MOHAWK INDUSTRIES INC
Form DEF 14A
April 01, 2011

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

MOHAWK INDUSTRIES, 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):

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Table of Contents

To the Stockholders of Mohawk Industries, Inc.:

You are cordially invited to attend the annual meeting of stockholders to be held on Wednesday, May 11, 2011, at 10:00 a.m. local time, at the corporate headquarters of the Company, 160 South Industrial Boulevard, Calhoun, Georgia 30701.

The business of the meeting will be to elect a class of directors to serve a three-year term beginning in 2011 and to consider non-binding resolutions related to the ratification of the selection of KPMG LLP as the Company s independent registered public accounting firm, an advisory vote on executive compensation and an advisory vote on the frequency of future advisory votes on executive compensation. There will not otherwise be a business review at the meeting.

Whether or not you plan to attend the annual meeting, please complete, sign, date and return the enclosed proxy card in the enclosed, postage-prepaid envelope or vote by Internet or telephone at your earliest convenience so that your shares will be represented at the meeting. If you choose to attend the meeting, you may revoke your proxy and personally cast your votes. To receive a map and driving directions to the corporate headquarters, please call Deby Forbus at (706) 624-2246.

Sincerely yours,

JEFFREY S. LORBERBAUM
Chairman and Chief Executive Officer

Calhoun, Georgia
April 1, 2011

Table of Contents

MOHAWK INDUSTRIES, INC.
160 South Industrial Boulevard
Calhoun, Georgia 30701

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
May 11, 2011

The annual meeting of stockholders of Mohawk Industries, Inc. (the Company) will be held on Wednesday, May 11, 2011, at 10:00 a.m. local time, at the corporate headquarters of the Company, 160 South Industrial Boulevard, Calhoun, Georgia 30701.

The meeting is called for the following purposes:

1. To elect four persons who will serve as the Company s Class I directors for a three-year term beginning in 2011;

2. To ratify the selection of KPMG LLP as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2011;

3. To hold a non-binding, advisory vote with respect to the compensation of the Company s Named Executive Officers, as disclosed and discussed in the compensation discussion and analysis, compensation tables and any related material disclosed in this proxy statement;

4. To hold a non-binding, advisory vote regarding the frequency of future advisory votes on the compensation of the Company s Named Executive Officers; and

5. To consider and act upon such other business as may properly come before the meeting or any adjournments or postponements thereof.

The Board of Directors has fixed March 18, 2011 as the record date for the determination of stockholders entitled to notice of and to vote at the meeting.

Important Notice Regarding the Availability of Proxy Materials for the Stockholders Meeting to be held on May 11, 2011:

The Proxy Statement and the 2010 Summary Annual Report to Stockholders are available at www.mohawkind.com.

PLEASE COMPLETE, SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD OR USE INTERNET OR TELEPHONE VOTING SO THAT YOUR SHARES WILL BE REPRESENTED. IF YOU CHOOSE TO ATTEND THE MEETING, YOU MAY REVOKE YOUR PROXY AND PERSONALLY CAST YOUR VOTES.

By Order of the Board of Directors,

BARBARA M. GOETZ
Corporate Secretary

Calhoun, Georgia

April 1, 2011

Table of Contents

MOHAWK INDUSTRIES, INC.
160 South Industrial Boulevard
Calhoun, Georgia 30701

PROXY STATEMENT

This Proxy Statement is furnished by and on behalf of the Board of Directors of Mohawk Industries, Inc. (Mohawk or the Company) in connection with the solicitation of proxies for use at the annual meeting of stockholders of the Company to be held on Wednesday, May 11, 2011, and at any and all adjournments or postponements thereof (the Annual Meeting). This Proxy Statement and the enclosed proxy card will be first mailed on or about April 1, 2011 to the stockholders of record of the Company (the Stockholders) on March 18, 2011 (the Record Date).

Proxies will be voted as specified by Stockholders. Unless contrary instructions are specified, if the enclosed proxy card is executed and returned (and not revoked) prior to the Annual Meeting, the shares of the common stock of the Company (the Common Stock) represented thereby will be voted FOR election of the nominees listed in this Proxy Statement as directors of the Company, FOR ratification of KPMG LLP as the Company s independent registered public accounting firm, FOR the proposal regarding the advisory vote on executive compensation and EVERY YEAR for the proposal regarding the advisory vote on the frequency of future advisory votes on executive compensation. A Stockholder s submission of a signed proxy will not affect his or her right to attend and to vote in person at the Annual Meeting. Stockholders who execute a proxy may revoke it at any time before it is voted by (i) filing a written revocation with the Secretary of the Company, (ii) executing a proxy bearing a later date or (iii) attending and voting in person at the Annual Meeting.

The presence of a majority of the outstanding shares of Common Stock entitled to vote at the Annual Meeting, either in person or by proxy, will constitute a quorum. Shares of Common Stock represented by proxies at the meeting, including broker nonvotes and those that are marked **WITHHOLD AUTHORITY** or **ABSTAIN** will be counted as shares present for purposes of establishing a quorum. A broker nonvote occurs when a broker or nominee holding shares for a beneficial owner votes on one proposal, but does not vote on another proposal because the broker or nominee does not have discretionary voting power and has not received instructions from the beneficial owner. Once a quorum is established, (i) the election of directors will require the affirmative vote of a plurality of the shares of Common Stock represented and entitled to vote in the election at the Annual Meeting, (ii) the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for fiscal 2011 and the approval of the advisory vote on executive compensation will require the affirmative vote of the holders of a majority of the votes represented and entitled to vote thereon at the Annual Meeting, and (iii) the advisory vote on the frequency of future advisory votes on executive compensation will be determined by the option receiving the greatest number of votes. Neither withholding authority to vote with respect to one or more nominees nor a broker nonvote will have an effect on the outcome of the election of directors. As to Proposals (2) and (3), shares represented by proxies that are marked **ABSTAIN** will have the effect of a vote against the proposal, while a broker nonvote will not have an effect on the outcome of the proposal.

Pursuant to the Company s Restated Certificate of Incorporation, as amended (the Certificate of Incorporation), holders of Common Stock will be entitled to one vote for each share of Common Stock held. Pursuant to the provisions of the Delaware General Corporation Law, March 18, 2011 has been fixed as the Record Date for determination of Stockholders entitled to notice of and to vote at the Annual Meeting, and, accordingly, only holders of Common Stock of record at the close of business on that day will be entitled to notice of and to vote at the Annual Meeting. On the Record Date, there were 68,724,581 shares of Common Stock issued and outstanding held by approximately 323 Stockholders.

THE BOARD OF DIRECTORS URGES YOU TO COMPLETE, SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD IN THE ENCLOSED POSTAGE-PREPAID ENVELOPE OR USE INTERNET OR TELEPHONE VOTING.

Voting Instructions

By Written Proxy. Stockholders can vote by written proxy card. If you are a beneficial owner, you may request a written proxy card or a vote instruction form from your bank or broker.

By Telephone or Internet. Stockholders also can vote by touchtone telephone using the telephone numbers on the proxy card, or through the Internet, using the procedures and instructions described on the proxy card. Beneficial owners may vote by telephone or Internet if their bank or broker makes those methods available, in which case the bank or broker will include the instructions with the proxy materials. The telephone and Internet voting procedures are designed to authenticate Stockholders identities, to allow Stockholders to vote their shares, and to confirm that their instructions have been recorded properly.

PROPOSAL 1 ELECTION OF DIRECTORS

The Company s Certificate of Incorporation provides for the Board of Directors of the Company to consist of three classes of directors serving staggered terms of office. Upon the expiration of the term of office for a class of directors, the nominees for that class will be elected for a term of three years to serve until the election and qualification of their successors.

Currently, Messrs. John S. Fiedler, Jeffrey S. Lorberbaum and Robert N. Pokelwaldt serve as Class I directors, whose terms expire at the Annual Meeting. After 19 years of dedicated service, Mr. Pokelwaldt has informed the Board of Directors of his decision to retire upon the expiration of his term at the Annual Meeting. The Board of Directors has re-nominated Messrs. Fiedler and Lorberbaum for election as Class I directors at the Annual Meeting and has nominated each of Karen A. Smith Bogart and Richard C. Ill for election to serve as new Class I directors. The Class II and Class III directors have one year and two years, respectively, remaining on their terms of office and will not be voted upon at the Annual Meeting.

The Company s Certificate of Incorporation provides that the Company shall have at least two and no more than eleven directors, with the Board of Directors to determine the exact number. In addition, the Certificate of Incorporation divides the Board of Directors into three classes, with each to consist, as nearly as possible, of one-third of the total number of directors constituting the entire Board of Directors.

It is the intention of the persons named as proxies to vote the proxies for the election of each of Ms. Bogart and Messrs. Fiedler, Ill and Lorberbaum as a Class I director of the Company, unless the Stockholders direct otherwise in their proxies. Each of Ms. Bogart and Messrs. Fiedler, Ill and Lorberbaum has consented to serve as a director of the Company if elected. In the unanticipated event that any of Ms. Bogart or Messrs. Fiedler, Ill or Lorberbaum refuses or is unable to serve as a director, the persons named as proxies reserve full discretion to vote for such other person or persons as may be nominated. The Board of Directors has no reason to believe that any of Ms. Bogart or Messrs. Fiedler, Ill or Lorberbaum will be unable or will decline to serve as a director.

The affirmative vote of a plurality of the shares represented and entitled to vote in the election at the Annual Meeting at which a quorum is present is required for the election of the nominees.

**THE BOARD OF DIRECTORS RECOMMENDS
A VOTE FOR THE ELECTION OF THE NOMINEES LISTED BELOW**

Director, Director Nominee and Executive Officer Information

Based on information supplied by them, set forth below is certain information concerning the nominees for election as Class I directors and the directors in Classes II and III whose terms of office will continue after the Annual Meeting, including the name and age of each, current principal occupation (during the last five years unless otherwise indicated), the name and principal business of the organization in which such occupation is carried on, the year each was elected to the Board of Directors of the Company, all positions and offices held during 2010 with the Company, and directorships, including any other directorships held during the past five years, in other publicly-held companies.

Nominees for Director

Class I Nominees for Director

Karen A. Smith Bogart Ms. Bogart (age 53) is President of Pacific Tributes Inc., a start-up firm providing web-based printing services located in Santa Barbara, California. From 2003 to 2006, Ms. Bogart was Chairman and President, Greater Asia Region and Senior Vice President of Eastman Kodak Company,

located in Shanghai, PRC. She previously managed many of Eastman Kodak s largest global businesses, including Kodak Professional Imaging, Consumer Printing, and Consumer Cameras and Batteries. Ms. Bogart is also a director of Monolithic Power Systems, Inc., a high performance analog semiconductor company.

John F. Fiedler Mr. Fiedler (age 72) has been a director of the Company since March 2002. Mr. Fiedler is the retired Chairman of the board of directors of BorgWarner Inc., a manufacturer of automotive equipment (BorgWarner). He most recently served as Chief Executive Officer of BorgWarner having been named Chairman and Chief Executive Officer in January 1995. Prior to that, Mr. Fiedler served as President and Chief Operating Officer of BorgWarner. Before joining BorgWarner in June 1994, Mr. Fiedler was Executive Vice President of The Goodyear Tire & Rubber Company (Goodyear), where he was responsible for North American Tires. Mr. Fiedler s 29-year career with Goodyear included numerous sales, marketing and manufacturing positions in the United States and Asia. Mr. Fiedler is also a director of WABCO Holdings, Inc., a Belgian truck component manufacturer, Snap-on Inc., a global developer, manufacturer and marketer of tools and equipment solutions for professional tool users, and AirTran Holdings, Inc., a low-cost air travel provider. Mr. Fiedler also formerly served as a director of YRL Worldwide Inc., formerly Yellow Roadway Corp. He is also a member of the Kent State Foundation Commission and on the Advisory Board of Prism Capital, a Mezzanine Fund, L.P.

Richard C. Ill Mr. Ill (age 67) has been the Chairman of Triumph Group, Inc. (Triumph Group), a public, international aviation services company, since 2009 and President and Chief Executive Officer and a director of Triumph Group since 1993. Previously, Mr. Ill held a variety of senior executive positions with Alco Standard Corporation until he founded what is now the Triumph Group. Mr. Ill has over 45 years of public company experience both in management, manufacturing and operations. In addition, Mr. Ill has 14 years of experience as a director of public companies, currently serving as a director of P.F. Glatfelter Company, a global supplier and leading manufacturer of paper and fiber products, and having formerly served as a director of Airgas, Inc., a distributor of industrial, medical, and specialty gases and related equipment, safety supplies and MRO products and services.

Jeffrey S. Lorberbaum Mr. Lorberbaum (age 56) has been a director of the Company since our acquisition of Aladdin Mills Inc., (Aladdin) in March 1994. He has served as Chairman of the Board since May 2004 and as the Company s Chief Executive Officer since January 2001. From January 1995 until January 2001, Mr. Lorberbaum served as President and Chief Operating Officer of the Company. Mr. Lorberbaum joined Aladdin in 1976 and served as Vice President Operations from 1986 until February 1994 when he became President and Chief Executive Officer.

Continuing Directors

Class II Directors Continuing in Office (Terms Expire 2012)

Bruce C. Bruckmann Mr. Bruckmann (age 57) has been a director of the Company since October 1992. Mr. Bruckmann has been a Managing Director of Bruckmann, Rosser, Sherrill & Co., Inc., a private equity investment firm, since January 1995. From March 1994 to January 1995, Mr. Bruckmann served as Managing Director of Citicorp Venture Capital, Ltd. (CVC, Ltd.) and as an executive officer of 399 Venture Partners, Inc. (formerly Citicorp Investments, Inc.). From 1983 until March 1994, Mr. Bruckmann served as Vice President of CVC, Ltd. Mr. Bruckmann is also a director of Town Sports International, Inc., a fitness club operator, MWI Veterinary Products, Inc., a distributor of animal health products to veterinarians, H&E Equipment Services L.L.C., a renter and distributor of industrial and construction equipment, and Heritage Crystal Clean Inc., a provider of parts cleaning services. Mr. Bruckmann also serves as a director for Downtown Locker Room and Il Fornaio (America) Corporation, which are private companies.

Frans G. De Cock Mr. De Cock (age 68) was elected to the Company s Board of Directors in October 2005 effective upon the closing of the Company s acquisition of Unilin Flooring BVBA and its affiliated companies (Unilin) (now

one of the Company s principal operating subsidiaries) and was named

President Unilin in November 2005. Mr. De Cock retired as President Unilin effective January 1, 2009 but has continued to provide consulting services to Unilin since that time. Before joining Mohawk, Mr. De Cock was one of the managing directors of Unilin. From 1997 until 1999, he also served as President of the European Federation of Associations of Particleboard Manufacturers and, from 1999 until 2004, as President of the European Panel Federation.

Joseph A. Onorato Mr. Onorato (age 62) has been a director of the Company since February 2008. From July 1998 until his retirement in September 2000, Mr. Onorato served as Senior Vice President and Chief Financial Officer for the Automotive Aftermarket Group of Dana Corporation, a global leader in the engineering, manufacturing and distribution of components and systems for worldwide vehicular and industrial manufacturers. In July 1998, Dana Corporation merged with Echlin, Inc. (Echlin), a worldwide manufacturer of motor vehicle parts. At the time of the merger, Mr. Onorato was Senior Vice President and Chief Financial Officer for Echlin. While at Echlin, he also served as Treasurer from 1990 to 1994 and as Vice President and Treasurer from 1994 to 1997. He previously worked with PricewaterhouseCoopers. Since his retirement from Dana Corporation, Mr. Onorato has consulted with a private equity firm on acquisitions. Mr. Onorato also serves on the board of directors for Affinia Group Intermediate Holdings, Inc., a motor vehicle components manufacturer, where he is chairman of the Audit Committee. In addition, Mr. Onorato serves as a member of the Advisory Board of the School of Business at Quinnipiac University.

Class III Directors Continuing in Office (Terms Expire 2013)

Phyllis O. Bonanno Ms. Bonanno (age 68) has been a director of the Company since February 2004. From 2002 until her retirement in August 2009, Ms. Bonanno served as the President and Chief Executive Officer of International Trade Solutions, Inc. Ms. Bonanno served as President and Chief Executive Officer of Columbia College from July 1997 until March 2000 and served as the Vice President for International Trade at Warnaco, Inc. from 1986 to 1997. Ms. Bonanno has also served as a personal assistant to President Lyndon Johnson and as the first director of the U.S. Trade Representative s (USTR) Office of Private Sector Liaison in the Executive Office of Presidents Carter and Reagan. In addition, while serving at the USTR, Ms. Bonanno served as the Executive Director of the President s Advisory Committee on Trade Negotiations. Ms. Bonanno is also a director of Adams Express Company, a diversified equity investment company, BorgWarner and Petroleum and Resources Corporation, an equity investment company specializing in energy and natural resources companies.

David L. Kolb Mr. Kolb (age 72) served as President of Mohawk Carpet Corporation (now Mohawk Carpet, LLC and one of the Company s principal operating subsidiaries) until Mohawk Carpet Corporation was acquired by the Company in December 1988, at which time he became Chairman of the Board of Directors and Chief Executive Officer of the Company. Effective January 2001, Mr. Kolb retired from his position as Chief Executive Officer. He retired as Chairman in May 2004. Prior to joining Mohawk Carpet Corporation, Mr. Kolb served in various executive positions with Allied-Signal Corporation for 19 years. Mr. Kolb is also a director of Aaron s, Inc., a home furnishings retailer, and Chromcraft Revington, Inc., a furniture manufacturer. Mr. Kolb also formerly served as a director of Paxar Corp., a provider of identification solutions. In addition, Mr. Kolb is a trustee of Mount Vernon Presbyterian School.

W. Christopher Wellborn Mr. Wellborn (age 55) has been a director of the Company since our acquisition of Dal-Tile International Inc. (Dal-Tile) in March 2002. He has served as the Company s Chief Operating Officer since November 2005 and as its President and Chief Operating Officer since November 2009. Mr. Wellborn was Executive Vice President, Chief Financial Officer and Assistant Secretary of Dal-Tile from August 1997 through March 2002. From March 2002 to November 2005, he served as President Dal-Tile. From June 1993 to August 1997, Mr. Wellborn was Senior Vice President and Chief Financial Officer of Lenox, Inc. Mr. Wellborn formerly served as a director of Palm Harbor Homes, Inc., a builder of manufactured and modular custom homes.

5

Table of Contents

In connection with the merger of Aladdin with a wholly-owned subsidiary of the Company in February 1994 (the Aladdin Merger), the Company agreed to nominate up to two persons designated by the former shareholders of Aladdin for election or re-election, as the case may be, to the Board of Directors of the Company and to use its best efforts to cause such nominees to be elected to the Board of Directors. Beginning in 1999, Messrs. Jeffrey S. Lorberbaum and Sylvester H. Sharpe were such designees. Effective May 17, 2006, Mr. Sharpe retired from the Board of Directors. At this time, the holders have decided not to designate anyone to fill the vacancy created by Mr. Sharpe s retirement. At such time as the former shareholders of Aladdin have disposed of 50% or more of the Common Stock issued to them in the Aladdin Merger, the Company will be required to nominate only one such person to the Board of Directors, and at such time as the former shareholders of Aladdin have disposed of 75% or more of the Common Stock issued to them in the Aladdin Merger, the Company will no longer be required to nominate any of such persons to the Board of Directors.

In connection with the acquisition of Unilin by the Company in October 2005, the Company agreed to appoint to its Board of Directors a representative designated by Unilin, and Mr. Frans G. De Cock was initially appointed to the Board of Directors as a result.

Executive Officers

The executive officers of the Company serve at the discretion of the Board of Directors and are currently comprised of Messrs. Jeffrey S. Lorberbaum and W. Christopher Wellborn (who are identified above), Frank H. Boykin, James F. Brunk, James T. Lucke, Frank T. Peters, Bernard P. Thiers and Harold G. Turk.

Frank H. Boykin Mr. Boykin (age 55) was named Vice President Finance and Chief Financial Officer of the Company in January 2005. In August 2004, Mr. Boykin was appointed Vice President Finance. He previously served as Corporate Controller of the Company from April 1993 until May 1999, when he was appointed Vice President, Corporate Controller. Before joining the Company, Mr. Boykin served as a Senior Manager at KPMG LLP.

James F. Brunk Mr. Brunk (age 45) has been Corporate Controller, Chief Accounting Officer of the Company since May 2009. Mr. Brunk joined the Company in October 2006 as Chief Financial Officer for the Mohawk Home division. Prior to joining the Company, Mr. Brunk was Vice President, Finance-Transportation-Americas for Exide Technologies, a worldwide leader in production and recycling of lead acid batteries from January 2005 to October 2006.

James T. Lucke Mr. Lucke (age 50) joined Mohawk in May 2007 and serves as the Company s Vice President General Counsel. Mr. Lucke served as Senior Vice President, Secretary and General Counsel of Spectrum Brands, Inc., a diversified consumer products company, from October 1999 until joining the Company.

Frank T. Peters Mr. Peters (age 62) was named President Mohawk Flooring in May 2008. He served as Vice President of Carpet and Yarn Manufacturing for the Mohawk Residential Flooring business unit beginning in 2005. Upon joining the Company in 1993, he served as Vice President of Product Development. Prior to joining the Company, Mr. Peters served in manufacturing and product development leadership roles with Armstrong World Industries and Shaw Industries for more than two decades.

Bernard P. Thiers Mr. Thiers (age 55) was promoted to President Unilin in January 2009, succeeding Mr. De Cock in this position. Mr. Thiers joined Unilin in 1984 as a plant manager and has served in roles of increasing management significance since that time. From 1996 to 2006, he served as Managing Director of Unilin Flooring and from 2006 until his 2009 promotion, he served as President Unilin Flooring.

Harold G. Turk Mr. Turk (age 64) was named President Dal-Tile in January 2006. From March 2002 through December 2005, he served as Executive Vice President of the Dal-Tile Strategic Business Unit of Dal-Tile. Mr. Turk joined Dal-Tile in 1976.

Meetings and Committees of the Board of Directors

General. During fiscal 2010, the Board of Directors held seven meetings. All members of the Board of Directors attended at least 75% of the total number of Board of Directors and Committee meetings that they were eligible to attend. All members of the Board of Directors at the time of the 2010 annual stockholders meeting were present at such meeting, except for Mr. Larry McCurdy, who passed away in August 2010 after 18 years of dedicated service on our Board of Directors.

The Board of Directors has affirmatively determined, considering generally all relevant facts and circumstances regarding each non-management director, that none of Ms. Bogart, Ms. Bonanno, Mr. Bruckmann, Mr. Fiedler, Mr. Ill, Mr. Kolb or Mr. Onorato have a material relationship that would interfere with such director s exercise of independent judgment in carrying out the responsibilities of a director, and therefore they are independent within the meaning of the standards for independence set forth in the Company s corporate governance guidelines, which are consistent with applicable Securities and Exchange Commission (SEC) rules and New York Stock Exchange (NYSE) corporate governance standards. Definitions of independence for directors and committee members can be found on the Company s website at www.mohawkind.com under the heading Corporate Governance.

The Company has a standing Audit Committee (the Audit Committee) of the Board of Directors established in accordance with the Securities Exchange Act of 1934, as amended (the Exchange Act). During 2010, the Audit Committee was comprised of four directors: Mr. McCurdy (Chairman), Mr. Bruckmann, Mr. Onorato and Mr. Pokelwaldt. Following Mr. McCurdy s death, Mr. Onorato was appointed chairman of the Audit Committee. All such Audit Committee members have been determined by the Board of Directors to be independent as discussed above. During his tenure as Chairman, Mr. McCurdy qualified as the audit committee financial expert within the meaning of applicable SEC regulations and had all the requisite accounting and financial expertise within the meaning of the listing standards of the NYSE. Upon his appointment as Chairman, the Board of Directors determined that Mr. Onorato is qualified as the audit committee financial expert and has the requisite accounting and financial expertise. The Audit Committee met seven times during 2010. The Audit Committee oversees management s conduct of the financial reporting process, the system of internal, financial and administrative controls and the annual independent audit of the Company s consolidated financial statements. In addition, the Audit Committee engages the independent registered public accounting firm, reviews the independence of such independent registered public accounting firm, approves the scope of the annual activities of the independent registered public accounting firm and internal auditors and reviews audit results. The Board of Directors has adopted a written charter for the Audit Committee, which is available on the Company s website at www.mohawkind.com under the heading Corporate Governance. See also *Audit Committee Report of the Audit Committee of the Board of Directors of Mohawk Industries, Inc.*

The Company has a standing Compensation Committee (the Compensation Committee), consisting of Mr. Fiedler (Chairman), Mr. Bruckmann and Mr. Pokelwaldt. The Compensation Committee met twice during 2010. The Compensation Committee is responsible for deciding, recommending and reviewing the compensation, including benefits, of the executive officers and directors of the Company, for reviewing risks associated with the Company s compensation policies and practices and for administering the Company s executive and senior management incentive compensation plans. The Board of Directors has adopted a written charter for the Compensation Committee, which is available on the Company s website at www.mohawkind.com under the heading Corporate Governance. See also *Executive Compensation and Other Information Compensation Committee Report.*

The Company has a standing Nominating and Corporate Governance Committee (the Governance Committee), consisting of Mr. Kolb (Chairman), Ms. Bonanno and Mr. Onorato. The Governance Committee met three times in 2010. The Governance Committee is responsible for assisting the Board of Directors in fulfilling its oversight responsibilities under the NYSE listing standards and Delaware law, identifying qualified candidates for nomination

to the Board of Directors and developing and evaluating the Company s corporate governance policies. The Governance Committee also considers nominees to the Board of Directors recommended by stockholders in accordance with the requirements of the Company s Bylaws. See also

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Table of Contents

Corporate Governance Nomination Process for the Board of Directors. The Board of Directors has adopted a written charter for the Governance Committee and Corporate Governance Guidelines recommended by the Governance Committee, both of which are available on the Company s website at www.mohawkind.com under the heading Corporate Governance.

Executive Sessions with Non-Management Directors. All directors who are not members of the Company s management team meet without the Chief Executive Officer and other Company personnel as needed during a portion of each non-telephonic Board of Directors meeting. The Chairmen of the Company s standing committees chair these executive sessions on a rotating basis.

2010 DIRECTOR COMPENSATION

The following table presents certain summary information concerning director compensation paid by the Company for services rendered during the fiscal year ended December 31, 2010.

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)	Option Awards ($)(2)	Non-Equity Incentive Plans Compensation ($)	Nonqualified Deferred Compensation Earnings	All Other Compensation ($)(3)	Total ($)
Phyllis O. Bonanno	62,000	48,310					110,310
Bruce C. Bruckmann	66,000	48,310					114,310
Frans G. De Cock			98,651			586,144	684,795
John F. Fiedler	62,478	48,310					110,788
David L. Kolb	64,478	48,310					112,788
Larry W. McCurdy	60,007	48,310					108,317
Joseph A. Onorato	71,992	48,310					120,302
Robert N. Pokelwaldt	59,995	48,310					108,305

(1) Includes fees earned for attending meetings and payment of annual retainer. Mr. Fiedler, Mr. Kolb, Mr. McCurdy, Mr. Onorato and Mr. Pokelwaldt elected to take the 2010 retainer of $32,478, $32,478, $35,007, $34,992 and $29,995, respectively, in lieu of cash, in the form of Common Stock of 654, 654, 705, 698 and 604 shares, respectively, pursuant to the Company s 1997 Non-Employee Director Stock Plan. Cash representing fractional shares is carried forward to the following year. For 2010, Mr. Kolb elected to receive his retainer in the form of phantom stock.

(2) The amounts reported in the Stock and Option Awards columns reflect the grant date fair value calculated in accordance with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 718, *Compensation-Stock Compensation* (ASC 718). The assumptions used in determining the grant date fair values of these awards are set forth in the notes to the Company s consolidated financial statements, which are included in our annual Report on Form 10-K for the year ended December 31, 2010.

(3) Pursuant to Mr. De Cock s Service Agreement, as described further in *Certain Relationships and Related Transactions,* Mr. De Cock received an annual salary and retainer of $330,488 (Euro 248,730) and an annual

bonus of $255,656 (Euro 192,410).

Employees of the Company or its subsidiaries who are also directors do not receive any fee or remuneration for services as members of the Board of Directors or any Committee of the Board of Directors. Mr. De Cock also does not receive any fees or remuneration for his services as a member of the Board of

Directors, but he receives compensation for consulting services as described further in *Certain Relationships and Related Transactions*. The Company pays each independent director an annual retainer of $30,000 and a fee of $4,000 for each Board meeting and $1,000 for each Committee meeting attended. The Compensation Committee and Governance Committee Chairmen receive an additional annual retainer of $2,500 each, and the Audit Committee Chairman also receives an additional annual retainer of $5,000. Each independent director also receives a grant of 1,000 restricted stock units on the first business day of each year provided such director is serving on the Board of Directors on such date. The Company reimburses all directors for expenses the directors incur in connection with attendance at meetings of the Board of Directors or Committees.

In December 1996, the Board of Directors adopted the Mohawk Industries, Inc. 1997 Non-Employee Director Stock Compensation Plan (the Director Stock Compensation Plan) to promote the long-term growth of the Company by providing a vehicle for its non-employee directors to increase their proprietary interest in the Company and to attract and retain highly qualified and capable non-employee directors. Under the Director Stock Compensation Plan, non-employee directors may elect to receive their annual cash retainer fees either in cash or in shares of Common Stock of the Company, based on the fair market value of the Common Stock at the beginning of each quarter. Meeting fees for non-employee directors are only paid in cash. The maximum number of shares of Common Stock which may be granted under the plan is 37,500 shares, which shares may not be original issue shares. In 1997, the Director Stock Compensation Plan was amended by the Board of Directors to include an optional income deferral feature using a book entry, stock valued (phantom stock) account that would fluctuate in value based on the performance of the Common Stock of the Company over the deferral period. The Board of Directors may suspend or terminate the Director Stock Compensation Plan at any time.

AUDIT COMMITTEE

Report of the Audit Committee of the Board of Directors of Mohawk Industries, Inc.

The Audit Committee members reviewed and discussed the audited consolidated financial statements for the year ended December 31, 2010 with management. The Audit Committee members also discussed the matters required to be discussed by Statement of Auditing Standards No. 61, as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T, with the Company s independent registered public accounting firm. The Audit Committee received the written disclosure letter from the independent registered public accounting firm, which letter is required by applicable requirements of the Public Company Accounting Oversight Board regarding the Company s independent registered public accounting firm s communications with the Audit Committee concerning independence, discussed with the independent registered public accounting firm any relationships that may impact the objectivity and independence of the independent registered public accounting firm and satisfied itself as to the independence of the independent registered public accounting firm. In addition, the members of the Audit Committee considered whether the provision of services for the year ended December 31, 2010 described below under *Principal Accountant Fees and Services* was compatible with maintaining such independence. Based upon these reviews and discussions, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010, filed with the Securities and Exchange Commission.

Audit Committee
Joseph A. Onorato-Chairman
Bruce C. Bruckmann
Robert N. Pokelwaldt

Principal Accountant Fees and Services

The following table shows the fees rendered (in thousands) to the Company s principal independent registered public accounting firm for the audit of the Company s annual consolidated financial statements for fiscal 2010 and 2009, respectively, and fees billed for non-audit related services, tax services and all other services performed by the Company s independent registered public accounting firm during fiscal 2010 and 2009, respectively.

	2010	2009
Audit Fees(a)	$ 3,756	$ 4,108
Audit-Related Fees(b)	81	140
Tax Fees(c)		6
All Other Fees		
	$ 3,837	$ 4,254

(a) Audit services consist principally of the audit and quarterly reviews of the consolidated financial statements, the audit of internal control over financial reporting, and fees for accounting consultations on matters reflected in the consolidated financial statements. Audit fees also include fees for other attest services required by statute or regulation (foreign or domestic), such as statutory audits in U.S. and non-U.S. locations.

(b) Audit-related services consist principally of audits of financial statements of employee benefit plans and professional services related to consultation with management on the accounting for various matters.

(c) Tax fees consist principally of professional services rendered for tax compliance and tax consulting.

The Audit Committee pre-approved all audit and audit-related services in fiscal 2010 and 2009. The Audit Committee has delegated to the Chairman of the Audit Committee the authority to pre-approve audit and audit-related, tax and non-audit related services to be performed by the Company s independent registered public accounting firm.

Table of Contents

PROPOSAL 2 RATIFICATION OF SELECTION OF KPMG LLP AS THE COMPANY S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has selected KPMG LLP (KPMG) as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2011 and has directed that management submit the selection of the independent registered public accounting firm to Stockholders for ratification at the Annual Meeting. Representatives of KPMG are expected to be present at the meeting, will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Stockholder ratification of the selection of KPMG as the Company s independent registered public accounting firm is not required by the Company s Bylaws or otherwise. If the Stockholders fail to ratify the selection, the Audit Committee will reconsider whether to retain KPMG, but still may retain it. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if it is determined that such a change would be in the best interests of the Company and its stockholders.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RATIFICATION OF THE SELECTION OF KPMG LLP AS THE COMPANY S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.

COMPENSATION DISCUSSION AND ANALYSIS

General Overview

Our goal is to have a compensation program that enables us to attract, motivate and retain highly-qualified executives who will assist us in meeting our long-range objectives, thereby serving the interests of our stockholders. We design our compensation program with a view to attracting and retaining executive leadership of a caliber and level of experience necessary to manage successfully our complex global businesses. We believe that, in order to do this effectively, our program must meet the following criteria:

- create a strong link between the executive s compensation and our annual and long-term financial performance;
- use performance-based incentive compensation to place elements of our executives compensation at risk;
- closely align our executives interests with those of our stockholders by making stock-based incentives an element of our executives compensation; and
- provide our executives with total compensation opportunities at levels that are competitive for comparable positions at companies with whom we compete for talent.

How we Determine and Assess our Executive Compensation

Our Board of Directors bears the ultimate responsibility for approving the compensation of our Named Executive Officers. The Compensation Committee of our Board of Directors (the Compensation Committee) has been delegated authority to discharge these responsibilities. Information about the Compensation Committee and its composition, responsibilities and operations can be found in this proxy statement, under the caption *Meetings and Committees of the Board of Directors*.

Our determinations and assessments of executive compensation are primarily driven by two considerations: market data based on the compensation levels, programs and practices of certain other companies for comparable executive positions; and Company and individual performance in specified areas, such as financial metrics and operational efficiency.

Market Data

We consider the compensation levels, programs and practices of certain other companies to assist us in setting our executive compensation so that it is market competitive. The peer group consists of companies of comparable size on both a revenue and market capitalization basis that are engaged, to varying degrees, in businesses similar to ours. We believe that we compete, to varying degrees, for business and talent with the companies in this peer group. For purposes of setting compensation levels for 2010, the peer group was comprised of the following companies:

American Standard Companies, Inc.
Ball Corporation
The Black & Decker Corporation
Fortune Brands, Inc.
Masco Corporation
MeadWestvaco Corporation
Owens Corning
PPG Industries, Inc.
The Sherwin-Williams Company
Temple-Inland Inc.
USG Corporation
Whirlpool Corporation

Newell Rubbermaid Inc.

We obtained information on the compensation levels, programs and practices of the companies within the peer group from market surveys periodically conducted by Mercer, Inc. (Mercer), a compensation consultant engaged by the Compensation Committee. The Compensation Committee evaluates compensation levels for our Named Executive Officers based upon a comparison to the market median values.

Company and Individual Performance

While market competitiveness is important, we also use other measurements to determine our compensation levels. To customize our compensation program and recognize individual performance and contribution to the Company, we focus on (i) financial metrics that we believe are indicators of whether the Company and its business units are achieving our annual or longer-term business objectives, such as earnings per share and earnings after capital charge and (ii) personal performance goals.

We believe that market competitiveness and performance factors, considered in conjunction, provide a reasonable basis to assess executive performance and build value for our stockholders. As described below, we consider each of these areas in making our executive compensation decisions from setting base salaries to providing annual and longer-term rewards.

2010 Review of Compensation

For 2010, the Compensation Committee used the results of the Mercer survey of 2007 peer group executive compensation and adjusted the results by a rate of 3% to estimate 2008 peer group compensation and an additional 2.5% to estimate 2009 peer group compensation as a factor in determining 2010 compensation for our Named Executive Officers. The peer group assessment for 2010 compensation did not include an assessment of the compensation for Mr. Thiers who is compensated according to his services agreement referenced in *Certain Relationships and Related Transactions*. For 2010, the Compensation Committee analyzed the results of the adjusted Mercer survey in terms of each of the following:

- base salary;
- annual bonus;
- total cash compensation, which includes base salary and annual bonus;
- total long-term incentive compensation; and
- total direct compensation, which includes base salary, annual bonus and long-term incentive compensation.

This assessment showed that our 2010 Named Executive Officers included in this survey (other than our chief executive officer) received, on average, for 2009 (i) base salaries approximately at the median, (ii) total cash compensation at approximately 72% of the median, (iii) long-term incentive compensation at 17% of the median and (iv) total direct compensation at approximately 56% of the median. These averages were lowered as a result of the compensation for our chief executive officer who received a base salary at 84% of the median, total cash compensation at 47% of the median, long-term incentive compensation at 7% of the median and total direct compensation at 21% of the median.

The Compensation Committee reviewed this assessment at its February 2010 meeting, together with Mr. Lorberbaum s recommendations for compensation for the Named Executive Officers other than himself. At this meeting, the Compensation Committee reviewed a tally sheet detailing the various elements of compensation of our Named

Executive Officers for 2010, including base salary and annual and long-term incentives. The Compensation Committee believes that all of these elements in the aggregate provide a reasonable and market competitive compensation opportunity for our Named Executive Officers and that each

element contributes to our compensation objectives discussed above. Mr. Lorberbaum recommended and the Compensation Committee approved a base salary increase of approximately 5% for Mr. Peters in order to move his compensation closer to the market median. Given economic conditions and Company performance in 2009 and a review of marketplace comparables, the other Named Executive Officers base salaries for 2010 were not increased.

We have assessed the compensation policies and practices for our employees and concluded that they do not create risks that are reasonably likely to have a material adverse effect on the Company. The Company s compensation policies and practices were evaluated to ensure that they do not foster risk taking above the level of risk associated with the Company s business model.

Elements of our Compensation Program

Our executive compensation program consists primarily of the following integrated components: base salary, annual incentive awards, and long-term incentive opportunities, which together comprise an executive s total direct compensation in a given year or performance period. The program is complemented with perquisites and other executive benefits, including 401(k) matching contributions and severance benefits.

Base Salary

Base salary provides our executive officers with a level of compensation consistent with their skills, experience and contributions in relation to comparable positions in the competitive marketplace. Base salary is the one fixed component of our executives total direct compensation, in contrast to annual incentive awards and long-term incentive compensation, which are at risk based on performance. The Compensation Committee reviews the base salaries of our executive officers annually and whenever an executive is promoted. Mr. Lorberbaum makes salary recommendations to the Compensation Committee with respect to executive officers other than himself. We evaluate our Named Executive Officers base salaries in comparison to the median of the peer group salaries for that position to maintain competitive levels. In addition, we also consider the executive s experience for the position, differences in position and responsibilities relative to the peer group and his or her personal contribution to the financial and operational performance of the Company and our businesses.

These other factors could cause any one executive officer s base salary to be above or below the market median for his or her comparable position. Based on the Compensation Committee s review of marketplace comparables, the economic conditions and the foregoing individual factors, base salaries for 2010 for our Named Executive Officers were not increased, except for Mr. Peters.

Annual Incentive Awards

Annual incentive awards provide a direct link between executive compensation and our annual performance. Unlike base salary, which is fixed, our executives annual incentive award is at risk based on how well the Company and our executives perform.

For 2010, the Compensation Committee approved a senior executive bonus plan (the SEBP) designed to provide total cash compensation at the 75th percentile of total cash compensation for our peer group if outstanding performance is achieved. By placing a significant portion of an executive s annual pay at risk, the Compensation Committee believes that compensation is more directly related to performance and more closely links the financial interests of the executives and those of the stockholders. Given our business objectives, the Compensation Committee believes this policy to be appropriate and fair for both the executives and the stockholders.

Under the SEBP, achievement of positive consolidated adjusted operating income for 2010 would result in funding of a bonus pool equal to 1.25% of our 2010 consolidated adjusted operating income. The Compensation Committee retained discretion to make adjustments deemed necessary by the Compensation Committee to appropriately reflect operating performance during the period and exercised that discretion to exclude certain items. Therefore, the bonus pool for 2010 was approximately $4.1 million, which amounts to 1.25% of our consolidated operating income after excluding the effect of business restructurings (approximately $12.3 million). In February 2010, each named executive officer was assigned a maximum individual award limit which would be that officer s SEBP award unless the Compensation Committee exercised its discretion to pay a lesser amount. For 2010, the maximum limits for each of Messrs. Lorberbaum and Wellborn was 20% of the bonus pool, and for each of our other named executive officers, the maximum limit was 12% of the bonus pool. The *Grants of Plan-Based Awards* table disclosed in this proxy statement shows the maximum SEBP award that each of our named executive officers was eligible to receive for 2010.

To guide its exercise of discretion to pay less than maximum amounts, the Compensation Committee evaluated performance against intermediate financial performance goals as well as intermediate individual performance goals. The intermediate financial goals were based on Company performance related to earnings per share (EPS) and Mohawk adjusted earnings after capital charge (EAC) thresholds and divisional performance. The intermediate individual goals for each Named Executive Officer focused on that person s individual contributions to Company or divisional performance.

For each financial metric, the Compensation Committee set a specific target performance goal and defined performance range around the EPS and EAC targets consisting of a threshold (minimum performance level), a level 1 performance level, a target (midpoint performance level) and a maximum performance level. For each individual goal, the Compensation Committee sets various performance goals relating to each executive officer s area of responsibility.

When target performance levels for each financial and individual performance goals are set, we believe such goals are likely to be achieved with good performance by our executives taking into account the variability of economic and industrial conditions. If the EPS threshold metric is not reached, then the Compensation Committee will give no credit to achievement of any of the financial goals and will only consider achievement of individual goals in determining awards. The Compensation Committee has the authority to interpret the SEBP, make changes to it or grant special bonuses for exceptional performance, as it determines appropriate.

We selected the intermediate financial and individual metrics for the SEBP because we believe that they create appropriate incentives, aligned with those of our stockholders, to improve the operational efficiency and, as a result, the financial performance, of the Company. We also believe they are good indicators of our overall performance and lead to the creation of long-term value for our stockholders.

The 2010 intermediate financial goals, in the case of Messrs. Lorberbaum, Wellborn and Boykin were based on total Company EPS and EAC metrics and, in the case of total Company EPS consisted of (i) threshold of $1.70, (ii) level 1 of $2.10, (iii) target of $2.40 and (iv) maximum of $3.50. The intermediate financial goals for Mr. Peters and Mr. Thiers were based on their respective business division financial results as well as corporate results.

In determining annual incentive awards, the Compensation Committee considered both that intermediate financial goals and intermediate individual goals were achieved. Mr. Lorberbaum s and Mr. Wellborn s individual goals included, among other things, objectives relating to developing and executing certain strategic initiatives, developing and implementing supply strategies and implementing new product distribution strategies. Mr. Boykin s individual performance goals included, among other things, executing various cost savings initiatives, achieving organizational development goals and driving productivity improvements. Mr. Peters individual goals included, among other things, implementing restructuring activities, continuing to reduce cost structure, improving operations and introducing new products. Mr. Thiers individual goals included, among other things, expanding distribution, building an executive

leadership team and developing

new business opportunities. Following consideration of achievement of these individual goals, the Compensation Committee granted SEBP awards to our Named Executive Officers as set forth in the *Summary Compensation* table in this proxy statement. In the case of Messrs. Lorberbaum and Thiers, their achievement of applicable intermediate financial goals resulted in SEBP award calculations in excess of assigned individual award limits by $66,000 and $25,048, respectively. These additional amounts are also reflected in the *Summary Compensation* table.

Long-Term Incentives

In 2009, the Committee re-designed the Company s long-term incentive program for senior executives, including our Named Executive Officers (LTIP). Under the LTIP, the Committee authorizes grants of stock-based awards to participants based on achievement of positive consolidated operating income, one-year intermediate individual performance goals and three-year intermediate financial goals as compared to a peer group of companies.

To transition from the previous one-year performance period for financial goals to the new three-year performance period, the Committee established one-year (2009) and two-year (2009 2010) transitional periods before the full three-year (2009 2011) program is in place.

We believe the LTIP provides the opportunity to reward and assist us with the retention of our executives, including our Named Executive Officers. By aligning financial rewards with the economic interests of our stockholders, executives are encouraged to work toward achieving our long-term strategic objectives. In 2010, our Named Executive Officers received the opportunity under the LTIP to earn awards in the form of restricted stock units (RSU s) (and, in the case of Mr. Thiers, stock options) based on Company financial performance over a two-year (2009-2010) period and individual performance in 2010.

Under the LTIP, each Named Executive Officer was assigned a maximum number of stock awards (based on a percentage base of salary) if the Company achieved positive consolidated operating income for 2010, and which would be his LTIP award unless the Committee exercised its discretion to award a lesser number. The *Grants of Plan-Based Awards* table disclosed in this proxy statement shows the maximum LTIP award that each of our Named Executive Officers was eligible to receive for 2010.

To guide its exercise of discretion to award less than the maximum, the Committee evaluated performance against intermediate financial performance goals and intermediate individual performance goals. The financial goals for 2010 were based on Company compounded growth of total shareholder return (TSR) over the two-year (2009-2010) period as compared to a group of peer companies. The Committee then assigned each participant a target number of stock awards (based on a percentage of base salary), which would be awarded should the Company achieve TSR at the 50th percentile of the peer group. Amounts ranging from 50% to 200% of the target number would be earned based on achievement between the 25th and 75th percentile of the peer group. Additionally, the Committee assigned each participant a target number of stock awards (based on a percentage of base salary) which would be awarded should the individual goals be achieved. The minimum, target and maximum awards under the LTIP are disclosed under the *Grants of Plan-Based Awards* table in this proxy statement. These awards would then vest between two and three years following the grant date.

When target performance levels for each financial and individual performance goals are set, we believe such goals are likely to be achieved with good performance by our executives taking into account the variability of economic and industrial conditions. The Committee has the authority to interpret the LTIP, make changes to it or grant special bonuses for exceptional performance, as it determines appropriate.

We have selected the financial and individual metrics for the LTIP because we believe that they create appropriate incentives, aligned with those of our stockholders, to improve the operational efficiency and, as a result, the financial

performance, of the Company. We also believe they are good indicators of our overall performance and lead to the creation of long-term value for our stockholders.

Table of Contents

The Company achieved the TSR at the thirty-first percentile of the peer group for 2010. In exercising its discretion in granting stock awards under the LTIP, the Committee considered this performance and the achievement of intermediate individual goals in determining the LTIP awards. For a description of these goals, please see the discussion of intermediate individual goals under the SEBP in *Annual Incentive Awards*.

Allocation of Total Direct Compensation

Just as our stockholders put their money at risk when they invest in our Company, we believe that a significant portion of our executives compensation should be at risk. For example, in 2010, assuming achievement of maximum performance objectives, approximately 22% of Mr. Lorberbaum s total direct compensation was fixed (in the form of salary) and the remaining approximately 78% was at risk: approximately 18% was represented by his annual cash bonus award and 60% by his long-term incentive opportunity. Our other Named Executive Officers had similar weightings of fixed and at-risk compensation for 2010.

Perquisites and Other Executive Benefits

Perquisites and other executive benefits are a part of our executives overall compensation. Access to health care and other welfare benefits protects all employees and their families health and well-being. We offer additional executive perquisites at the senior leadership level. Under our executive perquisite policy, we provide our executive officers with certain additional benefits, including defined contribution matching benefits, health benefits, life insurance coverage benefits and otherwise as referenced in the *Summary Compensation Table*. Individually and in the aggregate, we believe that the perquisites we provide to our Named Executive Officers are appropriate to ensure that our executive compensation remains competitive.

For information on the incremental cost of these perquisites and other personal benefits, refer to the footnotes to the *Summary Compensation Table* of this proxy statement.

Retirement Benefits and Deferred Compensation

Retirement Benefits. Retirement benefits also fulfill an important role within our overall executive compensation objective because they provide a financial security component that promotes retention. We believe that our retirement program, including the amount of benefit, is adequate to ensure that our executive compensation remains competitive.

We maintain the Mohawk Carpet Corporation Retirement Savings Plan II, a tax-qualified defined contribution retirement plan in which our Named Executive Officers are eligible to participate, along with a substantial number of our employees.

We maintain the Mohawk Industries, Inc. Senior Management Deferred Compensation Plan under which a select group of management or highly compensated employees, including our Named Executive Officers, may elect to defer up to 25% of their pre-tax earnings and up to 100% of their year-end bonus payments and receive tax-deferred returns on those deferrals. The account balances in this plan are unfunded and represent money that the participants have previously earned and voluntarily elected to defer in order to accumulate tax-deferred returns. We do not match contributions to the plan. Plan participants can allocate their account balances among the same investment options available under our qualified contribution retirement plan (other than investments in Company stock), which also accumulate on a tax-deferred basis. We believe the provision of this deferral opportunity is a competitive practice in the marketplace. For more information see the *Nonqualified Deferred Compensation* table in this proxy statement.

Table of Contents

Severance Pay Arrangements

As do a substantial number of our employees, our Named Executive Officers participate in our general employee severance plan which provides a specified number of weeks of severance pay based on continuous service time to the Company and the reason for termination of employment. Our Named Executive Officers, other than Mr. Wellborn and Mr. Thiers, are employees at-will and, with the exception of these two Named Executive Officers, do not have long-term contracts with us. We believe that the at-will employment status of our employees affords us the necessary flexibility to remove employees when appropriate under the circumstances. See *Certain Relationships and Related Transactions* for a description of our agreements with Mr. Wellborn and Mr. Thiers, including severance benefits provided thereunder.

Tax, Accounting and Other Considerations

Tax Considerations

Section 162(m) of the U.S. Internal Revenue Code (Section 162(m)) places a limit of $1,000,000 on the amount of compensation that we may deduct in any one year with respect to any one of our Named Executive Officers. However, qualifying performance-based compensation will not be subject to the deduction limit if certain requirements are met. To maintain flexibility in compensating our executives, the Compensation Committee reserves the right to use its judgment to authorize compensation payments that may be subject to the limit when the Compensation Committee believes that such payments are appropriate. Accordingly, certain components of our executive compensation program are designed to be qualifying performance-based compensation under Section 162(m) while others are not.

Accounting Considerations

With the adoption of ASC 718, we do not expect accounting treatment of differing forms of equity awards to vary significantly and, therefore, accounting treatment did not have a material effect on the selection of forms of compensation for 2010.

EXECUTIVE COMPENSATION AND OTHER INFORMATION

Decisions and recommendations regarding the compensation of our executives are made by a three-member Compensation Committee composed entirely of independent directors, as determined by the Board of Directors. The following is a report of the Compensation Committee concerning our executive compensation policies for 2010.

Compensation Committee Report

The Compensation Committee of the Board of Directors oversees the compensation programs of the Company on behalf of the Board of Directors. In fulfilling its oversight responsibilities, the Compensation Committee reviewed and discussed with management of the Company the *Compensation Discussion and Analysis* included in this proxy statement and based on such review and discussions recommended to the Board of Directors that the *Compensation Discussion and Analysis* be included in this proxy statement and the Company s Annual Report on Form 10-K for the year ended December 31, 2010 filed with the SEC.

Compensation Committee
John F. Fiedler-Chairman
Bruce C. Bruckmann
Robert N. Pokelwaldt

Table of Contents

2010 Summary Compensation Table

The following table presents certain summary information concerning compensation paid or accrued by the Company for services rendered in all capacities during the fiscal years ended December 31, 2010, 2009 and 2008 for (i) the Principal Executive Officer and the Principal Financial Officer of the Company, and (ii) each of the three other most highly compensated executive officers of the Company (determined as of December 31, 2010) (collectively, the Named Executive Officers).

e and Principal Position	Year	Salary ($)	Bonus ($)(1)	Stock Awards ($)(2)	Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)(3)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)(4)	Tot ($
y S. Lorberbaum,	2010	990,000	66,000	312,016		816,000		7,681	2,191
Executive Officer	2009	990,000		231,698		270,000		8,189	1,499
	2008	980,000		274,794		300,000		8,054	1,562
H. Boykin,	2010	525,000		166,421		390,000		8,213	1,089
Financial Officer	2009	525,000		118,218		120,000		8,231	771
	2008	500,000		183,196		150,000		8,211	841
hristopher Wellborn,	2010	850,000		3,736,816		757,000		14,794	5,358
lent	2009	850,000		3,934,943		280,000		15,897	5,080
	2008	800,000		1,049,804	2,033,130	500,000		13,946	4,396
rd Thiers,	2010	678,163(5)	25,048		229,455	489,600			1,422
lent Unilin	2009	729,866			145,217	373,877			1,248
	2008	435,836			142,319	140,000		52,827	770
T. Peters,	2010	515,000		260,021		382,000		11,655	1,168
lent Mohawk	2009	490,000		112,686		110,000		16,235	728
ng	2008	475,000		790,000		125,000		13,780	1,403

(1) Achievement of applicable intermediate financial goals resulted in SEBP award calculations in excess of assigned individual award limits by $66,000 and $25,048, respectively, for Messrs. Lorberbaum and Thiers.

(2) The amounts reported in the Stock and Option Awards columns reflect the grant date fair value calculated in accordance with the provisions of ASC 718. The assumptions used in determining the grant date fair values of these awards are set forth in the notes to the Company s consolidated financial statements, which are included in our Annual Report on Form 10-K for the year ended December 31, 2010.

(3) Represents the cash portion of the SEBP in 2010 and 2009 and annual bonus plan in 2008.

(4)

Amounts related to Mr. Wellborn and Mr. Peters include 401(k) matching contributions and miscellaneous expenses. Amounts related to Mr. Thiers for 2008 includes $26,255 for auto and $25,082 for group insurance, respectively.

(5) Mr. Thiers salary for 2009 and 2010 is paid in Euros and fixed pursuant to his service agreement. Amounts reported in U.S. dollars fluctuate based on changes in foreign exchange rates.

Table of Contents

2010 Grants of Plan-Based Awards

Name	Grant Date	Estimated Future Payouts under Non-Equity Incentive Plans(1) Threshold ($)	Target ($)	Maximum ($)	Estimated Future Payouts under Equity Incentive Plan Awards(2) Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards (3)
Jeffrey S. Lorberbaum						5,034					
					10,068	20,136	40,271				
	2/22/2010										312,016
				816,000							
Frank H. Boykin						2,669					
					4,004	8,008	16,017				
	2/22/2010										166,421
				489,600							
W. Christopher Wellborn						4,322					
					8,644	17,288	34,576				
	2/22/2010										3,736,816
				816,000							
Bernard Thiers						12,123					
					18,184	36,368	72,736				
	2/22/2010									46.80	229,455
				489,600							
Frank T. Peters						2,619					
					3,928	7,856	15,712				
	2/22/2010										260,021
				489,600							

(1) Represents maximum payout levels under the SEBP. The actual amount of incentive bonus earned by each Named Executive Officer in 2010 is reported under the Non-Equity Incentive Plan Compensation column and accompanying footnote, and for Messrs. Lorberbaum and Thiers, under the Bonus column and accompanying footnote, in the *Summary Compensation Table*. Additional information regarding the design of the SEBP is included in the *Compensation Discussion and Analysis*.

(2)

Represents Threshold, Target and Maximum number of performance-based RSU s and stock options each Named Executive Officer was eligible to receive under the LTIP based on a percentage of his base annual salary. Each RSU awarded represents a contingent right to receive one share of Company Common Stock in the future. Awarded RSU s vest ratably between two and three years on each of the anniversaries of the grant date (or earlier in the event the executive s employment with the Company is terminated due to death or disability). In the case of Mr. Thiers, represents number of stock options he is eligible to receive under the LTIP. Additional information regarding the design of the LTIP is included in the *Compensation Discussion and Analysis*.

(3) Represents the value of RSU s and stock option awards granted in 2010 but earned based on 2009 performance. The grant date fair value is equal to the number of units issued times the closing trading price of the Company s stock on the day of grant. The grant date fair value of options was calculated in accordance with the provisions of ASC 718. The assumptions used in determining the grant date fair values of these option awards are set forth in the notes to the Company s consolidated financial statements, which are included in our Annual Report on Form 10-K for the year ended December 31, 2010.

Table of Contents

2010 Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information on outstanding equity awards for each of the Named Executive Officers on December 31, 2010.

	Option Awards				Stock Awards				
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)	Award Vest Date
Jeffrey S. Lorberbaum	1,400		63.14	2/26/2012					
	2,100		48.50	2/24/2013					
	8,000		73.45	2/5/2014					
	10,000		88.33	2/23/2015					
					3,360	190,714			2/21/2012(6)
					2,214	125,667			2/20/2013(7)
					5,444	309,001			2/20/2012(9)
					6,667	378,419			2/22/2013(11)
Frank H. Boykin	700		48.50	2/24/2013					
	2,400		73.45	2/5/2014					
	35,000		88.33	2/23/2015					
					2,240	127,142			2/21/2012(6)
					1,476	83,778			2/20/2013(7)
					2,778	157,679			2/20/2012(9)
					3,556	201,839			2/22/2013(11)

W. Christopher Wellborn	25,000		63.90	3/20/2012			
	3,500		48.50	2/24/2013			
	13,500		73.45	2/5/2014			
	10,000		88.33	2/23/2015			
	50,000		81.90	11/15/2015			
	40,000	60,000(3)	74.47	2/20/2018			
					3,340	189,578	2/21/2012(6)
					12,621	716,368	2/20/2013(7)
					4,444	252,241	2/20/2012(9)
					90,000	5,108,400	10/31/2019(10)
					6,667	378,419	2/22/2013(11)
					60,000	3,405,600	12/31/2019(12)
Bernard Thiers	4,200	2,800(2)	93.65	2/21/2017			
	2,800	4,200(3)	74.47	2/20/2018			
	3,815	10,630(4)	28.37	2/20/2019			
		12,067(5)	46.80	2/22/2020			
Frank T. Peters	700		48.50	2/24/2013			
	2,400		73.45	2/5/2014			
	5,000		88.33	2/23/2015			
	2,400	600(1)	83.50	2/22/2016			
					817	46,373	2/21/2012(6)
					6,000	340,560	5/1/2013(8)
					2,648	150,300	2/20/2012(9)
					5,556	315,359	2/22/2013(11)

(1) The stock options were granted on February 22, 2006 and vest ratably over five years on each of the first five anniversaries of the grant date.

(2) The stock options were granted on February 21, 2007 and vest ratably over five years on each of the first five anniversaries of the grant date.

(3) The stock options were granted on February 20, 2008 and vest ratably over five years on each of the first five anniversaries of the grant date.

(4) The stock options were granted on February 20, 2009 and vest ratably over three years on each of the first three anniversaries of the grant date.

(5) The stock options were granted on February 22, 2010 and vest ratably over three years on each of the first three anniversaries of the grant date.

(6) Restricted stock units granted on February 21, 2007, in connection with each executive s annual incentive bonus for 2006 and vest ratably over five years on each of the first five anniversaries of the grant date.

(7) Restricted stock units granted on February 20, 2008, in connection with each executive s annual incentive bonus for 2007 and vest ratably over five years on each of the first five anniversaries of the grant date.

(8) Restricted stock units granted on May 1, 2008, in connection with Mr. Peter s promotion to President Mohawk Flooring. The RSU s vest ratably over five years on each of the first five anniversaries of the grant date.

(9) Restricted stock units granted on February 20, 2009, in connection with each executive s annual incentive bonus for 2008 and vest ratably over three years on each of the first three anniversaries of the grant date.

(10) Restricted stock units granted on November 4, 2009, in connection with Mr. Wellborn s promotion to President and Chief Operating Officer. The RSU s vest ratably over six years beginning in 2014.

(11) Restricted stock units granted on February 22, 2010, in connection with each executive s annual incentive bonus for 2009 and vest ratably over three years on each of the first three anniversaries of the grant date.

(12) Restricted stock units granted on November 5, 2010, pursuant to Mr. Wellborn s employment agreement entered into in connection with his promotion to President and Chief Operating Officer. The RSU s vest on December 31, 2019.

2010 Option Exercises and Stock Vested

The following table sets forth certain information regarding the exercise of stock options and vested stock awards by the Named Executive Officers during fiscal 2010.

	Option Awards		**Stock Awards**	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)**	**Number of Shares Acquired on Vesting**	**Value Realized on Vesting ($)(1)**
Jeffrey S. Lorberbaum	3,626	264,100(2)	5,141	240,599
Frank H. Boykin			3,001	140,447
W. Christopher Wellborn			4,631	216,731
Bernard Thiers		51,995(3)		
Frank T. Peters			3,733	208,584

(1) Value realized on vesting of restricted stock.

(2) Value realized on exercise of 10,000 options related to swap transaction.

(3) Value realized on cashless exercise of 1,500 stock options.

2010 Nonqualified Deferred Compensation

Name	Executive Contributions in the Last FY ($)(1)	Registrant Contributions in the Last FY ($)	Aggregate Earnings in Last FY ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE
Jeffrey S. Lorberbaum					
Frank H. Boykin	36,750		152,358		1,256,870
W. Christopher Wellborn			134,957		777,049
Bernard Thiers					
Frank T. Peters	79,000		52		305,264

(1) Reflects elective deferrals under the Senior Management Deferred Compensation Plan. These amounts are not reported as 2010 compensation in the *Summary Compensation Table*.

The Senior Management Deferred Compensation Plan is a nonqualified deferred compensation plan where the Named Executive Officers may elect to defer up to 25% of their annual base salary and up to 100% of their incentive cash bonus. Deferral elections are due prior to January 1 of each year, and are irrevocable. Mohawk directs a trustee to invest the assets which are held in an irrevocable Rabbi Trust. In order to provide for an accumulation of assets comparable to the contractual liabilities accruing under the Plan, Mohawk may direct the trustee in writing to invest the assets held in the trust to correspond to the hypothetical investments made for participants in accordance with their direction. Deferred amounts are credited with earnings or losses based on the rate of return of mutual funds in which the assets are invested. The executive must make an election regarding payment terms at least twelve (12) months prior to payment, which may be either a lump sum, or annual installments of from two (2) to ten (10) years. If a participant dies before receiving the full value of the deferral account balances, the designated beneficiary would receive the remainder of that benefit. All accounts would be immediately distributed upon a change in control of the Company.

Equity Compensation Plan Information

The following table gives information about the Common Stock that may be issued under the Company s existing equity compensation plans as of December 31, 2010.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plan
Equity Compensation Plans Approved by Stockholders(1)	1,774,165(3)	$ 71.48	2,536,911
Equity Compensation Plans Not Approved by Stockholders(2)			1,805

(1) Includes the Company s 2007 Incentive Plan, 1997 Long-Term Incentive Plan, 1993 Stock Option Plan, 1992 Mohawk-Horizon Stock Option Plan, 1992 Stock Option Plan, Dal-Tile International Inc. 2000, 1998 and 1997 Amended and Restated Stock Option Plans and DTM Investors Inc. 1990 Stock Option Plan.

(2) Includes the Non-Employee Director Stock Compensation Plan. For a brief description of the material features of the Non-Employee Director Stock Compensation Plan, see *Proposal I Election of Directors Meetings and Committees of the Board of Directors Director Compensation*.

(3) This amount consists of 1,370,605 stock options outstanding and 403,560 stock awards outstanding.

Certain Relationships and Related Transactions

The Company s written Related Person Transaction Policy (the Policy) can be obtained from the Company s website at www.mohawkind.com under the heading Corporate Governance. The Policy includes guidelines for identifying, reviewing, approving and ratifying Related Person Transactions, as defined in the Policy. Related Person Transactions

include any transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which the Company was, is or will be a participant and the amount involved exceeds $120,000, and in which persons designated in the Policy had, have or will have a direct or indirect material interest. Related Person Transactions are submitted to the Audit Committee for consideration, approval or ratification, after consideration of the relevant facts and circumstances of a particular Related Party Transaction, including but not limited to: (i) the benefits to the Company; (ii) the impact on a director s independence in the event the transaction involves a director or a person related to the director; (iii) the availability of other sources for comparable products or services; (iv) the terms of the transaction; (v) the terms available to unrelated third parties or to employees generally; and (vi) whether the potential Related Person Transaction is consistent with the Company s Ethics Standards.

On November 4, 2009, the Company amended its employment agreement with Mr. Wellborn (the Wellborn Agreement) to reflect his expanded responsibilities as President and Chief Operating Officer of the Company. Pursuant to the terms of the amended employment agreement, Mr. Wellborn will receive a base

salary of $850,000 per year (which may be increased from time to time by the Board of Directors), and he will be eligible to earn an annual bonus of up to 135% of his base salary. Additionally, on November 4, 2009, the Company granted to Mr. Wellborn 90,000 RSU s. Subject to certain vesting conditions, 15,000 of such RSU s are scheduled to vest and convert to shares of Common Stock on October 31 of each year from 2014 through 2019. On November 5, 2010, Mr. Wellborn received a grant of an additional 60,000 RSU s pursuant to his employment agreement, which subject to certain vesting conditions are scheduled to vest and convert to shares on December 31, 2019. In the event Mr. Wellborn exercises any of the options granted to him prior to calendar year 2008, he will be ineligible to receive an annual bonus in the year of such exercise as well as in the next fiscal year.

In the event that Mr. Wellborn is terminated without cause or resigns for good reason, Mr. Wellborn will be entitled to (i) accrued base salary through the date of termination, (ii) the continuation of his base salary for a two-year period following the termination, (iii) continued participation in employee benefit plans for a two-year period following the termination, and (iv) 90% of the base salary for the year in which the termination occurs (to be paid once during each of the two fiscal years following the year in which the termination occurs). In addition, (i) Mr. Wellborn s previously granted stock options (other than the options granted to Mr. Wellborn prior to calendar year 2008, which shall be immediately cancelled) will immediately vest and become fully exercisable if Mr. Wellborn is terminated without cause or resigns for good reason, and (ii) the RSU s scheduled to vest for the year in which the termination occurs will vest, subject to proration for terminations prior to calendar year end. In the event of a change of control of the Company in which the successor does not assume the obligations under the Wellborn Agreement, Mr. Wellborn will be entitled to the payments and benefits as if he had resigned for good reason. In addition, in the event of a change of control, all of Mr. Wellborn s outstanding stock awards will vest or convert to shares, as applicable. Further, Mr. Wellborn is prohibited from competing with the Company or soliciting employees of the Company for five years following his separation from the Company. The Wellborn Agreement expires on December 31, 2019.

On February 9, 2009, the Company s Unilin Industries BVBA subsidiary and Comm. V. Bernard Thiers entered into a service agreement (the Thiers Service Agreement) pursuant to which Mr. Thiers would provide his services to Unilin. Pursuant to the agreement, Mr. Thiers will receive an annual base amount of Euro 473,196 and an annual retainer amount of Euro 37,200. Mr. Thiers will also be eligible for an annual bonus of up to 115% of the base amount. Unilin will reimburse all reasonable expenses incurred for services rendered to Unilin. The Thiers Service Agreement restricts Mr. Thiers from providing services to competing companies or soliciting employees or customers for two years following termination. The initial term of the agreement expires on December 31, 2013. The agreement may be terminated (i) by the Company for serious cause at any time without liability, (ii) by the Company at any time other than for serious cause with payment to Mr. Thiers of 1.85 times his annual base amount or (iii) by the Company on 22 months notice.

On February 24, 2009, Unilin Industries BVBA and BVBA F. De Cock Management entered into a service agreement (the De Cock Service Agreement) pursuant to which Mr. De Cock will render certain services to the Unilin business segment. Pursuant to the De Cock Service Agreement, Mr. De Cock will receive an annual base amount of Euro 236,598 and an annual retainer amount of Euro 12,132. Mr. De Cock will also be eligible for an annual bonus of up to 85% of the base amount and an annual grant of up to 5,000 options to purchase Mohawk stock. The Company will reimburse all reasonable expenses incurred for services rendered to the Company. The De Cock Service Agreement restricts Mr. De Cock from providing services to competing companies or soliciting employees or customers for two years following the termination of the agreement. The agreement has renewable one year terms, but is subject to termination by either party upon three months written notice.

Mr. De Cock s son is an executive in the Unilin business unit, and was paid approximately Euro 706,708 in salary and bonus and was awarded stock options valued at Euro 291,729 in 2010.

Compensation Committee Interlocks and Insider Participation

The following directors served on the Compensation Committee during 2010: Mr. Fiedler (Chairman), Mr. Bruckmann and Mr. Pokelwaldt. None of such persons was a party to a Related Person Transaction during 2010.

Table of Contents

PROPOSAL 3 ADVISORY VOTE ON EXECUTIVE COMPENSATION

The recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, enables our stockholders to vote to approve, on an advisory (nonbinding) basis, the compensation of our Named Executive Officers as disclosed in this proxy statement in accordance with the SEC s rules.

As described in detail under the heading Compensation Discussion and Analysis, our executive compensation programs are designed to attract, motivate, and retain our named executive officers, who are critical to our success. Under these programs, our Named Executive Officers are rewarded for the achievement of specific annual, long-term and strategic goals, business unit goals, corporate goals, and the realization of increased stockholder value. Please read the *Compensation Discussion and Analysis* for additional details about our executive compensation programs, including information about the fiscal 2010 compensation of our named executive officers.

The Compensation Committee continually reviews the compensation programs for our Named Executive Officers to ensure they achieve the desired goals of aligning our executive compensation structure with our stockholders interests and current market practices. We are asking our Stockholders to indicate their support for our Named Executive Officer compensation as described in this proxy statement. This proposal, commonly known as a say-on-pay proposal, gives our stockholders the opportunity to express their views on our named executive officers compensation. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our Named Executive Officers and the philosophy, policies and practices described in this proxy statement. Accordingly, we will ask our Stockholders to vote for the following resolution at the annual meeting:

RESOLVED, that the Company s stockholders approve, on an advisory basis, the compensation of the Company s named executive officers, as discussed and disclosed in the *Compensation Discussion and Analysis*, the executive compensation tables and related narrative executive compensation disclosure in this proxy statement.

The say-on-pay vote is advisory, and therefore not binding on the Company, the Compensation Committee or our Board of Directors. Our Board of Directors and our Compensation Committee value the opinions of our stockholders and to the extent there is any significant vote against the Named Executive Officer compensation as disclosed in this proxy statement, they will consider our stockholders concerns and the Compensation Committee will evaluate whether any actions are necessary to address those concerns.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL OF PROPOSAL 3.

Table of Contents

PROPOSAL NO. 4 ADVISORY VOTE ON FREQUENCY OF FUTURE ADVISORY SAY-ON-PAY VOTES

The Dodd-Frank Act also enables Stockholders to indicate how frequently the Company should seek an advisory say-on-pay vote on the compensation of its Named Executive Officers, such as Proposal 3. By voting on this Proposal 4, Stockholders may indicate whether they would prefer an advisory say-on-pay vote on Named Executive Officer compensation once every one, two, or three years.

After careful consideration, the Board of Directors has determined that an advisory vote on executive compensation that occurs every year is the most appropriate alternative for the Company at this time, and therefore the Board recommends that you vote every year for the advisory say-on-pay vote on executive compensation.

In formulating its recommendation, the Board considered that an annual advisory vote on executive compensation will allow the Company s stockholders to provide the Company with their direct input on the Company s compensation philosophy, policies and practices, as disclosed in the proxy statement every year. Additionally, an annual advisory vote on executive compensation is consistent with the Company s policy of seeking input from the Company s stockholders on corporate governance matters and the Company s executive compensation philosophy, policies and practices.

Please mark on the proxy card your preference as to the frequency of holding stockholder advisory votes on executive compensation, as either every year, every two years, or every three years, or you may abstain from voting.

The option of every year, every two years or every three years that receives the highest number of votes cast by Stockholders will be the frequency for the advisory vote on executive compensation that has been selected by Stockholders. The Board will take the results of the vote into account when deciding when to call for the next advisory vote on executive compensation. However, because this vote is advisory and not binding on the Board of Directors in any way, the Board may decide that it is in the best interests of our stockholders and the Company to hold an advisory vote on executive compensation more or less frequently than the option approved by the Company s Stockholders.

A scheduling vote similar to this Proposal 4 will occur at least once every six years.

THE BOARD RECOMMENDS THAT STOCKHOLDERS VOTE ON PROPOSAL NO. 4 TO HOLD SAY-ON-PAY VOTES EVERY YEAR.

Table of Contents

Principal Stockholders of the Company

The following table sets forth certain information with respect to the beneficial ownership of the Common Stock as of March 18, 2011, by (i) each person who is known by the Company beneficially to own more than five percent (5%) of the outstanding shares of the Common Stock, (ii) each of the Company s directors and nominees, (iii) each of the Named Executive Officers, and (iv) all of the Company s directors and executive officers as a group. Unless otherwise indicated, the holders listed below have sole voting and investment power with respect to all shares of Common Stock beneficially owned by them.

Name of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned	Percent of Class
Jeffrey S. Lorberbaum(1)	10,788,731	15.7%
Aladdin Partners, L.P.(2)	8,414,619	12.2%
Ruane, Cunniff & Goldfarb, Inc.(3)	8,346,590	12.1%
Bruce C. Bruckmann(4)	284,168	*
David L. Kolb(5)	225,347	*
Bernard P. Thiers(6)	205,059	*
W. Christopher Wellborn(7)	200,047	*
Harold G. Turk(8)	53,702	*
Robert N. Pokelwaldt(9)	49,515	*
Frank H. Boykin(10)	45,324	*
John F. Fiedler(11)	28,251	*
Frans G. De Cock(12)	22,964	*
Phyllis O. Bonanno(13)	19,247	*
Frank T. Peters(14)	12,989	*
Joseph T. Onorato	4,118	*
James T. Lucke	3,489	*
James F. Brunk(15)	1,230	*
Karen A. Smith Bogart	0	*
Richard C. Ill	0	*
All directors, nominees and executive officers as a group (17 persons)	11,944,181	17.4%

* Less than one percent.

(1) The address of Mr. Jeffrey S. Lorberbaum is 2001 Antioch Road, Dalton, Georgia 30721. Includes 8,414,619 shares held by Aladdin Partners, L.P.; please see footnote 2 for a description of Aladdin Partners share ownership. Also includes 168,193 shares owned by The Alan S. Lorberbaum Family Foundation, of which Mr. Lorberbaum is a trustee and may be deemed to share voting and investment power. Includes 1,831,120 shares held by the JMS Group Limited Partnership (JMS). SJL Management Co., LLC (SJL) is the general partner of JMS. Mr. Lorberbaum is a one-half member of SJL and may be deemed to share voting and dispositive power with respect to all shares held by JMS. Includes 140,000 shares owned by Cuddy Holdings LP (Cuddy). Mr. Lorberbaum owns one-third of the voting shares of Helm Management Corporation, the sole general partner of Cuddy, and may be deemed to share voting and dispositive power with respect to all such shares. Mr. Lorberbaum disclaims beneficial ownership of all shares described above to the extent he does not

have a pecuniary interest. Includes 21,500 shares issuable upon the exercise of currently vested options and 194 shares owned pursuant to the Company s 401(k) Plan. Mr. Lorberbaum had no beneficial shares pledged as security as of March 18, 2011.

(2) The address of Aladdin Partners, L.P. is 2001 Antioch Road, Dalton, Georgia 30721. ASL Management Corp. is a general partner of Aladdin Partners, L.P. and shares voting and investment power with respect

to these shares. The address of ASL Management Corp. is 2001 Antioch Road, Dalton, Georgia 30721. Mr. Jeffrey Lorberbaum is the owner of 100% of the outstanding voting stock of ASL Management Corp. and, as a result, may be deemed to share voting and investment power with respect to these shares. Each of ASL Management Corp. and Mr. Jeffrey Lorberbaum disclaim beneficial ownership of the shares held by Aladdin Partners, L.P. to the extent they do not have a pecuniary interest.

(3) Based upon Schedule 13G/A dated February 14, 2011 filed with the SEC by Ruane, Cunniff & Goldfarb, Inc. The address of Ruane, Cunniff & Goldfarb, Inc. is 767 Fifth Avenue, Suite 4701, New York, New York 10153-4798.

(4) Includes 11,025 shares issuable upon the exercise of currently vested options and 261,500 shares held by a family limited partnership.

(5) Includes 13,050 shares issuable upon the exercise of currently vested options and 721 shares owned pursuant to the Company s 401(k) plan. Also includes 4,820 shares held by two minor children, 369 shares held by Kolb Holdings, L.P. and 1,465 shares held by a family foundation.

(6) Includes 22,953 shares issuable upon the exercise of currently vested options.

(7) Includes 162,000 shares issuable upon the exercise of currently vested options.

(8) Includes 39,500 shares issuable upon the exercise of currently vested options.

(9) Includes 10,800 shares issuable upon the exercise of currently vested options.

(10) Includes 155 shares owned pursuant to the Company s 401(k) plan. Also 38,100 shares issuable upon the exercise of currently vested options.

(11) Includes 22,050 shares issuable upon the exercise of currently vested options.

(12) Includes 22,964 shares issuable upon the exercise of currently vested options.

(13) Includes 17,550 shares issuable upon the exercise of currently vested options.

(14) Includes 150 shares owned pursuant to the Company s 401(k) plan, 11,100 shares issuable upon the exercise of currently vested options, and 2000 RSU s scheduled to vest on May 1, 2011.

(15) Includes 185 shares owned pursuant to the Company s 401(k) plan.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company s directors and executive officers, and persons who own more than ten percent of the Company s Common Stock, to file with the SEC initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. Directors, executive officers and greater than ten percent stockholders are required by SEC regulation to furnish the Company copies of all Section 16(a) reports they file. To the Company s knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required, during the fiscal year ended December 31, 2010, all Section 16(a) filing requirements applicable to directors, executive officers and greater than ten percent beneficial owners were complied with by such persons, except for one gift transaction by Mr. Bruckmann to a family member on December 29, 2009 that was reported on a Form 4 Report on December 22, 2010 and one sale transaction by Mr. Peters on March 2, 2010 that was reported on Form 4 on May 3, 2010.

CORPORATE GOVERNANCE

General

The Board of Directors and the Governance Committee consider the experience, skills and characteristics of candidates for Board membership as well as the Board membership on an annual basis. The Board and the Committee consider diversity in this process, and in this regard seek the most capable directors and candidates who possess the appropriate characteristics, skills and experience to make a significant contribution to the Board, the Company and its stockholders. The Board considers gender, race, nationality, language skills and other personal characteristics in this process.

The Company s Board of Directors is well qualified, and each director has the requisite experience, skills and characteristics to serve on the Board. Among or in addition to the backgrounds and experiences described in *Director, Director Nominee and Executive Officer Information:*

Mr. Lorberbaum, our Chairman and CEO, brings over 30 years of management and executive experience in the carpet industry and is a significant stockholder.

Mr. Wellborn, our President and Chief Operating Officer, brings over 15 years of executive and financial experience in the manufacturing sector, with over 12 years of such experience with Dal-Tile and the Company.

Ms. Bogart, currently President of Pacific Tributes, Inc., brings broad executive experience, including in the consumer products sector and in Asia, with domestic and multi-national public and private companies in various industries, together with service on another public company board of directors.

Ms. Bonanno, most recently President and Chief Executive Officer of International Trade Solutions, Inc., brings executive experience in the consumer products sector, as well as broad international business and trade experience in both public and private sectors, together with service on other public company boards of directors.

Mr. Bruckmann brings significant experience in corporate finance and capital markets, together with service on other public company boards of directors. He is also a significant stockholder of the Company.

Mr. De Cock was CEO of Unilin at the time of its acquisition by the Company, and he served in various executive and management positions with Unilin over many years. He brings unique and strong knowledge of

the European and laminate flooring industries.

Mr. Fiedler brings experience as a Chairman and CEO with a public, global manufacturing company, many years of operational and executive experience in the manufacturing sector and service on other public company boards of directors.

Mr. Ill, currently the Chairman and CEO of Triumph Group, Inc., brings over 45 years of public company experience in management, manufacturing and operations, with over 14 years of experience as a director of public companies.

Mr. Kolb has over 20 years of management and executive experience in the carpet industry, is a former Chairman and CEO of the Company and is a significant stockholder in the Company. He also serves on other public company boards of directors.

Mr. Onorato brings significant executive and financial experience with public, global manufacturing companies, including service as both a Chief Financial Officer and as a Treasurer, together with service on another public company board of directors.

The Board of Directors has determined that a combined Chairman and Chief Executive Officer position is most appropriate for the Company at this time. Mr. Lorberbaum has served in this combined role since 2004. The Board of Directors believes that Mr. Lorberbaum has efficiently conducted the business and affairs of the Company and believes that he has provided effective leadership and guidance as the Chairman in the development of the Company s risk profile and pursuit of its strategic goals. The Board of Directors does not have one independent lead director; rather, the Board has determined that each of the three independent chairmen of the Audit, Compensation and Governance Committees will also provide Board leadership by presiding at the Board s executive sessions on a rotating basis.

The Board of Directors provides oversight of the financial, operational, legal and other business risks to the Company on an ongoing basis. Risk is inherent with every business, and how well a business manages risk can ultimately determine its success. We face a number of risks, including economic risks, financial risks, legal and regulatory risks and others, such as the impact of competition. Management is responsible for the day-to-day management of the risk that we face, while the Board, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, the Board is responsible for satisfying itself that the Company s risk management processes are adequate and functioning as designed.

While the Board is ultimately responsible for risk oversight, the Audit Committee has primary responsibility for the financial, legal and other operational risks and the Compensation Committee assesses the risks associated with our compensation practices. Each of the Committees routinely reports to the full Board on material issues considered by such Committee, which may include issues of risk.

Nomination Process for the Board of Directors

The Governance Committee evaluates candidates for the Board of Directors identified by its members, other Board members, Company s management and stockholders. The Governance Committee from time to time may also retain a third-party executive search firm to identify qualified candidates for membership on the Board of Directors. A stockholder who wishes to recommend a prospective nominee for consideration by the Governance Committee should follow the procedures set forth below under *Stockholder Proposals*.

Once the Governance Committee has identified a prospective nominee, it makes an initial determination as to whether to conduct a full evaluation. In evaluating a prospective nominee, the Governance Committee may consider among other things, the following criteria: the ability of the prospective nominee to represent the interests of the stockholders of the Company; the prospective nominee s standards of integrity, commitment and independence of thought and judgment; the prospective nominee s ability to dedicate sufficient time, energy and attention to the performance of his or her duties; the extent to which the prospective nominee contributes to the range of talent, skill and expertise of the

Board of Directors; and the extent to which the prospective nominee helps the Board of Directors reflect the diversity of the Company s stockholders, employees and customers.

After completing the evaluation, the Governance Committee makes a recommendation to the Board of Directors.

Table of Contents

Communication with Directors

The Board of Directors has established a process by which interested parties may send communications to members of the Board of Directors. Interested parties wishing to send communications to members of the Board of Directors should write to the Mohawk Board of Directors at P.O. Box 963, Calhoun, Georgia 30703. Interested parties should indicate whether the communication is directed to all Board members or only non-management Board members. The Company s General Counsel will relay all communications to all members of the Board or non-management directors as directed by the writer. For other information related to interested party opportunities to communicate with members of the Board of Directors (including the Company s policy with respect to attendance of directors at annual stockholder meetings), visit the Company s website at www.mohawkind.com under the heading Corporate Governance.

Availability of Information

The Board of Directors has adopted (i) written charters for each of the Audit Committee, the Compensation Committee and the Governance Committee, (ii) Corporate Governance Guidelines and (iii) the Mohawk Industries, Inc. Standards of Conduct and Ethics. Each of these documents is available on the Company s website at www.mohawkind.com under the heading Corporate Governance and will be made available in print to any stockholder who requests it.

Financial Statements

Consolidated financial statements for the fiscal year ended December 31, 2010, independent registered public accounting firm s reports and management s discussion and analysis are provided under Appendix A.

STOCKHOLDER PROPOSALS

Any proposal that a stockholder may desire to have included in the Company s proxy statement for presentation at the 2012 Annual Meeting must be received by the Company at Mohawk Industries, Inc., P.O. Box 12069, 160 South Industrial Boulevard, Calhoun, Georgia 30703, Attention: Secretary, on or prior to December 2, 2011. In addition, stockholders may intend to present a director nomination or other proposal from the floor of the 2012 Annual Meeting, and they may commence their own proxy solicitation with respect to such director nomination or other proposal. Under the Company s Bylaws, the Company must receive notice of a director nomination or other stockholder proposal prior to December 2, 2011 in order for the notice to be timely. If the Company does not receive notice of a director nomination or other stockholder proposal prior to December 2, 2011, the Company will retain discretionary voting authority over the proxies returned by stockholders for the 2012 Annual Meeting with respect to such director nomination or other stockholder proposal. Discretionary voting authority is the ability to vote proxies that stockholders have executed and returned to the Company, on matters not specifically reflected on the proxy card, and on which stockholders have not had an opportunity to vote by proxy.

OTHER MATTERS

The Board of Directors knows of no other matters to be brought before the Annual Meeting. However, if any other matters are properly brought before the Annual Meeting or are incidental to the conduct of the Annual Meeting, the persons appointed in the accompanying proxy intend to vote the shares represented thereby in accordance with their best judgment.

The Company will bear the cost of the solicitation of proxies on behalf of the Company. Directors, officers and other employees of the Company may, without additional compensation except for reimbursement for actual expenses, solicit proxies by mail, in person or by telecommunication. The Company has retained Georgeson Shareholder to

assist in the solicitation of proxies for a fee of not more than $8,000 plus expenses. The Company will reimburse brokers, fiduciaries, custodians and other nominees for out-of-pocket expenses incurred in sending the Company s proxy materials to, and obtaining instructions relating to such materials from, beneficial owners.

Table of Contents

As permitted by the Exchange Act, only one copy of this proxy statement is being delivered to Stockholders residing at the same address, unless the Stockholders have notified the Company of their desire to receive multiple copies of the proxy statement. This is known as householding. The Company will promptly deliver, upon oral or written request, a separate copy of the proxy statement to any Stockholder residing at an address to which only one copy was mailed. Requests for additional copies for the current year or future years should be directed to Deby Forbus at (706) 624-2246. Stockholders of record residing at the same address and currently receiving multiple copies of the proxy statement may contact our registrar and transfer agent, American Stock Transfer & Trust Company (AST), to request that only a single copy of the proxy statement be mailed in the future. Contact AST by phone at 800-937-5449. Beneficial owners should contact their broker or bank.

If your shares are held in the name of a brokerage firm, bank nominee or other institution, only it can sign a proxy card with respect to your shares. Accordingly, please contact the person responsible for your account and give instructions for a proxy card to be signed representing your shares.

A list of Stockholders entitled to be present and vote at the Annual Meeting will be available at the offices of the Company, 160 South Industrial Boulevard, Calhoun, Georgia 30701, for inspection by the Stockholders during regular business hours from May 1, 2011, to the date of the Annual Meeting. The list also will be available during the Annual Meeting for inspection by Stockholders who are present.

If you cannot be present in person, you are requested to complete, sign, date and return the enclosed proxy promptly. An envelope has been provided for that purpose. No postage is required if mailed in the United States.

BARBARA M. GOETZ
Corporate Secretary

Calhoun, Georgia
April 1, 2011

APPENDIX A

FINANCIAL SECTION

TABLE OF CONTENTS

Selected Financial Data	A-2
Management s Discussion and Analysis of Financial Condition and Results of Operations	A-3
Reports of Independent Registered Public Accounting Firm	A-26
Consolidated Balance Sheets as of December 31, 2010 and 2009	A-28
Consolidated Statements of Operations for the Years ended December 31, 2010, 2009 and 2008	A-29
Consolidated Statements of Stockholders Equity and Comprehensive Income (Loss) for the Years ended December 31, 2010, 2009 and 2008	A-30
Consolidated Statements of Cash Flows for the Years ended December 31, 2010, 2009 and 2008	A-31
Notes to Consolidated Financial Statements	A-32

Table of Contents

Selected Financial Data

	As of or for the Years Ended December 31,				
	2010	2009	2008	2007	2006
	(In thousands, except per share data)				
Statement of operations data:					
Net sales(a)	$ 5,319,072	5,344,024	6,826,348	7,586,018	7,905,842
Cost of sales(a)	3,916,472	4,111,794	5,088,584	5,471,234	5,674,531
Gross profit	1,402,600	1,232,230	1,737,764	2,114,784	2,231,311
Selling, general and administrative expenses	1,088,431	1,188,500	1,318,501	1,364,678	1,392,251
Impairment of goodwill and other intangibles(b)			1,543,397		
Operating income (loss)	314,169	43,730	(1,124,134)	750,106	839,060
Interest expense	133,151	127,031	127,050	154,469	173,697
Other (income) expense, net	(3,900)	(5,588)	21,288	(6,925)	(252)
U.S. customs refund(c)	(7,730)			(9,154)	(19,436)
	121,521	121,443	148,338	138,390	154,009
Earnings (loss) before income taxes	192,648	(77,713)	(1,272,472)	611,716	685,051
Income taxes (benefit) expense(d)	2,713	(76,694)	180,062	(102,697)	220,478
Net earnings (loss)	189,935	(1,019)	(1,452,534)	714,413	464,573
Less: Net earnings attributable to the noncontrolling interest	4,464	4,480	5,694	7,599	8,740
Net earnings (loss) attributable to Mohawk Industries, Inc	$ 185,471	(5,499)	(1,458,228)	706,814	455,833
Basic earnings (loss) per share	$ 2.66	(0.08)	(21.32)	10.37	6.74
Diluted earnings (loss) per share	$ 2.65	(0.08)	(21.32)	10.32	6.70
Balance sheet data:					
Working capital (includes short-term debt)	$ 1,199,699	1,474,978	1,369,333	1,238,220	783,148
Total assets (b and d)	6,098,926	6,391,446	6,446,175	8,680,050	8,212,209
Long-term debt (including current portion)	1,653,582	1,854,479	1,954,786	2,281,834	2,783,681
Total stockholders equity	3,271,556	3,200,823	3,153,803	4,707,357	3,715,263

(a) During 2009, the Company recognized an increased number of warranty claims related to the performance of commercial carpet tiles that used a newer carpet backing technology. As a result, the Company recorded a $121,224 carpet sales allowance and a $12,268 inventory write-off.

(b) In 2008, the Company recorded an impairment of goodwill and other intangibles which included $276,807 for the Mohawk segment, $531,930 for the Dal-Tile segment and $734,660 for the Unilin segment.

(c) In 2010, 2007 and 2006, the Company received refunds from the U.S. government in reference to settlement of customs disputes dating back to 1982.

(d) In 2007, the Company implemented a change in residency of one of its foreign subsidiaries. This tax restructuring resulted in a step up in the subsidiary s taxable basis, which resulted in the recognition of a deferred tax asset of approximately $245,000 and a related income tax benefit of approximately $272,000. In 2008, the Company recorded a valuation allowance of approximately $253,000 against the deferred tax asset described above.

Management s Discussion and Analysis of Financial Condition and Results of Operations

Overview

The Company is a leading producer of floor covering products for residential and commercial applications in the U.S. and residential applications in Europe with net sales in 2010 of $5.3 billion. The Company is the second largest carpet and rug manufacturer and one of the largest manufacturers, marketers and distributors of ceramic tile, natural stone and hardwood flooring in the U.S., as well as a leading producer of laminate flooring in the U.S. and Europe. In 2009, the primary categories of the U.S. floor covering industry were carpet and rug (55%), resilient and rubber (12%), ceramic tile (11%), hardwood (11%), stone (6%) and laminate (5%).

The U.S. floor covering industry experienced declining demand beginning in the fourth quarter of 2006 that worsened during the latter parts of 2008, and continued to decline in 2009. In the first half of 2010 demand showed signs of recovering, but first half gains were lost in the second half of the year. Overall industry conditions in the U.S. are expected to improve during 2011, although the timing and size of a sustained recovery within the market remains uncertain.

The Company has three reporting segments: the Mohawk segment, the Dal-Tile segment and the Unilin segment. The Mohawk segment designs, manufactures, sources, distributes and markets its floor covering product lines, which include carpets, ceramic tile, laminate, rugs, carpet pad, hardwood and resilient, primarily in North America through its network of regional distribution centers and satellite warehouses using company-operated trucks, common carrier or rail transportation. The segment s product lines are sold through various selling channels, which include independent floor covering retailers, home centers, mass merchandisers, department stores, commercial dealers and commercial end users. The Dal-Tile segment designs, manufactures, sources, distributes and markets a broad line of ceramic tile, porcelain tile, natural stone and other products, primarily in North America through its network of regional distribution centers and Company-operated sales service centers using company-operated trucks, common carriers or rail transportation. The segment s product lines are sold through Company-owned sales service centers, independent distributors, home center retailers, tile and flooring retailers and contractors. The Unilin segment designs, manufactures, sources, licenses, distributes and markets laminate, hardwood flooring, roofing systems, insulation panels and other wood products, primarily in North America and Europe through various selling channels, which include retailers, independent distributors and home centers.

The Company reported net earnings attributable to the Company of $185.5 million or diluted earnings per share (EPS) of $2.65 for 2010, compared to net loss attributable to the Company of $5.5 million or loss per share of $0.08 for 2009. The change in EPS is primarily the result of lower restructuring charges, tax benefits related to the settlement of certain tax contingencies in 2010 and the impact of geographic dispersion of profits and losses on income taxes. During 2009, the Company recognized an increased number of warranty claims related to the performance of commercial carpet tiles that used a newer carpet backing technology. The Company discontinued sales of carpet tiles using this backing technology in 2009. Therefore, 2009 EPS included the pre-tax $121.2 million carpet sales allowance and a $12.3 million inventory write-off related to the warranty claims, as well as the unfavorable impact of higher raw material costs flowing through cost of sales of approximately $62 million. The amounts recorded for the carpet sales allowance reflected the Company s best estimate, but the actual amount of total claims and related costs could vary from such estimate. The Company now manufactures these types of commercial carpet tiles with a different backing technology that has been used for many years by the Company.

For the year ended December 31, 2010, the Company generated $319.7 million of operating cash flow which it used to repay debt and fund working capital. As of December 31, 2010, the Company had cash and cash equivalents of

$354.2 million. Subsequent to the balance sheet date, the Company repaid the 5.75% senior notes due January 15, 2011 at maturity, including accrued interest, using approximately $170 million of

Table of Contents

available cash and borrowings of approximately $138 million under its $600.0 million four-year, senior, secured revolving credit facility (the ABL Facility).

On February 25, 2011, subsequent to the balance sheet date, the Company announced a plan to exit a manufacturing facility in the Mohawk segment. The Company is finalizing its estimates and expects to record a restructuring charge in the first quarter of 2011.

Results of Operations

Following are the results of operations for the last three years:

	For the Years Ended December 31,					
	2010		2009		2008	
	(In millions)					
Statement of operations data:						
Net sales	$ 5,319.1	100.0%	$ 5,344.0	100.0%	$ 6,826.3	100.0%
Cost of sales	3,916.5	73.6%	4,111.8	76.9%	5,088.5	74.5%
Gross profit	1,402.6	26.4%	1,232.2	23.1%	1,737.8	25.5%
Selling, general and administrative expenses	1,088.4	20.5%	1,188.5	22.2%	1,318.5	19.3%
Impairment of goodwill and other intangibles					1,543.4	22.6%
Operating income (loss)	314.2	5.9%	43.7	0.8%	(1,124.1)	(16.5)%
Interest expense	133.2	2.5%	127.0	2.4%	127.1	1.9%
Other (income) expense, net	(3.9)	(0.1)%	(5.6)	(0.1)%	21.3	0.3%
U.S. customs refund	(7.7)	(0.1)%				
	121.6	2.3%	121.4	2.3%	148.4	2.2%
Earnings (loss) before income taxes	192.6	3.6%	(77.7)	(1.5)%	(1,272.5)	(18.6)%
Income taxes expense (benefit)	2.7	0.1%	(76.7)	(1.4)%	180.0	2.6%
Net earnings (loss)	189.9	3.6%	(1.0)	(0.0)%	(1,452.5)	(21.3)%
Less: Net earnings attributable to the noncontrolling interest	4.4	0.1%	4.5	0.1%	5.7	0.1%
Net earnings (loss) attributable to Mohawk Industries, Inc	$ 185.5	3.5%	$ (5.5)	(0.1)%	$ (1,458.2)	(21.4)%

Year Ended December 31, 2010, as Compared with Year Ended December 31, 2009

Net sales

Net sales for 2010 were $5,319.1 million, reflecting a decrease of $25.0 million, or 0.5%, from the $5,344.0 million reported for 2009. Included in net sales for 2009 is a carpet sales allowance of $121.2 million. For 2010, net sales decreased primarily due to lower sales volume of approximately $81 million, primarily related to continued weakness in the residential, commercial and new construction markets, unfavorable foreign exchange impact of approximately $37 million and the net effect of price and product mix of approximately $28 million, driven by customers trading down to lower priced products and distribution channel mix.

Mohawk Segment Net sales decreased $11.9 million, or 0.4%, to $2,844.9 million in 2010 compared to $2,856.7 million in 2009. Included in net sales for 2009 is a carpet sales allowance of $121.2 million. For 2010, net sales decreased primarily due to lower sales volume of approximately $183 million, primarily related to continued weakness in the soft surface product category, partially offset by approximately $50 million due to the net effect of price and product mix as a result of price increases to offset higher raw material costs.

Table of Contents

Dal-Tile Segment Net sales decreased $59.3 million, or 4.2%, to $1,367.4 million in 2010 compared to $1,426.8 million in 2009. The decrease in net sales was primarily driven by the net effect of price and product mix of approximately $51 million, primarily driven by customer mix, and lower sales volume of approximately $17 million, primarily related to continued weakness in the commercial, residential and new construction markets, partially offset by the impact of favorable foreign exchange rates of approximately $9 million.

Unilin Segment Net sales increased $60.0 million, or 5.3%, to $1,188.3 million in 2010 compared to $1,128.3 million in 2009. The increase in net sales was primarily driven by higher sales volume of approximately $132 million as a result of growth in developing markets, partially offset by the impact of unfavorable foreign exchange rates of approximately $46 million and the net effect of price and product mix of approximately $27 million, as customers traded down to lower priced products.

Quarterly net sales and the percentage changes in net sales by quarter for 2010 versus 2009 were as follows (dollars in millions):

	2010	2009	Change
First quarter	$ 1,347.2	1,208.3	11.5%
Second quarter	1,400.1	1,406.0	(0.4)
Third quarter	1,309.6	1,382.6	(5.3)
Fourth quarter	1,262.2	1,347.1	(6.3)
Total year	$ 5,319.1	5,344.0	(0.5)%

Gross profit

Gross profit for 2010 was $1,402.6 million (26.4% of net sales) and represented an increase of $170.4 million, or 13.8%, compared to gross profit of $1,232.2 million (23.1% of net sales) for 2009. Gross profit for 2009 includes a carpet sales allowance of $121.2 million and inventory write-off of $12.4 million. For 2010, gross profit was favorably impacted by approximately $50 million as a result of various restructuring actions and cost savings initiatives implemented by the Company, including facility consolidations, workforce reductions and productivity improvements, lower restructuring charges of approximately $32 million and the net effect of price and product mix of approximately $27 million. These increases were partially offset by higher manufacturing costs, primarily raw materials, of approximately $58 million, lower sales volume of approximately $13 million and the impact of unfavorable foreign exchange rates of approximately $11 million.

Selling, general and administrative expenses

Selling, general and administrative expenses for 2010 were $1,088.4 million (20.5% of net sales), reflecting a decrease of $100.1 million, or 8.4%, compared to $1,188.5 million (22.2% of net sales) for 2009. The decrease in selling, general and administrative expenses is primarily driven by various restructuring actions and cost savings initiatives implemented by the Company, including distribution facility consolidations, workforce reductions and productivity improvements, to align such expenses with the Company s sales volumes.

Operating income

Operating income for 2010 was $314.2 million (5.9% of net sales) reflecting a $270.4 million increase compared to an operating income of $43.7 million (0.8% of net sales) in 2009. Operating income for 2009 includes a carpet sales allowance and inventory write-off of $133.5 million. For 2010, operating income was favorably impacted by approximately $128 million as a result of lower selling, general and administrative expenses and various restructuring actions and cost savings initiatives implemented by the Company, lower restructuring charges of approximately $49 million and the net effect of price and product mix of

approximately $27 million, partially offset by higher manufacturing costs, primarily raw materials, of approximately $58 million and lower sales volume of approximately $13 million.

Mohawk Segment Operating income was $122.9 million (4.3% of segment net sales) in 2010 reflecting an increase of $248.9 million compared to operating loss of $126.0 million in 2009. Operating loss for 2009 includes a carpet sales allowance and inventory write-off of $133.5 million. For 2010, operating income was favorably impacted by approximately $101 million as a result of lower selling, general and administrative expenses and various restructuring actions and cost savings initiatives implemented by the Company, the net effect of price and product mix of approximately $66 million and lower restructuring charges of approximately $19 million, partially offset by higher manufacturing costs, primarily raw materials, of approximately $25 million and lower sales volume of approximately $45 million.

Dal-Tile Segment Operating income was $97.3 million (7.1% of segment net sales) in 2010 reflecting an increase of $13.2 million, or 15.7%, compared to operating income of $84.2 million (5.9% of segment net sales) for 2009. The increase was primarily driven by the favorable impact of approximately $20 million as a result of lower selling, general and administrative expenses and various restructuring actions and cost savings initiatives implemented by the Company, lower restructuring charges of approximately $16 million and lower manufacturing expenses of approximately $4 million, partially offset by the net effect of price and product mix of approximately $28 million.

Unilin Segment Operating income was $114.3 million (9.6% of segment net sales) in 2010 reflecting an increase of $8.3 million, or 7.9%, compared to operating income of $106.0 million (9.4% of segment net sales) for 2009. The increase was primarily driven by higher sales volume of approximately $42 million, lower restructuring charges of approximately $14 million and lower selling, general and administrative expenses of approximately $5 million, offset by higher manufacturing costs, primarily raw materials, of approximately $36 million, the net effect of price and product mix of approximately $10 million and unfavorable foreign exchange rates of approximately $6 million.

Interest expense

Interest expense for 2010 was $133.2 million compared to $127.0 million in 2009. The increase in interest expense resulted from the $7.5 million premium and fees related to the extinguishment of approximately $200 million aggregate principal amount of the Company s 5.75% senior notes due January 15, 2011, higher costs on the Company s revolving credit facility and higher interest rates on the Company s notes, partially offset by the impact of lower debt levels.

U.S. customs refund

The Company has received partial refunds from the U.S. government in reference to settling customs disputes dating back to 1986. Accordingly, the Company realized a gain of $7.7 million in other expense (income) for 2010. The Company is pursuing additional recoveries for years subsequent to 1986 but there can be no assurances such recoveries will occur. Additional future recoveries, if any, will be recorded as realized.

Income tax expense (benefit)

For 2010, the Company recorded an income tax expense of $2.7 million on earnings before income taxes of $192.6 million compared to a benefit of $76.7 million on loss before income taxes of $77.7 million for 2009. The 2010 effective tax rate of 1.4% is primarily due to a tax benefit of approximately $30 million related to the settlement of certain income tax contingencies in Europe, the favorable geographic dispersion of profits and losses resulting in a tax benefit of approximately $21 million and a decrease in valuation allowance of approximately $17 million related to European deferred tax assets. The 2009 effective tax rate of 98.7% was the result of the geographic dispersion of

profits and losses resulting in a tax benefit of approximately

Table of Contents

$13 million, a permanent tax benefit in Europe on notional interest of approximately $56 million, offset by an increase to the Company s valuation allowance and tax contingencies of approximately $19 million.

Year Ended December 31, 2009, as Compared with Year Ended December 31, 2008

Net sales

Net sales for 2009 were $5,344.0 million, reflecting a decrease of $1,482.3 million, or 21.7%, from the $6,826.3 million reported for 2008. The decrease was primarily driven by a decline in sales volumes of approximately $1,047 million due to the continued weakness in the U.S. residential remodeling and new construction markets, commercial real estate market and European demand, a decline of approximately $298 million due to unfavorable price and product mix as customers trade down to lower priced products, a decrease of approximately $81 million due to a net increase in warranty requirements described in the overview and a decline of approximately $56 million due to unfavorable foreign exchange rates and other.

Mohawk Segment Net sales decreased $771.4 million, or 21.3%, to $2,856.7 million in 2009 compared to $3,628.2 million in 2008. The decrease was primarily driven by a decline in sales volumes of approximately $531 million due to the continued weakness in the U.S. residential remodeling and new construction markets and the declining commercial real estate market, a decline of approximately $151 million due to unfavorable price and product mix as customers trade down to lower priced products and a decrease of approximately $81 million due to a net increase in warranty requirements described above in the overview.

Dal-Tile Segment Net sales decreased $388.6 million, or 21.4%, to $1,426.8 million in 2009 compared to $1,815.4 million in 2008. The decrease was primarily driven by a decline in sales volumes of approximately $301 million due to the continued weakness in the U.S. residential remodeling and new construction markets and the declining commercial real estate market, a decline of approximately $73 million due to unfavorable price and product mix as customers trade down to lower priced products and a decline of approximately $15 million due to unfavorable foreign exchange rates.

Unilin Segment Net sales decreased $336.9 million, or 23.0%, to $1,128.3 million in 2009 compared to $1,465.2 million in 2008. The decrease was driven by a decline in sales volumes of approximately $215 million due to the continued weakness in the U.S. residential remodeling and new construction markets and slowing European demand, a decline of approximately $74 million due to the net effect of price and product mix as customers trade down to lower priced products and a decline of approximately $48 million due to unfavorable foreign exchange rates.

Quarterly net sales and the percentage changes in net sales by quarter for 2009 versus 2008 were as follows (dollars in millions):

	2009	2008	Change
First quarter	$ 1,208.3	1,738.1	(30.5) %
Second quarter	1,406.0	1,840.0	(23.6)
Third quarter	1,382.6	1,763.0	(21.6)
Fourth quarter	1,347.1	1,485.2	(9.3)
Total year	$ 5,344.0	6,826.3	(21.7)%

Gross profit

Gross profit for 2009 was $1,232.2 million (23.1% of net sales) and represented a decrease of $505.5 million compared to gross profit of $1,737.8 million (25.5% of net sales) for 2008. Gross profit in 2009 was unfavorably impacted by approximately $315 million resulting from lower sales volume, a decline of approximately $185 million due to the net effect of price and product mix, a decline of approximately

$89 million due to a net increase in warranty requirements described above in the overview, restructuring charges of approximately $28 million and the impact of unfavorable foreign exchange rates of approximately $9 million, partially offset by lower manufacturing costs of approximately $120 million. The decrease in gross profit percentage is primarily attributable to unfavorable price and product mix, increased warranty requirements and restructuring costs, partially offset by lower raw material and manufacturing costs

Selling, general and administrative expenses

Selling, general and administrative expenses for 2009 were $1,188.5 million (22.2% of net sales), reflecting a decrease of $130.0 million, or 9.9%, compared to $1,318.5 million (19.3% of net sales) for the prior year. The decrease in selling, general and administrative expenses is primarily driven by lower sales and various cost savings initiatives implemented by the Company, including distribution facility consolidations, workforce reductions and productivity improvements, to align such expenses with the Company s sales volumes, partially offset by approximately $8 million of unfavorable foreign exchange rates and approximately $4 million for restructuring charges. The increase in selling general and administrative expenses as a percentage of net sales is primarily a result of a higher mix of fixed costs on lower net sales, and restructuring costs.

Operating income (loss)

Operating income for 2009 was $43.7 million (0.8% of net sales) reflecting an increase of $1,167.9 million compared to an operating loss of $1,124.1 million in 2008. The change was primarily driven by the recognition of an impairment of goodwill and other intangibles of $1,543.4 million in 2008. In addition, operating income in 2009 was impacted by a decline of approximately $315 million due to lower sales volumes, a decline of approximately $185 million due to unfavorable price and product mix, a decrease of approximately $89 million due to a net increase in warranty requirements described above in the overview and restructuring charges of approximately $32 million, partially offset by lower manufacturing and selling, general and administrative costs of approximately $244 million.

Mohawk Segment Operating loss was $126.0 million in 2009 reflecting a decrease of $90.2 million compared to operating loss of $216.2 million in 2008. The increase was primarily driven by the recognition of an impairment of goodwill and other intangibles of $276.8 million in 2008. In addition, operating income in 2009 was impacted by a decline of approximately $133 million due to lower sales volumes, a decrease of approximately $89 million due to a net increase in warranty requirements and a decline of approximately $74 million due to unfavorable price and product mix and restructuring charges of approximately $7 million, partially offset by lower manufacturing and selling, general and administrative costs of approximately $116 million.

Dal-Tile Segment Operating income was $84.2 million (5.9% of segment net sales) in 2009 reflecting an increase of $407.5 million compared to operating loss of $323.4 million for 2008. The change was primarily driven by the recognition of an impairment of goodwill and other intangibles of $531.9 million in 2008. In addition, operating income in 2009 was impacted by a decline of approximately $108 million due to lower sales volumes, a decline of approximately $35 million due to unfavorable price and product mix and restructuring charges of approximately $12 million, partially offset by lower manufacturing and selling, general and administrative costs of approximately $23 million.

Unilin Segment Operating income was $106.0 million (9.4% of segment net sales) in 2009 reflecting an increase of $670.9 million compared to operating loss of $564.9 million for 2008. The increase was primarily driven by the recognition of an impairment of goodwill and other intangibles of $734.7 million in 2008. In addition, operating income in 2009 was impacted by a decline of approximately $76 million due to the net effect of price and product mix, a decline in sales volumes of approximately $74 million, restructuring charges of approximately $13 million and the impact of unfavorable foreign exchange rates of approximately

$8 million, partially offset by lower raw material, manufacturing and selling, general and administrative costs of approximately $107 million.

Interest expense

Interest expense for 2009 was $127.0 million compared to $127.1 million in 2008. Interest expense in 2009 was directly impacted by higher interest rates on the Company s notes and revolving credit facilities due to three credit rating downgrades in 2009, partially offset by lower average debt levels in the current year compared to 2008.

Income tax (benefit) expense

For 2009, the Company recorded an income tax benefit of $76.7 million on loss before taxes of $77.7 million as compared to income tax expense of $180.1 million on loss before taxes of $1,272.5 million for 2008. The change is principally due to the non-deductible 2008 goodwill impairment charge, the recognition of a valuation allowance against a deferred asset of approximately $253 million, and the geographic distribution of income (loss).

In the fourth quarter of 2007, the Company moved the intellectual property and treasury operations of an indirectly owned European entity to a new office in another jurisdiction in Europe. The Company also indirectly owned a holding company in the new jurisdiction that provided certain treasury functions to Unilin, and the move allowed for the consolidation of the historical intellectual property and treasury operations to be combined with those of the holding company s treasury operations in a single jurisdiction in order to integrate and streamline the operations, to facilitate international acquisitions and to improve tax and cost efficiencies. This restructuring resulted in a step up in the subsidiary s taxable basis of its intellectual property. The step up relates primarily to intangible assets which will be amortized over 10 years for tax purposes. During the fourth quarter of 2007, the Company evaluated the evidence for recognition of the deferred tax asset created through the restructuring and determined that, based on the available evidence at the time, the deferred tax asset would more likely than not be realized. The deferred tax asset recognized as of December 31, 2007 was approximately $245 million and the related income tax benefit recognized in the consolidated financial statements was approximately $272 million.

During the third quarter of 2008, the Company reassessed the need for a valuation allowance against its deferred tax assets. Cash flows had decreased from that projected as of December 31, 2007, primarily due to the slowing worldwide economy and declining sales volume. The Company determined that, given the current and expected economic conditions and the corresponding reductions in cash flows, its ability to realize the benefit of the deferred tax asset related to the transaction described above as well as tax losses generated in the same jurisdiction was not more likely than not. Accordingly the Company recorded a valuation allowance against the deferred tax asset in the amount of $253 million during the quarter ended September 27, 2008.

Liquidity and Capital Resources

The Company s primary capital requirements are for working capital, capital expenditures and acquisitions. The Company s capital needs are met primarily through a combination of internally generated funds, bank credit lines and credit terms from suppliers.

Cash flows provided by operations for 2010 were $319.7 million compared to cash flows provided by operations of $672.2 million in 2009. The decrease in operating cash flows for 2010 as compared to 2009 is primarily attributable to higher working capital requirements as the Company s inventory levels stabilize to meet current market conditions and the impact of higher raw material costs, partially offset by higher earnings.

Table of Contents

Cash flows provided by operations for 2009 were $672.2 million compared to cash flows provided by operations of $576.1 million in 2008. The increase in operating cash flows for 2009 as compared to 2008 is primarily attributable to lower working capital requirements due to lower sales demand.

Net cash used in investing activities for 2010 was $231.5 million compared to $114.8 million in 2009. The increase is due to the investment of $79.9 million in a Chinese tile manufacturer and higher capital spending during 2010 as compared to 2009. Capital expenditures, including $94.1 million for acquisitions, have totaled $577.0 million over the past three years. Capital spending during 2011, excluding acquisitions, is expected to range from $270 million to $300 million, and is intended to be used primarily to purchase equipment and to streamline manufacturing capacity.

Net cash used in investing activities for 2009 was $114.8 million compared to $226.1 million in 2008. The decrease is due to lower capital spending as a result of lower sales and tighter management of expenditures during 2009 as compared to 2008.

Net cash used in financing activities for 2010 was $255.2 million compared to net cash used by financing activities of $125.8 million in 2009. The change in cash used in financing activities as compared to 2009 is primarily attributable to the higher debt repayments in 2010, principally the repayment of $200.0 million aggregate principal amount of the Company s outstanding 5.75% senior notes due January 15, 2011, and the establishment of a $27.9 million restricted cash account to repay the remaining outstanding 5.75% senior notes due January 15, 2011, compared to 2009.

Net cash used in financing activities for 2009 was $125.8 million compared to net cash used by financing activities of $348.9 million in 2008. The change in cash used in financing activities as compared to 2008 is primarily attributable to lower debt levels as the Company manages its working capital requirements to align with its current sales.

On September 2, 2009, the Company entered the ABL Facility in connection with the replacement of the Company s then-existing senior, unsecured, revolving credit facility (the Senior Unsecured Facility). At the time of its termination, the Senior Unsecured Facility consisted of a $650.0 million revolving credit facility, which was to mature on October 28, 2010. The ABL Facility provides for a maximum of $600.0 million of revolving credit, subject to borrowing base availability, including limited amounts of credit in the form of letters of credit and swingline loans. The borrowing base is equal to specified percentages of eligible accounts receivable and inventories of the borrowers under the ABL Facility, which are subject to seasonal variations, less reserves established in good faith by the Administrative Agent under the ABL Facility. All obligations under the ABL Facility, and the guarantees of those obligations, are secured by a security interest in certain accounts receivable, inventories, certain deposit and securities accounts, tax refunds and other personal property (excluding intellectual property) directly relating to, or arising from, and proceeds of any of the foregoing. On June 1, 2010, the Company amended the ABL Facility to, among other things, reduce the applicable interest rate margins on loans and reduce the commitment fees.

At the Company s election, revolving loans under the ABL Facility bear interest at annual rates equal to either (a) LIBOR for 1, 2, 3 or 6 month periods, as selected by the Company, plus an applicable margin ranging between 2.75% and 3.25%, or (b) the higher of the prime rate, the Federal Funds rate plus 0.5%, or a one-month LIBOR rate, plus an applicable margin ranging between 1.25% and 1.75%. The Company also pays a commitment fee to the lenders under the ABL Facility on the average amount by which the aggregate commitments of the lenders exceed utilization of the ABL Facility equal to 0.65% per annum during any quarter that this excess is 50% or more and 0.50% per annum during any quarter that this excess is less than 50%.

The ABL Facility includes certain affirmative and negative covenants that impose restrictions on the Company s financial and business operations, including limitations on debt, liens, investments, fundamental changes, asset dispositions, dividends and other similar restricted payments, transactions with affiliates, payments and modifications of certain existing debt, future negative pledges, and changes in the nature of the

Company s business. Many of these limitations are subject to numerous exceptions. The Company is also required to maintain a fixed charge coverage ratio of 1.1 to 1.0 during any period that the unutilized amount available under the ABL Facility is less than 15% of the lenders aggregated commitments.

The ABL Facility is scheduled to mature on September 2, 2013 but the maturity date will accelerate, including the acceleration of any unamortized deferred financing costs, to January 15, 2012, if the Company s outstanding 7.20% senior notes due April 15, 2012 have not been repaid, refinanced, defeased or adequately reserved for by the Company, as reasonably determined by the Administrative Agent, prior to January 15, 2012. The Company believes it will be able to make adequate reserves for such senior notes with cash and cash equivalents, unutilized borrowings under the ABL and other uncommitted financing sources, including new public debt offerings or bank facilities, although there can be no assurances that the Company will be able to complete any necessary financing transactions prior to the relevant date under the ABL Facility or the April 15, 2012 maturity date.

As of December 31, 2010, the amount utilized under the ABL Facility was $387.1 million resulting in a total of $169.6 million available under the ABL Facility. The amount utilized included the reserved amount of $280.0 million related to the repayment of the Company s outstanding 5.75% senior notes due January 15, 2011, discussed below, $53.5 million of standby letters of credit guaranteeing the Company s industrial revenue bonds and $53.5 million of standby letters of credit related to various insurance contracts and foreign vendor commitments. Immediately following the repayment of the 5.75% senior notes due January 15, 2011 at maturity, a total of $289.6 million was available under the ABL Facility.

On January 17, 2006, the Company issued $900.0 million aggregate principal amount of 6.125% notes due 2016. Interest payable on these notes is subject to adjustment if either Moody s Investors Service, Inc. (Moody s) or Standard & Poor s Ratings Services (Standard & Poor s), or both, downgrades the rating assigned to the notes. Each rating agency downgrade results in a 0.25% increase in the interest rate, subject to a maximum increase of 1% per rating agency. If later the rating of these notes improves, then the interest rates would be reduced accordingly. Each 0.25% increase in the interest rate of these notes would increase the Company s interest expense by approximately $0.1 million per quarter per $100 million of outstanding notes. Currently, the interest rates have been increased by an aggregate amount of 0.75% as a result of downgrades by Moody s and Standard & Poor s during 2009. Additional downgrades in the Company s credit ratings could further increase the cost of its existing credit and adversely affect the cost of and ability to obtain additional credit in the future.

On April 12, 2010, the Company purchased for cash approximately $200 million aggregate principal amount of its outstanding 5.75% senior notes due January 15, 2011 at a price equal to 103.5% of the principal amount, which resulted in a premium to tendering noteholders of approximately $7 million. The debt extinguishment resulted in a decrease in interest expense of approximately $10 million over the remaining term of the notes. In connection with the extinguishment, the Company paid approximately $0.5 million in fees and accelerated the remaining deferred financing costs incurred in the original issuance of the notes that were purchased by the Company. The premium and fees associated with the cash tender are included in interest expense on the 2010 consolidated statement of operations. On October 14, 2010, the Company deposited $27.9 million of cash in a restricted account under the control of the Administrative Agent and reserved $280.0 million on the ABL Facility to repay the remaining amount outstanding of the 5.75% senior notes due January 15, 2011, which actions were determined by the Administrative Agent to adequately reserve (for purposes of the ABL Facility) for the repayment of such notes. Subsequent to the balance sheet date, the Company repaid the 5.75% senior notes due January 15, 2011 at maturity, using approximately $170 million of available cash and borrowings of approximately $138 million under the ABL Facility.

In 2002, the Company issued $400.0 million aggregate principal amount of its senior 7.20% notes due April 15, 2012.

As of December 31, 2010, the Company had invested cash of $334.8 million in money market AAA rated cash investments of which $149.6 million was in North America and $185.2 million was in Europe. The

Table of Contents

Company believes that its cash and cash equivalents on hand, cash generated from operations, availability under its ABL Facility and other financing sources, including new public debt offerings or bank facilities, will be sufficient to adequately reserve for, repay, defease or refinance its 7.20% senior notes due April 15, 2012, on or before January 15, 2012 as required by the ABL Facility, and meet its capital expenditure and working capital requirements over the next twelve months.

The Company may from time to time seek to retire its outstanding debt through cash purchases in the open market, privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, the Company s liquidity requirements, contractual restrictions and other factors. The amount involved may be material.

The Company s Board of Directors has authorized the repurchase of up to 15 million shares of the Company s outstanding common stock. Since the inception of the program in 1999, a total of approximately 11.5 million shares have been repurchased at an aggregate cost of approximately $334.7 million. All of these repurchases have been financed through the Company s operations and banking arrangements. No shares were repurchased during 2010, 2009 and 2008.

Contractual obligations

The following is a summary of the Company s future minimum payments under contractual obligations as of December 31, 2010 (in millions):

	Total	2011	2012	2013	2014	2015	Thereafter
Recorded Contractual Obligations:							
Long-term debt, including current maturities and capital leases	$ 1,653.6	350.6	401.5	0.4	0.4	0.3	900.4
Unrecorded Contractual Obligations:							
Interest payments on long-term debt and capital leases(1)	350.3	91.7	70.3	61.9	61.9	61.9	2.6
Operating leases	356.8	91.7	75.6	59.5	49.7	38.5	41.8
Purchase commitments(2)	579.8	212.6	125.0	121.1	121.1		
Expected pension contributions(3)	1.9	1.9					
Uncertain tax positions(4)	3.2	3.2					
Guarantees	0.8	0.8					
	1,292.8	401.9	270.9	242.5	232.7	100.4	44.4
Total	$ 2,946.4	752.5	672.4	242.9	233.1	100.7	944.8

(1) For fixed rate debt, the Company calculated interest based on the applicable rates and payment dates. For variable rate debt, the Company estimated average outstanding balances for the respective periods and applied interest rates in effect as of December 31, 2010 to these balances.

(2) Includes commitments for natural gas, electricity and raw material purchases.

(3) Includes the estimated pension contributions for 2011 only, as the Company is unable to estimate the pension contributions beyond 2011. The Company s projected benefit obligation as of December 31, 2010 was $27.0 million. These liabilities have not been presented in the table above due to uncertainty as to amounts and timing regarding future payments.

(4) Excludes $62.3 million of non-current accrued income tax liabilities and related interest and penalties for uncertain tax positions. These liabilities have not been presented in the table above due to uncertainty as to amounts and timing regarding future payments.

Critical Accounting Policies

In preparing the consolidated financial statements in conformity with U.S. generally accepted accounting principles, the Company must make decisions which impact the reported amounts of assets, liabilities, revenues and expenses, and related disclosures. Such decisions include the selection of appropriate accounting principles to be applied and the assumptions on which to base accounting estimates. In reaching such decisions, the Company applies judgment based on its understanding and analysis of the relevant circumstances and historical experience. Actual amounts could differ from those estimated at the time the consolidated financial statements are prepared.

The Company s significant accounting policies are described in Note 1 to the Consolidated Financial Statements included elsewhere in this report. Some of those significant accounting policies require the Company to make subjective or complex judgments or estimates. Critical accounting policies are defined as those that are both most important to the portrayal of a company s financial condition and results and require management s most difficult, subjective, or complex judgment, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods.

The Company believes the following accounting policies require it to use judgments and estimates in preparing its consolidated financial statements and represent critical accounting policies.

Accounts receivable and revenue recognition. Revenues are recognized when there is persuasive evidence of an arrangement, delivery has occurred, the price has been fixed or is determinable, and collectability can be reasonably assured. The Company provides allowances for expected cash discounts, sales allowances, returns, claims and doubtful accounts based upon historical bad debt and claims experience and periodic evaluation of specific customer accounts and the aging of accounts receivable. If the financial condition of the Company s customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. A 10% change in the Company s allowance for discounts, returns, claims and doubtful accounts would have affected net earnings by approximately $3 million for the year ended December 31, 2010.

Inventories are stated at the lower of cost or market (net realizable value). Cost has been determined using the first-in first-out method (FIFO). Costs included in inventory include raw materials, direct and indirect labor and employee benefits, depreciation, general manufacturing overhead and various other costs of manufacturing. Market, with respect to all inventories, is replacement cost or net realizable value. Inventories on hand are compared against anticipated future usage, which is a function of historical usage, anticipated future selling price, expected sales below cost, excessive quantities and an evaluation for obsolescence. Actual results could differ from assumptions used to value obsolete inventory, excessive inventory or inventory expected to be sold below cost and additional reserves may be required. A 10% change in the Company s reserve for excess or obsolete inventory would have affected net earnings by approximately $4 million for the year ended December 31, 2010.

Goodwill and other intangibles. Goodwill is tested annually for impairment during the fourth quarter or earlier upon the occurrence of certain events or substantive changes in circumstances. The Company considers the relationship between its market capitalization and its book value, among other factors, when reviewing for indicators of impairment. The goodwill impairment tests are based on determining the fair value of the specified reporting units based on management judgments and assumptions using the discounted cash flows and comparable company market valuation approaches. The Company has identified Mohawk, Dal-Tile, Unilin Flooring, Unilin Chipboard and Melamine, and Unilin Roofing as its reporting units for the purposes of allocating goodwill and intangibles as well as assessing impairments. The valuation approaches are subject to

key judgments and assumptions that are sensitive to change such as judgments and assumptions about appropriate sales growth rates, operating margins, weighted average cost of capital (WACC), and comparable company market multiples. When developing these key judgments and assumptions, the Company considers economic, operational and market conditions that could impact the fair value of the reporting unit. However, estimates are

inherently uncertain and represent only management s reasonable expectations regarding future developments. These estimates and the judgments and assumptions upon which the estimates are based will, in all likelihood, differ in some respects from actual future results. Should a significant or prolonged deterioration in economic conditions occur, such as continued declines in spending for new construction, remodeling and replacement activities; the inability to pass increases in the costs of raw materials and fuel on to customers; or a decline in comparable company market multiples, then key judgments and assumptions could be impacted. Generally, a decline in estimated after tax cash flows of more than 20% or a more than 15% increase in WACC or a decline in market capitalization could result in an additional indication of impairment.

The impairment test for intangible assets not subject to amortization involves a comparison of the estimated fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. Significant judgments inherent in this analysis include assumptions about appropriate sales growth rates, royalty rates, WACC and the amount of expected future cash flows. These judgments and assumptions are subject to the variability discussed above.

The impairment evaluation for indefinite lived intangible assets, which for the Company are its trademarks, is conducted during the fourth quarter of each year, or more frequently if events or changes in circumstances indicate that an asset might be impaired. The determination of fair value used in the impairment evaluation is based on discounted estimates of future sales projections attributable to ownership of the trademarks. Significant judgments inherent in this analysis include assumptions about appropriate sales growth rates, royalty rates, WACC and the amount of expected future cash flows. The judgments and assumptions used in the estimate of fair value are generally consistent with past performance and are also consistent with the projections and assumptions that are used in current operating plans. Such assumptions are subject to change as a result of changing economic and competitive conditions. The determination of fair value is highly sensitive to differences between estimated and actual cash flows and changes in the related discount rate used to evaluate the fair value of the trademarks. Estimated cash flows are sensitive to changes in the economy among other things.

The Company reviews its long-lived asset groups, which include intangible assets subject to amortization, which for the Company are its patents and customer relationships, for impairment whenever events or changes in circumstances indicate that the carrying amount of such asset groups may not be recoverable. Recoverability of asset groups to be held and used is measured by a comparison of the carrying amount of long-lived assets to future undiscounted net cash flows expected to be generated by these asset groups. If such asset groups are considered to be impaired, the impairment recognized is the amount by which the carrying amount of the asset group exceeds the fair value of the asset group. Assets held for sale are reported at the lower of the carrying amount or fair value less estimated costs of disposal and are no longer depreciated.

The Company conducted its annual assessment of goodwill and indefinite lived intangibles in the fourth quarter and no impairment was indicated. The Company did record impairment of goodwill and other intangibles of $1,543.4 million in 2008.

Income taxes. The Company s effective tax rate is based on its income, statutory tax rates and tax planning opportunities available in the jurisdictions in which it operates. Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining the Company s tax expense and in evaluating the Company s tax positions. Deferred tax assets represent amounts available to reduce income taxes payable on taxable income in a future period. The Company evaluates the recoverability of these future tax benefits by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. These sources of income inherently rely on estimates, including business forecasts and other projections of financial results over an extended period of time. In the event that

the Company is not

able to realize all or a portion of its deferred tax assets in the future, a valuation allowance is provided. The Company would recognize such amounts through a charge to income in the period in which that determination is made or when tax law changes are enacted. The Company had valuation allowances of $325.1 million in 2010, $365.9 million in 2009 and $343.6 million in 2008. For further information regarding the Company s valuation allowances, see Note 12 to the consolidated financial statements.

In the ordinary course of business there is inherent uncertainty in quantifying the Company s income tax positions. The Company assesses its income tax positions and records tax benefits for all years subject to examination based upon the Company s evaluation of the facts, circumstances and information available as of the reporting date. For those tax positions where it is more likely than not that a tax benefit will be sustained, the Company has recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information, as required by the provisions of the Financial Accounting Standards Board (FASB) FASB Accounting Standards Codification Topic 740 (ASC 740-10), a replacement of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109* . For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the consolidated financial statements. As of December 31, 2010, the Company has $49.9 million accrued for uncertain tax positions. For further information regarding the Company s uncertain tax positions, see Note 12 to the consolidated financial statements.

Environmental and legal accruals. Environmental and legal accruals are estimates based on judgments made by the Company relating to ongoing environmental and legal proceedings, as disclosed in the Company s consolidated financial statements. In determining whether a liability is probable and reasonably estimable, the Company consults with its internal experts. The Company believes that the amounts recorded in the accompanying financial statements are based on the best estimates and judgments available to it.

Recent Accounting Pronouncements

In June 2009, the FASB issued ASC 860, formerly SFAS No. 166, *Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140* . ASC 860 seeks to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor s continuing involvement, if any, in transferred financial assets. Specifically, ASC 860 eliminates the concept of a qualifying special-purpose entity, creates more stringent conditions for reporting a transfer of a portion of a financial asset as a sale, clarifies other sale-accounting criteria, and changes the initial measurement of a transferor s interest in transferred financial assets. ASC 860 is effective for annual and quarterly reporting periods that begin after November 15, 2009. The Company s adoption of ASC 860 on January 1, 2010 did not have a material impact on the Company s consolidated financial statements.

In June 2009, FASB issued ASC 810, formerly SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)* . ASC 810 amends FASB Interpretation No. 46(R), *Variable Interest Entities* , for determining whether an entity is a variable interest entity (VIE) and requires an enterprise to perform an analysis to determine whether the enterprise s variable interest or interests give it a controlling financial interest in a VIE. Under ASC 810, an enterprise has a controlling financial interest when it has a) the power to direct the activities of a VIE that most significantly impact the entity s economic performance and b) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. ASC 810 also requires an enterprise to assess whether it has an implicit financial responsibility to ensure that a VIE operates as designed when determining whether it has power to direct the activities of the VIE that most significantly impact the entity s economic performance. ASC 810 also requires ongoing assessments of whether an enterprise is the primary beneficiary of a VIE, requires enhanced disclosures and

Table of Contents

eliminates the scope exclusion for qualifying special-purpose entities. ASC 810 is effective for annual and quarterly reporting periods that begin after November 15, 2009. The Company s adoption of ASC 810 on January 1, 2010 did not have a material impact on the Company s consolidated financial statements.

Impact of Inflation

Inflation affects the Company s manufacturing costs, distribution costs and operating expenses. The carpet, tile and laminate industry experienced inflation in the prices of raw materials and fuel-related costs beginning in 2006, and the prices increased dramatically during the latter part of 2008, peaking in the second half of 2008. The Company expects raw material prices, many of which are petroleum based, to continue to fluctuate based upon worldwide supply and demand of commodities utilized in the Company s production processes. In the past, the Company has generally been able to pass along these price increases to its customers and has been able to enhance productivity and develop new product innovations to help offset increases in costs resulting from inflation in its operations.

Seasonality

The Company is a calendar year-end company. With respect to its Mohawk and Dal-Tile segments, its results of operations for the first quarter tend to be the weakest. The second, third and fourth quarters typically produce higher net sales and operating income in these segments. These results are primarily due to consumer residential spending patterns for floor covering, which historically have decreased during the first two months of each year following the holiday season. The Unilin segment second and fourth quarters typically produce higher net sales and earnings followed by a moderate first quarter and a weaker third quarter. The third quarter is traditionally the weakest due to the European holiday in late summer.

Certain Factors affecting the Company s Performance

In addition to the other information provided in this Annual Report, the following risk factors should be considered when evaluating an investment in shares of the Company s Common Stock.

If any of the events described in these risks were to occur, it could have a material adverse effect on the Company s business, financial condition and results of operations.

The floor covering industry is sensitive to changes in general economic conditions, such as consumer confidence and income, corporate and government spending, interest rate levels, availability of credit and demand for housing. The downturn in the U.S. and global economies beginning in 2006, along with the residential and commercial markets in such economies, negatively impacted the floor covering industry and the Company s business. While overall economic conditions and the housing and flooring industries have begun to show signs of recovering, this improvement may be temporary and economic conditions may deteriorate in the foreseeable future. Further, significant or prolonged declines in such economies or in spending for replacement floor covering products or new construction activity could have a material adverse effect on the Company s business.

The floor covering industry in which the Company participates is highly dependent on general economic conditions, such as consumer confidence and income, corporate and government spending, interest rate levels, availability of credit and demand for housing. The Company derives a majority of its sales from the replacement segment of the market. Therefore, economic changes that result in a significant or prolonged decline in spending for remodeling and replacement activities could have a material adverse effect on the Company s business and results of operations.

The floor covering industry is highly dependent on residential and commercial construction activity, including new construction, which is cyclical in nature and currently in a downturn. The downturn in the U.S. and global economies, along with the housing markets in such economies, negatively impacted the floor covering industry and the Company s business. Although the impact of a decline in new construction activity is typically accompanied by an increase in remodeling and replacement activity, these activities have also lagged during the downturn. While overall economic conditions and the housing and flooring industries have begun to show signs of recovering, this improvement may be temporary and economic conditions may deteriorate in the foreseeable future. A significant or prolonged decline in residential or commercial construction activity could have a material adverse effect on the Company s business and results of operations.

In periods of rising costs, the Company may be unable to pass raw materials, energy and fuel-related cost increases on to its customers, which could have a material adverse effect on the Company s profitability.

The prices of raw materials and fuel-related costs could vary significantly with market conditions. Although the Company generally attempts to pass on increases in raw material, energy and fuel-related costs to its customers, the Company s ability to do so is dependent upon the rate and magnitude of any increase, competitive pressures and market conditions for the Company s products. There have been in the past, and may be in the future, periods of time during which increases in these costs cannot be recovered. During such periods of time, the Company s profitability may be materially adversely affected.

Uncertainty in the credit market or downturns in the global economy and the Company s business could affect the Company s overall availability and cost of credit.

Uncertainty in the credit markets could affect the overall availability and cost of credit. Despite recent improvement in overall economic conditions, the impact of the economic downturn on the Company s ability to obtain financing, including any financing necessary to refinance its existing senior unsecured notes, in the future, and the cost and terms of it, remains uncertain. These and other economic factors could have a material adverse effect on demand for the Company s products and on its financial condition and operating results. Further, these generally negative economic and business conditions may factor into the Company s periodic credit ratings assessment by either or both Moody s Investors Service, Inc. and Standard & Poor s Ratings Services. A rating agency s evaluation is based on a number of factors, which include scale and diversification, brand strength, profitability, leverage, liquidity and interest coverage. During 2009, the Company s senior unsecured notes were downgraded by the rating agencies, which increased the Company s interest expense by approximately $0.2 million per quarter per $100 million of outstanding notes and could adversely affect the cost of and ability to obtain additional credit in the future. Additional downgrades in the Company s credit ratings could further increase the cost of its existing credit and adversely affect the cost of and ability to obtain additional credit in the future, and the Company can provide no assurances that additional downgrades will not occur.

The Company has a significant level of indebtedness that must be repaid or refinanced. In addition, if the Company were unable to meet certain covenants contained in the ABL Facility, it may be required to repay borrowings under the ABL Facility prior to their maturity and may lose access to the ABL Facility for additional borrowings that may be necessary to fund its operations.

The Company s outstanding 7.20% senior notes in the aggregate amount of $400.0 million are due April 15, 2012. The Company s $600.0 million four-year, senior, secured revolving credit facility (the ABL Facility) is scheduled to mature on September 2, 2013, but the maturity date will accelerate, including the acceleration of any unamortized deferred financing costs, to January 15, 2012, if the Company s outstanding 7.20% senior notes due April 15, 2012 have not been repaid, refinanced, defeased or adequately reserved for by the Company, as reasonably determined by the Administrative Agent, prior to January 15, 2012. The Company believes it will be able to make adequate reserves for

such senior notes with cash and cash

equivalents, unutilized borrowing availability under the ABL Facility and other financing sources, including public debt markets or new bank facilities. As of December 31, 2010, the amount utilized under the ABL Facility was $387.1 million resulting in a total of $169.6 million available under the ABL Facility. The amount utilized included the reserved amount of $280.0 million related to the repayment of the Company s outstanding 5.75% senior notes due January 15, 2011, $53.5 million of standby letters of credit guaranteeing the Company s industrial revenue bonds and $53.5 million of standby letters of credit related to various insurance contracts and foreign vendor commitments. Immediately following the repayment of the 5.75% senior notes due January 15, 2011 at maturity, a total of $289.6 million was available under the ABL Facility. While the Company currently believes it has access to other uncommitted financing sources, including public debt markets, to satisfy the January 15, 2012 requirements under the ABL Facility and the subsequent repayment of the 7.20% senior notes due April 15, 2012, there can be no assurances that the Company will be able to complete any necessary financing transactions prior to the relevant date under the ABL Facility or the April 15, 2012 maturity date.

If the Company s cash flow is worse than expected or the borrowing base on its ABL Facility declines, the Company may need to refinance all or a portion of its indebtedness in the public debt markets and may not be able to do so on terms acceptable to it, or at all. If the Company is unable to access debt markets at competitive rates or in sufficient amounts due to credit rating downgrades, market volatility, market disruption, or other factors, it could materially adversely affect the Company s ability to repay its indebtedness and otherwise have a substantial adverse effect on the Company s financial condition and results of operations.

Additionally, the Company s credit facilities require it to meet certain affirmative and negative covenants that impose restrictions on its financial and business operations, including limitations relating to debt, investments, asset dispositions and changes in the nature of its business. The Company is also required to maintain a fixed charge coverage ratio of 1.1 to 1.0 during any period that the unutilized amount available under the ABL Facility is less than 15% of the amount available under the ABL Facility. Failure to comply with these covenants could materially and adversely affect the Company s ability to finance its operations or capital needs and to engage in other activities that may be in the Company s best interest.

The Company faces intense competition in the flooring industry, which could decrease demand for the Company s products or force it to lower prices, which could have a material adverse effect on the Company s profitability.

The floor covering industry is highly competitive. The Company faces competition from a number of manufacturers and independent distributors. Some of the Company s competitors are larger and have greater resources and access to capital than the Company does. Maintaining the Company s competitive position may require substantial investments in the Company s product development efforts, manufacturing facilities, distribution network and sales and marketing activities. Competitive pressures may also result in decreased demand for the Company s products or force the Company to lower prices. Any of these factors or others may impact demand which could have a material adverse effect on the Company s business.

The Company may be unable to obtain raw materials on a timely basis, which could have a material adverse effect on the Company s business.

The principal raw materials used in the Company s manufacturing operations include nylon, polypropylene, triexta and polyester resins and fibers, which are used primarily in the Company s carpet and rugs business; clay, talc, nepheline syenite and glazes, including frit (ground glass), zircon and stains, which are used exclusively in the Company s ceramic tile business; wood, paper, and resins which are used primarily in the Company s laminate flooring business. For certain of such raw materials, the Company is dependent on one or a small number of suppliers. An adverse change in the Company s relationship with such a supplier, the financial condition of such a supplier or such supplier s ability to manufacture or deliver such raw materials to the Company could lead to an interruption of supply or require

the Company to purchase more expensive

alternatives. An extended interruption in the supply of these or other raw materials used in the Company s business or in the supply of suitable substitute materials would disrupt the Company s operations, which could have a material adverse effect on the Company s business.

Fluctuations in currency exchange rates may impact the Company s financial condition and results of operations and may affect the comparability of results between the Company s financial periods.

The results of the Company s foreign subsidiaries reported in the local currency are translated into U.S. dollars for balance sheet accounts using exchange rates in effect as of the balance sheet date and for the statement of operations accounts using, principally, the Company s average rates during the period. The exchange rates between some of these currencies and the U.S. dollar in recent years have fluctuated significantly and may continue to do so in the future. The Company may not be able to manage effectively the Company s currency translation risks and volatility in currency exchange rates may have a material adverse effect on the Company s consolidated financial statements and affect comparability of the Company s results between financial periods.

The Company may experience certain risks associated with acquisitions, joint ventures and strategic investments.

The Company has typically grown its business through acquisitions. Growth through acquisitions involves risks, many of which may continue to affect the Company after the acquisition. The Company cannot give assurance that an acquired company will achieve the levels of revenue, profitability and production that the Company expects. The combination of an acquired company s business with the Company s existing businesses involves risks. The Company cannot be assured that reported earnings will meet expectations because of goodwill and intangible asset impairment, increased interest costs and issuance of additional securities or incurrence of debt. The Company may also face challenges in consolidating functions, integrating the Company s organizations, procedures, operations and product lines in a timely and efficient manner and retaining key personnel. These challenges may result in:

- maintaining executive offices in different locations;
- manufacturing and selling different types of products through different distribution channels;
- conducting business from various locations;
- maintaining different operating systems and software on different computer hardware; and
- providing different employment and compensation arrangements for employees.

The diversion of management attention and any difficulties encountered in the transition and integration process could have a material adverse effect on the Company s revenues, level of expenses and operating results.

Failure to successfully manage and integrate an acquisition with the Company s existing operations could lead to the potential loss of customers of the acquired business, the potential loss of employees who may be vital to the new operations, the potential loss of business opportunities or other adverse consequences that could affect the Company s financial condition and results of operations. Even if integration occurs successfully, failure of the acquisition to achieve levels of anticipated sales growth, profitability or productivity or otherwise perform as expected, may adversely impact the Company s financial condition and results of operations.

In addition, we have made certain investments, including through joint ventures, in which we have a minority equity interest and lack management and operational control. The controlling joint venture partner in

Table of Contents

a joint venture investment may have business interests, strategies or goals that are inconsistent with ours, and business decisions or other actions or omissions of the controlling joint venture partner or the joint venture company may result in harm to our reputation or adversely affect the value of our investment in the joint venture.

A failure to identify suitable acquisition candidates or partners for strategic investments and to complete acquisitions could have a material adverse effect on the Company s business.

As part of the Company s business strategy, the Company intends to continue to pursue a wide array of potential strategic transactions, including acquisitions of complementary businesses, as well as strategic investments and joint ventures. Although the Company regularly evaluates such opportunities, the Company may not be able successfully to identify suitable acquisition candidates or investment opportunities, to obtain sufficient financing on acceptable terms to fund such strategic transactions, to complete acquisitions and integrate acquired businesses with the Company s existing businesses, or to manage profitably acquired businesses or strategic investments.

The Company has been, and in the future may be, subject to costs, liabilities and other obligations under existing or new laws and regulations, which could be significant.

The Company and its customers and suppliers are subject to various federal, state and local laws, regulations and licensing requirements. The Company faces risks and uncertainties related to compliance with and enforcement of increasingly numerous and complex federal, state and local laws and regulations. In addition, new laws and regulations may be enacted in the U.S. or abroad that may require the Company to incur additional personnel-related, environmental, or other costs on an ongoing basis, such as recently enacted healthcare legislation in the United States.

Further, the Company s operations are subject to various environmental, health and safety laws and regulations, including those governing air emissions, wastewater discharges, and the use, storage, treatment, recycling and disposal of materials and finished product. The applicable requirements under these laws are subject to amendment, to the imposition of new or additional requirements and to changing interpretations of agencies or courts. The Company could incur material expenditures to comply with new or existing regulations, including fines and penalties and increased costs of its operations. For example, enactment of climate control legislation or other regulatory initiatives by the U.S. Congress or various states, or the adoption of regulations by the EPA and analogous state or foreign governmental agencies that restrict emissions of greenhouse gases in areas in which the Company conducts business could have an adverse effect on its operations and demand for its products. The Company s manufacturing processes use a significant amount of energy, especially natural gas. Increased regulation of energy use to address the possible emission of greenhouse gases and climate change could materially increase the Company s manufacturing costs.

The nature of the Company s business and operations, including the potential discovery of presently unknown environmental conditions, exposes it to the risk of claims under environmental, health and safety laws and regulations. The Company could incur material costs or liabilities in connection with such claims.

The Company s business operations could suffer significant losses from natural disasters, catastrophes, fire or other unexpected events.

Many of the Company s business activities involve substantial investments in manufacturing facilities and many products are produced at a limited number of locations. These facilities could be materially damaged by natural disasters, such as floods, tornados, hurricanes and earthquakes, or by fire or other unexpected events. The Company could incur uninsured losses and liabilities arising from such events, including damage to its reputation, and/or suffer material losses in operational capacity, which could have a material adverse impact on its business, financial condition and results of operations.

The Company may be exposed to litigation, claims and other legal proceedings in the ordinary course of business relating to its products, which could affect its results of operations and financial condition.

In the ordinary course of business, the Company is subject to a variety of product-related claims, lawsuits and legal proceedings, including those relating to product liability, product warranty, product recall, personal injury, and other matters that are inherently subject to many uncertainties regarding the possibility of a loss to the Company. Such matters could have a material adverse effect on its business, results of operations and financial condition if the Company is unable to successfully defend against or resolve these matters or if its insurance coverage is insufficient to satisfy any judgments against the Company or settlements relating to these matters. Although the Company has product liability insurance, the policies may not provide coverage for certain claims against the Company or may not be sufficient to cover all possible liabilities. Further, the Company may not be able to maintain insurance at commercially acceptable premium levels. Moreover, adverse publicity arising from claims made against the Company, even if the claims were not successful, could adversely affect the Company s reputation or the reputation and sales of its products.

The Company manufactures, sources and sells many products internationally and is exposed to risks associated with doing business globally.

The Company s manufacturing facilities in Mexico and Europe represent a significant portion of the Company s capacity for ceramic tile and laminate flooring, respectively, and the Company s European operations represent a significant source of the Company s revenues and profits. The business, regulatory and political environments in these countries differ from those in the U.S. In addition, the Company increasingly sells products, operates plants and invests in companies in other parts of the world. The Company s international sales, operations and investments are subject to risks and uncertainties, including:

- changes in foreign country regulatory requirements;
- differing business practices associated with foreign operations;
- various import/export restrictions and the availability of required import/export licenses;
- imposition of foreign tariffs and other trade barriers;
- political, legal and economic instability;
- foreign currency exchange rate fluctuations;
- changes in foreign country tax rules, regulations and other requirements, such as changes in tax rates and statutory and judicial interpretations in tax laws;
- inflation;
- differing labor laws and changes in those laws;
- work stoppages and disruptions in the shipping of imported and exported products;
- government price controls;
- extended payment terms and the inability to collect accounts receivable; and

tax inefficiencies and currency exchange controls that may adversely impact its ability to repatriate cash from non-U.S. subsidiaries.

The Company cannot assure investors that it will succeed in developing and implementing policies and strategies to counter the foregoing factors effectively in each location where the Company does business and

therefore that the foregoing factors will not have a material adverse effect on the Company s operations or upon its financial condition and results of operations.

If the Company is unable to protect its intellectual property rights, particularly with respect to the Company s patented laminate flooring technology and its registered trademarks, the Company s business and prospects could be harmed.

The future success and competitive position of certain of the Company s businesses, particularly the Company s laminate flooring business, depend in part upon the Company s ability to obtain and maintain proprietary technology used in the Company s principal product families. The Company relies, in part, on the patent, trade secret and trademark laws of the U.S. and countries in Europe, as well as confidentiality agreements with some of the Company s employees, to protect that technology.

The Company has obtained a number of patents relating to the Company s products and associated methods and has filed applications for additional patents, including the UNICLIC ® family of patents, which protects Unilin s interlocking laminate flooring panel technology. The Company cannot assure investors that any patents owned by or issued to it will provide the Company with competitive advantages, that third parties will not challenge these patents, or that the Company s pending patent applications will be approved. In addition, patent filings by third parties, whether made before or after the date of the Company s filings, could render the Company s intellectual property less valuable.

Furthermore, despite the Company s efforts, the Company may be unable to prevent competitors and/or third parties from using the Company s technology without the Company s authorization, independently developing technology that is similar to that of the Company or designing around the Company s patents. The use of the Company s technology or similar technology by others could reduce or eliminate any competitive advantage the Company has developed, cause the Company to lose sales or otherwise harm the Company s business. In addition, if the Company does not obtain sufficient protection for the Company s intellectual property, the Company s competitiveness in the markets it serves could be significantly impaired, which would limit the Company s growth and future revenue.

The Company has obtained and applied for numerous U.S. and Foreign Service marks and trademark registrations and will continue to evaluate the registration of additional service marks and trademarks, as appropriate. The Company cannot guarantee that any of the Company s pending or future applications will be approved by the applicable governmental authorities. Moreover, even if such applications are approved, third parties may seek to oppose or otherwise challenge the registrations. A failure to obtain trademark registrations in the U.S. and in other countries could limit the Company s ability to protect the Company s trademarks and impede the Company s marketing efforts in those jurisdictions.

The Company generally requires third parties with access to the Company s trade secrets to agree to keep such information confidential. While such measures are intended to protect the Company s trade secrets, there can be no assurance that these agreements will not be breached, that the Company will have adequate remedies for any breach or that the Company s confidential and proprietary information and technology will not be independently developed by or become otherwise known to third parties. In any of these circumstances, the Company s competitiveness could be significantly impaired, which would limit the Company s growth and future revenue.

Companies may claim that the Company infringed their intellectual property or proprietary rights, which could cause it to incur significant expenses or prevent it from selling the Company s products.

In the past, companies have claimed that certain technologies incorporated in the Company s products infringe their patent rights. There can be no assurance that the Company will not receive notices in the future from parties asserting that the Company s products infringe, or may infringe, those parties intellectual property rights. The Company cannot

be certain that the Company s products do not and will not infringe issued patents or other intellectual property rights of others. Historically, patent applications in the U.S. and

Table of Contents

some foreign countries have not been publicly disclosed until the patent is issued (or, in some recent cases, until 18 months following submission), and the Company may not be aware of currently filed patent applications that relate to the Company s products or processes. If patents are later issued on these applications, the Company may be liable for infringement.

Furthermore, the Company may initiate claims or litigation against parties for infringement of the Company s proprietary rights or to establish the invalidity, noninfringement, or unenforceability of the proprietary rights of others. Likewise, the Company may have similar claims brought against it by competitors. Litigation, either as plaintiff or defendant, could result in significant expense to the Company and divert the efforts of the Company s technical and management personnel from operations, whether or not such litigation is resolved in the Company s favor. In the event of an adverse ruling in any such litigation, the Company might be required to pay substantial damages (including punitive damages and attorney s fees), discontinue the use and sale of infringing products, expend significant resources to develop non-infringing technology or obtain licenses to infringing technology. There can be no assurance that licenses to disputed technology or intellectual property rights would be available on reasonable commercial terms, if at all. In the event of a successful claim against the Company along with failure to develop or license a substitute technology, the Company s business, financial condition and results of operations would be materially and adversely affected.

The Company is subject to changing regulation of corporate governance and public disclosure that have increased both costs and the risk of noncompliance.

The Company s stock is publicly traded. As a result, the Company is subject to the rules and regulations of federal and state agencies and financial market exchange entities charged with the protection of investors and the oversight of companies whose securities are publicly traded. These entities, including the Public Company Accounting Oversight Board, the Securities and Exchange Commission and New York Stock Exchange, frequently issue new requirements and regulations. The Company s efforts to comply with the regulations and interpretations have resulted in, and are likely to continue to result in, increased general and administrative costs and diversion of management s time and attention from revenue generating activities to compliance activities.

Declines in the Company s business conditions may result in an impairment of the Company s tangible and intangible assets which could result in a material non-cash charge.

A decrease in the Company s market capitalization, including a short-term decline in stock price, or a negative long-term performance outlook, could result in an impairment of its tangible and intangible assets which results when the carrying value of the Company s assets exceed their fair value. In 2008, the Company s goodwill and other intangible assets suffered an impairment and additional impairment charges could occur in future periods.

The long-term performance of the Company s business relies on its ability to attract, develop and retain talented management.

To be successful, the Company must attract, develop and retain highly qualified and talented personnel in management, sales, marketing, product design and innovation and operations, and as it considers entering new international markets, skilled personnel familiar with those markets. The Company competes with multinational firms for these employees and invests significant resources in recruiting, developing, motivating and retaining them. The failure to attract, develop, motivate and retain key employees could negatively affect the Company s competitive position and its operating results.

Forward-Looking Information

Certain of the statements in this Form 10-K, particularly those anticipating future performance, business prospects, growth and operating strategies, proposed acquisitions, and similar matters, and those that include the

Table of Contents

words believes, anticipates, forecast, estimates or similar expressions constitute forward-looking statements witl meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. For those statements, Mohawk claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. There can be no assurance that the forward-looking statements will be accurate because they are based on many assumptions, which involve risks and uncertainties. The following important factors could cause future results to differ: changes in economic or industry conditions; competition; raw material prices; energy costs and supply; timing and level of capital expenditures; timing and implementation of price increases for the Company s products; impairment charges; integration of acquisitions; introduction of new products; rationalization of operations; claims; litigation; and other risks identified in Mohawk s SEC reports and public announcements.

Quantitative and Qualitative Disclosures about Market Risk

Financial exposures are monitored as an integral part of the Company s risk management program, which seeks to reduce the potentially adverse effect that the volatility of exchange rates and natural gas markets may have on its operating results. From time to time the Company enters into derivative contracts to manage these risks. The Company does not regularly engage in speculative transactions, nor does it regularly hold or issue financial instruments for trading purposes. The Company did not have any derivative contracts outstanding as of December 31, 2010 and 2009.

Table of Contents

Management s Report on Internal Control over Financial Reporting

The Company s management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). The Company s management assessed the effectiveness of its internal control over financial reporting as of December 31, 2010. In making this assessment, the Company s management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. The Company s management has concluded that, as of December 31, 2010, its internal control over financial reporting is effective based on these criteria. The Company s independent registered public accounting firm, KPMG LLP, has issued an attestation report on the Company s internal control over financial reporting, which is included herein.

Jeffrey S. Lorberbaum
Chairman and Chief Executive Officer

Frank H. Boykin
Chief Financial Officer and Vice President Finance

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Mohawk Industries, Inc.:

We have audited the accompanying consolidated balance sheets of Mohawk Industries, Inc. and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2010. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mohawk Industries, Inc. and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Mohawk Industries, Inc. s internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 1, 2011 expressed an unqualified opinion on the effectiveness of the Company s internal control over financial reporting.

Atlanta, Georgia
March 1, 2011

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Mohawk Industries, Inc.:

We have audited Mohawk Industries, Inc. s internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Mohawk Industries, Inc. s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control over Financial Reporting . Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Mohawk Industries, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Mohawk Industries, Inc. and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2010, and our report dated March 1, 2011 expressed an unqualified opinion on those consolidated financial statements.

Atlanta, Georgia

March 1, 2011

Table of Contents

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

Consolidated Balance Sheets
December 31, 2010 and 2009

	2010	2009
	(In thousands, except per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 354,217	531,458
Restricted cash	27,954	
Receivables, net	614,473	673,931
Inventories	1,007,503	892,981
Prepaid expenses	91,731	108,947
Deferred income taxes	133,304	130,990
Other current assets	19,431	20,693
Total current assets	2,248,613	2,359,000
Property, plant and equipment, net	1,687,124	1,791,412
Goodwill	1,369,394	1,411,128
Tradenames	456,890	477,607
Other intangible assets, net	220,237	307,735
Deferred income taxes and other non-current assets	116,668	44,564
	$ 6,098,926	6,391,446
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 350,588	52,907
Accounts payable and accrued expenses	698,326	831,115
Total current liabilities	1,048,914	884,022
Deferred income taxes	346,503	370,903
Long-term debt, less current portion	1,302,994	1,801,572
Other long-term liabilities	93,518	100,667
Total liabilities	2,791,929	3,157,164
Commitments and contingencies (Notes 7 and 13)		
Redeemable noncontrolling interest	35,441	33,459
Stockholders equity:		
Preferred stock, $.01 par value; 60 shares authorized; no shares issued		
Common stock, $.01 par value; 150,000 shares authorized; 79,666 and 79,518 shares issued in 2010 and 2009, respectively	797	795

Additional paid-in capital	1,235,445	1,227,856
Retained earnings	2,180,843	1,998,616
Accumulated other comprehensive income, net	178,097	296,917
	3,595,182	3,524,184
Less treasury stock at cost; 11,037 and 11,034 shares in 2010 and 2009, respectively	323,626	323,361
Total stockholders equity	3,271,556	3,200,823
	$ 6,098,926	6,391,446

See accompanying notes to consolidated financial statements.

Table of Contents

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

Consolidated Statements of Operations
Years Ended December 31, 2010, 2009 and 2008

	2010	2009	2008
	(In thousands, except per share data)		
Net sales	$ 5,319,072	5,344,024	6,826,348
Cost of sales	3,916,472	4,111,794	5,088,584
Gross profit	1,402,600	1,232,230	1,737,764
Selling, general and administrative expenses	1,088,431	1,188,500	1,318,501
Impairment of goodwill and other intangibles			1,543,397
Operating income (loss)	314,169	43,730	(1,124,134)
Other expense (income):			
Interest expense	133,151	127,031	127,050
Other expense	8,144	16,935	31,139
Other income	(12,044)	(22,523)	(9,851)
U.S. customs refund	(7,730)		
	121,521	121,443	148,338
Earnings (loss) before income taxes	192,648	(77,713)	(1,272,472)
Income tax expense (benefit)	2,713	(76,694)	180,062
Net earnings (loss)	189,935	(1,019)	(1,452,534)
Less: Net earnings attributable to noncontrolling interest	4,464	4,480	5,694
Net earnings (loss) attributable to Mohawk Industries, Inc.	$ 185,471	(5,499)	(1,458,228)
Basic earnings (loss) per share attributable to Mohawk Industries, Inc.	$ 2.66	(0.08)	(21.32)
Diluted earnings (loss) per share attributable to Mohawk Industries, Inc.	$ 2.65	(0.08)	(21.32)

See accompanying notes to consolidated financial statements.

Table of Contents

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders Equity and Comprehensive Income (Loss)
Years Ended December 31, 2010, 2009 and 2008

		Stockholders equity							
	Redeemable noncontrolling interest	Common stock Shares	Common stock Amount	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock Shares	Treasury stock Amount	To stockh equ
				(In thousands)					
at er 31, 2007	$ 31,488	79,404	$ 794	$ 1,203,957	$ 3,462,343	$ 363,981	(11,046)	$ (323,718)	$ 4,7
sued under e and director ns		57	1	1,621			6	173	
sed ation expense				11,991					
fit from sed ation				334					
ion to olling interest	(6,052)								
ensive loss:									
translation nt						(101,935)			(1
ed loss on hedge nts net of taxes						(7,127)			
prior service actuarial gain or						(384)			
ngs (loss)	5,694				(1,458,228)				(1,4
nprehensive									(1,5
at er 31, 2008	31,130	79,461	795	1,217,903	2,004,115	254,535	(11,040)	(323,545)	3,1
sued under e and director ns		57		642			6	184	
sed ation expense				9,653					
cit from sed				(342)					

ation ion to olling interest, justments	(2,151)								
ensive income:									
translation nt						36,089			
ed gain on struments net of						7,207			
prior service actuarial gain or						(914)			
ngs (loss)	4,480				(5,499)				
nprehensive									
at r 31, 2009	33,459	79,518	795	1,227,856	1,998,616	296,917	(11,034)	(323,361)	3,2
sued under e and director ns		148	2	1,685			(3)	(265)	
sed ation expense				6,888					
cit from sed ation				(984)					
ion to olling interest, justments	(5,726)								
ensive income:									
translation nt						(119,200)			(1
prior service actuarial gain or						380			
ngs	4,464				185,471				1
n of redeemable olling interest	3,244				(3,244)				
nprehensive									
at r 31, 2010	$ 35,441	79,666	$ 797	$ 1,235,445	$ 2,180,843	$ 178,097	(11,037)	$ (323,626)	$ 3,2

See accompanying notes to consolidated financial statements.

Table of Contents

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
Years Ended December 31, 2010, 2009 and 2008

	2010	2009 (In thousands)	2008
Cash flows from operating activities:			
Net earnings (loss)	$ 189,935	(1,019)	(1,452,534)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Impairment of goodwill and other intangibles			1,543,397
Restructuring	12,341	57,412	29,617
Depreciation and amortization	296,773	303,004	295,054
Deferred income taxes	(21,279)	(20,579)	69,842
Loss on extinguishment of debt	7,514		
Loss (gain) on disposal of property, plant and equipment	(4,975)	1,481	2,272
Excess tax deficit (benefit) from stock-based compensation		342	(334)
Stock-based compensation expense	6,888	9,653	11,991
Changes in operating assets and liabilities:			
Receivables, net	(12,273)	102,799	118,199
Income tax receivable	68,740	(72,515)	
Inventories	(118,903)	276,169	102,706
Accounts payable and accrued expenses	(86,947)	11,510	(127,905)
Other assets and prepaid expenses	(11,791)	17,320	(23,774)
Other liabilities	(6,311)	(13,372)	7,555
Net cash provided by operating activities	319,712	672,205	576,086
Cash flows from investing activities:			
Additions to property, plant and equipment	(156,180)	(108,925)	(217,824)
Proceeds from insurance claim	4,615		
Acquisitions, net of cash acquired	(79,917)	(5,924)	(8,276)
Net cash used in investing activities	(231,482)	(114,849)	(226,100)
Cash flows from financing activities:			
Payments on revolving line of credit		(412,666)	(1,448,742)
Proceeds from revolving line of credit		349,571	1,270,449
Repayment of senior notes	(199,992)		
Net change in asset securitization borrowings		(47,000)	(143,000)
Borrowings (payments) on term loan and other debt	(812)	6,537	(11,819)
Debt issuance costs		(23,714)	
Debt extinguishment costs	(7,514)		
Distribution to noncontrolling interest	(3,472)	(4,402)	(6,052)
Change in restricted cash	(27,954)		

Excess tax (deficit) benefit from stock-based compensation		(342)	334
Change in outstanding checks in excess of cash	(17,900)	5,288	(12,007)
Proceeds from stock transactions	2,445	884	1,915
Net cash used in financing activities	(255,199)	(125,844)	(348,922)
Effect of exchange rate changes on cash and cash equivalents	(10,272)	6,427	2,851
Net change in cash and cash equivalents	(177,241)	437,939	3,915
Cash and cash equivalents, beginning of year	531,458	93,519	89,604
Cash and cash equivalents, end of year	$ 354,217	531,458	93,519

See accompanying notes to consolidated financial statements.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
Years Ended December 31, 2010, 2009 and 2008
(In thousands, except per share data)

(1) Summary of Significant Accounting Policies

(a) Basis of Presentation

The consolidated financial statements include the accounts of Mohawk Industries, Inc. and its subsidiaries (the Company or Mohawk). All significant intercompany balances and transactions have been eliminated in consolidation.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(b) Reclassifications and adjustments

During the fourth quarter of 2010, the Company identified an immaterial error in its annual and interim consolidated financial statements included in its Form 10-K for 2009 and its Form 10-Qs for the quarters ended July 3 and October 2, 2010. The error related to the balance sheet misclassification of a redeemable noncontrolling interest, the accretion of a redemption feature in the noncontrolling interest (which decreases retained earnings), and the related earnings per share impact. In accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 480-10-S99-3 (ASC 480), formerly FASB Emerging Issues Task Force (EITF) Topic D-98, *Classification and Measurement of Redeemable Securities,* the Company reduced both basic and diluted earnings per share attributable to common stockholders by $0.04 for the quarter ended July 3, 2010 as a result of an adjustment to the fair value of a redeemable noncontrolling interest in a consolidated subsidiary of the Company (see Note 16). In addition, the Company reclassified $33,459 of its noncontrolling interest from within equity to mezzanine on its consolidated balance sheet as of December 31, 2009. The Company believes the correction of this error to be both quantitatively and qualitatively immaterial to its quarterly results for 2010 or to any of its previously issued consolidated financial statements. The correction had no impact on total assets, total liabilities, net earnings or cash flows as previously presented.

(c) Cash and Cash Equivalents and Restricted Cash

The Company considers investments with an original maturity of three months or less when purchased to be cash equivalents. As of December 31, 2010, the Company had invested cash of $334,830 in money market AAA rated cash investments of which $149,649 was in North America and $185,181 was in Europe. In addition, the Company had restricted cash of $27,954 under the control of an administrative agent and reserved $280,000 under its $600,000 four-year, senior, secured revolving credit facility (the ABL Facility) to repay the remaining amount outstanding of the 5.75% senior notes due January 15, 2011.

(d) Accounts Receivable and Revenue Recognition

The Company is principally a carpet, rugs, ceramic tile, laminate and hardwood flooring manufacturer and sells carpet, rugs, ceramic tile, natural stone, hardwood, resilient and laminate flooring products in the U.S. principally for residential and commercial use. In addition, the Company manufactures laminate and sells carpet, rugs, hardwood and

laminate flooring products in Europe principally for residential and commercial use. The Company grants credit to customers, most of whom are retail-flooring dealers and commercial end users, under credit terms that the Company believes are customary in the industry.

Table of Contents

Revenues, which are recorded net of taxes collected from customers, are recognized when there is persuasive evidence of an arrangement, delivery has occurred, the price has been fixed or is determinable, and collectability can be reasonably assured. The Company provides allowances for expected cash discounts, returns, claims, sales allowances and doubtful accounts based upon historical bad debt and claims experience and periodic evaluations of specific customer accounts and the aging of accounts receivable. Licensing revenues received from third parties for patents are recognized based on contractual agreements.

(e) Inventories

The Company accounts for all inventories on the first-in, first-out (FIFO) method. Inventories are stated at the lower of cost or market (net realizable value). Cost has been determined using the FIFO method. Costs included in inventory include raw materials, direct and indirect labor and employee benefits, depreciation, general manufacturing overhead and various other costs of manufacturing. Market, with respect to all inventories, is replacement cost or net realizable value. Inventories on hand are compared against anticipated future usage, which is a function of historical usage, anticipated future selling price, expected sales below cost, excessive quantities and an evaluation for obsolescence. Actual results could differ from assumptions used to value obsolete inventory, excessive inventory or inventory expected to be sold below cost and additional reserves may be required.

(f) Property, Plant and Equipment

Property, plant and equipment are stated at cost, including capitalized interest. Depreciation is calculated on a straight-line basis over the estimated remaining useful lives, which are 25-35 years for buildings and improvements, 5-15 years for machinery and equipment, the shorter of the estimated useful life or lease term for leasehold improvements and 3-7 years for furniture and fixtures.

(g) Goodwill and Other Intangible Assets

In accordance with the provisions of ASC 350 formerly Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets,* the Company tests goodwill and other intangible assets with indefinite lives for impairment on an annual basis in the fourth quarter (or on an interim basis if an event occurs that might reduce the fair value of the reporting unit below its carrying value). The Company considers the relationship between its market capitalization and its book value, among other factors, when reviewing for indicators of impairment. The goodwill impairment tests are based on determining the fair value of the specified reporting units based on management s judgments and assumptions using the discounted cash flows and comparable company market valuation approaches. The Company has identified Mohawk, Dal-Tile, Unilin Flooring, Unilin Chipboard and Melamine, and Unilin Roofing as its reporting units for the purposes of allocating goodwill and intangibles as well as assessing impairments. The valuation approaches are subject to key judgments and assumptions that are sensitive to change such as judgments and assumptions about appropriate sales growth rates, operating margins, weighted average cost of capital (WACC), and comparable company market multiples.

When developing these key judgments and assumptions, the Company considers economic, operational and market conditions that could impact the fair value of the reporting unit. However, estimates are inherently uncertain and represent only management s reasonable expectations regarding future developments. These estimates and the judgments and assumptions upon which the estimates are based will, in all likelihood, differ in some respects from actual future results. Should a significant or prolonged deterioration in economic conditions occur, such as continued declines in spending for new construction, remodeling and replacement activities; the inability to pass increases in the costs of raw materials and fuel on to customers; or a decline in comparable company market multiples, then key judgments and assumptions could be impacted.

The impairment evaluation for indefinite lived intangible assets, which for the Company are its trademarks, is conducted during the fourth quarter of each year, or more frequently if events or changes in circumstances indicate that an asset might be impaired. The determination of fair value used in the impairment evaluation is based on discounted estimates of future sales projections attributable to ownership of the

trademarks. Significant judgments inherent in this analysis include assumptions about appropriate sales growth rates, royalty rates, WACC and the amount of expected future cash flows. The judgments and assumptions used in the estimate of fair value are generally consistent with past performance and are also consistent with the projections and assumptions that are used in current operating plans. Such assumptions are subject to change as a result of changing economic and competitive conditions. The determination of fair value is highly sensitive to differences between estimated and actual cash flows and changes in the related discount rate used to evaluate the fair value of the trademarks. Estimated cash flows are sensitive to changes in the economy among other things. The impairment test for indefinite lived intangible assets involves a comparison of the estimated fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. The estimates of fair value of indefinite lived intangible assets are determined using a discounted cash flows valuation. Significant judgments inherent in this analysis include assumptions about appropriate sales growth rates, royalty rates, WACC and the amount of expected future cash flows. These judgments and assumptions are subject to the variability discussed above.

Intangible assets that do not have indefinite lives are amortized based on average lives, which range from 7-16 years.

(h) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company records interest and penalties related to unrecognized tax benefits in income taxes.

(i) Financial Instruments

The Company s financial instruments consist primarily of receivables, accounts payable, accrued expenses and long-term debt. The carrying amount of receivables, accounts payable and accrued expenses approximates its fair value because of the short-term maturity of such instruments. The carrying amount of the Company s floating rate debt approximates its fair value based upon level two fair value hierarchy. Interest rates that are currently available to the Company for issuance of long-term debt with similar terms and remaining maturities are used to estimate the fair value of the Company s long-term debt.

(j) Advertising Costs and Vendor Consideration

Advertising and promotion expenses are charged to earnings during the period in which they are incurred. Advertising and promotion expenses included in selling, general, and administrative expenses were $38,553 in 2010, $43,752 in 2009 and $53,643 in 2008.

Vendor consideration, generally cash, is classified as a reduction of net sales, unless specific criteria are met regarding goods or services that the vendor may receive in return for this consideration. The Company makes various payments to customers, including slotting fees, advertising allowances, buy-downs and co-op advertising. All of these payments reduce gross sales with the exception of co-op advertising. Co-op advertising is classified as a selling, general and administrative expense in accordance with ASC 605-50, formerly FASB, Emerging Issues Task Force 01-09, *Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor s Products).*

Co-op advertising expenses, a component of advertising and promotion expenses, were $4,660 in 2010, $3,809 in 2009 and $7,359 in 2008.

(k) Product Warranties

The Company warrants certain qualitative attributes of its flooring products. The Company has recorded a provision for estimated warranty and related costs, based on historical experience and periodically adjusts these provisions to reflect actual experience.

(l) Impairment of Long-Lived Assets

The Company reviews its long-lived asset groups, which include intangible assets subject to amortization, which for the Company are its patents and customer relationships, for impairment whenever events or changes in circumstances indicate that the carrying amount of such asset groups may not be recoverable. Recoverability of asset groups to be held and used is measured by a comparison of the carrying amount of long-lived assets to future undiscounted net cash flows expected to be generated by these asset groups. If such asset groups are considered to be impaired, the impairment recognized is the amount by which the carrying amount of the asset group exceeds the fair value of the asset group. Assets held for sale are reported at the lower of the carrying amount or fair value less estimated costs of disposal and are no longer depreciated.

(m) Foreign Currency Translation

The Company s subsidiaries that operate outside the United States use their local currency as the functional currency, with the exception of operations carried out in Canada and Mexico, in which case the functional currency is the U.S. dollar. Other than Canada and Mexico, the functional currency is translated into U.S. dollars for balance sheet accounts using the month end rates in effect as of the balance sheet date and average exchange rate for revenue and expense accounts for each respective period. The translation adjustments are deferred as a separate component of stockholders equity, within other comprehensive income (loss). Gains or losses resulting from transactions denominated in foreign currencies are included in other income or expense, within the consolidated statements of operations. The assets and liabilities of the Company s Canada and Mexico operations are re-measured using a month end rate, except for non-monetary assets and liabilities, which are re-measured using the historical exchange rate. Income and expense accounts are re-measured using an average monthly rate for the period, except for expenses related to those balance sheet accounts that are re-measured using historical exchange rates. The resulting re-measurement adjustment is reported in the consolidated statements of operations when incurred.

(n) Earnings per Share (EPS)

Basic net earnings per share (EPS) is calculated using net earnings available to common stockholders divided by the weighted-average number of shares of common stock outstanding during the year. Diluted EPS is similar to basic EPS except that the weighted-average number of shares is increased to include the number of additional common shares that would have been outstanding if the potentially dilutive common shares had been issued.

Dilutive common stock options are included in the diluted EPS calculation using the treasury stock method. Common stock options and unvested restricted shares (units) that were not included in the diluted EPS computation because the price was greater than the average market price of the common shares for the periods presented were 1,203, 1,413 and 1,099 for 2010, 2009 and 2008, respectively. For 2009 and 2008, all outstanding common stock options to purchase common shares and unvested restricted shares (units) were excluded from the calculation of diluted loss per share because their effect on net loss per common share was anti-dilutive.

Table of Contents

Computations of basic and diluted earnings (loss) per share are presented in the following table:

	Years Ended December 31,		
	2010	2009	2008
Net earnings (loss) attributable to Mohawk Industries, Inc.	$ 185,471	(5,499)	(1,458,228)
Accretion of redeemable noncontrolling interest(1)	(3,244)		
Net earnings (loss) available to common stockholders	$ 182,227	(5,499)	(1,458,228)
Weighted-average common shares outstanding-basic and diluted:			
Weighted-average common shares outstanding basic	68,578	68,452	68,401
Add weighted-average dilutive potential common shares options and RSU s to purchase common shares, net	206		
Weighted-average common shares outstanding-diluted	68,784	68,452	68,401
Basic earnings (loss) per share attributable to Mohawk Industries, Inc.	$ 2.66	(0.08)	(21.32)
Diluted earnings (loss) per share attributable to Mohawk Industries, Inc.	$ 2.65	(0.08)	(21.32)

(1) Amount represents the adjustment to fair value of a redeemable noncontrolling interest in a consolidated subsidiary of the Company.

(o) Stock-Based Compensation

The Company recognizes compensation expense for all share-based payments granted based on the grant-date fair value estimated in accordance with ASC 718-10, formerly SFAS No 123R, *Stock Compensation* . Compensation expense is generally recognized on a straight-line basis over the award s estimated lives for fixed awards with ratable vesting provisions.

(p) Comprehensive Income

Comprehensive income includes foreign currency translation of assets and liabilities of foreign subsidiaries, effects of exchange rate changes on intercompany balances of a long-term nature and transactions and derivative financial instruments designated as cash flow hedges. The Company does not provide income taxes on currency translation adjustments, as earnings from foreign subsidiaries are considered to be indefinitely reinvested.

Amounts recorded in accumulated other comprehensive income on the Consolidated Statements of Equity and Comprehensive Income (Loss) for the years ended December 31, 2010, 2009 and 2008 are as follows:

	Foreign Translation	Hedge

	Adjustment	Instruments	Pensions	Tax Expense (Benefit)	Total
December 31, 2008	$ 260,093	(11,150)	1,649	3,943	254,535
2009 activity	36,089	11,150	(914)	(3,943)	42,382
December 31, 2009	296,182		735		296,917
2010 activity	(119,200)		380		(118,820)
December 31, 2010	$ 176,982		1,115		178,097

(q) Recent Accounting Pronouncements

In June 2009, the FASB issued ASC 860, formerly SFAS No. 166, *Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140* . ASC 860 seeks to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial

statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor s continuing involvement, if any, in transferred financial assets. Specifically, ASC 860 eliminates the concept of a qualifying special-purpose entity, creates more stringent conditions for reporting a transfer of a portion of a financial asset as a sale, clarifies other sale-accounting criteria, and changes the initial measurement of a transferor s interest in transferred financial assets. ASC 860 is effective for annual and quarterly reporting periods that begin after November 15, 2009. The Company s adoption of ASC 860 on January 1, 2010 did not have a material impact on the Company s consolidated financial statements.

In June 2009, FASB issued ASC 810, formerly SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)* . ASC 810 amends FASB Interpretation No. 46(R), *Variable Interest Entities* , for determining whether an entity is a variable interest entity (VIE) and requires an enterprise to perform an analysis to determine whether the enterprise s variable interest or interests give it a controlling financial interest in a VIE. Under ASC 810, an enterprise has a controlling financial interest when it has a) the power to direct the activities of a VIE that most significantly impact the entity s economic performance and b) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. ASC 810 also requires an enterprise to assess whether it has an implicit financial responsibility to ensure that a VIE operates as designed when determining whether it has power to direct the activities of the VIE that most significantly impact the entity s economic performance. ASC 810 also requires ongoing assessments of whether an enterprise is the primary beneficiary of a VIE, requires enhanced disclosures and eliminates the scope exclusion for qualifying special-purpose entities. ASC 810 is effective for annual and quarterly reporting periods that begin after November 15, 2009. The Company s adoption of ASC 810 on January 1, 2010 did not have a material impact on the Company s consolidated financial statements.

(r) Fiscal Year

The Company ends its fiscal year on December 31. Each of the first three quarters in the fiscal year ends on the Saturday nearest the calendar quarter end.

(2) Acquisitions

The Company acquired a 34% equity investment in a leading manufacturer and distributor of ceramic tile in China in the Dal-Tile segment for $79,917 in 2010, a business in the Unilin segment for $5,604 in 2009 and certain stone center assets in the Dal-Tile segment for $8,276 in 2008.

(3) Receivables

Receivables are as follows:

	2010	2009
Customers, trade	$ 621,539	633,571
Income tax receivable	11,027	72,515
Other	27,662	30,654
	660,228	736,740
Less allowance for discounts, returns, claims and doubtful accounts	45,755	62,809
Receivables, net	$ 614,473	673,931

Table of Contents

The following table reflects the activity of allowances for discounts, returns, claims and doubtful accounts for the years ended December 31:

	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Deductions(1)	Balance at End of Year
2008	$ 56,310	274,337	268,269	62,378
2009	62,378	205,145	204,714	62,809
2010	62,809	170,274	187,328	45,755

(1) Represents charge-offs, net of recoveries.

(4) Inventories

The components of inventories are as follows:

	2010	2009
Finished goods	$ 624,082	559,340
Work in process	97,257	84,414
Raw materials	286,164	249,227
Total inventories	$ 1,007,503	892,981

(5) Goodwill and Other Intangible Assets

The Company conducted its annual assessment in the fourth quarter of 2010 and determined the fair values of its reporting units exceeded their carrying values. As a result, no impairment was indicated. During 2008, the Company recorded a $1,543,397 impairment charge to reduce the carrying amount of the Company s goodwill and intangible assets to their estimated fair value based upon the results of two interim impairment tests. The total impairment included $276,807 in the Mohawk segment, $531,930 in the Dal-Tile segment and $734,660 in the Unilin segment.

Table of Contents

The following table summarizes the components of intangible assets:

Goodwill:

	Mohawk	Dal-Tile	Unilin	Total
Balances as of December 31, 2008				
Goodwill	$ 199,132	1,186,913	1,340,814	2,726,859
Accumulated impairments losses	(199,132)	(531,930)	(596,363)	(1,327,425)
		654,983	744,451	1,399,434
Goodwill recognized during the year			1,288	1,288
Currency translation during the year			10,406	10,406
Balances as of December 31, 2009				
Goodwill	199,132	1,186,913	1,352,508	2,738,553
Accumulated impairments losses	(199,132)	(531,930)	(596,363)	(1,327,425)
		654,983	756,145	1,411,128
Goodwill recognized during the year			141	141
Currency translation during the year			(41,875)	(41,875)
Balances as of December 31, 2010				
Goodwill	199,132	1,186,913	1,310,774	2,696,819
Accumulated impairments losses	(199,132)	(531,930)	(596,363)	(1,327,425)
	$	654,983	714,411	1,369,394

During 2010 and 2009, the Company recorded additional goodwill of $141 and $1,288, respectively, in the Unilin segment related to a business acquisition.

Intangible assets:

	Tradenames
Indefinite life assets not subject to amortization:	
Balance as of December 31, 2008	$ 472,399
Currency translation during the year	5,208
Balance as of December 31, 2009	477,607
Currency translation during the year	(20,717)
Balance as of December 31, 2010	$ 456,890

	Customer Relationships	Patents	Other	Total
Intangible Assets Subject to Amortization:				
Balance as of December 31, 2008	$ 204,064	171,387		375,451
Intangible assets recognized during the year	972		1,496	2,468
Amortization during year	(47,175)	(26,812)	(68)	(74,055)
Currency translation during the year	1,441	2,433	(3)	3,871
Balance as of December 31, 2009	159,302	147,008	1,425	307,735
Amortization during year	(45,679)	(23,714)	(120)	(69,513)
Currency translation during the year	(7,191)	(10,774)	(20)	(17,985)
Balance as of December 31, 2010	$ 106,432	112,520	1,285	220,237

	Years Ended December 31,		
	2010	2009	2008
Amortization expense	$ 69,513	74,055	78,567

Estimated amortization expense for the years ending December 31, are as follows:

2011	$ 67,411
2012	58,061
2013	21,869
2014	19,974
2015	17,676

(6) Property, Plant and Equipment

Following is a summary of property, plant and equipment:

	2010	2009
Land	$ 186,406	195,171
Buildings and improvements	703,939	722,533
Machinery and equipment	2,361,605	2,348,689
Furniture and fixtures	82,287	80,722
Leasehold improvements	54,156	54,995
Construction in progress	129,999	67,415
	3,518,392	3,469,525
Less accumulated depreciation and amortization	1,831,268	1,678,113
Net property, plant and equipment	$ 1,687,124	1,791,412

Property, plant and equipment included capitalized interest of $4,240, $4,469 and $6,419 in 2010, 2009 and 2008, respectively. Depreciation expense was $218,649, $223,453 and $212,281 for 2010, 2009 and 2008, respectively. Included in the property, plant and equipment are capital leases with a cost of $8,113 and $37,846 and accumulated depreciation of $5,420 and $8,348 as of December 31, 2010 and 2009, respectively.

(7) Long-Term Debt

On September 2, 2009, the Company entered into the ABL Facility in connection with the replacement of the Company s then-existing senior, unsecured, revolving credit facility (the Senior Unsecured Facility). At the time of its termination, the Senior Unsecured Facility consisted of a $650,000 revolving credit facility, which was to mature on October 28, 2010. The ABL Facility provides for a maximum of $600,000 of revolving credit, subject to borrowing base availability, including limited amounts of credit in the form of letters of credit and swingline loans. The

borrowing base is equal to specified percentages of eligible accounts receivable and inventories of the borrowers under the ABL Facility, which are subject to seasonal variations, less reserves established in good faith by the Administrative Agent under the ABL Facility. All obligations under the ABL Facility, and the guarantees of those obligations, are secured by a security interest in certain accounts receivable, inventories, certain deposit and securities accounts, tax refunds and other personal property (excluding intellectual property) directly relating to, or arising from, and proceeds of any of the foregoing. On June 1, 2010, the Company amended the ABL Facility to, among other things, reduce the applicable interest rate margins on loans and reduce the commitment fees.

At the Company s election, revolving loans under the ABL Facility bear interest at annual rates equal to either (a) LIBOR for 1, 2, 3 or 6 month periods, as selected by the Company, plus an applicable margin ranging between 2.75% and 3.25%, or (b) the higher of the prime rate, the Federal Funds rate plus 0.5%, or a one-month LIBOR rate, plus an applicable margin ranging between 1.25% and 1.75%. The Company also pays a commitment fee to the lenders under the ABL Facility on the average amount by which the aggregate

commitments of the lenders exceed utilization of the ABL Facility equal to 0.65% per annum during any quarter that this excess is 50% or more and 0.50% per annum during any quarter that this excess is less than 50%.

The ABL Facility includes certain affirmative and negative covenants that impose restrictions on the Company s financial and business operations, including limitations on debt, liens, investments, fundamental changes, asset dispositions, dividends and other similar restricted payments, transactions with affiliates, payments and modifications of certain existing debt, future negative pledges, and changes in the nature of the Company s business. The Company is also required to maintain a fixed charge coverage ratio of 1.1 to 1.0 during any period that the unutilized amount available under the ABL Facility is less than 15% of the lenders aggregated commitments.

The ABL Facility is scheduled to mature on September 2, 2013 but the maturity date will accelerate, including the acceleration of any unamortized deferred financing costs, to January 15, 2012, if the Company s outstanding 7.20% senior notes due April 15, 2012 have not been repaid, refinanced, defeased or adequately reserved for by the Company, as reasonably determined by the Administrative Agent, prior to January 15, 2012. The Company believes it will be able to make adequate reserves for such senior notes with cash and cash equivalents, unutilized borrowings under the ABL and other uncommitted financing sources, including new public debt offerings or bank facilities, although there can be no assurances that the Company will be able to complete any necessary financing transactions prior to the relevant date under the ABL Facility or the April 15, 2012 maturity date.

As of December 31, 2010, the amount utilized under the ABL Facility was $387,091 resulting in a total of $169,614 available under the ABL Facility. The amount utilized included the reserved amount of $280,000 related to the repayment of the Company s outstanding 5.75% senior notes due January 15, 2011, discussed below, $53,542 of standby letters of credit guaranteeing the Company s industrial revenue bonds and $53,549 of standby letters of credit related to various insurance contracts and foreign vendor commitments. Immediately following the repayment of the 5.75% senior notes due January 15, 2011 at maturity, discussed below, a total of $289,610 was available under the ABL Facility.

On January 17, 2006, the Company issued $900,000 million aggregate principal amount of 6.125% notes due 2016. Interest payable on these notes is subject to adjustment if either Moody s Investors Service, Inc. (Moody s) or Standard & Poor s Ratings Services (Standard & Poor s), or both, downgrades the rating assigned to the notes. Each rating agency downgrade results in a 0.25% increase in the interest rate, subject to a maximum increase of 1% per rating agency. If later the rating of these notes improves, then the interest rates would be reduced accordingly. Each 0.25% increase in the interest rate of these notes would increase the Company s interest expense by approximately $63 per quarter per $100,000 of outstanding notes. Currently, the interest rates have been increased by an aggregate amount of 0.75% as a result of downgrades by Moody s and Standard & Poor s during 2009. Additional downgrades in the Company s credit ratings could further increase the cost of its existing credit and adversely affect the cost of and ability to obtain additional credit in the future.

On April 12, 2010, the Company purchased for cash approximately $200,000 aggregate principal amount of its outstanding 5.75% senior notes due January 15, 2011 at a price equal to 103.5% of the principal amount, which resulted in a premium to tendering noteholders of approximately $7,000. The premium and fees of $514 associated with the cash tender are included in interest expense on the 2010 consolidated statement of operations. On October 14, 2010, the Company deposited $27,942 of cash in a restricted account under the control of the Administrative Agent and reserved $280,000 on the ABL Facility to repay the remaining amount outstanding of the 5.75% senior notes due January 15, 2011, which actions were determined by the Administrative Agent to adequately reserve (for purposes of the ABL Facility) for the repayment of such notes. Subsequent to the balance sheet date, the Company repaid the 5.75% senior notes due January 15, 2011 at maturity, including accrued interest, using approximately $170,000 of available cash and borrowings of approximately $138,000 million under the ABL Facility.

In 2002, the Company issued $400,000 aggregate principal amount of its senior 7.20% notes due April 15, 2012.

Table of Contents

The fair value and carrying value of the Company s debt instruments are detailed as follows:

	2010		2009	
	Fair Value	Carrying Value	Fair Value	Carrying Value
5.75% notes, payable January 15, 2011 interest payable semiannually	$ 296,459	298,248	508,703	498,240
7.20% senior notes, payable April 15, 2012 interest payable semiannually	422,400	400,000	418,400	400,000
6.125% notes, payable January 15, 2016 interest payable semiannually	963,000	900,000	891,900	900,000
Industrial revenue bonds, capital leases and other	55,334	55,334	56,239	56,239
Total long-term debt	1,737,193	1,653,582	1,875,242	1,854,479
Less current portion	348,799	350,588	52,907	52,907
Long-term debt, less current portion	$ 1,388,394	1,302,994	1,822,335	1,801,572

The fair values of the Company s debt instruments were estimated using market observable inputs, including quoted prices in active markets, market indices and interest rate measurements. Within the hierarchy of fair value measurements, these are Level 2 fair values.

The aggregate maturities of long-term debt as of December 31, 2010 are as follows:

2011	$ 350,588
2012	401,469
2013	433
2014	365
2015	258
Thereafter	900,469
	$ 1,653,582

(8) Accounts Payable, Accrued Expenses and Deferred Tax Liability

Accounts payable and accrued expenses are as follows:

	2010	2009
Outstanding checks in excess of cash	$	17,900
Accounts payable, trade	353,387	335,401
Accrued expenses	147,595	169,730

Product warranties	37,265	66,545
Accrued interest	45,696	52,743
Income taxes payable	9,301	85,699
Deferred tax liability	5,089	2,836
Accrued compensation and benefits	99,993	100,261
Total accounts payable and accrued expenses	$ 698,326	831,115

(9) Product Warranties

The Company warrants certain qualitative attributes of its products for up to 50 years. The Company records a provision for estimated warranty and related costs in accrued expenses, based on historical experience and periodically adjusts these provisions to reflect actual experience.

Product warranties are as follows:

	2010	2009	2008
Balance at beginning of year	$ 66,545	56,460	46,187
Warranty claims paid during the year	(77,017)	(167,053)	(81,586)
Pre-existing warranty accrual adjustment during the year(1)	2,261	125,124	
Warranty expense during the year(1)	45,476	52,014	91,859
Balance at end of year	$ 37,265	66,545	56,460

(1) The increase in warranty expense in 2009 and 2008 relates primarily to certain commercial carpet tiles that were discontinued in early 2009.

(10) Stock Options, Stock Compensation and Treasury Stock

The Company recognizes compensation expense for all share-based payments granted based on the grant-date fair value estimated in accordance with the provisions of ASC 718-10. Compensation expense is recognized on a straight-line basis over the award s estimated lives for fixed awards with ratable vesting provisions.

Under the Company s 2007 Incentive Plan (2007 Plan), which was approved by the Company s stockholders on May 16, 2007, the Company reserved up to a maximum of 3,200 shares of common stock for issuance upon the grant or exercise of stock options, restricted stock, restricted stock units (RSU s) and other types of awards, to directors and key employees through 2017. Option awards are granted with an exercise price equal to the market price of the Company s common stock on the date of the grant and generally vest between three and five years with a 10-year contractual term. Restricted stock and RSU s are granted with a price equal to the market price of the Company s common stock on the date of the grant and generally vest between three and five years.

Additional information relating to the Company s stock option plans follows:

	2010	2009	2008
Options outstanding at beginning of year	1,481	1,506	1,455
Options granted	40	76	146
Options exercised	(74)	(35)	(46)
Options forfeited and expired	(76)	(66)	(49)
Options outstanding at end of year	1,371	1,481	1,506
Options exercisable at end of year	1,160	1,165	1,035
Option prices per share:			
Options granted during the year	$ 46.80	28.37	74.47

Options exercised during the year	$ 16.66-57.88	16.66-48.50	19.63-73.45
Options forfeited and expired during the year	$ 22.63-93.65	19.94-93.65	16.66-93.65
Options outstanding at end of year	$ 28.37-93.65	16.66-93.65	16.66-93.65
Options exercisable at end of year	$ 28.37-93.65	16.66-93.65	16.66-93.65

During 1996, the Company adopted the 1997 Non-Employee Director Stock Compensation Plan. The plan provides for awards of common stock of the Company for non-employee directors to receive in lieu of cash for their annual retainers. During 2010, 2009 and 2008, a total of 4, 3 and 2 shares, respectively, were awarded to the non-employee directors under the plan.

Table of Contents

In addition, the Company maintains an employee incentive program that awards restricted stock on the attainment of certain service criteria. The outstanding awards related to these programs and related compensation expense was not significant for any of the years ended December 31, 2010, 2009 and 2008.

The Company s Board of Directors has authorized the repurchase of up to 15,000 shares of the Company s outstanding common stock. During 2010, the Company repurchased approximately 6 shares at an average price of $56.94 in connection with the exercise of stock options under the Company s 2007 Incentive Plan. For the year ended December 31, 2009 and 2008, no shares of the Company s common stock were purchased. Since the inception of the program, a total of approximately 11,518 shares have been repurchased at an aggregate cost of approximately $335,110. All of these repurchases have been financed through the Company s operations and banking arrangements.

The fair value of option awards is estimated on the date of grant using the Black-Scholes-Merton valuation model that uses the assumptions noted in the following table. Expected volatility is based on the historical volatility of the Company s common stock and other factors. The Company uses historical data to estimate option exercise and forfeiture rates within the valuation model. Optionees that exhibit similar option exercise behavior are segregated into separate groups within the valuation model. The expected term of options granted represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on U.S. Treasury yields in effect at the time of the grant for the expected term of the award.

	2010	2009	2008
Dividend yield			
Risk-free interest rate	2.3%	1.7%	2.9%
Volatility	45.2%	35.3%	24.0%
Expected life (years)	5	5	5

A summary of the Company s options under the 2007 Plan as of December 31, 2010, and changes during the year then ended is presented as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Options outstanding December 31, 2009	1,481	$ 70.11		
Granted	40	46.80		
Exercised	(74)	33.16		
Forfeited and expired	(76)	69.35		
Options outstanding, December 31, 2010	1,371	71.48	4.0	$ 3,765
Vested and expected to vest as of December 31, 2010	1,360	$ 71.60	4.0	$ 3,664

Exercisable as of December 31, 2010	1,160	$	73.72	3.4	$	1,839

The weighted-average grant-date fair value of an option granted during 2010, 2009 and 2008 was $19.10, $9.17 and $20.26, respectively. The total intrinsic value of options exercised during the years ended December 31, 2010, 2009, and 2008 was $1,714, $809 and $1,169, respectively. Total compensation expense recognized for the years ended December 31, 2010, 2009 and 2008 was $2,436 ($1,543, net of tax), $4,552 ($2,884, net of tax) and $6,646 ($4,210, net of tax), respectively, which was allocated to selling, general and administrative expenses. The remaining unamortized expense for non-vested compensation expense as of December 31, 2010 was $1,919 with a weighted average remaining life of 1.7 years.

Table of Contents

The following table summarizes information about the Company s stock options outstanding as of December 31, 2010:

	Outstanding			Exercisable	
Exercise Price Range	Number of Shares	Average Life	Average Price	Number of Shares	Average Price
Under $49.09	234	4.7	$ 41.01	140	$ 44.23
$53.01-$69.46	241	1.5	62.40	241	62.40
$69.95-$74.47	312	4.8	73.87	227	73.65
$74.93-$84.85	242	4.5	82.38	221	82.48
$86.51-$88.00	45	4.9	87.63	45	87.63
$88.33-$93.65	297	4.1	89.00	286	88.83
Total	1,371	4.0	$ 71.48	1,160	$ 73,72

A summary of the Company s RSUs under the 2007 Plan as of December 31, 2010, and changes during the year then ended is presented as follows:

	Shares	Weighted Average Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Restricted Stock Units outstanding, December 31, 2009	359	$ 60.69		
Granted	149	50.87		
Released	(95)	77.62		
Forfeited	(9)	46.00		
Restricted Stock Units outstanding, December 31, 2010	404	47.42	3.4	$ 22,906
Vested and expected to vest as of December 31, 2010	343	$ 47.42	2.8	$ 19,474

The Company recognized stock-based compensation costs related to the issuance of RSU s of $4,262 ($2,700, net of taxes), $5,009 ($3,173, net of taxes) and $4,977 ($3,153, net of taxes) for the years ended December 31, 2010, 2009 and 2008, respectively, which has been allocated to selling, general and administrative expenses. Pre-tax unrecognized compensation expense for unvested RSU s granted to employees, net of estimated forfeitures, was $8,766 as of December 31, 2010, and will be recognized as expense over a weighted-average period of approximately 4.0 years.

Additional information relating to the Company s RSUs under the 2007 Plan is as follows:

	2010	2009	2008
Restricted Stock Units outstanding, January 1	359	187	137
Granted	149	204	72
Released	(95)	(22)	(15)
Forfeited	(9)	(10)	(7)
Restricted Stock Units outstanding, December 31	404	359	187
Vested and expected to vest as of December 31	343	317	175

(11) Employee Benefit Plans

The Company has a 401(k) retirement savings plan (the Mohawk Plan) open to substantially all of its employees within the Mohawk segment, Dal-Tile segment and certain U.S. employees of the Unilin segment,

who have completed 90 days of eligible service. For the Mohawk segment, the Company contributes $0.50 for every $1.00 of employee contributions up to a maximum of 4% of the employee s salary and an additional $0.25 for every $1.00 of employee contributions in excess of 4% of the employee s salary up to a maximum of 6%. For the Dal-Tile and Unilin segments, the Company contributes $.50 for every $1.00 of employee contributions up to a maximum of 6% of the employee s salary. Employee and employer contributions to the Mohawk Plan were $33,071 and $13,062 in 2010, $34,838 and $13,822 in 2009 and $40,393 and $16,024 in 2008, respectively. The Company also made a discretionary contribution to the Mohawk Plan of approximately $1,908 and $4,211 in 2009 and 2008, respectively. The Company discontinued the discretionary match on January 1, 2010.

The Company also has various pension plans covering employees in Belgium, France, and The Netherlands (the Non-U.S. Plans) that it acquired with the acquisition of Unilin. Benefits under the Non-U.S. Plans depend on compensation and years of service. The Non-U.S. Plans are funded in accordance with local regulations. The Company uses December 31 as the measurement date for its Non-U.S. Plans.

Components of the net periodic benefit cost of the Non-U.S. Plans are as follows:

	2010	2009	2008
Service cost of benefits earned	$ 1,506	1,315	1,881
Interest cost on projected benefit obligation	1,219	1,352	1,245
Expected return on plan assets	(1,025)	(1,069)	(993)
Amortization of actuarial gain	4	(322)	(29)
Effect of curtailments and settlements		(200)	
Net pension expense	$ 1,704	1,076	2,104

Assumptions used to determine net periodic pension expense for the Non-U.S. Plans:

	2010	2009
Discount rate	5.00%	6.00%-6.60%
Expected rate of return on plan assets	4.00%-5.00%	4.50%-6.60%
Rate of compensation increase	0.00%-3.00%	0.00%-4.00%
Underlying inflation rate	2.00%	2.25%

Table of Contents

The obligations, plan assets and funding status of the Non-U.S. Plans were as follows:

	2010	2009
Change in benefit obligation:		
Projected benefit obligation at end of prior year	$ 25,468	20,090
Cumulative foreign exchange effect	(1,850)	458
Service cost	1,506	1,315
Interest cost	1,219	1,352
Plan participants contributions	720	763
Actuarial loss	863	2,588
Benefits paid	(949)	(687)
Effect of curtailment and settlement		(411)
Projected benefit obligation at end of year	$ 26,977	25,468
Change in plan assets:		
Fair value of plan assets at end of prior year	$ 21,841	16,371
Cumulative foreign exchange effect	(1,599)	306
Actual return on plan assets	2,324	3,234
Employer contributions	1,771	2,059
Benefits paid	(949)	(687)
Plan participant contributions	720	763
Effect of settlement	-	(205)
Fair value of plan assets at end of year	$ 24,108	21,841
Funded status of the plans:		
Ending funded status	$ (2,869)	(3,627)
Net amount recognized in consolidated balance sheets:		
Accrued expenses (current liability)	$	
Accrued benefit liability (non-current liability)	(2,869)	(3,628)
Accumulated other comprehensive income	(1,115)	(735)
Net amount recognized	$ (3,984)	(4,363)

The Company s net amount recognized in other comprehensive income related to actuarial gains (losses) was $380, $(914) and $(384) for the years ended December 31, 2010, 2009 and 2008, respectively.

Assumptions used to determine the projected benefit obligation for the Non-U.S. Plans were as follows:

	2010	2009
Discount rate	4.75%	5.00%

Rate of compensation increase	0.00%-3.00%	0.00%-6.00%
Underlying inflation rate	2.00%	2.00%

The discount rate assumptions used to account for pension obligations reflect the rates at which the Company believes these obligations will be effectively settled. In developing the discount rate, the Company

evaluated input from its actuaries, including estimated timing of obligation payments and yield on investments. The rate of compensation increase for the Non-U.S. Plans is based upon the Company s annual reviews.

	Non-U.S. Plans	
	2010	**2009**
Plans with accumulated benefit obligations in excess of plan assets:		
Projected benefit obligation	$ 17,236	10,251
Accumulated benefit obligation	16,122	8,585
Fair value of plan assets	15,356	7,907
Plans with plan assets in excess of accumulated benefit obligations:		
Projected benefit obligation	$ 9,741	15,217
Accumulated benefit obligation	8,132	13,242
Fair value of plan assets	8,752	13,934

Estimated future benefit payments for the Non-U.S. Plans are $891 in 2011, $834 in 2012, $974 in 2013, $1,029 in 2014, $1,454 in 2015 and $8,304 in total for 2016-2020.

The Company expects to make cash contributions of $1,944 to the Non-U.S. Plans in 2011.

The fair value of the Non-U.S. Plans investments were estimated using market observable data. Within the hierarchy of fair value measurements, these investments represent Level 2 fair values. The fair value and percentage of each asset category of the total investments held by the plans as of December 31, 2010 and 2009 were as follows:

	2010	**2009**
Non-U.S. Plans:		
Insurance contracts	$ 24,108	21,841

The Company s investment policy:

	2010	**2009**
Non-U.S. Plans:		
Insurance contracts	100.0%	100.0%

The Company s approach to developing its expected long-term rate of return on pension plan assets combines an analysis of historical investment performance by asset class, the Company s investment guidelines and current and expected economic fundamentals.

(12) Income Taxes

Following is a summary of earnings (loss) from continuing operations before income taxes for United States and foreign operations:

	2010	2009	2008
United States	$ 39,332	(205,737)	(847,624)
Foreign	153,316	128,024	(424,848)
Earnings (loss) before income taxes	$ 192,648	(77,713)	(1,272,472)

Table of Contents

Income tax expense (benefit) for the years ended December 31, 2010, 2009 and 2008 consists of the following:

	2010	2009	2008
Current income taxes:			
U.S. federal	$ 14,052	(78,051)	61,186
State and local	1,514	1,139	8,248
Foreign	8,427	20,797	41,232
Total current	23,993	(56,115)	110,666
Deferred income taxes:			
U.S. federal	(8,578)	18,082	(91,813)
State and local	18,562	(6,931)	(7,511)
Foreign	(31,264)	(31,730)	168,720
Total deferred	(21,280)	(20,579)	69,396
Total	$ 2,713	(76,694)	180,062

Income tax expense (benefit) attributable to earnings (loss) before income taxes differs from the amounts computed by applying the U.S. statutory federal income tax rate to earnings (loss) before income taxes as follows:

	2010	2009	2008
Income taxes at statutory rate	$ 67,427	(27,200)	(445,365)
State and local income taxes, net of federal income tax benefit	2,358	(3,874)	(4,113)
Foreign income taxes	(21,389)	(12,840)	(380)
Change in valuation allowance	(17,139)	12,214	276,801
Goodwill impairment			406,577
Notional interest		(55,956)	(63,694)
Tax contingencies and audit settlements	(3,447)	9,634	4,990
Acquisition related tax contingencies	(30,162)		
Change in statutory tax rate	(49)	101	(254)
Other, net	5,114	1,227	5,500
	$ 2,713	(76,694)	180,062

Table of Contents

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 2010 and 2009 are presented below:

	2010	2009
Deferred tax assets:		
Accounts receivable	$ 12,808	22,843
Inventories	46,981	46,536
Accrued expenses and other	89,549	102,665
Deductible state tax and interest benefit	15,441	24,801
Intangibles	164,945	199,660
Federal, foreign and state net operating losses and credits	201,337	214,955
Gross deferred tax assets	531,061	611,460
Valuation allowance	(325,127)	(365,944)
Net deferred tax assets	205,934	245,516
Deferred tax liabilities:		
Inventories	(4,358)	(5,089)
Plant and equipment	(269,340)	(279,668)
Intangibles	(144,120)	(160,429)
LIFO change in accounting method		(12,850)
Other liabilities	(5,338)	(30,144)
Gross deferred tax liabilities	(423,156)	(488,180)
Net deferred tax liability(1)	$ (217,222)	(242,664)

(1) This amount includes $1,066 and $85 of non-current deferred tax assets which are in deferred income taxes and other non-current assets and $5,089 and $2,836 current deferred tax liabilities which are included in accounts payable and accrued expenses in the consolidated balance sheets as of December 31, 2010 and 2009, respectively.

Management believes it is more likely than not the Company will realize the benefits of these deductible differences, with the exception of certain carryforward deferred tax assets discussed below, based upon the expected reversal of deferred tax liabilities and the level of historic and forecasted taxable income over periods in which the deferred tax assets are deductible.

In accordance with ASC 350, the Company is required to test goodwill and indefinite-lived assets for impairment annually, or more often if an event or circumstance indicates that an impairment loss may have been incurred. In 2008, the Company recorded a non-cash pretax impairment charge of $1,543,397 to reduce the carrying value of goodwill and other intangibles. The tax impact was to book an expense of $406,577 related to the portion of the impaired assets that are non-deductible for tax purposes.

The Company evaluates its ability to realize the tax benefits associated with deferred tax assets by analyzing its forecasted taxable income using both historic and projected future operating results, the reversal of existing temporary differences, taxable income in prior carry-back years (if permitted) and the availability of tax planning strategies. The valuation allowance as of December 31, 2010 and 2009 is $325,127 and $365,944, respectively. The December 31, 2010 valuation allowance relates to net operating losses and tax credits of $162,275 and intangibles of $162,852. The December 31, 2009 valuation allowance relates to net operating losses and tax credits of $168,773 and intangibles of $197,171. For 2010, the total change in the valuation allowance was a decrease of $40,817, which includes $22,046 primarily related to foreign currency translation, $17,139 related to European deferred tax assets and a non-P&L charge of $1,632 primarily related to current year state tax credits which have a full valuation allowance, and foreign net operating losses.

As of December 31, 2010, the Company has a federal net operating loss carryforward of $17,174. The Company also has state net operating loss carryforwards and state tax credits with potential tax benefits of $49,244, net of federal income tax benefit; these carryforwards expire over various periods based on taxing jurisdiction. A valuation allowance totaling $39,178 has been recorded against these deferred tax assets as of December 31, 2010. In addition, as of December 31, 2010, the Company has net operating loss carryforwards in various foreign jurisdictions of $134,918. A valuation allowance totaling $123,097 has been recorded against these deferred tax assets as of December 31, 2010.

In the fourth quarter of 2007, the Company moved the intellectual property and treasury operations of an indirectly owned European entity to a new office in another jurisdiction in Europe. The Company also indirectly owned a holding company in the new jurisdiction that provided certain treasury functions to Unilin, and the move allowed for the consolidation of the historical intellectual property and treasury operations to be combined with those of the holding company s treasury operations in a single jurisdiction in order to integrate and streamline the operations, to facilitate international acquisitions and to improve tax and cost efficiencies. This restructuring resulted in a step up in the subsidiary s taxable basis of its intellectual property. The step up relates primarily to intangible assets which will be amortized over 10 years for tax purposes. During the fourth quarter of 2007, the Company evaluated the evidence for recognition of the deferred tax asset created through the restructuring and determined that, based on the available evidence, the deferred tax asset would more likely than not be realized. The deferred tax asset recognized as of December 31, 2007 was approximately $245,000 and the related income tax benefit recognized in the consolidated financial statements was approximately $272,000.

During the third quarter of 2008, the Company reassessed the need for a valuation allowance against its deferred tax assets. Actual cash flows have been less than those projected as of December 31, 2007, primarily due to the slowing worldwide economy and declining sales volume. The Company determined that, given the current and expected economic conditions and the corresponding reductions in cash flows, its ability to realize the benefit of the deferred tax asset related to the European step up transaction described above, as well as tax losses generated in the same jurisdiction was not more likely than not. Accordingly, the Company recorded a valuation allowance against the deferred tax asset in the amount of $252,751 during the quarter ended September 27, 2008.

The Company does not provide for U.S. federal and state income taxes on the cumulative undistributed earnings of its foreign subsidiaries because such earnings are deemed to be permanently reinvested. As of December 31, 2010 and 2009, the Company had not provided federal income taxes on earnings of approximately $748,000 and $723,000, respectively, from its foreign subsidiaries. Should these earnings be distributed in the form of dividends or otherwise, the Company would be subject to both U.S. income taxes and withholding taxes in various foreign jurisdictions. These taxes may be partially offset by U.S. foreign tax credits. Determination of the amount of the unrecognized deferred U.S. tax liability is not practical because of the complexities associated with this hypothetical calculation.

Tax Uncertainties

In the normal course of business, the Company s tax returns are subject to examination by various taxing authorities. Such examinations may result in future tax and interest assessments by these taxing jurisdictions. Accordingly, the Company accrues liabilities when it believes that it is not more likely than not that it will realize the benefits of tax positions that it has taken in its tax returns or for the amount of any tax benefit that exceeds the cumulative probability threshold in accordance with ASC 740-10, formerly FASB Interpretation No. 48 *Accounting for Uncertainty in Income Taxes-an Interpretation of FASB Statement No.* 109 . Differences between the estimated and actual amounts determined upon ultimate resolution, individually or in the aggregate, are not expected to have a material adverse effect on the Company s consolidated financial position but could possibly be material to the Company s consolidated results of operations or cash flow in any given quarter or annual period.

As of December 31, 2010, the Company s gross amount of unrecognized tax benefits is $49,943, excluding interest and penalties. If the Company were to prevail on all uncertain tax positions, $37,379 of the

unrecognized tax benefits would affect the Company s effective tax rate, exclusive of any benefits related to interest and penalties.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2010	2009
Balance as of January 1	$ 105,779	91,887
Additions based on tax positions related to the current year	4,028	8,678
Additions for tax positions of prior years	13,726	10,630
Reductions for tax positions of prior years	(9,273)	
Reductions resulting from the lapse of the statute of limitations	(1,517)	(60)
Settlements with taxing authorities	(61,063)	(5,562)
Effects of foreign currency translation	(1,737)	206
Balance as of December 31	$ 49,943	105,779

The Company will continue to recognize interest and penalties related to unrecognized tax benefits as a component of its income tax provision. As of December 31, 2010 and 2009, the Company has $15,550 and $47,870, respectively, accrued for the payment of interest and penalties, excluding the federal tax benefit of interest deductions where applicable. During the years ending December 31, 2010, 2009 and 2008, the Company accrued/(reversed) interest and penalties through the consolidated statements of operations of $(9,852), $8,228 and $3,657, respectively.

The Company s 2007-2009 federal income tax returns are currently under examination by the Internal Revenue Service. The Company expects this examination to end December 31, 2012. The Company believes that its unrecognized tax benefits could decrease by $10,405 within the next twelve months. In addition, the Company has effectively settled all federal income tax matters related to years prior to 2007, with the exception of one open issue related to the 2004-2006 tax years.

(13) Commitments and Contingencies

The Company is obligated under various operating leases for office and manufacturing space, machinery, and equipment. Future minimum lease payments under non-cancelable capital and operating leases (with initial or remaining lease terms in excess of one year) as of December 31:

	Capital	Operating	Total Future Payments
2011	$ 1,383	91,696	93,079
2012	770	75,631	76,401
2013	497	59,492	59,989
2014	418	49,706	50,124
2015	296	38,518	38,814
Thereafter	538	41,773	42,311

Total payments	3,902	356,816	360,718
Less amount representing interest	395		
Present value of capitalized lease payments	$ 3,507		

Rental expense under operating leases was $105,976, $130,227 and $139,103 in 2010, 2009 and 2008, respectively.

The Company had approximately $53,549 and $58,603 as of December 31, 2010 and 2009, respectively, in standby letters of credit for various insurance contracts and commitments to foreign vendors that expire within two years. In addition, as of December 31, 2010 and 2009, the Company guaranteed approximately $824 and $721 for building leases, respectively, related to its operating facilities in France.

The Company is involved in litigation from time to time in the regular course of its business. Except as noted below there are no material legal proceedings pending or known by the Company to be contemplated to which the Company is a party or to which any of its property is subject.

In Shirley Williams et al. v. Mohawk Industries, Inc., four plaintiffs filed a putative class action lawsuit in January 2004 in the United States District Court for the Northern District of Georgia (Rome Division), alleging that they are former and current employees of the Company and that the actions and conduct of the Company, including the employment of persons who are not authorized to work in the United States, have damaged them and the other members of the putative class by suppressing the wages of the Company s hourly employees in Georgia. The plaintiffs sought a variety of relief, including (a) treble damages; (b) return of any allegedly unlawful profits; and (c) attorney s fees and costs of litigation. In April 2010, the plaintiffs, the Company and the Company s insurance carrier agreed to settle the litigation. In July 2010, the District Court approved the settlement. The Company accrued for its portion of the settlement in a prior year. The claims process was completed in the third quarter of 2010.

The Company believes that adequate provisions for resolution of all contingencies, claims and pending litigation have been made for probable losses and that the ultimate outcome of these actions will not have a material adverse effect on its financial condition but could have a material adverse effect on its results of operations in a given quarter or year.

On July 1, 2010, Monterrey, Mexico experienced flooding as a result of Hurricane Alex which temporarily interrupted operations at the Company s Dal-Tile ceramic tile production facility. The plant was fully operational in the latter part of the third quarter of 2010. Prior to the close of the third quarter of 2010, the Company and its insurance carrier agreed to a final settlement of its claim, which included property damage and business interruption for approximately $25,000. The amount included approximately $20,000 to cover costs to repair and/or replace property and equipment and approximately $5,000 to recover lost margin from lost sales. The settlement with the insurance carrier is recorded in cost of sales in the Company s 2010 consolidated statement of operations. As a result of the insurance settlement, the flooding did not have a material impact on the Company s results of operations or financial position.

The Company has received partial refunds from the United States government in reference to settling custom disputes dating back to 1986. Accordingly, the Company realized a gain of $7,730 in other expense (income) in the Company s 2010 consolidated statement of operations. The Company is pursuing additional recoveries for prior years but there can be no assurances such recoveries will occur. Additional future recoveries, if any, will be recorded as realized.

The Company is subject to various federal, state, local and foreign environmental health and safety laws and regulations, including those governing air emissions, wastewater discharges, the use, storage, treatment recycling and disposal of solid and hazardous materials and finished product, and the cleanup of contamination associated therewith. Because of the nature of the Company s business, the Company has incurred, and will continue to incur, costs relating to compliance with such laws and regulations. The Company is involved in various proceedings relating to environmental matters and is currently engaged in environmental investigation, remediation and post-closure care programs at certain sites. The Company has provided accruals for such activities that it has determined to be both probable and reasonably estimable. The Company does not expect that the ultimate liability with respect to such activities will have a material adverse effect on its operations, but may have an effect on a given quarter or annual period.

In the normal course of business, the Company has entered into various collective bargaining agreements with its workforce in Europe, Mexico and Malaysia, either locally or within its industry sector. Historically, the Company has maintained favorable relationships with its workforce and expects to do so in the future.

The Company recorded pre-tax business restructuring charges of $13,156 in 2010, of which $12,392 was recorded as cost of sales and $764 was recorded as selling, general and administrative expenses. The Company recorded pre-tax business restructuring charges of $61,725 in 2009, of which $43,436 was recorded as cost of sales and $18,289 was recorded as selling, general and administrative expenses. The charges primarily relate

to the Company s actions taken to lower its cost structure and improve the efficiency of its manufacturing and distribution operations as it adjusts to current economic conditions.

The activity for 2009 and 2010 is as follows:

	Asset Write-Downs(1)	Inventory Write-Downs	Lease Impairments	Severance	Other Restructuring Costs	Total
Balance as of December 31, 2008	$		12,711	2,070		14,781
Provisions						
Mohawk segment	13,604	2,300	5,365	7,075	347	28,691
Dal-Tile segment	5,717	1,653	9,160	1,191		17,721
Unilin segment	4,310	3,096		4,773	3,134	15,313
Cash payments			(6,163)	(7,285)	(65)	(13,513)
Noncash items	(23,631)	(7,049)			(415)	(31,095)
Balance as of December 31, 2009			21,073	7,824	3,001	31,898
Provisions						
Mohawk segment	3,989		(403)	305	6,452	10,343
Dal-Tile segment				1,223		1,223
Unilin segment	815			775		1,590
Cash payments			(9,687)	(8,019)	(9,033)	(26,739)
Noncash items	(4,804)					(4,804)
Balance as of December 31, 2010	$		10,983	2,108	420	13,511

(1) Includes $815 and $4,313 in 2010 and 2009, respectively which were charged to depreciation.

On February 25, 2011, subsequent to the balance sheet date, the Company announced a plan to exit a manufacturing facility in the Mohawk segment. The Company is finalizing its estimates and expects to record a restructuring charge in the first quarter of 2011.

(14) Consolidated Statements of Cash Flows Information

Supplemental disclosures of cash flow information are as follows:

	2010	2009	2008
Net cash paid (received) during the year for:			

Interest	$	139,358	127,623	129,465
Income taxes	$	(5,862)	(3,841)	107,638
Supplemental schedule of non-cash investing and financing activities:				
Fair value of assets acquired in acquisition	$		17,911	9,745
Liabilities assumed in acquisition			(11,987)	(1,469)
	$		5,924	8,276

(15) Segment Reporting

The Company has three reporting segments: the Mohawk segment, the Dal-Tile segment and the Unilin segment. The Mohawk segment designs, manufactures, sources, distributes and markets its floor covering product lines, which include carpets, ceramic tile, laminate, rugs, carpet pad, hardwood and resilient, primarily in North America through its network of regional distribution centers and satellite warehouses using company-operated trucks, common carrier or rail transportation. The segment s product lines are sold through various selling channels, which include independent floor covering retailers, home centers, mass merchandisers, department stores, commercial dealers and commercial end users. The Dal-Tile segment designs, manufactures, sources, distributes and markets a broad line of ceramic tile, porcelain tile, natural stone and other

products, primarily in North America through its network of regional distribution centers and Company-operated sales service centers using company-operated trucks, common carriers or rail transportation. The segment s product lines are sold through Company-owned sales service centers, independent distributors, home center retailers, tile and flooring retailers and contractors. The Unilin segment designs, manufactures, sources, licenses, distributes and markets laminate, hardwood flooring, roofing systems, insulation panels and other wood products, primarily in North America and Europe through various selling channels, which include retailers, independent distributors and home centers.

Amounts disclosed for each segment are prior to any elimination or consolidation entries. Corporate general and administrative expenses attributable to each segment are estimated and allocated accordingly. Segment performance is evaluated based on operating income. No single customer accounted for more than 5% of net sales for the years ended December 31, 2010, 2009 and 2008.

Segment information is as follows:

	2010	2009	2008
Net sales:			
Mohawk	$ 2,844,876	2,856,741	3,628,183
Dal-Tile	1,367,442	1,426,757	1,815,373
Unilin	1,188,274	1,128,315	1,465,208
Intersegment sales	(81,520)	(67,789)	(82,416)
	$ 5,319,072	5,344,024	6,826,348
Operating income (loss)(1):			
Mohawk	$ 122,904	(125,965)	(216,152)
Dal-Tile	97,334	84,154	(323,370)
Unilin	114,298	105,953	(564,911)
Corporate and eliminations	(20,367)	(20,412)	(19,701)
	$ 314,169	43,730	(1,124,134)
Depreciation and amortization:			
Mohawk	$ 91,930	94,134	92,130
Dal-Tile	45,578	47,934	46,093
Unilin	145,941	151,450	149,543
Corporate	13,324	9,486	7,288
	$ 296,773	303,004	295,054
Capital expenditures (excluding acquisitions):			
Mohawk	$ 84,013	35,149	78,239
Dal-Tile	37,344	17,683	41,616
Unilin	29,439	45,966	90,500
Corporate	5,384	10,127	7,469
	$ 156,180	108,925	217,824

Assets:			
Mohawk	$ 1,637,319	1,582,652	1,876,696
Dal-Tile	1,644,448	1,546,393	1,693,765
Unilin	2,475,049	2,598,182	2,663,599
Corporate and intersegment eliminations	342,110	664,219	212,115
	$ 6,098,926	6,391,446	6,446,175
Geographic net sales:			
North America	$ 4,447,965	4,516,784	5,776,701
Rest of world	871,107	827,240	1,049,647
	$ 5,319,072	5,344,024	6,826,348

	2010	2009	2008
Long-lived assets(2):			
North America	$ 1,971,611	2,000,522	2,120,067
Rest of world	1,084,906	1,202,018	1,205,109
	$ 3,056,517	3,202,540	3,325,176
Net sales by product categories(3):			
Soft surface	$ 2,645,952	2,650,452	3,337,073
Tile	1,428,571	1,491,846	1,919,070
Wood	1,244,549	1,201,726	1,570,205
	$ 5,319,072	5,344,024	6,826,348

(1) Operating income (loss) includes the impact of the impairment of goodwill and other intangibles recognized in 2008 of $276,807 for the Mohawk segment, $531,930 for the Dal-Tile segment and $734,660 for the Unilin segment.

(2) Long-lived assets are composed of net property, plant and equipment and goodwill.

(3) The Soft surface product category includes carpets, rugs, carpet pad and resilient. The Tile product category includes ceramic tile, porcelain tile and natural stone. The Wood product category includes laminate, hardwood, roofing panels and wood-based panels.

(16) Quarterly Financial Data (Unaudited)

The supplemental quarterly financial data are as follows:

	Quarters Ended			
	April 3, 2010	July 3, 2010(1)	October 2, 2010(1)	December 31, 2010(1)
Net sales	$ 1,347,236	1,400,086	1,309,552	1,262,198
Gross profit	341,246	374,756	344,932	341,666
Net earnings	20,538	68,081	51,094	45,758
Basic earnings per share	0.30	0.95	0.74	0.67
Diluted earnings per share	0.30	0.95	0.74	0.66

	Quarters Ended			
	March 28, 2009	June 27, 2009	September 26, 2009	December 31, 2009

Net sales	$ 1,208,339	1,406,012	1,382,565	1,347,108
Gross profit	153,689	367,388	369,459	341,694
Net (loss) earnings	(105,887)	46,261	34,348	19,779
Basic (loss) earnings per share	(1.55)	0.68	0.50	0.29
Diluted (loss) earnings per share	(1.55)	0.67	0.50	0.29

(1) Basic and diluted earnings per share for the quarters ended July 3, 2010, October 2, 2010 and December 31, 2010, includes a correction to reduce the numerator by $3,057, $58 and $129, respectively, for an increase in the fair value of a redeemable noncontrolling interest in a consolidated subsidiary of the Company. The Company reduced basic and diluted earnings per share in the quarter ended July 3, 2010 by $0.04 from the previously reported amount of $0.99 to correct an immaterial error related to the change in the aforementioned fair value. There was no change to the previously reported basic and diluted earnings per share for the quarter ended October 2, 2010.

. . . . 0 PROXY MOHAWK INDUSTRIES, INC. CALHOUN, GEORGIA ANNUAL MEETING OF STOCKHOLDERS THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS The undersigned stockholder of Mohawk Industries, Inc., a Delaware corporation (Mohawk), hereby acknowledges receipt of the Notice of Annual Meeting of Stockholders and Proxy Statement, and hereby appoints Frank H. Boykin and James T. Lucke, and each of them, proxies, with full power of substitution, for and in the name of the undersigned, to vote all shares of Mohawk Common Stock which the undersigned is entitled to vote on all matters which may come before the 2011 Annual Meeting of Stockholders (the Annual Meeting) of Mohawk Industries, Inc. to be held on Wednesday, May 11, 2011 at 10:00 a.m. local time, at 160 South Industrial Boulevard, Calhoun, Georgia 30701, and at any adjournment or postponements thereof, unless otherwise specified herein. The proxies, in their discretion, are further authorized to vote for the election of a person to the Board of Directors if any nominee named herein becomes unable to serve or for good cause will not serve, are further authorized to vote on matters which the Board of Directors does not know a reasonable time before making the proxy solicitation will be presented at the Annual Meeting, and are further authorized to vote on other matters which may properly come before the Annual Meeting and any adjournments thereof. (Continued and to be signed on the reverse side.) 14475

Table of Contents

ANNUAL MEETING OF STOCKHOLDERS OF MOHAWK INDUSTRIES, INC. May 11, 2011 PROXY VOTING INSTRUCTIONS INTERNET Access www.voteproxy.com and follow the on-screen instructions. Have your proxy card available when you access the web page. TELEPHONE Call toll-free 1-800-PROXIES (1-800-776-9437) in COMPANY NUMBER the United States or 1-718-921-8500 from foreign countries from any touch-tone telephone and follow the instructions. Have your proxy card available when you call. ACCOUNT NUMBER Vote online/phone until 11:59 PM EST the day before the meeting. MAIL Sign, date and mail your proxy card in the envelope provided as soon as possible. IN PERSON You may vote your shares in person by attending the Annual Meeting. NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL: The Notice of Meeting, proxy statement and proxy card are available at www.mohawkind.com Please detach along perforated line and mail in the envelope provided IF you are not voting via telephone or the Internet. 20430304000000000000 4 051111 PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE x FOR AGAINST ABSTAIN 1. The election of four Directors for a term of three years and until their 2. The ratification of the selection of KPMG LLP as the Company s successors are elected and qualified: independent registered public accounting firm: NOMINEES: FOR ALL NOMINEES O Ms. Bogart O Mr. Fiedler FOR AGAINST ABSTAIN O Mr. Ill 3. Advisory vote on executive compensation, as disclosed in the WITHHOLD AUTHORITY FOR ALL NOMINEES O Mr. Lorberbaum Company s Proxy Statement for the 2011 Annual Meeting of Stockholders: Every FOR ALL EXCEPT year 2 years 3 years ABSTAIN (See instructions below) 4. Advisory vote on the frequency of future advisory votes on executive compensation: This Proxy, when properly executed, will be voted in the manner directed by the undersigned stockholder. If no direction is made, this Proxy will be voted in accordance with the recommendation of the Board of Directors. The proxies cannot vote your shares unless you sign and return this Proxy. INSTRUCTIONS: To withhold authority to vote for any individual nominee(s), mark FOR ALL EXCEPT and fill in the circle next to each nominee you wish to withhold, as shown here: THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF MOHAWK INDUSTRIES, INC. AND MAY BE REVOKED BY THE STOCKHOLDER PRIOR TO ITS EXERCISE. JOHN SMITH 1234 MAIN STREET APT. 203 NEW YORK, NY 10038 To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method. Signature of Shareholder Date: Signature of Shareholder Date: Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.