294)	\$	63,026
Supplemental disclosure of cash flow information																
Cash paid during the year for:																
Income taxes	\$	339	\$	(2,867)	\$	261	\$	304	\$	261	\$	4,129	\$	(304)	\$	2,123
Interest		7,083		14,582		2,916		1,428		252		19,461		(1,428)		44,294
Non-cash investing activities:																
Transfers to repossessed assets	\$		\$		\$		\$	1,108	\$	1,148	\$	1,426	\$	(1,108)	\$	2,574

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**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings**

The following information supplements and amends our discussion set forth under Part I, Item 3 "Legal Proceedings" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008, as updated by our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2009 and June 30, 2009.

**Subprime Mortgage Related Litigation and Other Matters**

**Securities Actions.** On July 22, 2009, plaintiffs in *BRECHER, ET AL. v. CGMI, ET AL.* voluntarily dismissed the claims against the individual defendants and moved to remand the remaining action against Citigroup, CGMI, and the Personnel and Compensation Committee to state court. On September 8, 2009, the United States District Court for the Southern District of California ordered that defendants show cause as to why there was federal jurisdiction over the case. On September 17, 2009, defendants responded to the district court's order.

On August 7, 2009, the Judicial Panel on Multidistrict Litigation transferred *BRECHER, ET AL. v. CITIGROUP INC., ET AL.* to the Southern District of New York for coordination with *IN RE CITIGROUP INC. SECURITIES LITIGATION*.

On August 19, 2009, *KOCH, ET AL. v. CITIGROUP INC., ET AL.*, a putative class action, was filed in the United States District Court for the Southern District of California on behalf of participants in Citigroup's Voluntary FA Capital Accumulation Program ("FA CAP Program") against various defendants, including Citigroup and CGMI, asserting claims under the Securities Act of 1933, the Securities Exchange Act of 1934, and Minnesota state law in connection with plaintiffs' acquisition of certain securities through the FA CAP Program. On September 30, 2009, the Judicial Panel on Multidistrict Litigation conditionally transferred *KOCH* to the United States District Court for the Southern District of New York as a potential tag-along to *IN RE CITIGROUP INC. SECURITIES LITIGATION*. On October 8, 2009, a consolidated amended complaint was filed in *BRECHER, ET AL. v. CITIGROUP INC., ET AL.* in the United States District Court for the Southern District of New York, asserting claims under the federal securities laws and Minnesota and California state law. The complaint purports to consolidate the similar claims asserted in *KOCH*.

On August 31, 2009, *ASHER, ET AL. v. CITIGROUP INC., ET AL.* and *PELLEGRINI, ET AL. v. CITIGROUP INC., ET AL.* were consolidated with *IN RE CITIGROUP INC. BOND LITIGATION*.

On October 14, 2009, *INTERNATIONAL FUND MANAGEMENT S.A., ET AL. v. CITIGROUP INC., ET AL.* was filed by several foreign investment funds and fund management companies and the City of Richmond in the United States District Court for the Southern District of New York, asserting, among other claims, claims under the Securities Exchange Act of 1934 against various defendants, including Citigroup and several current and former Citigroup executives. The claims asserted in this action are similar to those asserted in *IN RE CITIGROUP INC. SECURITIES LITIGATION*.

**Derivative Actions.** On August 25, 2009, the United States District Court for the Southern District of New York dismissed without prejudice the complaint in *IN RE CITIGROUP INC. SHAREHOLDER DERIVATIVE LITIGATION* for failure to make a pre-suit demand on the Board of Directors and failure to plead demand futility. On September 18, 2009, plaintiffs filed a motion for leave to amend the complaint.

Citigroup has received letters on behalf of purported shareholders demanding that the Board of Directors take remedial action, including the filing of legal claims, with respect to certain of the matters alleged in the subprime mortgage related securities and derivative litigations, among other matters. The Board has formed a committee to consider the demands asserted in the letters.

**ERISA Actions.** On August 31, 2009, the United States District Court for the Southern District of New York dismissed the complaint in *IN RE CITIGROUP ERISA LITIGATION* for failure to state a claim that defendants breached their fiduciary duties by offering Citigroup stock as an investment option in the ERISA plans and entered judgment in favor of defendants. On September 8, 2009, plaintiffs appealed the dismissal to the United States Court of Appeals for the Second Circuit.

**Other Matters.** Underwriting Actions. *American Home Mortgage.* On July 27, 2009, *UTAH RETIREMENT SYSTEMS v. STRAUSS, ET AL.* was filed in the United States District Court for the Eastern District of New York asserting, among other claims, claims under the Securities Act of 1933 and Utah state law arising out of an offering of American Home Mortgage common stock underwritten by CGMI.

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On July 31, 2009, the United States District Court for the Eastern District of New York entered an order preliminarily approving settlements reached with all defendants (including Citigroup and CGMI) in IN RE AMERICAN HOME MORTGAGE SECURITIES LITIGATION.

*AIG.* On August 5, 2009, the underwriter defendants, including CGMI and CGML, moved to dismiss the consolidated amended complaint in IN RE AMERICAN INTERNATIONAL GROUP, INC. 2008 SECURITIES LITIGATION.

*Discrimination in Lending Actions.* On September 21, 2009, the United States District Court for the Central District of California denied defendant CitiMortgage's motion for summary judgment and granted its motion to strike the jury demand in NAACP v. AMERIQUEST MORTGAGE CO., ET AL.

*Public Nuisance and Related Actions.* On August 7, 2009, the City of Cleveland dismissed, without prejudice, its claims against CitiFinancial and CitiMortgage in CITY OF CLEVELAND v. JP MORGAN CHASE BANK, N.A., ET AL.

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Counterparty Actions. On October 7, 2009, defendants filed a motion to dismiss the complaint in AMBAC CREDIT PRODUCTS, LLC v. CITIGROUP INC., ET AL.

**Governmental and Regulatory Matters.** Citigroup and certain of its affiliates and current and former employees are subject to formal and informal investigations, as well as subpoenas and/or requests for information, from various governmental and self-regulatory agencies relating to subprime mortgage related activities. Citigroup and its affiliates are cooperating fully and are engaged in efforts to resolve certain of these matters.

### **Auction Rate Securities Related Litigation and Other Matters**

**Securities Actions.** On July 23, 2009, the Judicial Panel on Multidistrict Litigation issued an order transferring K-V PHARMACEUTICAL CO. v. CGMI from the United States District Court for the Eastern District of Missouri to the United States District Court for the Southern District of New York for coordination with IN RE CITIGROUP AUCTION RATE SECURITIES LITIGATION. On August 24, 2009, CGMI moved to dismiss the complaint.

On September 11, 2009, the United States District Court for the Southern District of New York dismissed without prejudice the complaint in IN RE CITIGROUP AUCTION RATE SECURITIES LITIGATION. On October 15, 2009, lead plaintiff filed a second consolidated amended complaint asserting claims under Sections 10 and 20 of the Securities Exchange Act of 1934.

On October 2, 2009, the Judicial Panel on Multidistrict Litigation transferred OCWEN FINANCIAL CORP., ET AL. v. CGMI to the United States District Court for the Southern District of New York for coordination with IN RE CITIGROUP AUCTION RATE SECURITIES LITIGATION.

**Derivative Actions.** On September 10, 2009, the United States District Court for the Southern District of New York dismissed without prejudice the complaint in LOUISIANA MUNICIPAL POLICE EMPLOYEES RETIREMENT SYSTEM v. PANDIT, ET AL. for failure to make a pre-suit demand on the Board of Directors and failure to plead demand futility. On September 16, 2009, Citigroup received a letter on behalf of plaintiff demanding that the Board of Directors take remedial action, including the filing of legal claims, with respect to the matters alleged in the dismissed complaint. The Board has formed a committee to consider the demands asserted in the letter. On September 23, 2009, plaintiff filed a motion for reconsideration of the district court's order of dismissal.

**Governmental and Regulatory Actions.** Citigroup and certain of its affiliates and current and former employees are subject to formal and informal investigations, as well as subpoenas and/or requests for information, from various governmental and self-regulatory agencies relating to auction rate securities. Citigroup and its affiliates are cooperating fully and are engaged in discussions on these matters.

### **Falcon and ASTA/MAT-Related Litigation and Other Matters**

**ECA Acquisitions, Inc., et al. v. MAT Three LLC, et al.** On September 14, 2009, defendants filed a motion to dismiss the amended complaint.

**Governmental and Regulatory Matters.** Citigroup and certain of its affiliates are subject to formal and informal investigations, as well as subpoenas and/or requests for information, from various governmental and self-regulatory agencies relating to the marketing and management of the Falcon and ASTA/MAT funds. Citigroup and its affiliates are cooperating fully and are engaged in discussions on these matters.

### **Adelphia Communications Corporation**

Trial of the Adelphia Recovery Trust's claims against Citigroup and numerous other defendants is scheduled to begin in April 2010.

### **IPO Securities Litigation**

In October 2009, the District Court entered an order granting final approval of the settlement.

### **Other Matters**

**Destiny Litigations.** On June 9 and 12, 2009, two actions DESTINY USA HOLDINGS, LLC v. CITIGROUP GLOBAL MARKETS REALTY CORP. and CONGEL, ET. AL. v. CITIGROUP GLOBAL MARKETS REALTY CORP. were filed in New York State Supreme Court, Onondaga County, against Citigroup Global Markets Realty Corp. (CGMRC), respectively relating to CGMRC's issuance of Deficiency



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and Default Notices (the "Notices") pursuant to a construction loan agreement with Destiny USA Holdings, LLC (Destiny). Destiny seeks declaratory and injunctive relief and damages for CGMRC's alleged breach of the loan agreement. On July 17, 2009, the court granted Destiny's motion for a preliminary injunction, vacated the Notices, and directed CGMRC to pay all sums due under Destiny's existing funding requests and to pay all future sums due as requested under the loan agreement. That order has been stayed pending the outcome of CGMRC's state court appeal.

*Investor Actions.* Investors in municipal bonds and other instruments affected by the collapse of the credit markets have sued Citigroup on a variety of theories. On August 10, 2009, certain such investors, a Norwegian securities firm and seven Norwegian municipalities, filed an action *TERRA SECURITIES ASA KONKURSBO, ET AL. v. CITIGROUP INC., ET AL.* in the United States District Court for the Southern District of New York against Citigroup, CGMI and Citigroup Alternative Investments LLC, asserting claims under Sections 10 and 20 of the Securities Exchange Act of 1934 and state law arising out of the municipalities' investment in certain notes. On October 7, 2009, defendants filed a motion to dismiss.

*Japan Regulatory Matters.* Beginning in late 2008, certain Citigroup affiliates received requests for information from Japanese regulators relating to the accuracy of their large shareholding reporting in Japan. These Citigroup affiliates are cooperating fully with such requests and, among other things, in the third quarter of 2009 filed approximately 900 public reports in Japan correcting and supplementing previous large

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shareholding reports. Administrative fines and other penalties may be imposed against these Citigroup affiliates.

*Lehman Brothers Structured Notes.* Retail customers outside of the United States continue to file, and threaten to file, claims for the loss in value of their investments. There are currently 99 civil actions pending in six European countries related to the distribution of Lehman structured notes. The first court hearing in the Belgian criminal case (in which more than 1300 customers are expected to file as civil complainants seeking compensation) is expected to take place on December 1, 2009. A criminal investigation has begun in Poland, and the criminal investigations in Greece continue. Scrutiny by regulatory authorities outside of the United States is ongoing, and there have been a number of adverse regulatory findings.

*Pension Plan Litigation.* On October 19, 2009, the United States Court of Appeals for the Second Circuit reversed the district court's order granting summary judgment in favor of plaintiffs and dismissed plaintiffs' complaint. The Second Circuit held that Citigroup's pension plan did not violate ERISA's minimum benefit accrual rules and that there had been no violation of ERISA's notice requirements.

*W.R. Huff Asset Management Co., LLC v. Kohlberg Kravis Roberts & Co., L.P.* On August 6, 2009, the Circuit Court of Jefferson County, Alabama, granted defendant Robinson Humphrey Co. LLC's motion to strike the Fourth Amended Complaint on statute of limitations grounds, thereby dismissing Robinson Humphrey Co. LLC from the case. On August 25, 2009, the case was consolidated for discovery purposes, but not for trial, with the related case against Salomon Brothers, Inc., 27001 PARTNERSHIP, ET AL. v. BT SECURITIES CORP., ET AL. Trial in the 27001 PARTNERSHIP action remains scheduled to commence in February 2010. On September 18, 2009, defendants Salomon Brothers, Inc. and Chemical Securities, Inc. moved for summary judgment, and plaintiffs moved for partial summary judgment.

**Settlement Payments**

Any payments required by Citigroup or its affiliates in connection with the settlement agreements described above either have been made, or are covered by existing litigation reserves.

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**Item 1A. Risk Factors**

There are no material changes from the risk factors set forth under Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

Table of Contents**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds****(c) Share Repurchases**

Under its long-standing repurchase program, the Company may buy back common shares in the market or otherwise from time to time. This program may be used for many purposes, including to offset dilution from stock-based compensation programs.

The following table summarizes the Company's share repurchases during the first nine months of 2009:

<i>In millions, except per share amounts</i>	<b>Total shares purchased(1)</b>	<b>Average price paid per share</b>	<b>Approximate dollar value of shares that may yet be purchased under the plans or programs</b>
<b>First quarter 2009</b>			
Open market repurchases(1)	0.2	\$ 3.03	\$ 6,741
Employee transactions(2)	10.7	3.56	N/A
<b>Total first quarter 2009</b>	10.9	\$ 3.55	\$ 6,741
<b>Second quarter 2009</b>			
Open market repurchases(1)	0.2	\$ 3.27	\$ 6,740
Employee transactions(2)	4.4	3.67	N/A
<b>Total second quarter 2009</b>	4.6	\$ 3.65	\$ 6,740
<b>July 2009</b>			
Open market repurchases(1)	0.4	\$ 3.09	\$ 6,739
Employee transactions(2)	1.1	3.08	N/A
<b>August 2009</b>			
Open market repurchases(1)		\$	\$ 6,739
Employee transactions(2)	0.1	3.66	N/A
<b>September 2009</b>			
Open market repurchases(1)	0.1	\$ 4.67	\$ 6,739
Employee transactions(2)	0.1	4.52	N/A
<b>Third quarter 2009</b>			
Open market repurchases(1)	0.5	\$ 3.21	\$ 6,739
Employee transactions(2)	1.3	3.22	N/A
<b>Total third quarter 2009</b>	1.8	\$ 3.22	\$ 6,739
<b>Year-to-date 2009</b>			
Open market repurchases(1)	0.9	\$ 3.18	\$ 6,739
Employee transactions(2)	16.4	3.56	N/A
<b>Total year-to-date 2009</b>	17.3	\$ 3.54	\$ 6,739

- (1) All open market repurchases were transacted under an existing authorized share repurchase plan. On April 17, 2006, the Board of Directors authorized up to an additional \$10 billion in share repurchases. Shares repurchased in the first, second and third quarters of 2009 relate to customer fails/errors.

(2)

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Consists of shares added to treasury stock related to activity on employee stock option program exercises, where the employee delivers existing shares to cover the option exercise, or under the Company's employee restricted or deferred stock program, where shares are withheld to satisfy tax requirements.

N/A Not applicable.

In accordance with the recent exchange agreements with the USG, the Company agreed not to pay a quarterly common stock dividend exceeding \$0.01 per share per quarter for so long as the USG holds any debt or equity security of Citigroup (or any affiliate thereof) acquired by the USG in connection with the public and private exchange offers, without the consent of the USG. Any dividend on Citi's outstanding common stock would need to be made in compliance with Citi's obligations to any remaining outstanding preferred stock. In addition, pursuant to various of its agreements with the USG, the Company agreed not to repurchase its common stock subject to certain limited exceptions, including in the ordinary course of business as part of employee benefit programs, without the consent of the USG.

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**Item 4. Submission of Matters to a Vote of Security Holders**

On the July 24, 2009 voting deadline for Citigroup's Preferred Proxy Statement dated June 18, 2009, the votes cast on the proposals to amend the Company's restated certificate of incorporation and the certificates of designation of certain series of the Company's preferred stock did not meet the required quorum of a majority of the outstanding shares of the Company's common stock. As a result, the proposals were not approved.

Set forth below, with respect to the proposals covered by Citigroup's Preferred Proxy Statement dated June 18, 2009, are the number of votes consenting to approve the proposal, the number of votes withholding consent, and the number of abstentions.

		CONSENT	WITHHOLD CONSENT	ABSTAIN
(1)	Proposal to eliminate certain requirements with respect to the declaration and payment of dividends on the Company's preferred stock.	1,616,485,022	133,242,379	188,213,673
(2)	Proposal to eliminate the right of holders of the Company's preferred stock to elect two directors if dividends on that preferred stock have not been paid.	1,608,466,652	137,116,210	192,358,085
(3)	Proposal to clarify that shares of certain series of the Company's preferred stock acquired by the Company will be restored to the status of authorized but unissued shares without designation as to series.	1,134,202,301	607,909,223	195,824,857
(4)	Proposal to increase the number of authorized shares of preferred stock from 30 million to 2 billion.	1,105,887,808	629,622,756	192,425,539

On September 3, 2009, the Company announced that its common stockholders had approved the three proposed amendments to the Company's restated certificate of incorporation submitted to common stockholders in Citigroup's Common Proxy Statement dated June 18, 2009.

Set forth below, with respect to the proposals covered by Citigroup's Common Proxy Statement dated June 18, 2009, are the number of votes consenting to approve the proposal, the number of votes withholding consent, and the number of abstentions.

		CONSENT	WITHHOLD CONSENT	ABSTAIN
(1)	Proposal to increase the number of authorized shares of common stock from 15 billion to 60 billion shares.	7,056,506,251	188,694,489	26,840,344
(2)	Proposal to effect a reverse stock split of the Company's common stock at any time prior to June 30, 2010 at one of seven reverse split ratios, at the sole discretion of the Company's Board of Directors.	8,558,930,213	537,925,274	78,420,206
(3)	Proposal to eliminate the voting rights of shares of common stock with respect to any amendment to the Company's restated certificate of incorporation that relates solely to the terms of one or more outstanding series of the Company's preferred stock.	6,629,778,336	604,659,624	37,525,290

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**Item 6. Exhibits**

See Exhibit Index.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 6th day of November, 2009.

CITIGROUP INC.  
(Registrant)

By /s/ JOHN C. GERSPACH

John C. Gerspach  
*Chief Financial Officer*  
*(Principal Financial Officer)*

By /s/ JEFFREY R. WALSH

Jeffrey R. Walsh  
*Controller and Chief Accounting Officer*  
*(Principal Accounting Officer)*

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#### EXHIBIT INDEX

- 2.01 Amended and Restated Joint Venture Contribution and Formation Agreement, dated May 29, 2009, by and among Citigroup Inc. (the Company), Morgan Stanley and Morgan Stanley Smith Barney Holdings LLC, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed June 3, 2009 (File No. 1-9924).
- 2.02 Share Purchase Agreement, dated May 1, 2009, by and among Nikko Citi Holdings Inc., Nikko Cordial Securities Inc., Nikko Citi Business Services Inc., Nikko Citigroup Limited, and Sumitomo Mitsui Banking Corporation, incorporated by reference to Exhibit 2.02 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2009 (File No. 1-9924).
- 3.01+ Restated Certificate of Incorporation of the Company, dated October 30, 2009.
- 3.02 By-Laws of the Company, as amended, effective October 16, 2007, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed October 19, 2007 (File No. 1-9924).
- 4.01 Warrant, dated October 28, 2008, issued by the Company to the United States Department of the Treasury (the UST), incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed October 30, 2008 (File No. 1-9924).
- 4.02 Warrant, dated December 31, 2008, issued by the Company to the UST, incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed December 31, 2008 (File No. 1-9924).
- 4.03 Warrant, dated January 15, 2009, issued by the Company to the UST, incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed January 16, 2009 (File No. 1-9924).
- 4.04 Tax Benefits Preservation Plan, dated June 9, 2009, between the Company and Computershare Trust Company, N.A., incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed June 10, 2009 (File No. 1-9924).
- 10.01+ Form of Citigroup Equity or Deferred Cash Award Agreement (effective November 1, 2009).
- 12.01+ Calculation of Ratio of Income to Fixed Charges.
- 12.02+ Calculation of Ratio of Income to Fixed Charges (including preferred stock dividends).
- 31.01+ Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.02+ Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.01+ Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 99.01+ Residual Value Obligation Certificate.
- 101.01+ Financial statements from the Quarterly Report on Form 10-Q of Citigroup Inc. for the quarter ended September 30, 2009, filed on November 6, 2009, formatted in XBRL: (i) the Consolidated Statement of Income, (ii) the Consolidated Balance Sheet, (iii) the Consolidated Statement of Changes in Equity, (iv) the Consolidated Statement of Cash Flows and (v) the Notes to Consolidated Financial Statements tagged as blocks of text.

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The total amount of securities authorized pursuant to any instrument defining rights of holders of long-term debt of the Company does not exceed 10% of the total assets of the Company and its consolidated subsidiaries. The Company will furnish copies of any such instrument to the Securities and Exchange Commission upon request.

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Filed herewith

