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HOME DEPOT INC
Form DEF 14A
April 19, 2002

SCHEDULE 14A
(RULE 14A-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION
PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES
EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Rule 14a-12

The Home Depot, Inc

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
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 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
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[HOME DEPOT APRON GRAPHIC]

PROXY STATEMENT AND NOTICE OF
2002 ANNUAL STOCKHOLDERS MEETING

NOTICE OF 2002 ANNUAL MEETING OF STOCKHOLDERS

- TIME: 10:00 a.m. on Wednesday, May 29, 2002
- PLACE: Cobb Galleria Centre
2 Galleria Parkway
Atlanta, Georgia 30339
- ITEMS OF BUSINESS:
- 1) To elect the full board of directors.
 - 2) To ratify the appointment of KPMG LLP as independent auditors for the Company for the fiscal year 2002.
 - 3) To amend the Company's Certificate of Incorporation to eliminate Article Eighth, which sets forth our "fair price" provision.
 - 4) To re-approve our 1997 Omnibus Stock Incentive Plan, as amended to add additional performance objectives.
 - 5) To transact other business properly coming before the meeting, including the consideration of stockholder proposals.
- WHO CAN VOTE: You can vote if you were a stockholder of record on April 1, 2002.
- ANNUAL REPORT: A copy of our 2001 Annual Report is enclosed.
- DATE OF MAILING: This notice and the proxy statement are first being mailed to stockholders on or about April 22, 2002.

By Order of the Board of Directors
Frank L. Fernandez, Secretary

TO OUR STOCKHOLDERS:

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It is my pleasure to invite you to attend our 2002 Annual Meeting of Stockholders, which will be held this year on Wednesday, May 29, 2002, at the Cobb Galleria Centre in Atlanta, Georgia. The meeting will start at 10:00 a.m. local time.

On the ballot at this year's meeting are company proposals (1) for the election of the full board of directors, (2) to ratify the appointment of KPMG LLP as independent auditors for the Company for the fiscal year 2002, (3) to amend our Certificate of Incorporation to eliminate Article Eighth and (4) to re-approve our 1997 Omnibus Stock Incentive Plan, as amended to add additional performance objectives. Additionally, you will vote on a stockholder proposal. We also look forward to answering your questions at the meeting in the manner discussed in the proxy statement. If you will need special assistance at the meeting because of a disability, please contact Audrey Davies at 770-433-8211, ext. 17598. We will provide an interpreter for the hearing impaired.

PLEASE NOTE THAT YOU WILL NEED TO SHOW THAT YOU ARE A STOCKHOLDER OF HOME DEPOT TO ATTEND THE ANNUAL MEETING. If your shares are registered in your name, your admission card is attached to your proxy card, and you will need to bring this card with you to the meeting. If your shares are in the name of your broker or bank or you received your proxy materials electronically, you will need to bring evidence of your stock ownership, such as your most recent brokerage account statement. All stockholders will be required to present valid picture identification. IF YOU DO NOT HAVE VALID PICTURE IDENTIFICATION AND EITHER AN ADMISSION CARD OR PROOF THAT YOU OWN HOME DEPOT STOCK, YOU MAY NOT BE ADMITTED INTO THE MEETING.

If you are unable to attend the meeting, you can listen to it live over the Internet. You can access the audio by going to our website, www.homedepot.com. A replay will also be available until June 5, 2002.

We are continuing to offer you the option to receive future proxy materials electronically through the Internet. You can sign up by following the simple instructions contained in this mailing. Receiving future annual reports and proxy statements through the Internet will be simpler for you, will save your company money and is friendlier to the environment. If you have a computer with Internet access, we hope you will follow the instructions and sign up.

Whether or not you plan to attend, you can be sure your shares are represented at the meeting by promptly voting and submitting your proxy by phone, by Internet or by completing, signing and returning the enclosed proxy card.

Thank you for your support.

Sincerely,

/s/ Bob

Robert L. Nardelli
Chairman, President and Chief Executive Officer

ABOUT THE MEETING

WHAT AM I VOTING ON?

You will be voting on the following:

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- To elect the full board of directors;
- To ratify the appointment of KPMG LLP as independent auditors for the Company for the fiscal year 2002;
- To amend the Company's Certificate of Incorporation to eliminate Article Eighth, which sets forth our "fair price" provision;
- To re-approve our 1997 Omnibus Stock Incentive Plan, as amended to add additional performance objectives; and
- To consider stockholder proposals properly coming before the meeting.

WHO IS ENTITLED TO VOTE?

You may vote if you owned stock as of the close of business on April 1, 2002. Each share of common stock is entitled to one vote. As of April 1, 2002, we had 2,350,050,699 shares of common stock outstanding.

HOW DO I VOTE BEFORE THE MEETING?

You have three voting options:

- Over the Internet, which we encourage if you have Internet access, at the address shown on your proxy card;
- By telephone through the number shown on your proxy card; or
- By mail by completing, signing and returning the enclosed proxy card.

If you hold your shares in the name of a bank or broker, your ability to vote by telephone or the Internet depends on their voting processes. Please follow the directions on your proxy card carefully.

CAN I VOTE AT THE MEETING?

You may vote your shares at the meeting if you attend in person. Even if you plan to attend the meeting, we encourage you to vote your shares by proxy. You may vote by proxy through the Internet, by telephone or by mail.

CAN I CHANGE MY MIND AFTER I VOTE?

You may change your vote at any time before the polls close at the meeting. You may do this by (1) signing another proxy card with a later date and returning it to us prior to the meeting, (2) voting again by telephone or over the Internet prior to 10:00 a.m. on May 29, 2002 or (3) voting again at the meeting.

WHAT IF I RETURN MY PROXY CARD BUT DO NOT PROVIDE VOTING INSTRUCTIONS?

Proxies that are signed and returned but do not contain instructions will be voted (1) FOR the election of the nominee directors named on pages 4 and 5 of this proxy statement, (2) FOR the ratification of KPMG as independent auditors for the Company for the fiscal year 2002, (3) FOR the amendment of the Certificate of Incorporation to eliminate Article Eighth, (4) FOR the re-approval of our 1997 Omnibus Stock Option Plan, as amended to add additional performance objectives, and (5) AGAINST the stockholder proposal.

HOW DO I VOTE IF I PARTICIPATE IN THE DIVIDEND REINVESTMENT PLAN?

The proxy card you have received includes your dividend reinvestment plan shares. You may vote your shares through the Internet, by telephone or by mail, all as described on the enclosed proxy card.

HOW DO I VOTE IF I PARTICIPATE IN THE FUTURE-BUILDER PLAN FOR HOME DEPOT ASSOCIATES?

Shares credited to your FutureBuilder account are included on your proxy card. You may vote your shares by Internet, telephone or mail, all as described on the

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enclosed proxy card. If you do not vote, the shares credited to your account will be voted by the trustee in the same proportion that it votes shares in other accounts for which it did receive timely instructions. If you also own stock in your own name and not through a broker, your proxy card includes both those shares and shares credited to your FutureBuilder account.

WHAT DOES IT MEAN IF I RECEIVE MORE THAN ONE PROXY CARD?

It means that you have multiple accounts with brokers and/or our transfer agent. Please vote all of these shares. We recommend that you contact your broker and/or our transfer agent to consolidate as many accounts as possible under the same name and address. Our transfer agent is EquiServe Trust Company, N.A., which may be reached at 1-800-577-0177 or at www.equiserve.com.

WILL MY SHARES BE VOTED IF I DO NOT PROVIDE MY PROXY?

Your shares may be voted if they are held in the name of a brokerage firm, even if you do not provide the brokerage firm with voting instructions. Brokerage firms have the authority under the New York Stock Exchange rules to vote shares for which their customers do not provide voting instructions on certain "routine" matters.

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ABOUT THE MEETING

The election of directors, the ratification of KPMG LLP as independent auditors of the Company for fiscal year 2002 and the re-approval of the 1997 Omnibus Stock Incentive Plan, as amended to add additional performance objectives, are considered routine matters for which brokerage firms may vote unvoted shares. The other proposals to be voted on at our meeting are not considered "routine" under applicable rules. When a proposal is not a routine matter and the brokerage firm has not received voting instructions from the beneficial owner of the shares with respect to that proposal, the brokerage firm cannot vote the shares on that proposal. This is called a "broker non-vote."

HOW CAN I ATTEND THE MEETING?

The annual meeting is open to all holders of Home Depot common stock. To attend the meeting, you will need to bring evidence of your stock ownership. If your shares are registered in your name, your admission card is attached to your proxy card, and you will need to bring it with you to the meeting. If your shares are in the name of your broker or bank or you received your proxy materials electronically, you will need to bring evidence of your stock ownership, such as your most recent brokerage account statement. All stockholders will be required to present valid picture identification. IF YOU DO NOT HAVE VALID PICTURE IDENTIFICATION AND EITHER AN ADMISSION CARD OR PROOF THAT YOU OWN HOME DEPOT STOCK, YOU MAY NOT BE ADMITTED INTO THE MEETING.

HOW CAN I LISTEN TO THE MEETING OVER THE INTERNET?

You can listen to the meeting live by logging onto our website, www.homedepot.com. A replay will also be available until June 5, 2002.

MAY STOCKHOLDERS ASK QUESTIONS AT THE MEETING?

Yes. Representatives of the Company will answer stockholders' questions of

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general interest at the end of the meeting. In order to give a greater number of stockholders an opportunity to ask questions, individuals or groups will be allowed to ask only one question and no repetitive or follow-up questions will be permitted.

HOW MANY VOTES MUST BE PRESENT TO HOLD THE MEETING?

Your shares are counted as present at the meeting if you attend the meeting and vote in person or if you properly return a proxy by Internet, telephone or mail. In order for us to conduct our meeting, a majority of our outstanding shares of common stock as of April 1, 2002, must be present in person or by proxy at the meeting. This is referred to as a quorum. Abstentions and broker non-votes will be counted for purposes of establishing a quorum at the meeting.

HOW MANY VOTES ARE NEEDED TO ELECT DIRECTORS?

The nominees receiving the highest number of "For" votes will be elected as directors. This number is called a plurality. Shares not voted, whether by marking "Abstain" on your proxy card or otherwise, will have no impact on the election of directors. The proxy given will be voted FOR each of the nominees for director unless a properly executed proxy card is marked "Withhold Authority" as to a particular nominee or nominees for director.

HOW MANY VOTES ARE NEEDED TO APPROVE THE COMPANY'S PROPOSALS?

Each of the Company's proposals will be considered separately. The ratification of the appointment of KPMG LLP as independent auditors of the Company for the fiscal year 2002 must receive the "yes" vote of a majority of the votes cast at the meeting. The proposal to re-approve our 1997 Omnibus Stock Incentive Plan, as amended to add additional performance objectives, must receive the "yes" vote of a majority of the votes cast at the meeting. A properly executed proxy card marked "Abstain" with respect to these proposals will not be voted.

The amendment of our Certificate of Incorporation to eliminate Article EIGHTH must receive the "yes" vote of a majority of the outstanding shares. A properly executed proxy card marked "Abstain" with respect to this proposal will not be voted. Accordingly, abstentions will have the effect of a vote "Against" this proposal. Broker non-votes will not be voted with respect to this proposal.

HOW MANY VOTES ARE NEEDED TO APPROVE THIS YEAR'S STOCKHOLDER PROPOSAL?

The stockholder proposal must receive the "For" vote of a majority of the votes cast at the meeting in order to be approved. A properly executed proxy card marked "Abstain" with respect to this proposal will not be voted. Broker non-votes will not be voted with respect to any stockholder proposals presented at the meeting.

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BOARD OF DIRECTORS INFORMATION

WHAT IS THE MAKEUP OF THE BOARD OF DIRECTORS AND HOW OFTEN ARE MEMBERS ELECTED?

Our Board of Directors currently has 13 members. Each director stands for election every year.

ARE ANY DIRECTORS NOT STANDING FOR RE-ELECTION?

Yes. Bernard Marcus is retiring from the Board effective as of the Annual

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Meeting because he has reached our mandatory retirement age of 72. Under the terms of our Certificate of Incorporation and By-laws, the Board has reduced the size of the Board to twelve members effective as of the Annual Meeting. In the future, the Board may increase the size of the Board and appoint new directors.

WHAT IF A NOMINEE IS UNWILLING OR UNABLE TO SERVE?

That is not expected to occur. If it does, proxies will be voted for a substitute nominated by the Board of Directors.

HOW ARE DIRECTORS COMPENSATED?

Each director who is not an employee of The Home Depot receives \$60,000 each year, \$30,000 of which is in the form of restricted shares of our common stock. Directors may elect to receive all or any portion of their cash compensation in deferred stock units. Additionally, these directors receive options to purchase 5,000 shares of common stock upon election or appointment to the Board and 3,750 additional options each year. These directors also receive \$1,000 for each meeting they attend other than by telephone and are reimbursed for reasonable expenses in attending meetings and conducting store visits. Due to their large holdings of Home Depot common stock, Messrs. Cox, Hart and Langone waived receipt of the portion of their retainers for fiscal 2001 that was payable in restricted shares. Directors who are also employees of The Home Depot are not separately compensated for their services as directors.

As part of the Company's overall support of charitable organizations, and in order to preserve its ability to attract directors with outstanding experience and ability, the Company maintains a program that permits each director to recommend charitable organizations to receive up to \$1 million from the Company upon the director's retirement upon reaching the Board's mandatory retirement age or upon death. Additionally, through the program the Company will match up to \$50,000 of charitable donations made by each director during each calendar year. The directors will not receive any financial benefit from this program because the charitable deductions accrue solely to the Company. Donations are not made to any charity from which the director or a party related to the director directly or indirectly receives compensation. The overall program is not expected to result in a material cost to the Company.

WHAT DOES THE LEAD DIRECTOR DO?

The Lead Director helps the Chairman of the Board develop the agenda for Board meetings and reviews the Board's governance procedures and policies. The Lead Director is also the Chairman of the Nominating and Corporate Governance Committee and chairs any meetings of outside directors. The Lead Director is elected by the Board of Directors for a three-year term. Kenneth G. Langone was elected as the first Lead Director in 1998, and he was re-elected in 2001. His current term expires in 2004.

HOW OFTEN DID THE BOARD MEET IN FISCAL 2001?

The Board of Directors met six times during fiscal 2001. During fiscal 2001, each director attended at least 75% of the meetings of the board and of the committees of which he or she was a member.

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ELECTION OF DIRECTORS AND DIRECTOR BIOGRAPHIES
(ITEM 1 ON THE PROXY CARD)

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WHO ARE THIS YEAR'S NOMINEES?

The directors standing for election this year to hold office until the 2003 annual meeting of stockholders and until his or her successor is elected are:

GREGORY D. BRENNEMAN, 40, Director since 2000

- Chairman and Chief Executive Officer of Turnworks, Inc., a private equity firm, since 2001
- President of Continental Airlines, Inc. from 1996 to 2001 and member of the Board and Chief Operating Officer of Continental Airlines from 1995 to 2001
- Member of the Board of:
 - Automatic Data Processing, Inc.
 - J. Crew Group, Inc.

RICHARD H. BROWN, 54, Director since 2000

- Chairman and Chief Executive Officer of Electronic Data Systems Corporation since 1999
- Chief Executive Officer of Cable & Wireless plc from 1996 to 1998
- President and Chief Executive Officer of H&R Block, Inc. from 1995 to 1996
- Member of the Board of:
 - Vivendi Universal SA
 - E.I. duPont de Nemours and Company
- Member of:
 - The Business Council
 - The Business Roundtable
 - The U.S. - France Business Council
 - The U.S. - Japan Business Council
- Member of the Board of Trustees of Southern Methodist University

JOHN L. CLENDENIN, 67, Director since 1996

- Retired as Chairman in 1997 and as President and Chief Executive Officer in 1996 of BellSouth Corporation
- Member of the Board of:
 - Acuity Brands, Inc.
 - Coca-Cola Enterprises Inc.
 - Equifax Inc.
 - The Kroger Co.
 - Powerwave Technologies, Inc.
- Past Chairman/President of:
 - The Committee for Economic Development
 - Junior Achievement
 - The Boy Scouts of America
 - U.S. Chamber of Commerce

BERRY R. COX, 48, Director since 1978

- Chairman of Berry R. Cox, Inc., a privately held investment management company
- Principally engaged in investments in public and private securities, real estate development and oil and gas exploration for over 20 years

WILLIAM S. DAVILA, 70, Director since 1999

- President Emeritus of The Vons Companies, Inc. from 1993 through 1999
- Member of the Board of:
 - Hormel Foods Corporation
 - Pacific Gas and Electric Company
 - Methodist Hospital, Arcadia, California

CLAUDIO X. GONZALEZ, 67, Director since 2001

- Chairman and Chief Executive Officer of Kimberly-Clark de Mexico, S.A. de C.V. since 1973

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- Member of the Board of:
 - America Movil
 - General Electric Company
 - Kellogg Company
 - Kimberly-Clark Corporation
 - The Mexico Fund, Inc.
 - Grupo Carso
 - Grupo Industrial ALFA
 - Grupo Modelo
 - Grupo Televisa
 - Investment Co. of America
- Chairman of Consejo Coordinador Empresarial

RICHARD A. GRASSO, 55, Director since 2002

- Chairman and Chief Executive Officer of The New York Stock Exchange since 1995
- Member of the Board of:
 - Computer Associates International, Inc.
 - The Centurion Foundation
 - Lower Manhattan Development Corp.
 - New York City Police Foundation
 - New York City Public Private Initiatives Inc.
 - New York University
- Member of the Advisory Board of the Yale School of Management
- Trustee of the Stony Brook Foundation
- Member of the International Capital Markets Advisory Committee of the Federal Reserve Bank of New York
- Chairman of the Economic Club of New York
- Vice Chairman of the National Italian American Foundation

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ELECTION OF DIRECTORS AND DIRECTOR BIOGRAPHIES (ITEM 1 ON THE PROXY CARD)

MILLEDDGE A. HART, III, 68, Director since 1978

- Member of the Board since 1985 and Chairman since 1997 of DocuCorp International, Inc.
- Chairman of the Board of:
 - Hart Group, Inc., a private management service and investment company, since 1988
 - Rmax, Inc., an insulation manufacturing company, since 1978
- Member of the Board of Trustees and Chairman of the Investment Committee of Southern Methodist University
- Member of the Board of Patton Medical Corporation

BONNIE G. HILL, 60, Director since 1999

- President of B. Hill Enterprises, LLC, a consulting firm specializing in corporate governance and board organizational and public policy issues, since 2001
- President and Chief Executive Officer of The Times Mirror Foundation from 1997 to 2001
- Senior Vice President, Communications and Public Affairs of the Los Angeles Times from 1998 to 2001
- Vice President of The Times Mirror Company, a newspaper and publishing company, from 1997 to 2000
- Dean of McIntire School of Commerce at the University of Virginia from 1993 to 1996
- Member of the Board of:

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- AK Steel Holding Corporation
- Albertson's Inc.
- ChoicePoint Inc.
- Hershey Foods Corporation
- The National Grid Group plc
- Goodwill Industries of Southern California
- Police Assessment Resource Center
- United Way of Greater Los Angeles
- Member of the National Advisory Panel of the Institute for Research on Women and Gender at Stanford University

KENNETH G. LANGONE, 66, Director since 1978

- Co-founder of The Home Depot
- Lead Director of The Home Depot since 1998
- Chairman of the Board, Chief Executive Officer and President of Invemed Associates, Inc., an investment banking and brokerage firm, for more than five years
- Member of the Board of:
 - ChoicePoint Inc.
 - General Electric Company
 - Tricon Global Restaurants, Inc.
 - Unifi, Inc.
 - Damon Runyon Cancer Research Foundation
 - The Children's Oncology Society of New York (The Ronald McDonald House of New York)
 - New York Philharmonic
 - The New York Stock Exchange, Inc.
 - Robin Hood Foundation
- Trustee of New York University
- Trustee of New York University Leonard Stern School of Business
- Chairman of New York University School of Medicine

ROBERT L. NARDELLI, 53, Director since 2000

- Chairman of The Home Depot since January 2002
- President and Chief Executive Officer of The Home Depot since December 2000
- President and Chief Executive Officer of GE Power Systems from 1995 through December 2000
- Member of the Board of The Coca-Cola Company

ROGER S. PENSKE, 65, Director since 2001

- Founder and Chairman of Penske Corporation since 1969
- Chairman of Penske Truck Leasing Corporation since 1982
- Chairman of United Auto Group, Inc. since 1999
- Vice Chairman and Member of the Board of International Speedway Corporation
- Member of the Board of:
 - Delphi Corporation
 - General Electric Company
 - Detroit Renaissance
- Member of The Business Council

WE RECOMMEND THAT YOU VOTE FOR THE ELECTION OF THESE DIRECTORS

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BOARD OF DIRECTORS COMMITTEES

WHAT ARE THE COMMITTEES OF THE BOARD?

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Our Board of Directors has the following committees:

| Name of Committee and Members | Functions of the Committee | Number of in Fiscal |
|---|--|------------------------|
| <p>EXECUTIVE:</p> <p>Bernard Marcus, Chair (1) John L. Clendenin Berry R. Cox Milledge A. Hart, III Kenneth G. Langone Robert L. Nardelli</p> | <p>- Exercises the authority of the full Board on specified matters between Board meetings</p> | 4 |
| <p>AUDIT:</p> <p>Berry R. Cox, Chair Richard H. Brown William S. Davila Claudio X. Gonzalez Milledge A. Hart, III</p> | <p>- Oversees auditing procedures - Receives and accepts the report of independent auditors - Oversees internal systems of accounting and management control - Makes recommendations regarding the selection of independent auditors</p> | 5 |
| <p>COMPENSATION: (2)</p> <p>John L. Clendenin, Chair Gregory D. Brenneman Berry R. Cox William S. Davila Roger S. Penske</p> | <p>- Reviews and recommends compensation of directors and executive officers - Administers stock incentive plans - Makes grants of stock awards pursuant to stock incentive plans</p> | 5 |
| <p>NOMINATING AND CORPORATE GOVERNANCE:</p> <p>Kenneth G. Langone, Chair John L. Clendenin Milledge A. Hart, III Bonnie G. Hill Roger S. Penske</p> | <p>- Makes recommendations for nominees for director (3) - Reviews and monitors activities of Board members - Oversees corporate compliance program - Develops, sets and maintains corporate governance standards</p> | 4 |
| <p>HUMAN RESOURCES:</p> <p>Bonnie G. Hill, Chair Gregory D. Brenneman Claudio X. Gonzalez Richard A. Grasso Kenneth G. Langone</p> | <p>- Reviews and recommends policies, practices and procedures concerning human resource-related matters</p> | 4 |

- (1) Not standing for re-election.
- (2) During fiscal 2001, the Compensation Committee assumed the responsibilities of the Stock Option Committee.
- (3) The Nominating and Corporate Governance Committee will consider nominees recommended by the Company's stockholders. Any recommendations should be submitted to the Corporate Secretary, The Home Depot, Inc., 2455 Paces Ferry Road, Atlanta, Georgia 30339.

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PROPOSAL TO RATIFY THE APPOINTMENT OF KPMG

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(ITEM 2 ON THE PROXY CARD)

WHAT AM I VOTING ON?

A proposal to ratify the appointment of KPMG LLP as independent auditors for the Company for fiscal year 2002. Based upon the recommendation of the Audit Committee, the Board of Directors has appointed KPMG to serve as independent auditors. Although the Company's governing documents do not require the submission of the selection of independent auditors to the stockholders for approval, the Board of Directors considers it desirable that its appointment of KPMG be ratified by the stockholders.

WHAT SERVICES DO THE INDEPENDENT AUDITORS PROVIDE?

Audit services of KPMG for fiscal 2001 included the examination of the consolidated financial statements of the Company and services related to periodic filings made with the Securities and Exchange Commission. Additionally, KPMG provided certain services relating to the consolidated quarterly reports and annual and other periodic reports at international locations and tax and other services as described on page 24 of this proxy statement.

WILL A REPRESENTATIVE OF KPMG BE PRESENT AT THE MEETING?

One or more representatives of KPMG will be present at the meeting. The representatives will have an opportunity to make a statement if they desire and will be available to respond to appropriate questions from stockholders.

WHAT VOTE IS REQUIRED TO APPROVE THIS PROPOSAL?

Approval of this proposal requires the affirmative vote of a majority of the votes cast at the meeting. If the appointment of KPMG is not ratified, the Audit Committee and the Board of Directors will reconsider the appointment.

WE RECOMMEND THAT YOU VOTE FOR ADOPTION OF THIS PROPOSAL

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PROPOSAL TO AMEND CERTIFICATE OF INCORPORATION TO ELIMINATE ARTICLE EIGHTH
(ITEM 3 ON THE PROXY CARD)

WHAT AM I VOTING ON?

A proposal to amend our Certificate of Incorporation to eliminate ARTICLE EIGHTH, which is a "fair price" provision. This provision requires that certain significant changes involving the Company, such as a merger or changes to stockholders' voting rights, must be approved by the holders of at least 80% of our outstanding shares of common stock. This is sometimes called a "super-majority" vote requirement. ARTICLE EIGHTH is the only provision of our governing documents requiring a super-majority vote.

WHAT IS A FAIR PRICE PROVISION?

Fair price provisions are designed to protect stockholders in the event of certain types of unsolicited attempts to acquire control of a company, such as certain tender offers. In the case of a tender offer, the bidder may launch an offer to acquire a majority of the shares of a company and, if successful, then propose another transaction to acquire the remainder of the company's outstanding shares. Under our fair price provision, the transaction to acquire the remaining shares must be approved by at least 80% of our outstanding shares

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unless the bidder pays the remaining stockholders a fair price compared to the price paid to acquire its other shares, as specified in detail in our Certificate of Incorporation, and complies with other requirements in our Certificate of Incorporation.

WHY IS THE COMPANY RECOMMENDING THAT THE FAIR PRICE PROVISION BE ELIMINATED?

While fair price provisions can provide important protections for stockholders, the super-majority vote requirement can make it more difficult to acquire a company and may discourage transactions that stockholders may view as beneficial. After careful consideration, the Company has concluded that it is in the best interests of our stockholders to remove the provision from our Certificate of Incorporation. In reaching this conclusion, the Company considered the fact that at our last two Annual Meetings holders of a majority of our outstanding shares approved a proposal recommending that the Board of Directors act to eliminate all provisions of our governing documents requiring a super-majority vote of stockholders.

WHAT CHANGES WOULD BE MADE IN OUR CERTIFICATE OF INCORPORATION?

The proposed amendment would result in the deletion of ARTICLE EIGHTH of our Certificate of Incorporation, which sets forth the fair price provision requiring a super-majority vote.

WHAT VOTE IS REQUIRED TO APPROVE THE AMENDMENT?

The Board of Directors has unanimously authorized this amendment and voted to recommend it to the Company's stockholders. As a result, approval of the amendment requires the affirmative vote of holders of a majority of our shares outstanding and entitled to vote at the Annual Meeting.

WHEN WOULD THE AMENDMENT BECOME EFFECTIVE?

If approved by the stockholders, the amendment will become effective upon filing an appropriate certificate with the Delaware Secretary of State.

WE RECOMMEND THAT YOU VOTE FOR ADOPTION OF THIS PROPOSAL

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PROPOSAL TO RE-APPROVE THE 1997 OMNIBUS STOCK INCENTIVE PLAN, AS AMENDED
(ITEM 4 ON THE PROXY CARD)

WHAT AM I VOTING ON?

Stockholders approved the 1997 Omnibus Stock Incentive Plan in 1997. This proposal is to obtain re-approval of the plan to meet the requirements for tax deductibility under Section 162(m) of the Internal Revenue Code. This code section requires that stockholders re-approve the plan every five years to qualify certain awards for exemption from Section 162(m). Additionally, this proposal is to approve the amendment of the plan to add additional performance objectives. The Compensation Committee of the Board of Directors and the full Board have approved this proposal.

WHAT IS THE SECTION 162(M) EXEMPTION?

Section 162(m) prevents a publicly held corporation from claiming tax deductions for compensation in excess of \$1,000,000 paid to certain of its senior

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executives. Compensation is exempt from this limitation if it is "qualified performance-based compensation." Stock options and stock appreciation rights are two examples of performance-based compensation. Other types of awards, such as restricted stock, deferred shares and performance shares, that are granted pursuant to pre-established objective performance formulas, may also qualify as performance-based compensation, so long as certain requirements are met, including the prior approval by stockholders of the performance formulas or measures. Although the plan sets forth a list of objective performance measures on which such awards may be based, the Compensation Committee has discretion to establish targets or numerical goals based on these measures. Because this discretion exists, Section 162(m) requires that the material terms of the plan related to performance-based awards be approved by stockholders at least once every five years. The last time these terms were approved by our stockholders was 1997, when the plan was implemented. In order to maintain our exemption from Section 162(m), the material terms of the plan must be re-approved now by stockholders.

WHAT ARE THE PERFORMANCE OBJECTIVES? WHAT ARE THE ADDITIONAL PERFORMANCE OBJECTIVES BEING PROPOSED?

The plan provides that grants of performance shares, performance units or, when determined by the Compensation Committee, deferred shares or restricted stock may be made based upon "performance objectives." Performance objectives applicable to awards that are intended to be exempt from the limitations of Section 162(m) are currently limited to specified levels of, or increases in, the Company's or a subsidiary's: return on equity, earnings per share, total earnings, earnings growth, return on capital, return on assets, economic value added, earnings before interest and taxes, sales growth, gross margin return on investment or increase in the fair market value of the Company's stock.

We are proposing the addition to the plan of the following performance objectives: share price (including, but not limited to, growth measures and total shareholder return), net operating profit, cash flow (including, but not limited to, operating cash flow and free cash flow), cash flow return on investment (which equals net cash flow divided by total capital), internal rate of return, increase in net present value and expense targets. If the change is approved by our stockholders, the plan would be amended to add these measures as additional performance objectives.

WHO IS ELIGIBLE TO RECEIVE PERFORMANCE-BASED AWARDS?

Employees of the Company and its subsidiaries and members of the Board who are not employees may be selected by the Compensation Committee to receive benefits under the plan. The benefits or amounts that may be received by or allocated to participants in the plan as amended by this proposal will be determined in the discretion of the Compensation Committee and are not presently determinable.

WHAT KIND OF PERFORMANCE-BASED AWARDS MAY BE GRANTED?

Performance-based awards may be granted in the form of

- restricted shares;
- deferred shares;
- performance shares; or
- performance units.

Upon the achievement of the specified performance objectives or a predetermined minimum level of acceptable achievement, the restrictions will terminate or the shares or units will be earned, in whole or in part.

HOW ARE THE PERFORMANCE OBJECTIVES FOR AN AWARD DETERMINED?

The Compensation Committee decides what performance objectives will be used for

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a specific award. Performance objectives may be described in terms of either Company-wide objectives or objectives that are related to the performance of the individual participant or subsidiary, division, department or function within the Company or a subsidiary in which the participant is employed. Except in

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PROPOSAL TO RE-APPROVE THE 1997 OMNIBUS STOCK INCENTIVE PLAN, AS AMENDED
(ITEM 4 ON THE PROXY CARD)

the case of an award intended to qualify under Section 162(m), if the committee determines that a change in the business, operation, corporate structure or capital structure of the Company, or the manner in which it conducts its business, or other events or circumstances render the performance objectives unsuitable, the committee may modify the performance objectives, or the related minimum acceptable level of achievement, in whole or in part, as the committee deems equitable or appropriate.

WHAT IS THE MAXIMUM AMOUNT PAYABLE UPON ATTAINMENT OF THE SPECIFIED PERFORMANCE-BASED OBJECTIVES?

No individual may receive stock options or stock appreciation rights representing more than 1,000,000 shares of common stock in any one year. In addition, the maximum number of performance units that may be granted to an individual in any one year is 5,000,000. No more than 5% of the shares authorized for issuance under the plan may be made subject to grants of restricted stock with performance-based vesting restrictions of less than three years or time-based vesting of less than one year, or performance shares that are not issued in lieu of a salary or cash bonus.

WHAT IF THIS PROPOSAL IS NOT APPROVED?

If this proposal is not approved, awards granted under the plan (other than options and stock appreciation rights) will not qualify for the performance-based exemption from Section 162(m), and therefore may not be tax deductible by the Company going forward (unless later approved). Any awards made to individuals prior to the date of the annual meeting of stockholders based on the performance objectives that are being proposed to be added to the plan will be contingent upon stockholder approval of the amendment of the plan. This proposal must be approved by a majority of the votes cast at the meeting.

HOW MANY SHARES ARE AVAILABLE FOR ISSUANCE PURSUANT TO THE PLAN?

As of February 3, 2002, there were 121 million shares authorized for issuance under the plan and 69 million shares subject to outstanding awards. The number of shares available increases each year in an amount equal to 0.5% of the total number of issued shares (including treasury shares) as of the first day of each fiscal year. Shares issued under the plan may be shares of original issuance, shares held in Treasury or shares that have been reacquired by the Company. The Compensation Committee can make adjustments in the number of shares as it, in its sole discretion, may in good faith determine to be appropriate in order to reflect certain transactions or events described in the plan. The fair market value of the stock on April 1, 2002 was \$48.22.

WHAT OTHER KINDS OF GRANTS CAN BE MADE UNDER THE PLAN?

In addition to the performance-based awards, the Compensation Committee may also

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award grants of stock options and stock appreciation rights. Subject to the terms of the plan, the committee has the discretion to determine the terms of each award.

UPON WHAT TERMS MAY OPTIONS AND STOCK APPRECIATION RIGHTS BE AWARDED?

The Compensation Committee may grant stock options that entitle the optionee to purchase shares at a price equal to or greater than the fair market value on the date of grant. The option may specify that the option price is payable (i) in cash, (ii) by the transfer to the Company of unrestricted shares, (iii) with any other legal consideration the committee may deem appropriate or (iv) any combination of these. No stock option may be exercised more than ten years from the date of grant. Each grant may specify a period of continuous employment with the Company or any subsidiary (or in the case of a non-employee director, service on the Board) that is necessary before the stock option or any portion thereof will become exercisable and may provide for the earlier exercise of the option in the event of a change in control of the Company or similar event. The committee may also grant stock appreciation rights to participants. The grant may specify that the amount payable upon exercise of the stock appreciation right may be paid by the Company (i) in cash, (ii) in shares of the Company or (iii) any combination of these. Any grant may specify a waiting period or periods before the stock appreciation rights may become exercisable and permissible dates or periods on or during which the stock appreciation rights shall be exercisable, and may specify that the stock appreciation rights may be exercised only in the event of a change of control of the Company or similar event. The committee may grant "tandem" stock appreciation awards in connection with an option or "free-standing" stock appreciation awards unrelated to an option. No freestanding stock appreciation right may be exercised more than ten years from the grant date and each grant of a freestanding stock appreciation right must specify the period of continuous employment of the participant by the Company or any subsidiary that is necessary before the freestanding stock appreciation right or installments thereof may be exercisable.

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PROPOSAL TO RE-APPROVE THE 1997 OMNIBUS STOCK INCENTIVE PLAN, AS AMENDED (ITEM 4 ON THE PROXY CARD)

UPON WHAT TERMS MAY RESTRICTED SHARES BE AWARDED?

The Compensation Committee may authorize grants to participants of restricted shares. An award of restricted shares involves the immediate transfer by the Company to a participant of ownership of a specific number of shares in return for the performance of services. The participant is entitled immediately to voting, dividend and other ownership rights in such shares, subject to the discretion of the committee. The transfer may be made without additional consideration from the participant. As discussed above, the committee may specify performance objectives that must be achieved for the restrictions to lapse. Restricted shares must be subject to a "substantial risk of forfeiture" within the meaning of Section 83 of the Internal Revenue Code for a period to be determined by the committee on the grant date and any grant or sale may provide for the earlier termination of such risk of forfeiture in the event of a change of control of the Company or similar event.

UPON WHAT TERMS MAY DEFERRED SHARES BE GRANTED?

The Compensation Committee may authorize grants to participants of deferred shares. An award of deferred shares granted under the plan represents the right to receive a specific number of shares at the end of a specified deferral

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period. Any grant of deferred shares may be further conditioned upon the attainment of performance objectives (as described above). The grant may provide for the early termination of the deferral period in the event of a change in control of the Company or similar event. During the deferral period, the participant is not entitled to vote or receive dividends on the shares subject to the award, but the committee may provide for the payment of dividend equivalents on a current or deferred basis. The grant of deferred shares may be made without any consideration from the participant other than the performance of future services.

UPON WHAT TERMS MAY PERFORMANCE SHARES BE GRANTED?

A performance share is the equivalent of one share, and a performance unit is the equivalent of \$1.00. Each grant will specify one or more performance objectives to be met within a specified period (the "performance period"), which may be subject to earlier termination in the event of a change in control of the Company or a similar event. If by the end of the performance period the participant has achieved the specified performance objectives, the participant will be deemed to have fully earned the performance shares or performance units. If the participant has not achieved the level of acceptable achievement, the participant may be deemed to have partly earned the performance shares or performance units in accordance with a predetermined formula. To the extent earned, the performance shares or performance units will be paid to the participant at the time and in the manner determined by the committee in cash, shares or any combination thereof.

ARE AWARDS MADE UNDER THE PLAN TRANSFERABLE?

Except as provided below, no award under the plan may be transferred by a participant other than by will or the laws of descent and distribution, and stock options and stock appreciation rights may be exercised during the participant's lifetime only by the participant or, in the event of the participant's legal incapacity, the guardian or legal representative acting on behalf of the participant. The committee may expressly provide in an award agreement (other than an incentive stock option) that the participant may transfer the option to a spouse or lineal descendant, a trust for the exclusive benefit of such family members, a partnership or other entity in which all the beneficial owners are such family members, or any other entity affiliated with the participant that the committee may approve.

WHEN DOES THE PLAN TERMINATE?

The plan will terminate on February 27, 2007, and no award will be granted under the plan after that date.

HOW CAN THE PLAN BE AMENDED?

The plan may be amended from time to time by the Board of Directors, but without further approval by the stockholders of the Company, no such amendment may increase the limitations set forth in the plan on the number of performance units, or shares underlying awards, that may be granted or issued in the aggregate, or to individual participants during any given time period, under the plan.

WHAT ARE THE TAX CONSEQUENCES OF THE PLAN?

The following is a brief summary of certain of the federal income tax consequences of certain transactions under the plan. This summary is not intended to be exhaustive and does not describe state or local tax consequences.

PROPOSAL TO RE-APPROVE THE 1997 OMNIBUS STOCK INCENTIVE PLAN, AS AMENDED
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In general, an optionee will not recognize income at the time a nonqualified stock option is granted. At the time of exercise, the optionee will recognize ordinary income in an amount equal to the difference between the option price paid for the shares and the fair market value of the shares on the date of exercise. At the time of sale of shares acquired pursuant to the exercise of a nonqualified stock option, any appreciation (or depreciation) in the value of the shares after the date of exercise generally will be treated as capital gain (or loss).

An optionee generally will not recognize income upon the grant or exercise of an incentive stock option. If shares issued to an optionee upon the exercise of an incentive stock option are not disposed of in a disqualifying disposition within two years after the date of grant or within one year after the transfer of the shares to the optionee, then upon the sale of the shares any amount realized in excess of the option price generally will be taxed to the optionee as long-term capital gain and any loss sustained will be a long-term capital loss. If shares acquired upon the exercise of an incentive stock option are disposed of prior to the expiration of either holding period described above, the optionee generally will recognize ordinary income in the year of disposition in an amount equal to any excess of the fair market value of the shares at the time of exercise (or, if less, the amount realized on the disposition of the shares) over the option price paid for the shares. Any further gain (or loss) realized by the optionee generally will be taxed as short-term or long-term capital gain (or loss) depending on the holding period.

Subject to certain exceptions for death or disability, if an optionee exercises an incentive stock option more than three months after termination of employment, the exercise of the option will be taxed as the exercise of a nonqualified stock option. In addition, if an optionee is subject to federal "alternative minimum tax," the exercise of an incentive stock option will be treated essentially the same as a nonqualified stock option for purposes of the alternative minimum tax.

A recipient of restricted shares generally will be subject to tax at ordinary income rates on the fair market value of the restricted shares (reduced by any amount paid by the recipient) at such time as the shares are no longer subject to a risk of forfeiture or restrictions on transfer for purposes of Section 83 of the Code. However, a recipient who so elects under Section 83(b) of the Code within 30 days of the date of transfer of the restricted shares will recognize ordinary income on the date of transfer of the shares equal to the excess of the fair market value of the restricted shares (determined without regard to the risk of forfeiture or restrictions on transfer) over any purchase price paid for the shares. If a Section 83(b) election has not been made, any dividends received with respect to restricted shares that are subject at that time to a risk of forfeiture or restrictions on transfer generally will be treated as compensation that is taxable as ordinary income to the recipient.

A recipient of deferred shares generally will not recognize income until shares are transferred to the recipient at the end of the deferral period and are no longer subject to a substantial risk of forfeiture or restrictions on transfer for purposes of Section 83 of the Code. At that time, the participant will recognize ordinary income equal to the fair market value of the shares, reduced by any amount paid by the recipient.

A participant generally will not recognize income upon the grant of performance

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shares or performance units. Upon payment, in respect of performance shares or performance units, the participant generally will recognize as ordinary income an amount equal to the amount of cash received and the fair market value of any unrestricted shares received.

To the extent that a participant recognizes ordinary income in the circumstances described above, the Company or subsidiary for which the participant performs services will be entitled to a corresponding deduction, provided that, among other things, the income meets the test of reasonableness, is an ordinary and necessary business expense, is not an "excess parachute payment" within the meaning of Section 280G of the Code and is not disallowed by the \$1,000,000 limitation on certain executive compensation under Section 162(m) of the Code.

WHERE CAN I GET A COPY OF THE PLAN, AS AMENDED?

This summary is not a complete description of all the provisions of the plan. You can obtain a copy of the actual plan document, as amended, by sending a written request to our Corporate Secretary at 2455 Paces Ferry Road, NW, Atlanta, Georgia 30339.

WE RECOMMEND THAT YOU VOTE FOR THE ADOPTION OF THIS PROPOSAL

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STOCKHOLDER PROPOSAL A (ITEM 5 ON THE PROXY CARD)

We have been notified that this proposal will be presented for consideration at the meeting:

WHEREAS, Home Depot currently has extensive overseas operations, and

WHEREAS, reports of human rights abuses in the overseas subsidiaries and suppliers of some U.S.-based corporations has led to an increased public awareness of the problems of child labor, "sweatshop" conditions, and the denial of labor rights in U.S. corporate overseas operations, and

WHEREAS, corporate violations of human rights in these overseas operations can lead to negative publicity, public protests, and a loss of consumer confidence which can have a negative impact on shareholder value, and

WHEREAS, a number of corporations have implemented independent monitoring programs with respected human rights and religious organizations to strengthen compliance with international human rights norms in subsidiary and supplier factories, and

WHEREAS, these standards incorporate the conventions of the United Nations International Labor Organization (ILO) on workplace human rights which include the following principles:

- 1) All workers have the right to form and join trade unions and to bargain collectively. (ILO Conventions 87 and 98)
- 2) Workers representatives shall not be the subject of discrimination and shall have access to all workplaces necessary to enable them to carry out their representation functions. (ILO Convention 135)

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- 3) There shall be no discrimination or intimidation in employment. Equality of opportunity and treatment shall be provided regardless of race, color, sex, religion, political opinion, age, nationality, social origin, or other distinguishing characteristics. (ILO Convention 100 and 111)
- 4) Employment shall be freely chosen. There shall be no use of force, including bonded or prison labor. (ILO Conventions 29 and 105)
- 5) There shall be no use of child labor. (ILO Convention 138), and

WHEREAS, independent monitoring of corporate adherence to these standards is essential if consumer and investor confidence in our company's commitment to human rights is to be maintained,

THEREFORE, be it resolved that shareholders request that the company commit itself to the implementation of a code of corporate conduct based on the aforementioned ILO human rights standards by its international suppliers and in its own international production facilities and commit to a program of outside, independent monitoring of compliance with these standards.

Promptly upon receipt of an oral or written request, we will provide you with the name and address of each proponent and the number of shares of stock held by each proponent.

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COMPANY RESPONSE TO STOCKHOLDER PROPOSAL A

WHAT IS THE RECOMMENDATION OF THE COMPANY?

THE COMPANY RECOMMENDS THAT YOU VOTE AGAINST THE ADOPTION OF THIS STOCKHOLDER PROPOSAL.

WHAT IS THE COMPANY'S POSITION REGARDING HUMAN RIGHTS IN THE WORKPLACE?

Our values require that we have the highest commitment to protecting the rights of our associates throughout the world. We are also committed to doing business with vendor partners who respect the rights of their employees. Our vendors and suppliers must comply with the standards of ethical and legal behavior prevailing in their respective locations as a condition of their continuing a business relationship with our Company.

WHAT DOES HOME DEPOT REQUIRE OF ITS VENDORS RELATED TO WORKPLACE STANDARDS?

We require vendors located outside of the United States with whom we directly contract to purchase merchandise to comply with our ethical standards for vendors and suppliers as stated in our vendor buying agreements.

WHAT HAS HOME DEPOT DONE RECENTLY TO IMPLEMENT THESE STANDARDS?

During the past year, we formed a cross-functional team including members of senior management to review and update our code of ethical standards for vendors and suppliers. As a result, we required our vendors to sign an agreement stating that they would comply with our ethical standards, in areas including:

- health and safety of workers;
- legal employment; and

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- wages and hours.

HOW DO YOU ENSURE COMPLIANCE WITH THESE STANDARDS?

We use independent firms to inspect the quality of the merchandise we directly source and to assess the compliance of our vendors with a broad range of our policies and standards.

WHAT IF THESE VENDORS FAIL TO COMPLY WITH THESE POLICIES?

If we discover that a particular factory used by a global vendor from whom we directly source merchandise violates our standards, we take appropriate corrective actions, which could include, among other things, canceling the outstanding orders for merchandise, prohibiting future use of the non-complying factory or terminating our relationship with the vendor.

WHY DOES THE COMPANY OPPOSE THIS PROPOSAL?

Our philosophy toward our associates and the requirements we place on our global vendors from whom we directly purchase merchandise reflect principles that are similar to the goals espoused by the proponent of this proposal and similar groups. We already commit resources in this area. Having addressed the issues presented by the proposal, we do not believe that adoption of the proposal would enhance our values, our commitment to our associates or the standards required of our vendors.

WE RECOMMEND THAT YOU VOTE
AGAINST THE ADOPTION OF THIS
STOCKHOLDER PROPOSAL

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EXECUTIVE COMPENSATION

The following tables discuss the compensation earned by our former Chairman of the Board, our Chief Executive Officer and the four other most highly compensated executive officers in fiscal years 2001, 2000 and 1999:

SUMMARY COMPENSATION TABLE

| Name and Principal Position | Fiscal Year(1) | ANNUAL COMPENSATION | | | Other Annual Compensation (\$) | Restrictive Award(s) (\$)(2) | LONG TERM INCENTIVE COMPENSATION |
|---|----------------|---------------------|------------|-------|--------------------------------|------------------------------|----------------------------------|
| | | Salary (\$) | Bonus (\$) | | | | |
| Bernard Marcus Former Chairman of the Board(4) (5) | 2001 | 917,307 | 2,000,000 | | 11,548 | - | |
| | 2000 | 900,000 | | --(6) | 10,561 | - | |
| | 1999 | 900,000 | 2,000,000 | | 60,652(7) | - | |

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| | | | | | |
|-----------------------------|------|-----------|----------------|---------------|------------|
| Robert L. Nardelli | 2001 | 1,528,845 | 5,000,000 (8) | 7,250,757 (9) | 9,050,000 |
| Chairman, President and | 2000 | 202,531 | -- | -- | 30,562,500 |
| Chief Executive Officer(4) | 1999 | -- | -- | -- | -- |
| Larry M. Mercer | 2001 | 551,922 | 550,000 | 6,928 | 2,658,840 |
| Executive Vice President - | 2000 | 496,153 | -- | 7,184 | -- |
| Operations | 1999 | 474,230 | 320,880 | 1,897 | -- |
| Dennis M. Donovan | 2001 | 444,230 | 1,005,795 (11) | 189,081 (11) | 19,536,880 |
| Executive Vice President - | 2000 | -- | -- | -- | -- |
| Human Resources | 1999 | -- | -- | -- | -- |
| Frank L. Fernandez | 2001 | 444,230 | 775,000 (13) | 143,117 (14) | 4,786,340 |
| Executive Vice President - | 2000 | -- | -- | -- | -- |
| General Counsel & Secretary | 1999 | -- | -- | -- | -- |
| Carol B. Tome | 2001 | 400,576 | 525,000 | 6,280 | 1,549,560 |
| Executive Vice President - | 2000 | 288,076 | -- | 2,077 | -- |
| Chief Financial Officer | 1999 | -- | -- | -- | -- |

1) The Company's 2001 fiscal year consisted of 53 weeks.

2) Amounts set forth in the restricted stock awards column include grants of restricted stock and deferred stock units. Restricted stock awards made to executive officers vest according to the following schedule: 25% on the third anniversary of grant, 25% on the sixth anniversary of grant and 50% when the officer reaches age 62. Messrs. Nardelli, Donovan and Fernandez were granted awards of deferred stock units corresponding to 250,000 shares, 328,821 shares and 50,000 shares, respectively, in fiscal 2001. The units held by Mr. Nardelli vest one-fifth on the date of grant and one-fifth on the first four anniversaries of his employment date, the units held by Mr. Donovan vest in one-third increments on the first, third and fifth anniversaries of his employment date, and the units held by Mr. Fernandez vest one-fourth per year beginning on the second anniversary of the date of his employment. These awards were made to Messrs. Donovan and Fernandez pursuant to the terms of their employment agreements. Pursuant to the terms of his employment agreement, in fiscal 2000 Mr. Nardelli received an award of deferred stock units corresponding to 750,000 shares, which vests one-fifth per year beginning on his employment date. Mr. Nardelli does not hold any shares of restricted stock. Mr. Marcus did not receive equity awards.

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EXECUTIVE COMPENSATION

The number and value at fiscal 2001 year-end of shares of restricted stock and deferred stock units held by each executive named in the table was, respectively, for Mr. Nardelli: 1,000,000 units and \$48,650,000; for Mr. Mercer: 60,000 shares and \$2,919,000; for Mr. Donovan: 400,821 shares and units and \$19,499,941; for Mr. Fernandez: 110,000 shares and units and \$5,351,500; and for Ms. Tome: 36,000 shares and \$1,751,400.

Dividends on restricted stock and vested deferred stock unit awards are paid at the same rate as paid to all stockholders.

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- 3) "All other compensation" consists of:
- Matching contributions under the 401(k) component of our FutureBuilder plan;
 - Allocations of "stock units" under the 401(k) restoration plan valued based on the market value of our common stock on the day such amounts were credited to the participants' accounts; and
 - Payment of annual life insurance premiums.

The following table shows the amount of each category of "all other compensation" received by each of the named individuals in fiscal 2001:

| Name | 401(k) Matching Contribution | Allocation under Restoration Plan |
|--------------------|------------------------------|-----------------------------------|
| ---- | ----- | ----- |
| Bernard Marcus | \$ 5,950 | \$ 25,576 |
| Robert L. Nardelli | \$ 4,038 | -- |
| Larry M. Mercer | \$ 6,084 | \$ 12,849 |
| Dennis M. Donovan | -- | -- |
| Frank L. Fernandez | -- | -- |
| Carol B. Tome | \$ 6,313 | \$ 7,338 |

4) Mr. Marcus served as Chairman of the Board until January 1, 2002, when Mr. Nardelli became Chairman.

5) Mr. Marcus does not participate in any of the Company's stock option plans.

6) Mr. Marcus earned a bonus for fiscal 2000 of \$2,000,000, but declined to accept any bonus.

7) "Other annual compensation" includes the benefit for personal use of airplanes owned by the Company in the amount of \$31,021 in fiscal 1999 for Mr. Marcus.

8) The amount in the bonus column includes \$3,000,000 that was required to be paid pursuant to the terms of Mr. Nardelli's employment agreement.

9) Mr. Nardelli's other annual compensation includes \$2,587,000 for the forgiveness of a loan and accrued interest and \$2,149,360 for related tax payments, \$1,255,658 related to his relocation and sale of his house and \$954,159 for related tax payments, and \$50,325 for the payment of life insurance premiums and \$41,812 for related tax payments, all of which were paid pursuant to the terms of his employment agreement. Other annual compensation also includes \$83,255 for personal use of Company aircraft and \$69,171 for related tax payments. Mr. Nardelli is required to use Company aircraft for all travel.

10) Mr. Nardelli received this payment from the Company to reimburse him for certain payments related to restricted stock he forfeited from his former employer.

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11) The amount in the bonus column includes a signing bonus of \$430,795 and a bonus for fiscal 2001 of \$525,000 that were required to be paid pursuant to the terms of Mr. Donovan's employment agreement.

12) Mr. Donovan's other annual compensation includes \$96,933 of expenses related to his relocation and \$66,426 of related tax payments, which were paid pursuant to the terms of his employment agreement.

13) The amount in the bonus column includes a signing bonus of \$250,000 and a bonus for fiscal 2001 of \$341,250 that were required to be paid pursuant to the terms of Mr. Fernandez's employment agreement.

14) Mr. Fernandez's other annual compensation includes \$75,384 of expenses related to his relocation and \$43,401 of related tax payments, which were paid pursuant to the terms of his employment agreement.

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EXECUTIVE COMPENSATION

OPTION GRANTS IN LAST FISCAL YEAR

| Name | Individual Grants | | | |
|--------------------|---|--|--------------------------------|-----------------|
| | Number of Securities Underlying Options Granted (#) | Percent of Total Options Granted to Employees in Fiscal Year (%) | Exercise or Base Price (\$/Sh) | Expiration Date |
| Bernard Marcus | -- | -- | -- | -- |
| Robert L. Nardelli | 1,000,000 | 3.95 | 36.20 | 9/16/11 |
| Larry M. Mercer | 100,000 | .39 | 40.00 | 2/21/11 |
| | 50,000 | .19 | 36.69 | 9/17/11 |
| Dennis M. Donovan | 320,000 | 1.26 | 42.55 | 4/1/11 |
| | 50,000 | .19 | 36.69 | 9/17/11 |
| Frank L. Fernandez | 320,000 | 1.26 | 42.55 | 4/1/11 |
| | 50,000 | .19 | 36.69 | 9/17/11 |
| Carol B. Tome | 60,000 | .23 | 40.00 | 2/21/11 |
| | 100,000 | .39 | 49.99 | 5/29/11 |
| | 50,000 | .19 | 36.69 | 9/17/11 |

(*) These amounts represent assumed rates of appreciation only. Actual gains, if any, on stock option exercises are dependent on future performance of our stock. There can be no assurance that the amounts reflected in these columns will be achieved or, if achieved, will exist at the time of any option exercise.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

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| Name | Shares Acquired on Exercise (#) | Value Realized (\$) | Number of Securities Underlying Unexercised Options at Fiscal Year-End (#) | | Value In-the- Money (\$) |
|--------------------|------------------------------------|------------------------|--|---------------|--------------------------------|
| | | | Exercisable | Unexercisable | |
| Bernard Marcus | -- | -- | -- | -- | -- |
| Robert L. Nardelli | -- | -- | 2,200,000 | 2,300,000 | 19,940,000 |
| Larry M. Mercer | 225,000 | 9,894,802 | 356,265 | 226,158 | 13,620,000 |
| Dennis M. Donovan | -- | -- | -- | 370,000 | -- |
| Frank L. Fernandez | -- | -- | -- | 370,000 | -- |
| Carol B. Tome | -- | -- | 150,555 | 253,908 | 5,670,000 |

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EXECUTIVE COMPENSATION

WHAT ARE THE TERMS OF EMPLOYMENT AGREEMENTS WITH THE COMPANY'S EXECUTIVE OFFICERS?

The Company has an Employment Agreement dated as of December 4, 2000 with Robert L. Nardelli retaining him as the President and Chief Executive Officer of the Company. The initial term of the agreement expires on December 31, 2005, and, beginning on January 1, 2003, the term automatically extends so that the remaining term is always three years.

In determining Mr. Nardelli's compensation, the Board focused on competitive levels of compensation for CEOs managing operations of similar size, complexity and performance level and the importance of hiring a President and CEO with the strategic, financial and leadership skills to ensure the Company's continued growth into the foreseeable future. Based on these factors, the Board determined that Mr. Nardelli's annual base salary shall be not less than \$1,500,000 and his annual bonus shall be not less than \$3,000,000.

The Company believes it is essential that a large portion of our executive officers' total compensation is tied to stock performance, which more closely aligns their interests with the long-term interests of stockholders. To reflect this belief and in recognition that Mr. Nardelli forfeited substantial equity ownership rights provided by his former employer, Mr. Nardelli received two stock option awards. The first entitles him to purchase 1,000,000 shares of common stock at \$40.75 per share. This stock option was immediately exercisable as of the date of the employment agreement. The second stock option award entitles him to purchase 2,500,000 shares of common stock at \$40.75 per share and vests in 500,000 share increments on the date of the employment agreement and each of the first four anniversaries of such date. Beginning in 2002, Mr. Nardelli will receive additional annual option awards to purchase no less than 450,000 shares of common stock. The Company also granted him deferred stock

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units corresponding to 750,000 shares of common stock, which vest one-fifth per year beginning on the date of the employment agreement. In addition, Mr. Nardelli received a lump sum payment of \$50,400 when he entered into the employment agreement.

Mr. Nardelli received a loan from the Company in the amount of \$10,000,000, which accrues interest at the rate of 5.87% per year, compounded annually. As a long-term employment incentive, the obligation to repay the loan and accrued interest is forgiven 20% per year on each of the first five anniversaries of the date Mr. Nardelli's employment began if he is employed by the Company on each such date. The loan (and any accrued interest) will be forgiven upon a change of control (as defined in the employment agreement) if Mr. Nardelli is employed by the Company on such date, or upon the date of termination of Mr. Nardelli's employment with the Company prior to December 4, 2005 if such termination is by the Company without cause, by Mr. Nardelli for good reason or by reason of Mr. Nardelli's death or disability. If Mr. Nardelli's employment is terminated by the Company for cause or by Mr. Nardelli other than for good reason, then Mr. Nardelli is required to repay the outstanding principal amount.

To compensate Mr. Nardelli in part for forfeiting retirement benefits made available by his former employer, the Company agreed to provide him with deferred compensation upon any termination of his employment. Beginning on the later of his 62nd birthday or termination of employment, Mr. Nardelli will be entitled to a cash benefit in an annual amount equal to 50% of his salary as of the date of his termination and his most recent annual bonus (or, if greater, the then-current target amount for his bonus), subject to offset for certain pension benefits paid or payable to Mr. Nardelli by the Company or his prior employers. The amount of the benefit may be reduced if Mr. Nardelli's employment is terminated under certain circumstances, such as if Mr. Nardelli is terminated by the Company for cause or if Mr. Nardelli terminates his employment without good reason, prior to his 62nd birthday and/or prior to the fifth anniversary of the date of the employment agreement.

In addition, if Mr. Nardelli's employment is terminated either by the Company for cause or by Mr. Nardelli other than for good reason, then the Company will pay him all cash compensation accrued but not paid as of the termination date. If Mr. Nardelli's employment is terminated by the Company other than for cause, by Mr. Nardelli for good reason or for any reason within 12 months after a change in control or due to death or

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EXECUTIVE COMPENSATION

disability, Mr. Nardelli will receive certain benefits, including: (1) all cash compensation accrued but not paid as of the termination date; (2) \$20,000,000; (3) immediate vesting of unvested equity-based awards and compensation; (4) for each year prior to 2006 for which an annual option award has not yet been granted, a fully vested stock option award in accordance with the agreement; and (5) immediate forgiveness of any outstanding principal and accrued interest of the loan. If Mr. Nardelli's employment terminates due to his retirement after he attains age 62 or upon a change in control of the Company, all equity-based awards made under his employment agreement or otherwise will fully vest and remain exercisable through the end of their original term.

The Company also has an employment agreement with Dennis M. Donovan, Executive Vice President - Human Resources, dated as of March 16, 2001, and with Frank L. Fernandez, Executive Vice President, Secretary and General Counsel, dated as of April 2, 2001. The initial term of Mr. Donovan's contract terminates on December

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31, 2005, and beginning on January 1, 2003, automatically extends so that the remaining term is always three years. The initial term of Mr. Fernandez's contract terminates on April 2, 2004, and beginning on April 2, 2002, automatically extends so that the remaining term is always two years. Each contract provides that the automatic extensions will continue until either the Company or the employee gives written notice of termination of the extension provision.

The employment agreements provide for each of Messrs. Donovan and Fernandez to receive a base salary of not less than \$525,000 per year. Mr. Donovan is eligible for an annual bonus of no less than his then-current base salary. Mr. Fernandez is eligible for an annual bonus of no less than 65% and no more than 100% of his then-current base salary. Both Messrs. Donovan and Fernandez were guaranteed a bonus for fiscal 2001. In connection with the commencement of employment, Messrs. Donovan and Fernandez each received awards of stock options exercisable for 320,000 shares and awards of deferred restricted stock units corresponding to 328,821 shares and 50,000 shares, respectively. Beginning in 2002, Messrs. Donovan and Fernandez are eligible for annual grants of stock options exercisable for at least 90,000 and 70,000 shares, respectively.

In connection with their relocations, Messrs. Donovan and Fernandez received loans in the amount of \$3,000,000 and \$500,000, respectively. Interest on the loans accrue at the rate of 5.8% per year. Interest will be forgiven 20% per year on each of the first five anniversaries of the loans. The loans must be repaid upon the earlier of (1) the fifth anniversary of the date of the loan, in the case of Mr. Donovan, and the fourth anniversary of the date of the loan, in the case of Mr. Fernandez, and (2) ninety days following the termination of the employee's employment by the Company for cause or by the employee without good reason. In addition, Messrs. Donovan and Fernandez received lump sum payments of \$430,795 and \$250,000, respectively, when they entered into the employment agreements. Mr. Donovan will also be reimbursed for up to \$15,000 of expenses he incurred in connection with the preparation and execution of his employment agreement.

Upon the termination of the employment of either Mr. Donovan or Mr. Fernandez by the Company for cause or by the employee without good reason, the Company will pay the employee all cash compensation accrued but not paid as of the termination date. If the employment of Mr. Donovan or Mr. Fernandez is terminated by the Company other than for cause, by the employee for good reason or for any reason within 12 months after a change in control or due to death or disability, the employee will receive all cash compensation accrued but not paid as of the termination date and certain additional benefits, including salary and bonus continuation for 24 months and immediate vesting of all unvested equity-based awards. In the event of a change in control, in addition to receiving any protection that is applicable to other senior executives, all grants of equity-based awards to Messrs. Donovan and Fernandez shall become fully vested and exercisable.

Pursuant to their respective agreements, each of Messrs. Donovan and Fernandez has agreed that during the term of his employment and for two years thereafter, he shall not, without the prior written consent of the Company, participate (as defined in the agreements) in the management of certain competitors of the Company. During the same period, each executive has also agreed not to solicit any employee of the Company to accept a position with another entity or to solicit any vendor or customer of the Company to alter its relationship

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EXECUTIVE COMPENSATION

with the Company in any way that would be adverse to the Company.

Under the terms of the agreements with Messrs. Nardelli, Donovan and Fernandez, termination of employment for good reason generally means the occurrence of certain events without the employee's consent, including, among other things, (1) the Company assigning him duties inconsistent in any material respect with his duties and responsibilities as contemplated by the employment agreement or taking any other action that results in a significant diminution in such employee's position, duties or responsibilities, or (2) failure of the Company to comply with any material provision of the employment agreement. Termination for cause means, among other things, that the employee (1) has engaged in conduct that constitutes willful gross neglect or willful gross misconduct with respect to employment duties that results in material economic harm to the Company, subject to certain conditions, or (2) has been convicted of a felony involving theft or moral turpitude. Any determination that cause exists must be approved by a majority of the Company's Board of Directors after giving notice of such meeting to the employee and providing the employee and his legal counsel an opportunity to address such meeting.

In addition to these and other benefits set forth in the applicable employment agreements, Messrs. Nardelli, Donovan and Fernandez are entitled to participate in the benefit plans offered to all executive officers of the Company and to receive the same perquisites as are commonly provided to other senior executives of the Company. The Company will also reimburse them for income taxes applicable to certain specified benefits and payments under the agreement and for excise taxes imposed in the event payments or benefits received by the employee under their respective agreements, or otherwise, result in "parachute payments" under the Internal Revenue Code.

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COMPENSATION COMMITTEE REPORT

Filings made by companies with the Securities and Exchange Commission sometimes "incorporate information by reference." This means the Company is referring you to information that has been previously filed with the SEC and that this information should be considered as part of the filing you are reading. The Compensation Committee Report, Audit Committee Report and Stock Performance Graph in this proxy statement are not incorporated by reference into any other filings with the SEC.

The Compensation Committee of the Board of Directors has furnished the following report on executive compensation:

WHAT ARE THE COMPONENTS OF EXECUTIVE COMPENSATION?

Our compensation program for executives consists of three key elements:

- Annual base salary;
- Performance-based annual bonus; and
- Long-term stock incentive compensation.

WHAT IS THE PHILOSOPHY OF EXECUTIVE COMPENSATION?

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We have a "pay for performance" philosophy, which rewards executives for long-term strategic management and enhancement of stockholder value. This philosophy is implemented by setting base salaries near retail industry averages. Annual performance-based bonuses and long-term stock incentive awards make it possible for total executive compensation packages to exceed retail industry averages.

We believe it is important for our executives to have ownership incentives in our company and to operate in an environment that measures rewards against personal and Home Depot goals. We believe this philosophy attracts, retains and motivates key executives critical to the long-term success of our company.

HOW IS THE CHIEF EXECUTIVE OFFICER COMPENSATED?

On December 4, 2000, the Company hired Mr. Nardelli as President and Chief Executive Officer. The Board of Directors approved Mr. Nardelli's employment agreement after an extensive search had been conducted by the Board with the assistance of an executive search firm. Pursuant to the terms of his employment agreement, in fiscal 2001, Mr. Nardelli's base salary was \$1,500,000. Mr. Nardelli received a bonus of \$5,000,000, \$3,000,000 of which was required to be paid pursuant to the terms of his employment agreement. In addition during fiscal 2001, the Compensation Committee determined it was appropriate to grant Mr. Nardelli a stock option to purchase 1,000,000 shares at an exercise price of \$36.20 per share, 450,000 of which shares were required to be awarded pursuant to his employment agreement. This stock option vests in 200,000 share increments on the date of grant and on each of the first four anniversaries of such date. Mr. Nardelli also received a discretionary award of deferred stock units during fiscal 2001 corresponding to 250,000 shares of common stock, one fifth of which vested on the date of grant and one fifth of which vests on each of the next four anniversaries of the date of his employment agreement. In determining Mr. Nardelli's cash and equity compensation for fiscal 2001, the Board focused on the Company's financial performance during the year (net income increase of 18%, sales increase of 17%, earnings per share of \$1.29), the number of initiatives begun, expanded and/or completed by the Company since Mr. Nardelli's employment began, competitive levels of compensation for CEOs managing operations of similar size, complexity and performance level and the importance of retaining a President and Chief Executive Officer with the strategic, financial and leadership skills to ensure the Company's continued growth into the foreseeable future. The terms of Mr. Nardelli's employment agreement are set forth under "Executive Compensation" in this proxy statement.

HOW ARE OTHER EXECUTIVE OFFICERS COMPENSATED?

In setting all other executive officer annual salaries for fiscal 2001, the Compensation Committee reviewed an annual salary plan recommended by Mr. Nardelli. The annual salary plan was based on numerous subjective factors, which included performance, merit increases and responsibility levels. All executive officers (other than Mr. Marcus) participate in the officers' bonus plans. Under these plans, officers are eligible to earn a bonus of up to an established percentage of their annual base salary, depending on the Company's performance relative to criteria such as gross margin, return on investment, return on assets and sales target levels. The exact objective criteria employed depend on the officer's responsibilities. Performance criteria may be computed by various methods depending on the Compensation Committee's assessment of the best match between job duties and performance criteria. The Compensation

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COMPENSATION COMMITTEE REPORT

Committee believes that disclosure of actual targets under these plans could adversely affect the Company since, among other things, such projections are not publicly disclosed and could place the Company at a competitive disadvantage with respect to hiring and retaining key employees. Disclosure could potentially expose the Company to claims by third parties based on the projections, especially because these projections are not intended as a predictor of future performance. During fiscal 2001, although these targets were not achieved, the named executive officers other than Messrs. Marcus and Nardelli were awarded bonuses as reflected in the Summary Compensation Table contained in this proxy statement. These bonuses were awarded based on the Compensation Committee's recognition of the individual contributions made by these executive officers that enabled the Company to perform well both financially and operationally despite the very difficult economic environment and based on competitive levels of compensation at similar companies. Bonuses paid to Messrs. Donovan and Fernandez were, in part, based on the terms of their respective employment agreements, which are described under "Executive Compensation" in this proxy statement.

Mr. Marcus was eligible for a maximum cash bonus of \$2,000,000 for fiscal 2001 under the Company's Senior Officers' Bonus Pool Plan. This plan pays a total bonus equal to 10% of the Company's earnings in excess of a threshold amount. For fiscal 2001, the threshold amount was \$2.58 billion, which is approximately equal to Home Depot's net earnings for fiscal 2000. In fiscal 2001, Home Depot's earnings exceeded the threshold amount, and Mr. Marcus received the maximum bonus. A large portion of the executive officers' total compensation is tied to stock performance, more closely aligning their interests with the long-term interests of stockholders. This is accomplished through our 1997 Omnibus Stock Incentive Plan. Stock options are granted to all executive officers to purchase stock at the then current market price. Shares of restricted stock are granted to certain executive officers. Stock options are typically exercisable at a rate of 25% per year commencing on the first or second year after the date of grant depending on the type of stock option granted. Stock options are typically exercisable for ten years after the date of grant. The restrictions on shares of restricted stock typically lapse with regard to 25% of the shares on each of the third anniversary and sixth anniversary of the date of grant and with regard to 50% of the shares when the holder reaches age 62. The number of shares subject to equity awards is determined by the Compensation Committee and is based on the individual's position within the Company, job performance, future potential, awards made to executives at comparable companies and other factors. Additionally, certain executive officers have employment agreements that provide that awards of a specified number of stock options be made to such officers, as described under "Executive Compensation" in this proxy statement.

DOES THE COMPENSATION COMMITTEE COMPARE COMPANY SALARIES TO OTHER COMPANIES?

Salaries are based on the Compensation Committee's assessment of each officer's past performance and the expectation for future contributions in leading the Company. In addition, the Compensation Committee reviews compensation data for the retail industry and other companies similar in size. The Compensation Committee uses other company compensation data for informational purposes only and also considers subjective factors relating to the differences between companies.

HOW ARE LIMITATIONS ON THE DEDUCTIBILITY OF COMPENSATION HANDLED?

Section 162(m) of the Internal Revenue Code limits the deductibility of executive compensation paid by publicly held corporations to \$1,000,000 per employee. The \$1,000,000 limitation generally does not apply to compensation based on performance goals if certain requirements are met. The Company believes

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its officers' bonus plans each satisfy Section 162(m). The Compensation Committee, as much as possible, uses and intends to use performance-based compensation, which should minimize the effect of these tax limits. However, the committee believes that the Company must attract, retain and reward the executive talent necessary to maximize the return to stockholders and that the loss of a tax deduction may be necessary and appropriate in some circumstances.

WHO PREPARED THIS REPORT?

This report has been furnished by the members of the Compensation Committee:

- John L. Clendenin, Chair
- Gregory D. Brenneman
- Berry R. Cox
- William S. Davila
- Roger S. Penske

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AUDIT COMMITTEE REPORT AND AUDIT FEES

AUDIT COMMITTEE REPORT

WHO SERVES ON THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS?

The members of the committee are Berry R. Cox, Chair, Richard H. Brown, William S. Davila, Claudio X. Gonzalez and Milledge A. Hart, III. Each member of the committee is independent under the rules of The New York Stock Exchange.

WHAT DOCUMENT GOVERNS THE ACTIVITIES OF THE AUDIT COMMITTEE?

The Audit Committee acts under a written charter, which sets forth its responsibilities and duties, as well as requirements for the committee's composition and meetings.

HOW DOES THE AUDIT COMMITTEE CONDUCT ITS MEETINGS?

During the fiscal year 2001, at each of its meetings, the committee met with the senior members of the Company's financial management team, our vice president of internal audit and our independent auditors. The committee's agenda was established by the chairman and the chief financial officer. At each meeting, the committee reviewed and discussed various business risks of the Company. The committee had private, separate sessions at each of its meetings with each of KPMG, the chief financial officer and the vice president of internal audit, at which candid discussions of financial management, accounting and internal control issues took place. Additionally, the chairman had separate discussions regularly with each of KPMG, the chief financial officer and the vice president of internal audit.

WHAT MATTERS HAVE MEMBERS OF THE AUDIT COMMITTEE DISCUSSED WITH THE INDEPENDENT AUDITORS?

In its meetings with representatives of the independent auditors, the committee asked them to address, and discussed their responses to several questions that

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the committee believed were particularly relevant to its oversight. These questions included:

- Are there any significant judgments made by management in preparing the financial statements that would have been made differently had the auditors themselves prepared and been responsible for the financial statements?
- Based on the auditors' experience, and their knowledge of the Company, do the Company's financial statements fairly present to investors, with clarity and completeness, the Company's financial position and performance for the reporting period in accordance with generally accepted accounting principles and SEC disclosure requirements?
- Based on the auditors' experience, and their knowledge of the Company, has the Company implemented internal controls and internal audit procedures that are appropriate for the Company?
- During the course of the fiscal year, have the auditors received any communication or discovered any information indicating any improprieties with respect to the Company's accounting and reporting procedures or reports?

The Audit Committee has also discussed with the auditors that they are retained by the committee and that the auditors must raise any concerns about the Company's financial reporting and procedures directly with the committee. Based on these discussions with the independent auditors, the committee believes it has a basis for its oversight judgments and for recommending that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K.

WHAT HAS THE AUDIT COMMITTEE DONE WITH REGARD TO THE COMPANY'S AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED FEBRUARY 3, 2002?

The Audit Committee has:

- reviewed and discussed the audited financial statements with the Company's management; and
- discussed with KPMG LLP, independent accountants for the Company, the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended.

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AUDIT COMMITTEE REPORT AND AUDIT FEES

HAS THE AUDIT COMMITTEE CONSIDERED THE INDEPENDENCE OF THE COMPANY'S ACCOUNTANTS?

The committee has received from KPMG the written disclosures and the letter required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, and the committee has discussed with KPMG that firm's independence. The committee has concluded that KPMG is independent from the Company and its management.

HAS THE AUDIT COMMITTEE MADE A RECOMMENDATION REGARDING THE AUDITED FINANCIAL STATEMENTS FOR FISCAL 2001?

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Based upon its review and the discussions with management and the independent accountants, the Audit Committee recommended to the Board of Directors of the Company that the audited consolidated financial statements for the Company be included in the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2002 for filing with the Securities and Exchange Commission.

HAS THE AUDIT COMMITTEE REVIEWED THE FEES PAID TO THE INDEPENDENT ACCOUNTANTS DURING FISCAL 2001?

The Audit Committee has reviewed and discussed the fees paid to KPMG during the last fiscal year for audit and non-audit services, which are set forth in this proxy statement under "Audit Fees," and has determined that the provision of the non-audit services are compatible with the firm's independence.

WHO PREPARED THIS REPORT?

This report has been furnished by the members of the Audit Committee:

- Berry R. Cox, Chair
- Richard H. Brown
- William S. Davila
- Claudio X. Gonzalez
- Milledge A. Hart, III

AUDIT FEES

During fiscal 2001, the Company paid KPMG LLP fees in the aggregate amount of \$1,160,000 for the annual audit of our financial statements for fiscal 2001 and the quarterly reviews of the financial statements included in our Forms 10-Q.

FINANCIAL INFORMATION SYSTEMS DESIGN AND IMPLEMENTATION FEES

KPMG did not render any services related to financial information systems design and implementation during fiscal 2001.

ALL OTHER FEES

Aggregate fees billed for all other services rendered by KPMG for fiscal 2001 were \$5,006,000. Of that amount, bills incurred for audit related services consisting primarily of audits of financial statements of certain employee benefit plans and other entities, audits of certain businesses acquired during the year and review of SEC related filings and issuances of consents were approximately \$453,000. The remaining amount of \$4,553,000 was incurred for non-audit services consisting primarily of tax compliance and advisory services and services related to litigation and training.

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STOCK PERFORMANCE GRAPH

This graph compares our cumulative total stockholder returns (assuming quarterly reinvestment of dividends), with that of the Standard & Poor's 500 Composite

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Stock Index, and our industry peer group as compiled by the S&P Retail Composite for the five-year period commencing February 2, 1997. The graph assumes \$100 invested at the per share closing price of the common stock of The Home Depot and of each of the other indices on the New York Stock Exchange on February 2, 1997.

[PERFORMANCE GRAPH]

| | 02/02/1997 | 02/01/1998 | 01/31/1999 | 01/30/2000 | 01/28/2001 | 02/03/2002 |
|----------------------|------------|------------|------------|------------|------------|------------|
| HD | \$100.00 | \$183.33 | \$366.67 | \$514.77 | \$438.17 | \$485.00 |
| S&P 500 | \$100.00 | \$124.69 | \$162.76 | \$177.37 | \$173.75 | \$145.00 |
| S&P Retail Composite | \$100.00 | \$146.74 | \$238.78 | \$237.81 | \$252.82 | \$283.00 |

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STOCK OWNERSHIP

This table shows how much of our common stock is owned by directors, each of the executive officers named in the table on page 15, and all directors and executive officers as a group as of April 1, 2002.

| Name of Beneficial Owner | Shares Owned(1) | Right to Acquire(2) | Percentage of Total(3) |
|--|-----------------|---------------------|------------------------|
| Bernard Marcus | 59,972,649(3) | -- | |
| Robert L. Nardelli | -- | 2,200,000 | |
| Gregory D. Brenneman | 600 | -- | |
| Richard H. Brown | 2,600(4) | -- | |
| John L. Clendenin | 10,786 | 23,437 | |
| Berry R. Cox | 3,275,922(5) | 937 | |
| William S. Davila | 21,063 | 4,687 | |
| Claudio X. Gonzalez | 6,100 | -- | |
| Richard A. Grasso | 10,000 | -- | |
| Milledge A. Hart, III | 4,274,179(6) | 937 | |
| Bonnie G. Hill | 1,638 | 4,687 | |
| Kenneth G. Langone | 18,007,936(7) | 937 | |
| Roger S. Penske | 3,100 | -- | |
| Larry M. Mercer | 381,886 | 396,320 | |
| Dennis M. Donovan | 72,130 | -- | |
| Frank L. Fernandez | 60,000 | -- | |
| Carol B. Tome | 43,087 | 166,610 | |
| Directors and executive officers as a group (20 people) | 86,210,516 | 2,835,578 | |

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(*)Less than one percent.

- 1) These amounts include shares for which the named person has sole voting and investment power or shares such powers with his or her spouse. They also include shares credited to the named person's account under our FutureBuilder plan, in the following amounts:
 - Bernard Marcus - 39,875 shares
 - Larry M. Mercer - 31,599 shares
 - Carol B. Tome - 1,909 shares
 - All directors and executive officers as a group (20 people) - 76,689 shares
- 2) These amounts reflect shares that could be purchased by exercise of stock options as of April 1, 2002, or by May 31, 2002, under the Company's stock incentive plans.
- 3) This amount includes the following shares for which Mr. Marcus may be deemed to have shared voting and investment power, but disclaims beneficial ownership:
 - 493,324 shares held by Mr. Marcus' wife as trustee of a trust for his children
 - 300,185 shares held by a private foundation of which Mr. Marcus' wife serves as a director
 - 5 shares held by Mr. Marcus' wife
- 4) This amount includes 1,000 shares held by Mr. Brown's wife for which Mr. Brown may be deemed to have shared voting and investment power.
- 5) This amount includes 4,500 shares held by a private foundation for which Mr. Cox may be deemed to have shared voting and investment power.
- 6) This amount includes 457,855 shares held by a limited partnership whose general partner is a corporation owned by Mr. Hart and his wife.
- 7) This amount includes 6,139 shares held by Mr. Langone's wife but for which he disclaims beneficial ownership.

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GENERAL

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

None of the members of the Compensation Committee, who are identified under "Compensation Committee Report" in this proxy statement, were at any time officers or employees of the Company or any of its subsidiaries or had any relationship with the Company requiring disclosure under Securities and Exchange Commission regulations.

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INSIDER TRANSACTIONS

The Marcus Foundation, of which Bernard Marcus is Chairman, and Mr. Marcus lease office space from the Company. During fiscal 2001, The Marcus Foundation and Mr. Marcus paid the Company \$140,000 in rent and reimbursed the Company \$530,000 for leasehold improvements.

On February 22, 2001, the Company and Mr. Marcus entered into an agreement under which Mr. Marcus purchased an aircraft from the Company at fair market value, and Mr. Marcus leased the aircraft to the Company on a non-exclusive basis, subject to Mr. Marcus' right to use the aircraft. The Company has also agreed to make another airplane available for Mr. Marcus to lease if the Company is using Mr. Marcus' aircraft. The gross rental rate per month is based on 1% of the purchase price, with certain costs shared with Mr. Marcus. The Company pays rent to Mr. Marcus based upon the Company's percentage usage of the plane, subject to a minimum required rent equal to 50% usage by the Company. The Company manages and maintains the aircraft and provides pilots, and Mr. Marcus reimburses the Company quarterly for the costs associated with certain of these services based on the percentage of time the aircraft is used by Mr. Marcus, up to 50%. During fiscal 2001, Mr. Marcus reimbursed the Company for \$182,000 pursuant to the terms of these agreements. Among other things, the agreement also provides that the Company will provide Mr. Marcus with security services at his discretion during his life. Until 18 months after Mr. Marcus' death, the Company will continue to lease space to Mr. Marcus and organizations affiliated with him at the Store Support Center. Mr. Marcus or the affiliated organizations will pay rent at the fair market value, subject to increase based on the Consumer Price Index. Subject to a pro rata reimbursement, the Company will also provide one or more employees to assist Mr. Marcus with Home Depot work and will provide him with healthcare and life insurance and similar benefits during his life.

In April 2001, the Company issued \$500 million of its 5-3/8% Senior Notes. Invemed Associates, Inc., of which Kenneth Langone is Chairman, Chief Executive Officer and President, acted as an underwriter in connection with the issuance of the Senior Notes.

In connection with their employment, each of Robert L. Nardelli, Dennis M. Donovan and Frank L. Fernandez received a loan of \$10 million, \$3 million and \$500,000, respectively, from the Company. The terms of these loans are more fully described under "Executive Compensation."

Home Depot has purchase, finance and other transactions and relationships in the normal course of business with companies with which Home Depot directors are associated, but which are not sufficiently significant to be reportable. We believe that all of these transactions and relationships during fiscal 2001 were on terms that were reasonable and competitive. Additional transactions and relationships of this nature may be expected to take place in the ordinary course of business in the future.

COMPLIANCE WITH SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING REQUIREMENTS

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers and persons who own more than ten percent of a registered class of the Company's equity securities to file with the SEC and the New York Stock Exchange reports of ownership and changes in ownership of the Company's common stock. Directors, executive officers and greater than ten percent stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file. Based solely on a review of the copies of these reports furnished to the Company or written representations that no other reports were required, with the exception of Mark Baker and Larry Mercer, each of whom were late in filing a Form 4, we believe that during fiscal year 2001, all our directors, executive officers and greater than ten percent beneficial owners complied with these requirements.

GENERAL

AVAILABILITY OF FORM 10-K AND ANNUAL REPORT TO STOCKHOLDERS

SEC rules require us to provide an Annual Report to stockholders who receive this proxy statement. We will also provide copies of the Annual Report to brokers, dealers, banks, voting trustees and their nominees for the benefit of their beneficial owners of record. Additional copies of the Annual Report, along with copies of our Annual Report on Form 10-K for the fiscal year ended February 3, 2002 (not including documents incorporated by reference), are available without charge to stockholders upon written request to Investor Relations, The Home Depot, Inc., 2455 Paces Ferry Rd., Atlanta, Georgia 30339, by calling (770) 384-4388 or via the Internet at www.homedepot.com.

STOCKHOLDER PROPOSALS

To be considered for inclusion in next year's proxy statement, stockholder proposals must be submitted in writing by December 24, 2002. Any stockholder proposal, including nomination of a director, to be considered at next year's meeting, but not included in the proxy statement, must be submitted in writing by February 27, 2003, or the persons appointed as proxies may exercise their discretionary voting authority with respect to the proposal. All written proposals should be submitted to Frank L. Fernandez, Corporate Secretary, The Home Depot, Inc., 2455 Paces Ferry Road, Atlanta, Georgia 30339.

OTHER PROPOSED ACTIONS

If any other items or matters properly come before the meeting, the proxies received will be voted on those items or matters in accordance with the discretion of the proxy holders. A stockholder has indicated his intention to present proposals recommending that the Company adopt (1) a policy that auditors not perform any work for the Company in addition to auditing and (2) a policy to name annually the directors who have philanthropic links to the Company and the latest annual sum. If these proposals are properly presented, it is intended that the persons named in the proxy forms will use their discretionary authority to vote against such proposals.

SOLICITATION BY BOARD; EXPENSES OF SOLICITATION

Our Board of Directors has sent you this proxy statement. Our directors, officers and associates may solicit proxies by telephone or in person. In addition, we have hired D.F. King & Co., Inc. to assist us in soliciting proxies, which it may solicit by telephone or in person. We anticipate paying D.F. King a fee of \$15,000, plus expenses. We will also reimburse brokers, nominees and fiduciaries to send proxies and proxy materials to our stockholders so they can vote their shares.

[THE HOME DEPOT LOGO]

[RECYCLE LOGO]
PRINTED ON RECYCLED PAPER

2700-PS-02

DIRECTIONS TO THE HOME DEPOT, INC. 2002 ANNUAL STOCKHOLDERS' MEETING

From I-285 (Atlanta Bypass) exit onto Cobb Parkway (also known as U.S. Highway 41). Proceed southbound on Cobb Parkway. Turn left onto Galleria Drive. The first entrance on the right is Cobb Galleria Centre's main (rotunda) entrance and drop-off area. Additional parking may be found at the second and third rights in the 100 Building parking deck. If you have questions, call Investor Relations at 770-384-3049.

NOTICE OF 2002 ANNUAL MEETING OF STOCKHOLDERS

TIME:

10:00 a.m. on Wednesday, May 29, 2002

PLACE:

Cobb Galleria Centre, 2 Galleria Parkway, Atlanta, Georgia 30339

ITEMS OF BUSINESS:

1. To elect the full board of directors.
2. To ratify the appointment of KPMG LLP as independent auditors for the Company for the fiscal year 2002.
3. To amend the Company's Certificate of Incorporation to eliminate Article Eighth, which sets forth our "fair price" provision.
4. To re-approve our 1997 Omnibus Stock Incentive Plan, as amended to add additional performance objectives.
5. To transact other business properly coming before the meeting, including the consideration of stockholder proposals.

WHO CAN VOTE:

You can vote if you were a stockholder of record on April 1, 2002.

ANNUAL REPORT:

A copy of our 2001 Annual Report is enclosed with the Proxy Statement.

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DATE OF MAILING:

This notice and the proxy statement are first being mailed to stockholders on or about April 22, 2002.

By Order of the Board of Directors
Frank L. Fernandez, Secretary

- Detach here if mailing -

PROXY VOTING INSTRUCTIONS

THE HOME DEPOT, INC.

THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS FOR THE
ANNUAL MEETING OF STOCKHOLDERS ON MAY 29, 2002.

The undersigned stockholder hereby appoints ROBERT L. NARDELLI and FRANK L. FERNANDEZ, and each of them, attorneys and proxies for the undersigned with full power of substitution, to act and vote, with the powers the undersigned would possess if personally present, at the Annual Meeting of Stockholders of The Home Depot, Inc., to be held at the Cobb Galleria Centre, Atlanta, Georgia, on Wednesday, May 29, 2002, at 10:00 a.m. and any adjournments or postponements thereof, as directed on the reverse side, with respect to the matters set forth on the reverse side and with discretionary authority on all other matters that come before the meeting, all as more fully described in the proxy statement received by the undersigned stockholder. If no direction is made, the proxy will be voted "FOR" the approval of item number 1, "FOR" the approval of item number 2, "FOR" the approval of item number 3, "FOR" the approval of item number 4 and "AGAINST" the approval of item number 5 and in accordance with the recommendations of the Board of Directors.

Participants in the Company's 401(k) plan, FutureBuilder, may vote their proportionate share of The Home Depot, Inc. common stock held in the plan, by signing and returning this card, or by voting electronically. By doing so, you are instructing the trustee to vote all of your shares at the meeting and at any adjournment, as you have indicated with respect to Proposals 1-5. If this card is signed and returned without voting instructions, the shares represented by this proxy will be voted by the plan trustee as indicated in the preceding paragraph. If this card is not returned or is returned unsigned, shares will be voted by the plan trustee in the same proportion as the shares for which voting instructions are received from other participants in the plan.

| | | |
|------------------------|--|------------------------|
| SEE REVERSE SIDE | UNLESS VOTING ELECTRONICALLY OR BY PHONE, PLEASE MARK, SIGN AND DATE THIS PROXY ON THE REVERSE SIDE. | SEE REVERSE SIDE |
|------------------------|--|------------------------|

| | | |
|-------------------|--|----------------|
| [HOME DEPOT LOGO] | THE HOME DEPOT, INC. C/O EQUISERVE P.O. BOX 43068 PROVIDENCE, RI 02940-3068 | ADMISSION CARD |
|-------------------|--|----------------|

THE HOME DEPOT, INC.
2002 ANNUAL STOCKHOLDERS' MEETING
May 29, 2002 -- 10:00 a.m.
Cobb Galleria Centre
Atlanta, Georgia

(Please detach card at perforation.)

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VOTE BY TELEPHONE OR INTERNET
QUICK * EASY * IMMEDIATE * AVAILABLE 24 HOURS A DAY * 7 DAYS/WEEK
UNTIL 10:00 A.M., E.T., MAY 29, 2002

The Home Depot, Inc. encourages you to take advantage of either of two cost-effective and convenient ways to vote your shares. You may now vote your proxy 24 hours a day, 7 days a week, using either a touch-tone telephone or through the Internet. Your telephone or Internet vote authorizes you to vote your shares in the same manner as if you marked, signed and returned your proxy card.

TO VOTE BY TELEPHONE: CALL TOLL-FREE ON A TOUCH-TONE TELEPHONE
1-877-PRX-VOTE (1-877-779-8683) ANYTIME (THERE IS NO CHARGE TO YOU FOR THIS CALL). You will be asked to enter the voter control number located above your name and address in the lower left corner of this form. Then simply follow the instructions.

OR

TO VOTE BY INTERNET: POINT YOUR BROWSER TO THE WEB ADDRESS:
[HTTP://WWW.EPROXYVOTE.COM/HD](http://www.eproxyvote.com/hd)
You will be asked to enter the voter control number located above your name and address in the lower left corner of this form. Then simply follow the instructions. You may also indicate if you would be interested in receiving future proxy materials via the Internet.

OR

TO VOTE BY MAIL: Simply mark, sign and date your proxy card and return it in the enclosed postage-paid envelope.

IF YOU ARE VOTING BY TELEPHONE OR THE INTERNET,
PLEASE DO NOT MAIL YOUR PROXY CARD.

- DETACH PROXY CARD HERE -

PLEASE MARK
 VOTES AS IN
THIS EXAMPLE.

UNLESS VOTING ELECTRONICALLY OR BY PHONE, PLEASE MARK, SIGN AND DATE THIS PROXY CARD AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE. TO VOTE ELECTRONICALLY OR BY PHONE, FOLLOW THE INSTRUCTIONS ABOVE.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ITEMS 1, 2, 3 AND 4
AND AGAINST ITEM 5.

1. Election of Directors:

Nominees:

2. Approval of Company Proposal to ratify the appointment of KPMG LLP as independent auditors for the Company for the fiscal year ending May 31, 2003.

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year 2002.

- (01) Gregory D. Brenneman,
- (02) Richard H. Brown,
- (03) John L. Clendenin,
- (04) Berry R. Cox,
- (05) William S. Davila,
- (06) Claudio X. Gonzalez,
- (07) Richard A. Grasso,
- (08) Milledge A. Hart, III,
- (09) Bonnie G. Hill,
- (10) Kenneth G. Langone,
- (11) Robert L. Nardelli,
- (12) Roger S. Penske

FOR WITHHELD
[] []

- 3. Approval of Company Proposal to amend Certificate of Incorporation to eliminate Article Eighth, which sets forth a "fair price" provision.
- 4. Company Proposal to re-approve The Depot, Inc. 1997 Omnibus Stock Incentive Plan, as amended to add additional performance measurements.
- 5. Approval of Stockholder Proposal regarding global workplace standards.

[]

For all nominees except as noted above

Please sign exactly as name appears at left. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person.

Signature(s)

Date

Signature(s)

Please Sign This Proxy as Name(s) Appear(s) Above.