HOME DEPOT INC

FORM 10-K
(Annual Report)

Filed 03/25/10 for the Period Ending 01/31/10

Address	2455 PACES FERRY ROAD ATLANTA, GA 30339-4024
Telephone	770-433-82
CIK	0000354950
Symbol	HD
SIC Code	5211 - Lumber and Other Building Materials Dealers
Industry	Retail (Home Improvement)
Sector	Services
Fiscal Year	01/28

Stock-Based Compensation

The per share weighted average fair value of stock options granted during fiscal 2009, 2008 and 2007 was $6.61, $6.46 and $9.45, respectively. The fair value of these options was determined at the date of grant using the Black- Scholes option-pricing model with the following assumptions:

	Fiscal Year Ended		
	January 31, 2010	**February 1, 2009**	**February 3, 2008**
Risk-free interest rate	**2.3%**	2.9%	4.4%
Assumed volatility	**41.5%**	33.8%	25.5%
Assumed dividend yield	**3.9%**	3.5%	2.4%
Assumed lives of option	**6 years**	6 years	6 years

7. EMPLOYEE STOCK PLANS

The Home Depot, Inc. 2005 Omnibus Stock Incentive Plan ("2005 Plan") and The Home Depot, Inc. 1997 Omnibus Stock Incentive Plan ("1997 Plan" and collectively with the 2005 Plan, the "Plans") provide that incentive and non-qualified stock options, stock appreciation rights, restricted shares, performance shares, performance units and deferred shares may be issued to selected associates, officers and directors of the Company. Under the 2005 Plan, the maximum number of shares of the Company's common stock authorized for issuance is 255 million shares, with any award other than a stock option reducing the number of shares available for issuance by 2.11 shares. As of January 31, 2010, there were 188 million shares available for future grants under the 2005 Plan. No additional equity awards may be issued from the 1997 Plan after the adoption of the 2005 Plan on May 26, 2005.

Under the terms of the Plans, incentive stock options and non-qualified stock options must have an exercise price at or above the fair market value of the Company's stock on the date of the grant. Typically, incentive stock options and non-qualified stock options vest at the rate of 25% per year commencing on the first or second anniversary date of the grant and expire on the tenth anniversary date of the grant. Certain of the non-qualified stock options also include performance options which vest on the later of the first anniversary date of the grant and the date the closing price of the Company's common stock has been 25% greater than the exercise price of the options for 30 consecutive trading days. Additionally, certain stock options may become non-forfeitable upon age 60, provided the associate has had five years of continuous service. The Company recognized $19 million, $47 million and $61 million of stock-based compensation expense in fiscal 2009, 2008 and 2007, respectively, related to stock options.

Restrictions on the restricted stock issued under the Plans generally lapse according to one of the following schedules: (1) the restrictions on the restricted stock lapse over various periods up to five years, (2) the restrictions on 25% of the restricted stock lapse upon the third and sixth anniversaries of the date of issuance with the remaining 50% of the restricted stock lapsing upon the associate's attainment of age 62, or (3) the restrictions on 25% of the restricted stock lapse upon the third and sixth anniversaries of the date of issuance with the remaining 50% of the restricted stock lapsing upon the earlier of the associate's attainment of age 60 or the tenth anniversary date. The Company has also granted performance shares under the Plans, the payout of which is dependent on either (1) the Company's total shareholder return percentile ranking compared to the performance of individual companies included in the S&P 500 index at the end of the three-year performance cycle, or (2) the Company's performance against target average return on invested capital and operating profit over a three-year performance cycle. Additionally, certain awards may become non-forfeitable upon the attainment of age 60, provided the associate has had five years of continuous service. The fair value of the restricted stock and performance shares is expensed over the period during which the restrictions lapse. The Company recorded stock-based compensation expense related to restricted stock and performance shares of $158 million, $109 million and $122 million in fiscal 2009, 2008 and 2007, respectively.

In fiscal 2009, 2008 and 2007, there were an aggregate of 666 thousand, 641 thousand and 593 thousand deferred shares, respectively, granted under the Plans. For associates, each deferred share entitles the individual to one share of common stock to be received up to five years after the grant date of the deferred shares, subject to certain deferral rights of the associate. Additionally, certain awards may become non-forfeitable upon age 60, provided the associate has had five years of continuous service. The Company recorded stock-based compensation expense related to deferred shares of $14 million, $9 million and $10 million in fiscal 2009, 2008 and 2007, respectively.

As of January 31, 2010, there were 2.5 million non-qualified stock options outstanding under non-qualified stock option plans that are not part of the Plans.

The Company maintains two Employee Stock Purchase Plans ("ESPPs") (U.S. and non-U.S. plans). The plan for U.S. associates is a tax-qualified plan under Section 423 of the Internal Revenue Code. The non-U.S. plan is not a Section 423 plan. As of January 31, 2010, there were 13 million shares available under the plan for U.S associates and 20 million shares available under the non-U.S. plan. The purchase price of shares under the ESPPs is equal to 85% of the stock's fair market value on the last day of the purchase period, which is a six-month period ending on December 31 and June 30 of each year. During fiscal 2009, there were 3 million shares purchased under the ESPPs at an average price of $22.34. Under the outstanding ESPPs as of January 31, 2010, employees have contributed $7 million to purchase shares at 85% of the stock's fair market value on the last day (June 30, 2010) of the purchase period. The Company recognized $10 million, $11 million and $14 million of stock-based compensation expense in fiscal 2009, 2008 and 2007, respectively, related to the ESPPs.

In total, the Company recorded stock-based compensation expense, including the expense of stock options, ESPPs, restricted stock, performance shares and deferred shares, of $201 million, $176 million and $207 million, in fiscal 2009, 2008 and 2007, respectively.

The following table summarizes stock options outstanding at January 31, 2010, February 1, 2009 and February 3, 2008, and changes during the fiscal years ended on these dates (shares in thousands):

	Number of Shares	Weighted Average Exercise Price
Outstanding at January 28, 2007	66,141	$ 38.20
Granted	2,926	37.80
Exercised	(6,859)	28.50
Canceled	(9,843)	40.68
Outstanding at February 3, 2008	52,365	$ 38.98
Granted	5,226	26.09
Exercised	(777)	22.55
Canceled	(4,800)	39.14
Outstanding at February 1, 2009	52,014	$ 37.91
Granted	**4,174**	**23.29**
Exercised	**(374)**	**24.50**
Canceled	**(6,505)**	**37.65**
Outstanding at January 31, 2010	**49,309**	**$ 36.81**

The total intrinsic value of stock options exercised was $1 million, $4 million and $63 million in fiscal 2009, 2008 and 2007, respectively. As of January 31, 2010, there were approximately 49 million stock options outstanding with a weighted average remaining life of four years and an intrinsic value of $39 million. As of January 31, 2010, there were approximately 39 million stock options exercisable with a weighted average exercise price of $39.37, a weighted average remaining life of three years, and an intrinsic value of $11 million. As of January 31, 2010, there were approximately 47 million stock options vested or expected to ultimately vest. As of January 31, 2010, there was $42 million of unamortized stock-based compensation expense related to stock options which is expected to be recognized over a weighted average period of two years.

The following table summarizes restricted stock and performance shares outstanding at January 31, 2010 (shares in thousands):

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at January 28, 2007	10,130	$ 39.20
Granted	7,091	39.10
Restrictions lapsed	(2,662)	39.01
Canceled	(2,844)	39.37
Outstanding at February 3, 2008	11,715	$ 39.14
Granted	7,938	27.14
Restrictions lapsed	(1,251)	34.37
Canceled	(2,115)	34.86
Outstanding at February 1, 2009	16,287	$ 34.22
Granted	**8,257**	**23.41**
Restrictions lapsed	**(1,686)**	**34.65**
Canceled	**(2,195)**	**31.84**
Outstanding at January 31, 2010	**20,663**	**$ 30.11**

As of January 31, 2010, there was $332 million of unamortized stock-based compensation expense related to restricted stock and performance shares which is expected to be recognized over a weighted average period of three years. The total fair value of restricted stock and performance shares vesting during fiscal 2009, 2008 and 2007 was $41 million, $33 million and $103 million, respectively.

Exhibit 23

Consent of Independent Registered Public Accounting Firm

The Board of Directors
The Home Depot, Inc.:

We consent to the incorporation by reference in the registration statements (Nos. 333-156655, 333-161470) on Form S-3 and (Nos. 333-61733, 333-38946, 333-151849, 333-56722, 333-125331, 333-153171, 333-125332) on Form S-8 of The Home Depot, Inc. of our reports dated March 25, 2010, with respect to the consolidated balance sheets of The Home Depot, Inc. and subsidiaries as of January 31, 2010 and February 1, 2009, and the related consolidated statements of earnings, stockholders' equity and comprehensive income, and cash flows for each of the fiscal years in the three-year period ended January 31, 2010, and the effectiveness of internal control over financial reporting as of January 31, 2010, which reports appear in the January 31, 2010 annual report on Form 10-K of The Home Depot, Inc.

/s/ KPMG LLP

Atlanta, Georgia
March 25, 2010