



Internal Communication

from Frank Blake

Date: January 26, 2009
To: All Associates
From: Frank Blake, Chairman & CEO
Re: **Organizational Announcement**

The attached press release will be distributed shortly announcing that we are exiting our EXPO business and streamlining Home Depot support functions to better align our cost structure with the current economic environment. I wanted you to hear this news from me directly before we release it publicly.

It is never good news to announce lay-offs. The personal hardships that this will cause for many of our associates make this a very difficult decision. But it is the right and necessary decision for our business. It will make us stronger and better able to compete and serve our customers.

On EXPO: Even during the boom years of the housing market, EXPO did not do well financially and isn't expected to anytime soon, despite the best efforts of our associates. In fact, we were projecting an \$80 million loss for the business in 2009. With big ticket design and décor product demand down substantially, this business just does not make sense to continue. It drains resources away from our core orange box business, and that's not something we should do in this environment.

On our support functions: Our core business is \$8 billion smaller than we were just two years ago and we expect additional pressure in 2009. Like every business, we need to keep our support costs in line with our overall business performance.

It's important to note that none of these actions will impact customer facing positions in our stores outside of the EXPO business, and we have no plans to close any orange box Home Depot stores. In fact, as the broader economy continues to deteriorate, the role that our Home Depot stores play in our customers' lives is becoming more important than ever, and now is the time for us to exert our leadership.

You'll be hearing more about these structural changes in the coming days, but it's important that you know that our values continue to guide our actions through this tough time. All impacted associates – approximately 5,000 with our EXPO businesses and approximately 2,000 in our support functions – will receive a minimum of 60 days pay from their last day worked and will be eligible for any year-end Success Sharing or MIP bonus payout. We will also help defray medical coverage costs for full-time and

salaried associates who are medical plan benefit enrollees. Finally, we will offer job placement assistance to impacted associates.

We are a strong company. These are the actions needed to keep us strong. We will post an operating profit for the quarter and the year, and we have strong cash flow and one of the best balance sheets in retail. But we won't let that make us complacent, and we'll continue to position the business for long-term success. All of us will have to make extra efforts in this difficult environment.

We have frozen salaries for all of our officer team. But unlike many other companies, for everyone other than officers, we'll continue to provide merit increases. We will continue our 401(k) matching program. And we will continue to pay bonuses earned for performance, both for hourly associates through Success Sharing and salaried associates through our MIP program.

Our founders had a philosophy that if you take care of the customer and take care of the associates, the rest takes care of itself. That is the right philosophy, and we will continue to take care of our customers and our associates.

Thank you for your hard work, dedication and customer focus.

**This message is intended for an internal audience only.
Do not forward outside the Company.**