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

FORM 10-Q

[Mark One]

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended July 3, 2010

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number
01-13697

MOHAWK INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

52-1604305
(I.R.S. Employer Identification No.)

160 S. Industrial Blvd., Calhoun, Georgia
(Address of principal executive offices)

30701
(Zip Code)

Registrant's telephone number, including area code: (706) 629-7721

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the issuer's classes of common stock as of August 2, 2010, the latest practicable date, is as follows: 68,592,126 shares of Common Stock, \$.01 par value.

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PART I. FINANCIAL INFORMATION
ITEM I. FINANCIAL STATEMENTS
MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
ASSETS
(In thousands)
(Unaudited)

	<u>July 3, 2010</u>	<u>December 31, 2009</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 342,673	531,458
Receivables, net	703,458	673,931
Inventories	965,778	892,981
Prepaid expenses	118,096	108,947
Deferred income taxes	135,613	130,990
Other current assets	19,242	20,693
Total current assets	<u>2,284,860</u>	<u>2,359,000</u>
Property, plant and equipment, at cost	3,400,379	3,469,525
Less accumulated depreciation and amortization	<u>1,746,218</u>	<u>1,678,113</u>
Net property, plant and equipment	1,654,161	1,791,412
Goodwill	1,340,003	1,411,128
Tradenames	442,340	477,607
Other intangible assets, net	243,816	307,735
Deferred income taxes and other non-current assets	38,736	44,564
	<u>\$6,003,916</u>	<u>6,391,446</u>

See accompanying notes to condensed consolidated financial statements.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
LIABILITIES AND EQUITY
(In thousands, except per share data)
(Unaudited)

	July 3, 2010	December 31, 2009
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 351,307	52,907
Accounts payable and accrued expenses	808,909	831,115
Total current liabilities	1,160,216	884,022
Deferred income taxes	340,773	370,903
Long-term debt, less current portion	1,303,155	1,801,572
Other long-term liabilities	90,582	100,667
Total liabilities	<u>2,894,726</u>	<u>3,157,164</u>
Commitments and contingencies (Notes 12 and 14)		
Equity:		
Preferred stock, \$.01 par value; 60 shares authorized; no shares issued	—	—
Common stock, \$.01 par value; 150,000 shares authorized; 79,623 and 79,518 shares issued in 2010 and 2009, respectively	796	795
Additional paid-in capital	1,230,366	1,227,856
Retained earnings	2,087,235	1,998,616
Accumulated other comprehensive income, net	83,804	296,917
	3,402,201	3,524,184
Less treasury stock at cost; 11,031 and 11,034 shares in 2010 and 2009, respectively	323,263	323,361
Total Mohawk Industries, Inc. stockholders' equity	3,078,938	3,200,823
Noncontrolling interest	30,252	33,459
Total equity	<u>3,109,190</u>	<u>3,234,282</u>
	<u>\$6,003,916</u>	<u>6,391,446</u>

See accompanying notes to condensed consolidated financial statements.

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MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended	
	July 3, 2010	June 27, 2009
Net sales	\$1,400,086	1,406,012
Cost of sales	1,025,330	1,038,624
Gross profit	374,756	367,388
Selling, general and administrative expenses	285,030	292,710
Operating income	89,726	74,678
Other expense (income):		
Interest expense	39,031	30,002
Other expense	3,675	1,136
Other income	(3,131)	(6,704)
	39,575	24,434
Earnings before income taxes	50,151	50,244
Income tax (benefit) expense	(18,814)	3,037
Net earnings	68,965	47,207
Less: Net earnings attributable to noncontrolling interest	884	946
Net earnings attributable to Mohawk Industries, Inc.	\$ 68,081	46,261
Basic earnings per share attributable to Mohawk Industries, Inc.	\$ 0.99	0.68
Weighted-average common shares outstanding — basic	68,585	68,449
Diluted earnings per share attributable to Mohawk Industries, Inc.	\$ 0.99	0.67
Weighted-average common shares outstanding — diluted	68,789	68,613

See accompanying notes to condensed consolidated financial statements.

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MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Six Months Ended	
	July 3, 2010	June 27, 2009
Net sales	\$2,747,322	2,614,351
Cost of sales	2,031,320	2,093,274
Gross profit	716,002	521,077
Selling, general and administrative expenses	572,655	592,283
Operating income (loss)	143,347	(71,206)
Other expense (income):		
Interest expense	72,939	60,186
Other expense	3,837	7,335
Other income	(7,824)	(11,266)
	68,952	56,255
Earnings (loss) before income taxes	74,395	(127,461)
Income tax benefit	(15,840)	(69,759)
Net earnings (loss)	90,235	(57,702)
Less: Net earnings attributable to noncontrolling interest	1,616	1,924
Net earnings (loss) attributable to Mohawk Industries, Inc.	\$ 88,619	(59,626)
Basic earnings (loss) per share attributable to Mohawk Industries, Inc.	\$ 1.29	(0.87)
Weighted-average common shares outstanding — basic	68,554	68,441
Diluted earnings (loss) per share attributable to Mohawk Industries, Inc.	\$ 1.29	(0.87)
Weighted-average common shares outstanding — diluted	68,760	68,441

See accompanying notes to condensed consolidated financial statements.

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MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended	
	July 3, 2010	June 27, 2009
Cash flows from operating activities:		
Net earnings (loss)	\$ 90,235	\$ (57,702)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Restructuring	8,933	11,608
Depreciation and amortization	149,295	144,742
Deferred income taxes	(18,338)	(55,418)
Loss on extinguishment of debt	7,514	—
Loss (gain) on disposal of property, plant and equipment	(952)	980
Excess tax benefit from stock-based compensation	(162)	1
Stock-based compensation expense	3,484	4,630
Changes in operating assets and liabilities:		
Receivables, net	(117,129)	(37,482)
Income tax receivable	79,776	(44,992)
Inventories	(82,901)	227,545
Accounts payable and accrued expenses	(12,240)	80,480
Other assets and prepaid expenses	(10,308)	(281)
Other liabilities	(8,230)	(4,565)
Net cash provided by operating activities	<u>88,977</u>	<u>269,546</u>
Cash flows from investing activities:		
Additions to property, plant and equipment	(47,139)	(52,923)
Net cash used in investing activities	<u>(47,139)</u>	<u>(52,923)</u>
Cash flows from financing activities:		
Payments on revolving line of credit	—	(391,030)
Proceeds from revolving line of credit	—	331,940
Repayment of senior notes	(199,992)	—
Net change in asset securitization borrowings	—	(47,000)
Borrowings on term loan and other debt	188	10,831
Debt extinguishment costs	(7,514)	—
Distribution to noncontrolling interest	(2,668)	(3,501)
Excess tax benefit from stock-based compensation	162	(1)
Change in outstanding checks in excess of cash	(3,229)	11,667
Proceeds from stock transactions	1,013	81
Net cash used in financing activities	<u>(212,040)</u>	<u>(87,013)</u>
Effect of exchange rate changes on cash and cash equivalents	(18,583)	3,414
Net change in cash and cash equivalents	(188,785)	133,024
Cash and cash equivalents, beginning of year	531,458	93,519
Cash and cash equivalents, end of period	<u>\$ 342,673</u>	<u>226,543</u>

See accompanying notes to condensed consolidated financial statements.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share amounts)
(Unaudited)

1. Interim reporting

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with instructions to Form 10-Q and do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These statements should be read in conjunction with the consolidated financial statements and notes thereto, and the Company's description of critical accounting policies, included in the Company's 2009 Annual Report on Form 10-K, as filed with the Securities and Exchange Commission.

2. New pronouncements

In June 2009, the Financial Accounting Standards Board ("FASB") issued FASB Accounting Standards Codification topic 860 ("ASC 860"), formerly Statement of Financial Accounting Standards ("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.

3. Receivables, net

Receivables, net are as follows:

	July 3, 2010	December 31, 2009
Customers, trade	\$ 745,529	633,571
Income tax receivable	—	72,515
Other	20,719	30,654
	766,248	736,740
Less allowance for discounts, returns, claims and doubtful accounts	62,790	62,809
Receivables, net	<u>\$ 703,458</u>	<u>673,931</u>

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MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (In thousands, except per share amounts)
 (Unaudited)

4. Inventories

The components of inventories are as follows:

	July 3, 2010	December 31, 2009
Finished goods	\$ 589,565	559,339
Work in process	94,199	84,414
Raw materials	282,014	249,227
Total inventories	<u>\$ 965,778</u>	<u>892,981</u>

5. Goodwill and intangible assets

The components of goodwill and other intangible assets are as follows:

	Mohawk	Dal-Tile	Unilin	Total
Balances as of December 31, 2009				
Goodwill	\$ 199,132	1,186,913	1,352,508	2,738,553
Accumulated impairments losses	<u>(199,132)</u>	<u>(531,930)</u>	<u>(596,363)</u>	<u>(1,327,425)</u>
	—	654,983	756,145	1,411,128
Goodwill recognized during the period	—	—	141	141
Currency translation during the period	—	—	(71,266)	(71,266)
Balances as of July 3, 2010				
Goodwill	199,132	1,186,913	1,281,383	2,667,428
Accumulated impairments losses	<u>(199,132)</u>	<u>(531,930)</u>	<u>(596,363)</u>	<u>(1,327,425)</u>
	<u>\$ —</u>	<u>654,983</u>	<u>685,020</u>	<u>1,340,003</u>

Tradenames

Intangible assets:

Indefinite life assets not subject to amortization:

Balance as of December 31, 2009	\$ 477,607
Currency translation during the period	<u>(35,267)</u>
Balance as of July 3, 2010	<u>\$ 442,340</u>

	Customer relationships	Patents	Other	Total
Intangible assets subject to amortization:				
Balance as of December 31, 2009	\$ 159,302	147,008	1,425	307,735
Amortization during the period	(22,957)	(11,963)	(60)	(34,980)
Currency translation during the period	<u>(11,280)</u>	<u>(17,634)</u>	<u>(25)</u>	<u>(28,939)</u>
Balance as of July 3, 2010	<u>\$ 125,065</u>	<u>117,411</u>	<u>1,340</u>	<u>243,816</u>

	Three Months Ended		Six Months Ended	
	July 3, 2010	June 27, 2009	July 3, 2010	June 27, 2009
Amortization expense	<u>\$ 16,762</u>	<u>18,092</u>	<u>34,980</u>	<u>35,053</u>

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MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share amounts)
(Unaudited)

6. Accounts payable and accrued expenses

Accounts payable and accrued expenses are as follows:

	July 3, 2010	December 31, 2009
Outstanding checks in excess of cash	\$ 14,671	17,900
Accounts payable, trade	393,323	335,401
Accrued expenses	167,993	169,730
Product warranties	44,501	66,545
Accrued interest	46,401	52,743
Income taxes payable	33,141	85,699
Deferred tax liability	2,993	2,836
Accrued compensation and benefits	105,886	100,261
Total accounts payable and accrued expenses	<u>\$ 808,909</u>	<u>831,115</u>

7. 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.

The provision for warranty obligations is as follows:

	Three Months Ended		Six Months Ended	
	July 3, 2010	June 27, 2009	July 3, 2010	June 27, 2009
Balance at beginning of period	\$ 53,450	147,245	66,545	56,460
Warranty claims paid during the period	(18,751)	(47,883)	(43,124)	(78,596)
Pre-existing warranty accrual adjustment during the period (1)	—	—	—	110,224
Warranty expense during the period	9,802	10,486	21,080	21,760
Balance at end of period	<u>\$ 44,501</u>	<u>109,848</u>	<u>44,501</u>	<u>109,848</u>

- (1) The adjustment to warranty accruals in 2009 relates to 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.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (In thousands, except per share amounts)
 (Unaudited)

8. Comprehensive (loss) income

Comprehensive (loss) income is as follows:

	Three Months Ended		Six Months Ended	
	July 3, 2010	June 27, 2009	July 3, 2010	June 27, 2009
Net earnings (loss)	\$ 68,965	47,207	90,235	(57,702)
Other comprehensive (loss) income:				
Foreign currency translation	(113,126)	89,852	(213,113)	(1,035)
Unrealized gain on derivative instruments, net of income taxes	—	3,205	—	2,977
Comprehensive (loss) income	(44,161)	140,264	(122,878)	(55,760)
Comprehensive income attributable to the noncontrolling interest	(884)	(946)	(1,616)	(1,924)
Comprehensive (loss) income attributable to Mohawk Industries, Inc.	<u>\$ (45,045)</u>	<u>139,318</u>	<u>(124,494)</u>	<u>(57,684)</u>

9. Stock-based compensation

The Company accounts for its stock-based compensation plans in accordance with ASC 718-10, formerly SFAS No. 123R, “*Share-Based Payment*”. Under ASC 718-10, all stock-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as an expense in the statement of earnings over the requisite service period.

Under the Company’s 2007 Incentive Plan (“2007 Plan”), the Company reserved up to 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, as defined under the 2007 Plan. 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 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 vest between two and five years.

The Company granted 40 and 76 options to employees at a weighted-average grant-date fair value of \$19.10 and \$9.17 per share for the six months ended July 3, 2010 and June 27, 2009, respectively. The Company recognized stock-based compensation costs related to stock options of \$549 (\$348 net of taxes) and \$983 (\$623 net of taxes) for the three months ended July 3, 2010 and June 27, 2009, respectively and \$1,324 (\$839 net of taxes) and \$2,063 (\$1,307 net of taxes) for the six months ended July 3, 2010 and June 27, 2009, respectively, which has been allocated to selling, general and administrative expenses. Pre-tax unrecognized compensation expense for stock options granted to employees and outside directors, net of estimated forfeitures, was \$2,915 as of July 3, 2010, and will be recognized as expense over a weighted-average period of approximately 2.0 years.

The fair value of the option award is estimated on the date of grant using the Black-Scholes-Merton valuation model. Expected volatility is based on the historical volatility of the Company’s common stock. The Company uses historical data to estimate option exercise and forfeiture rates within the valuation model.

The Company granted 89 and 114 RSU’s at a weighted-average grant-date fair value of \$46.94 and \$29.34 per unit for the six months ended July 3, 2010 and June 27, 2009, respectively. The Company recognized stock-based compensation costs related to the issuance of RSU’s of \$1,024 (\$648 net of taxes) and \$1,119 (\$709 net of taxes) for the three months ended July 3, 2010 and June 27, 2009, respectively, and \$2,075 (\$1,315 net of taxes) and \$2,491 (\$1,578 net of taxes) for the six months ended July 3, 2010 and June 27, 2009, respectively, which has been allocated to selling, general and administrative expenses. Pre-tax unrecognized

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (In thousands, except per share amounts)
 (Unaudited)

compensation expense for unvested RSU's granted to employees, net of estimated forfeitures, was \$8,871 as of July 3, 2010, and will be recognized as expense over a weighted-average period of approximately 3.5 years.

The Company granted five restricted stock awards for the six months ended July 3, 2010. Compensation expense for restricted stock awards for the three and six months ended July 3, 2010 and June 27, 2009, respectively, was not significant.

10. Earnings (loss) per share

The Company applies the provisions of ASC 260-10, formerly SFAS No. 128, "Earnings per Share", which requires companies to present basic earnings (loss) per share ("EPS") and diluted EPS. Basic EPS excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings (loss) of the Company, if dilutive.

Common stock options and RSU's are included in the diluted EPS calculation using the treasury stock method, if dilutive. Excluded from the computation of diluted EPS for the three months ended July 3, 2010 and June 27, 2009 are stock options to purchase common shares and RSU's of 1,724 and 2,843, respectively. Excluded from the computation of diluted EPS for the six months ended July 3, 2010 are stock options to purchase common shares and RSU's of 1,823. For the six months ended June 27, 2009, all outstanding common stock options to purchase common shares and RSU's were excluded from the calculation of diluted loss per share because their effect on loss per common share was anti-dilutive.

	Three Months Ended		Six Months Ended	
	July 3, 2010	June 27, 2009	July 3, 2010	June 27, 2009
Net earnings (loss) attributable to Mohawk Industries, Inc.	\$ 68,081	46,261	88,619	(59,626)
Weighted-average common shares outstanding-basic and diluted:				
Weighted-average common shares outstanding — basic	68,585	68,449	68,554	68,441
Add weighted-average dilutive potential common shares — options and RSU's to purchase common shares, net	204	164	206	—
Weighted-average common shares outstanding-diluted	68,789	68,613	68,760	68,441
Basic earnings (loss) per share attributable to Mohawk Industries, Inc.	\$ 0.99	0.68	1.29	(0.87)
Diluted earnings (loss) per share attributable to Mohawk Industries, Inc.	\$ 0.99	0.67	1.29	(0.87)

11. Segment reporting

The Company has three reporting segments, the Mohawk segment, the Dal-Tile segment and the Unilin segment. The Mohawk segment manufactures, markets and distributes its product lines, which include carpet, rugs, pad, ceramic tile, hardwood, resilient and laminate, 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 floor covering retailers, home centers, mass merchandisers, department stores, independent distributors, commercial dealers and commercial end users. The Dal-Tile segment manufactures, markets and distributes its product lines, which include ceramic tile, porcelain tile and stone 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 purchased by floor covering retailers, home centers, independent distributors, tile specialty dealers, tile contractors, and commercial end

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (In thousands, except per share amounts)
 (Unaudited)

users. The Unilin segment manufactures, markets and distributes its product lines, which include laminate flooring, wood flooring, roofing systems, insulation panels and other wood products, primarily in North America and Europe through various selling channels, which include retailers, home centers and independent distributors.

The accounting policies for each operating segment are consistent with the Company's policies for the consolidated financial statements. 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 (loss).

Segment information is as follows:

	Three Months Ended		Six Months Ended	
	July 3, 2010	June 27, 2009	July 3, 2010	June 27, 2009
Net sales:				
Mohawk	\$ 747,582	767,790	1,464,165	1,362,121
Dal-Tile	363,618	376,704	705,014	735,182
Unilin	308,385	279,715	614,265	548,181
Intersegment sales	<u>(19,499)</u>	<u>(18,197)</u>	<u>(36,122)</u>	<u>(31,133)</u>
	<u>\$ 1,400,086</u>	<u>1,406,012</u>	<u>2,747,322</u>	<u>2,614,351</u>
Operating income (loss):				
Mohawk	\$ 26,345	20,560	42,973	(158,495)
Dal-Tile	28,124	30,331	43,519	51,460
Unilin	42,336	31,141	68,794	45,693
Corporate and eliminations	<u>(7,079)</u>	<u>(7,354)</u>	<u>(11,939)</u>	<u>(9,864)</u>
	<u>\$ 89,726</u>	<u>74,678</u>	<u>143,347</u>	<u>(71,206)</u>
Assets:			July 3, 2010	December 31, 2009
Mohawk			\$ 1,675,226	1,582,652
Dal-Tile			1,570,238	1,546,393
Unilin			2,423,695	2,598,182
Corporate and intersegment eliminations			<u>334,757</u>	<u>664,219</u>
			<u>\$ 6,003,916</u>	<u>6,391,446</u>

12. Commitments, contingencies and other

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 February 2004, the Company filed a Motion to Dismiss the Complaint, which was denied by the District Court in April 2004. Following appellate review of this decision, the case was returned to the District Court for further proceedings. On December 18, 2007, the plaintiffs filed a motion for class certification. On March 3, 2008, the District Court denied the plaintiffs' motion for class certification. Following appellate review of the decision, the case was returned to

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the District Court on the class certification issue. 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 began in May 2010 and is expected to be completed in August 2010. The insurance carrier will have an option to terminate the settlement if claims are filed by the majority of claimants.

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 Company believes the flooding will have a minimal impact to its customers. In addition, the majority of the equipment was running by the end of July 2010 and the Company expects the plant to be at full capacity in the latter part of the third quarter. The Company does not expect the flooding to have a material impact on its 2010 second half results of operations or financial position but the timing of insurance proceeds may impact its results in a quarter.

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.

The Company recorded pre-tax business restructuring charges of \$4,929 and \$8,933 for the three months and six months ended July 3, 2010, respectively, of which \$4,929 and \$8,786 was recorded as cost of sales and \$0 and \$147 was recorded as selling, general and administrative expenses for the three and six months ended July 3, 2010, respectively. For the three months and six months ended June 27, 2009, the Company recorded pre-tax business restructuring charges of \$12,060 and \$15,917, respectively, of which \$11,251 and \$15,108 was recorded in cost of sales and \$809 and \$809 in selling, general and administrative expenses for the three and six months ended June 27, 2009, respectively. The charges in 2010 and 2009 primarily relate to the Company's actions taken to lower its cost structure and improve the efficiency of its manufacturing and distribution operations as the Company adjusts to current economic conditions.

The restructuring activity for the first six months of 2010 is as follows:

	Asset write- downs	Lease impairments	Severance	Other restructuring costs	Total
Balance as of December 31, 2009	\$ —	21,073	7,824	3,001	31,898
Provisions:					
Mohawk segment	1,733	—	792	5,633	8,158
Unilin segment	—	—	775	—	775
Cash payments	—	(5,657)	(4,792)	(5,247)	(15,696)
Noncash items	(1,733)	—	—	—	(1,733)
Balance as of July 3, 2010	<u>\$ —</u>	<u>15,416</u>	<u>4,599</u>	<u>3,387</u>	<u>23,402</u>

The Company expects the remaining severance costs, lease impairments and other restructuring costs to be paid over the next one to six years.

On July 6, 2010, subsequent to the balance sheet date, the Company expanded its international presence with the completion of an equity investment of approximately \$80,000 in a leading manufacturer and distributor of ceramic tile in China. The investment was not significant to the Company's financial condition and was funded using available cash in Europe.

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13. Income taxes

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 flows in any given quarter or annual period.

During the second quarter of 2010, the Company effectively settled all outstanding income tax matters with the Internal Revenue Service pertaining to the years 1999 — 2006. As a result of these settlements, the Company made a payment of \$23,627 to the Internal Revenue Service ("IRS") during the quarter ended July 3, 2010. The Company expects to make an additional cash payment of approximately \$10,000 related to the settlements achieved in the current quarter before year end. The Company had previously posted a \$35,844 cash bond to the IRS for the matters related to years 1999 — 2006.

Following the aforementioned settlements, the Company has effectively settled all income tax matters with the IRS related to years prior to 2007. The Company believes it is reasonably possible that the balance of the unrecognized tax benefits could decrease by approximately \$11,100 (which includes accrued penalties and interest expense) within the next twelve months due to settlements or expirations of statutes of limitations in various tax jurisdictions.

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

	July 3, 2010
Balance at January 1, 2010	\$ 105,779
Additions based on tax positions related to the current year	1,399
Additions for tax positions of prior years	7,408
Reductions for tax positions of prior years	(9,035)
Settlements with taxing authorities	(63,542)
Effects of foreign currency translation	(1,737)
Balance at July 3, 2010	<u>\$ 40,272</u>

The Company will continue to recognize interest and penalties related to unrecognized tax benefits as a component of its income tax provision. As of July 3, 2010, the Company has \$18,994 of accrued interest and penalties, excluding the federal tax benefit of interest deductions where applicable. During the first six months of 2010, the Company reversed accrued interest and penalties of \$8,920.

Income tax (benefit) expense

In accordance with ASC 270-10, formerly Accounting Principles Board Opinion No. 28, "*Interim Financial Reporting*", and ASC 740-270, formerly FASB Interpretation No. 18, "*Accounting for Income Taxes in Interim Periods — an interpretation of APB Opinion No. 28*", at the end of each interim period, the Company is required to determine its estimated annual effective tax rate and then apply that rate in providing for income taxes on an interim period. However, in certain circumstances where the Company is unable to make a reliable estimate of the annual effective tax rate, ASC 740-270 allows the actual effective tax rate for the interim period to be used. For the three and six months ended July 3, 2010, the Company estimated its

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annual effective tax rate and applied that rate in providing for income taxes. For the three and six months ended June 27, 2009, the Company calculated its effective rate for the six months ended June 27, 2009 and applied that rate to the interim period results because it was unable to reasonably estimate its annual effective rate due to fluctuations in its annual pre-tax income and loss between quarters, including the effects caused by multiple tax jurisdictions.

14. Debt

On September 2, 2009, the Company entered into a \$600,000 four-year, senior, secured revolving credit facility (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 daily 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 amount available under the ABL 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: (i) October 15, 2010 if the Company's outstanding 5.75% senior notes due January 15, 2011 have not been repaid, refinanced, defeased or adequately reserved for by the Company, as reasonably determined by the Administrative Agent, prior to October 15, 2010, and (ii) 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 can make adequate reserves for such senior notes with unrestricted cash on hand and unutilized borrowing availability under the ABL Facility. The Company believes cash and cash equivalents and availability under the ABL Facility will be sufficient to satisfy the October 15, 2010 requirements of the ABL Facility and the subsequent repayment of the aforementioned debt due January 15, 2011, although there can be no assurances that the Company will have adequate reserves, as defined in the ABL Facility.

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As of July 3, 2010, the amount considered used under the ABL Facility was \$112,919 resulting in a total of \$487,081 available under the ABL Facility. The amount used under the ABL Facility is composed of \$53,542 of standby letters of credit guaranteeing the Company's industrial revenue bonds and \$59,377 of standby letters of credit related to various insurance contracts and foreign vendor commitments.

On January 17, 2006, the Company issued \$500,000 aggregate principal amount of 5.75% notes due 2011 and \$900,000 aggregate principal amount of 6.125% notes due 2016. Interest payable on each series of the 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 \$3,000 per year. 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.

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 are included in interest expense on the condensed consolidated statement of operations.

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

15. Fair value

ASC 825-10, formerly the FASB Staff Position FAS 107-1 and APB 28-1, "*Interim Disclosures About Fair Value of Financial Instruments*", requires disclosures about fair value of financial instruments in interim reporting periods of publicly-traded companies.

The fair value and carrying value of our debt instruments are detailed as follows:

	July 3, 2010		December 31, 2009	
	Fair Value	Carrying Value	Fair Value	Carrying Value
5.75% notes, payable January 15, 2011 interest payable semiannually	\$ 300,037	298,248	508,703	498,240
7.20% senior notes, payable April 15, 2012 interest payable semiannually	420,000	400,000	418,400	400,000
6.125% notes, payable January 15, 2016 interest payable semiannually	912,600	900,000	891,900	900,000
Industrial revenue bonds, capital leases and other	56,214	56,214	56,239	56,239
Total long-term debt	1,688,851	1,654,462	1,875,242	1,854,479
Less current portion	353,096	351,307	52,907	52,907
Long-term debt, less current portion	\$1,335,755	1,303,155	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 carrying amounts of cash and cash equivalents, receivables, accounts payable and accrued expenses approximate their fair values because of the relatively short-term maturities of these instruments.

Item 2. 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 Europe with net sales in 2009 of \$5.3 billion. The Company is the second largest carpet and rug manufacturer in the U.S., a leading manufacturer, marketer and distributor of ceramic tile, natural stone and hardwood flooring in the U.S. and a leading producer of laminate flooring in the U.S. and Europe.

The U.S. floor covering industry experienced declining demand beginning in the fourth quarter of 2006 which worsened considerably during the later parts of 2008 and continued to decline throughout 2009. Overall economic conditions in the U.S. have recently stabilized compared to this period but volatility in housing starts and resales continues to create a challenging environment. The Company believes it is well-positioned to take advantage of an economic recovery.

The Company has three reporting segments, the Mohawk segment, the Dal-Tile segment and the Unilin segment. The Mohawk segment manufactures, markets and distributes its product lines, which include carpet, rugs, pad, ceramic tile, hardwood, resilient and laminate, 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 floor covering retailers, home centers, mass merchandisers, department stores, independent distributors, commercial dealers and commercial end users. The Dal-Tile segment manufactures, markets and distributes its product lines, which include ceramic tile, porcelain tile and stone 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 purchased by floor covering retailers, home centers, independent distributors, tile specialty dealers, tile contractors, and commercial end users. The Unilin segment manufactures, markets and distributes its product lines, which include laminate flooring, wood flooring, roofing systems, insulation panels and other wood products, primarily in North America and Europe through various selling channels, which include retailers, home centers and independent distributors.

The Company reported net earnings attributable to Mohawk Industries, Inc. of \$68.1 million or diluted earnings per share ("EPS") of \$0.99 for the second quarter of 2010, compared to the net earnings attributable to Mohawk Industries, Inc. of \$46.3 million or EPS of \$0.67 for the second quarter of 2009. The change in EPS is primarily the result of a tax benefit of approximately \$30 million related to the settlement of certain tax contingencies in the quarter.

For the six months ended July 3, 2010, the Company reported net earnings attributable to Mohawk Industries, Inc. of \$88.6 million or EPS of \$1.29 compared to net loss attributable to Mohawk Industries, Inc. of \$59.6 million or loss per share of \$0.87 for the six months ended June 27, 2009. The change in EPS is primarily the result of a tax benefit of approximately \$30 million related to the settlement of certain tax contingencies in 2010 and the pre-tax \$110.2 million carpet sales allowance and a \$12.4 million inventory write-off recognized in 2009. 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. The amounts recorded reflect 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.

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 Company believes the flooding will have a minimal impact to its customers. In addition, the majority of the equipment was running by the end of July 2010 and the Company expects the plant to be at full capacity in the latter part of the third quarter. The Company does not expect the flooding to have a material impact on its 2010 second half results of operations or financial position but the timing of insurance proceeds may impact its results in a quarter.

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On July 6, 2010, subsequent to the balance sheet date, the Company expanded its international presence with the completion of an equity investment of approximately \$80 million in a leading manufacturer and distributor of ceramic tile in China. The investment was not significant to the Company's financial condition and was funded using available cash in Europe.

Results of Operations

Quarter Ended July 3, 2010, as Compared with Quarter Ended June 27, 2009

Net sales

Net sales for the quarter ended July 3, 2010 were \$1,400.1 million, reflecting a decrease of \$5.9 million from the \$1,406.0 million reported for the quarter ended June 27, 2009. The decrease was primarily due to the net effect of price and product mix of approximately \$16 million as customers traded down to lower priced products and unfavorable foreign exchange rates of approximately \$13 million, partially offset by higher sales volume of approximately \$23 million.

Mohawk Segment — Net sales decreased \$20.2 million, or 2.6%, to \$747.6 million in the current quarter compared to \$767.8 million in the second quarter of 2009. The decrease was primarily driven by lower sales volume of approximately \$36 million, primarily related to continued weakness in the commercial real estate market, partially offset by the net effect of price and product mix of approximately \$16 million, as previously announced price increases positively impacted net sales in the period.

Dal-Tile Segment — Net sales decreased \$13.1 million, or 3.5%, to \$363.6 million in the current quarter compared to \$376.7 million in the second quarter of 2009. The decrease was primarily driven by the net effect of price and product mix of approximately \$24 million, as customers traded down to lower priced products, partially offset by higher sales volume of approximately \$9 million and the impact of favorable foreign exchange rates of approximately \$2 million.

Unilin Segment — Net sales increased \$28.7 million, or 10.2%, to \$308.4 million in the current quarter compared to \$279.7 million in the second quarter of 2009. The increase was driven by higher sales volume of approximately \$52 million, partially offset by approximately \$16 million due to unfavorable foreign exchange rates and by approximately \$7 million due the net effect of price and product mix, as customers traded down to lower priced products.

Gross profit

Gross profit for the second quarter of 2010 was \$374.8 million (26.8% of net sales) and represented an increase of \$7.4 million compared to gross profit of \$367.4 million (26.1% of net sales) for the prior year's second quarter. The increase in gross profit percentage is primarily attributable to various 2009 restructuring actions and cost savings initiatives implemented by the Company, including manufacturing consolidations and productivity improvements.

Selling, general and administrative expenses

Selling, general and administrative expenses for the second quarter of 2010 were \$285.0 million (20.4% of net sales), reflecting a decrease of \$7.7 million, or 2.6%, compared to \$292.7 million (20.8% of net sales) for the prior year's second quarter. The decrease in selling, general and administrative expenses is primarily driven by various 2009 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 current sales volumes.

Operating income

Operating income for the second quarter of 2010 was \$89.7 million (6.4% of net sales) reflecting a \$15.0 million increase compared to an operating income of \$74.7 million (5.3% of net sales) in the second quarter of 2009. The increase in operating income was primarily due to higher sales volume of approximately \$11

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million, the net effect of price and product mix of approximately \$8 million and lower 2010 restructuring charges of approximately \$7 million, compared to 2009, partially offset by higher manufacturing costs of approximately \$8 million and unfavorable foreign exchange rates of approximately \$3 million.

Mohawk Segment — Operating income was \$26.3 million (3.5% of segment net sales) in the second quarter of 2010 reflecting an increase of \$5.8 million compared to operating income of \$20.6 million (2.7% of segment net sales) in the second quarter of 2009. The increase in operating income was primarily due to the net effect of price and product mix of approximately \$26 million, partially offset by lower sales volume of approximately \$10 million, higher manufacturing costs of approximately \$6 million and 2010 restructuring costs of approximately \$4 million.

Dal-Tile Segment — Operating income was \$28.1 million (7.7% of segment net sales) in the second quarter of 2010 reflecting a decrease of \$2.2 million compared to operating income of \$30.3 million (8.1% of segment net sales) for the second quarter of 2009. The decrease was primarily driven by the net effect of price and product mix of approximately \$17 million, offset by lower manufacturing and selling, general and administrative expenses of approximately \$12 million, primarily related to 2009 restructuring actions and cost savings initiatives, and higher sales volume of approximately \$4 million.

Unilin Segment — Operating income was \$42.3 million (13.7% of segment net sales) in the second quarter of 2010 reflecting an increase of \$11.2 million compared to operating income of \$31.1 million (11.1% of segment net sales) for the second quarter of 2009. The increase was primarily driven by higher sales volume of approximately \$17 million and the impact of lower restructuring costs of approximately \$12 million in 2010, as compared to 2009, partially offset by higher manufacturing costs and selling, general and administrative expenses of approximately \$14 million and the impact of unfavorable foreign exchange rates of approximately \$3 million.

Interest expense

Interest expense for the second quarter of 2010 was \$39.0 million compared to \$30.0 million in the second quarter of 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.

Income tax (benefit) expense

For the three months ended July 3, 2010, the Company recorded an income tax benefit of \$18.8 million on earnings before income taxes of \$50.2 million compared to a provision of \$3.0 million on earnings before income taxes of \$50.2 million for an effective tax rate of 6.0% for the three months ended June 27, 2009. The difference in the effective tax rate for the comparative period is primarily due to the benefit from the settlement of certain tax contingencies of approximately \$30 million and the geographical dispersion of earnings and losses for the period. Additionally, the Company was able to reasonably estimate its annual effective tax rate and apply the appropriate rate to the current period. In 2009, the Company calculated its actual effective tax rate for the six months ended June 27, 2009 and applied that rate to the interim period because it was unable to make a reliable estimate of its annual effective tax rate.

Six Months Ended July 3, 2010, as Compared with Six Months Ended June 27, 2009

Net sales

Net sales for the six months ended July 3, 2010 were \$2,747.3 million, reflecting an increase of \$133.0 million, or 5.1%, from the \$2,614.4 million reported for the six months ended June 27, 2009. Included in net sales for the six months of 2009 is a carpet sales allowance of \$110.2 million. For the first six months of 2010, sales increased approximately \$89 million due to additional shipping days as compared to 2009 and by approximately \$3 million due to favorable foreign exchange rates. This increase was partially offset by the net effect of price and product mix of approximately \$64 million, as customers traded down to lower priced products and selling prices on commoditized products compressed, and lower sales volume of approximately \$5 million.

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Mohawk Segment — Net sales increased \$102.0 million, or 7.5%, to \$1,464.2 million in the current six months compared to \$1,362.1 million in the six months of 2009. Included in net sales for the first six months of 2009 is a carpet sales allowance of \$110.2 million. For the first six months of 2010, sales increased approximately \$45 million due to additional shipping days as compared to 2009, and by approximately \$4 million due to the net effect of price and product mix partially offset by lower sales volume of approximately \$58 million primarily related to continued weakness in the commercial real estate market.

Dal-Tile Segment — Net sales decreased \$30.2 million, or 4.1%, to \$705.0 million in the current six months compared to \$735.2 million in the first six months of 2009. The decrease was primarily driven by the net effect of price and product mix of approximately \$47 million, as customers traded down to lower priced products and a decrease in sales volume of approximately \$11 million primarily related to continued weakness in the commercial real estate market, partially offset by higher sales of approximately \$21 million due to additional shipping days in 2010 compared to 2009 and by approximately \$7 million due to favorable foreign exchange rates.

Unilin Segment — Net sales increased \$66.1 million, or 12.1%, to \$614.3 million in the current six months compared to \$548.2 million in the first six months of 2009. The increase was driven by higher sales volume of approximately \$68 million and higher sales of approximately \$23 million due to additional shipping days in 2010 as compared to 2009, partially offset by the net effect of price and product mix of approximately \$21 million, as customers traded down to lower priced products, and the impact of unfavorable foreign exchange rates of approximately \$4 million.

Gross profit

Gross profit for the first six months of 2010 was \$716.0 million (26.1% of net sales) and represented an increase of \$194.9 million compared to gross profit of \$521.1 million (19.9% of net sales) for the prior year's first six months. Gross profit for the first six months of 2009 includes a carpet sales allowance of \$110.2 million and inventory write-off of \$12.4 million and the unfavorable impact of higher raw material costs flowing through cost of sales of approximately \$62 million. The increase in gross profit percentage is primarily attributable to various 2009 restructuring actions and cost savings initiatives implemented by the Company, including manufacturing consolidations and productivity improvements.

Selling, general and administrative expenses

Selling, general and administrative expenses for the first six months of 2010 were \$572.7 million (20.8% of net sales), reflecting a decrease of \$19.6 million, or 3.3%, compared to \$592.3 million (22.7% of net sales) for the prior year's first six months. The decrease in selling, general and administrative expenses is primarily driven by various 2009 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 current sales volumes.

Operating income

Operating income for the first six months of 2010 was \$143.3 million (5.2% of net sales) reflecting a \$214.6 million increase compared to an operating loss of \$71.2 million in the first six months of 2009. Operating loss for the first six months of 2009 includes a carpet sales allowance and inventory write-off of \$122.6 million and the unfavorable impact of higher raw material costs flowing through cost of sales of approximately \$62 million. For the first six months of 2010, operating income was favorably impacted by lower manufacturing and selling, general and administrative expenses of approximately \$24 million, primarily related to 2009 restructuring actions and cost savings initiatives, and higher sales volumes of approximately \$25 million, partially offset by the net effect of price and product mix of approximately \$24 million.

Mohawk Segment — Operating income was \$43.0 million (2.9% of segment net sales) in the first six months of 2010 reflecting an increase of \$201.5 million compared to operating loss of \$158.5 million in the first six months of 2009. Operating loss for the first six months of 2009 includes a carpet sales allowance and inventory write-off of \$122.6 million and the unfavorable impact of higher raw material costs flowing through cost of sales of approximately \$62 million. For the first six months of 2010, operating income was favorably

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impacted by the net effect of price and product mix of approximately \$18 million and lower manufacturing and selling, general and administrative expenses of approximately \$11 million, primarily related to 2009 restructuring actions and cost savings initiatives, partially offset by lower restructuring costs of approximately \$8 million in 2010, as compared to 2009, and lower sales volume of approximately \$5 million.

Dal-Tile Segment — Operating income was \$43.5 million (6.2% of segment net sales) in the first six months of 2010 reflecting a decrease of \$7.9 million compared to operating income of \$51.5 million (7.0% of segment net sales) for the first six months of 2009. The decrease was primarily driven by the net effect of price and product mix of approximately \$28 million partially offset by lower manufacturing and selling, general and administrative expenses of approximately \$16 million, primarily related to 2009 restructuring actions and cost savings initiatives and by approximately \$4 million due to higher sales volume.

Unilin Segment — Operating income was \$68.8 million (11.2% of segment net sales) in the first six months of 2010 reflecting an increase of \$23.1 million compared to operating income of \$45.7 million (8.3% of segment net sales) for the first six months of 2009. The increase was primarily driven by higher sales volume of approximately \$26 million and lower restructuring costs of approximately \$15 million in 2010 compared to 2009, partially offset by the net effect of price and product mix of approximately \$15 million and unfavorable foreign exchange rates of approximately \$2 million.

Interest expense

Interest expense for the first six months of 2010 was \$72.9 million compared to \$60.2 million in the first six months of 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.

Income tax benefit

For the six months ended July 3, 2010, the Company recorded an income tax benefit of \$15.8 million on earnings before income taxes of \$74.4 million as compared to a benefit of \$69.8 million on loss before income taxes of \$127.5 million for the six months ended June 27, 2009. The difference in the effective tax rate for the comparative period is primarily due to the benefit from the settlement of certain tax contingencies of approximately \$30 million and the geographical dispersion of earnings and losses for the period. Additionally, the Company was able to reasonably estimate its annual effective tax rate and apply the appropriate rate to the current period. In 2009, the Company calculated its actual effective tax rate for the six months ended June 27, 2009 and applied that rate to the interim period because it was unable to make a reliable estimate of its annual effective tax rate.

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, term and senior notes and credit terms from suppliers.

Cash flows provided by operations for the first six months of 2010 were \$89.0 million compared to cash flows provided by operations of \$269.5 million in the first six months of 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.

Net cash used in investing activities for the first six months of 2010 was \$47.1 million compared to \$52.9 million in the first six months of 2009. The decrease is due to lower capital spending as the Company continues to manage capital expenditures. Capital spending during the remainder of 2010, excluding acquisitions, is expected to range from \$110 million to \$135 million and is intended to be used primarily to purchase equipment and to streamline manufacturing capacity.

Net cash used in financing activities for the first six months of 2010 was \$212.0 million compared to net cash used in financing activities of \$87.0 million in the first six months of 2009. The change in cash used in

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financing activities as compared to the first quarter of 2009 is primarily attributable to the Company's purchase of approximately \$200 million aggregate principal amount of its 5.75% senior notes due January 15, 2011.

On September 2, 2009, the Company entered into a \$600.0 million four-year, senior, secured revolving credit facility (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 daily 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 amount available under the ABL 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: (i) October 15, 2010 if the Company's outstanding 5.75% senior notes due January 15, 2011 have not been repaid, refinanced, defeased or adequately reserved for by the Company, as reasonably determined by the Administrative Agent, prior to October 15, 2010, and (ii) 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 can make adequate reserves for such senior notes with unrestricted cash on hand and unutilized borrowing availability under the ABL Facility. The Company believes cash and cash equivalents and availability under the ABL Facility will be sufficient to satisfy the October 15, 2010 requirements of the ABL Facility and the subsequent repayment of the aforementioned debt due January 15, 2011, although there can be no assurances that the Company will have adequate reserves, as defined in the ABL Facility.

As of July 3, 2010, the amount considered used under the ABL Facility was \$112.9 million resulting in a total of \$487.1 million available under the ABL Facility. The amount used under the ABL Facility is composed of \$53.5 million standby letters of credit guaranteeing the Company's industrial revenue bonds and \$59.4 million of standby letters of credit related to various insurance contracts and foreign vendor commitments.

On January 17, 2006, the Company issued \$500.0 million aggregate principal amount of 5.75% notes due 2011 and \$900.0 million aggregate principal amount of 6.125% notes due 2016. Interest payable on each series of the 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

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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 \$3.0 million per year. 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. These downgrades increase the Company's interest expense by approximately \$9.0 million per year 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.

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 will result 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 condensed consolidated statement of operations.

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

As of July 3, 2010, the Company had invested cash of \$296.4 million in money market AAA rated cash investments of which \$120.9 million was in North America and \$175.5 million was in Europe. The Company believes that its cash and cash equivalents on hand, cash generated from operations and availability under its ABL Facility will be sufficient to repay, defease or refinance its 5.75% senior notes due January 15, 2011 and meet its capital expenditures 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.

Contractual Obligations

There have been no significant changes to the Company's contractual obligations as disclosed in the Company's 2009 Annual Report filed on Form 10-K except for a reduction of approximately \$58.2 million and \$7.3 million in the current and non-current portion of uncertain tax positions as discussed above in the quarterly discussion of Income tax (benefit) expense.

Critical Accounting Policies and Estimates

There have been no significant changes to the Company's critical accounting policies and estimates during the period. The Company's critical accounting policies and estimates are described in its 2009 Annual Report filed on Form 10-K.

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

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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.

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 to continue to fluctuate based upon worldwide 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 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.

Forward-Looking Information

Certain of the statements in this Form 10-Q, particularly those anticipating future performance, business prospects, growth and operating strategies, proposed acquisitions, and similar matters, and those that include the words "believes," "anticipates," "forecast," "estimates" or similar expressions constitute "forward-looking statements" within the 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 our 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no significant changes to the Company's exposure to market risk as disclosed in the Company's 2009 Annual Report filed on Form 10-K.

Item 4. Controls and Procedures

Based on an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report, the Company's Chief Executive Officer and Chief Financial Officer have concluded that such controls and procedures were effective for the period covered by this report.

No change in the Company's internal control over financial reporting occurred during the period covered by this report that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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 February 2004, the Company filed a Motion to Dismiss the Complaint, which was denied by the District Court in April 2004. Following appellate review of this decision, the case was returned to the District Court for further proceedings. On December 18, 2007, the plaintiffs filed a motion for class certification. On March 3, 2008, the District Court denied the plaintiffs' motion for class certification. Following appellate review of the decision, the case was returned to the District Court on the class certification issue. 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 began in May 2010 and is expected to be completed in August 2010. The insurance carrier will have an option to terminate the settlement if claims are filed by the majority of claimants.

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.

Item 1A. Risk Factors

In addition to the other information provided in this Form 10-Q, the following risk factors should be considered when evaluating an investment in shares of 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 recent downturn in the U.S. and global economies, 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 stabilizing, 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 the Company's 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 recent 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

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typically accompanied by an increase in remodeling and replacement activity, these activities have also lagged during the recent downturn. While overall economic conditions and the housing and flooring industries have begun stabilizing, 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.

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 recent economic downturn on our ability to obtain financing, including any financing necessary to refinance our 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 our products and on our financial condition and operating results. Further, these generally negative economic and business conditions may factor into our periodic credit ratings assessment by either or both Moody's Investors Service, Inc. and Standard & Poor's Ratings Services. The 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, our senior unsecured notes were downgraded by the rating agencies, which will increase the Company's interest expense by approximately \$9.0 million per year 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 short-term and other 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 5.75% senior notes in the aggregate amount of approximately \$300 million as of April 12, 2010, are due January 15, 2011. Additionally, the Company's outstanding 7.20% senior notes in the aggregate amount of \$400.0 million are due April 15, 2012. 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: (i) October 15, 2010 if the Company's outstanding 5.75% senior notes due January 15, 2011 have not been repaid, refinanced, defeased or adequately reserved for by the Company, as reasonably determined by the Administrative Agent, prior to October 15, 2010, and (ii) 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 can make adequate reserves for such senior notes with unrestricted cash on hand and unutilized borrowing availability under the ABL Facility. While the Company currently has sufficient cash and cash equivalents, availability under the ABL Facility and access to other financing sources, including public debt markets, to satisfy the October 15, 2010 requirements of the ABL Facility and the subsequent repayment of the aforementioned debt due January 15, 2011, there can be no assurances that other financing transactions will be completed by the relevant dates under the ABL Facility or the maturity dates of our senior notes.

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

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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 and polyester and polypropylene and triexta resins and fibers, which are used primarily in the Company's carpet and rugs business; talc, clay, nepheline syenite and various 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; and other materials. 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. 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.

In periods of rising costs, the Company may be unable to pass raw materials 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 vary with market conditions. Although the Company generally attempts to pass on increases in raw material 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.

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.

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

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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.

A failure to identify suitable acquisition candidates 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 acquisitions of complementary businesses. Although the Company regularly evaluates acquisition opportunities, the Company may not be able successfully to identify suitable acquisition candidates; to obtain sufficient financing on acceptable terms to fund acquisitions; to complete acquisitions and integrate acquired businesses with the Company's existing businesses; or to manage profitably acquired businesses.

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

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.

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.

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

In the ordinary course of our business, we are 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 us. Such matters could have a material adverse effect on our business, results of operations and financial condition if we are unable to successfully defend against or resolve these matters or if our insurance coverage is insufficient to satisfy any judgments against us or settlements relating to these matters. Although we have product liability insurance, our policies may not provide coverage for certain claims against us or may not be sufficient to cover all possible liabilities. Moreover, adverse publicity arising from claims made against us,

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even if the claims were not successful, could adversely affect our reputation or the reputation and sales of our products.

Regulatory decisions could cause the prices of fuel and energy to fluctuate, and any price increases that result may reduce results of operations.

The Company's manufacturing operations and shipping needs require high inputs of energy, including the use of substantial amounts of electricity, natural gas, and petroleum based products, which are subject to price fluctuations due to changes in supply and demand and are also affected by local, national and international regulatory decisions. Significant increases in the cost of these commodities, either as a result of changes in market prices due to regulatory decisions or as a result of additional costs in order to comply with regulatory decisions, may have adverse effects on the Company's results of operations and cash flows if the Company is unable to pass such increases to its customers in a timely manner.

Changes in laws or in the business, political and regulatory environments in which the Company operates could have a material adverse effect on the Company's business.

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. Accordingly, an event that has a material adverse impact on either of these operations or that changes the current tax treatment of the results thereof could have a material adverse effect on the Company. The business, regulatory and political environments in Mexico and Europe differ from those in the U.S., and the Company's Mexican and European operations are exposed to legal, currency, tax, political, and economic risks specific to the countries in which they occur, particularly with respect to labor regulations, which tend to be more stringent in Europe and, to a lesser extent, Mexico. The Company cannot assure investors that the Company 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 the Company's financial condition and results of operations.

If the Company is unable to protect the Company's intellectual property rights, particularly with respect to the Company's patented laminate flooring technology and the Company's 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.

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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 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, such as the Sarbanes-Oxley Act of 2002. 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.

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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.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. (Removed and Reserved)

None.

Item 5. Other Information

None.

Item 6. Exhibits

<u>No.</u>	<u>Description</u>
10.1	First Amendment to Loan and Security Agreement dated as of June 1, 2010 by and among Mohawk Industries, Inc. and certain of its Subsidiaries, as Borrowers, certain of its Subsidiaries, as Guarantors, the Lenders from time to time party thereto, Wells Fargo Bank, National Association, as Administrative Agent, and the other parties thereto.
31.1	Certification Pursuant to Rule 13a-14(a).
31.2	Certification Pursuant to Rule 13a-14(a).
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MOHAWK INDUSTRIES, INC.
(Registrant)

Dated: August 6, 2010

By: /s/ Jeffrey S. Lorberbaum
JEFFREY S. LORBERBAUM
Chairman and Chief Executive Officer
(principal executive officer)

Dated: August 6, 2010

By: /s/ Frank H. Boykin
FRANK H. BOYKIN
Chief Financial Officer
(principal financial officer)

FIRST AMENDMENT TO LOAN AND SECURITY AGREEMENT

THIS FIRST AMENDMENT TO LOAN AND SECURITY AGREEMENT (this "Amendment"), dated as of May ___, 2010, by and among MOHAWK INDUSTRIES, INC., a Delaware corporation (the "Company"), the Subsidiaries of the Company identified as "Borrowers" on the signature pages hereto (together with the Company, the "Borrowers"), the Subsidiaries of the Company identified as "Guarantors" on the signature pages hereto (collectively, the "Guarantors"), the Lenders signatory hereto, and WELLS FARGO BANK, NATIONAL ASSOCIATION (successor by merger to Wachovia Bank, National Association), a national banking association, as administrative agent for the Lenders ("Administrative Agent").

STATEMENT OF PURPOSE

WHEREAS, the Borrowers, the Guarantors party thereto, the Lenders party thereto and the Administrative Agent are parties to that certain Loan and Security Agreement dated as of September 2, 2009 (as amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement").

WHEREAS, the Borrowers have requested certain amendments and modifications to and under the Loan Agreement as more particularly described herein.

WHEREAS, the Administrative Agent and the Lenders are willing to consent to such requests and have agreed to make such amendments and modifications to and under the Loan Agreement as provided herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1 Capitalized Terms. All capitalized undefined terms used in this Amendment (including, without limitation, in the Statement of Purpose hereto) shall have the meanings assigned thereto in the Loan Agreement.

SECTION 2 Amendments. Subject to and in accordance with the terms and conditions set forth herein, and effective on and after the First Amendment Effective Date (as defined in Section 3 below), the Loan Agreement is hereby amended as follows:

(a) Amended Definitions. The following definitions set forth in Section 1.1 of the Loan Agreement are hereby amended as follows:

(i) "Applicable Margin" is hereby amended by deleting the pricing grid in such definition in its entirety and replacing it with the following:

Level	Average Excess Availability	Applicable Margin for Eurodollar Rate Loans and Swingline Loans	Applicable Margin for Base Rate Loans
1	Less than \$200,000,000	3.25%	1.75%
2	Greater than or equal to \$200,000,000 but less than \$400,000,000	3.00%	1.50%
3	Greater than or equal to \$400,000,000	2.75%	1.25%

(ii) “Commitment Fee Rate” is hereby amended and restated in its entirety as follows:

“Commitment Fee Rate” means, on any date of calculation, (a) if Average Excess Availability during the immediately preceding calendar quarter (or part thereof) is equal to or greater than fifty percent (50%) of the Aggregate Commitment then in effect, 0.65% per annum or (b) if Average Excess Availability during the immediately preceding calendar quarter (or part thereof) is less than fifty percent (50%) of the Aggregate Commitment then in effect, 0.50% per annum.”

(iii) “Consolidated Indebtedness Payments” is hereby amended and restated in its entirety as follows:

“Consolidated Indebtedness Payments” means, for any applicable period of computation, the sum of all (a) scheduled payments of principal on Consolidated Indebtedness for such period (including the principal component of payments due on Capital Leases or under any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product during such period) and (b) (i) scheduled payments of principal of the Existing Senior Notes (or any Permitted Refinancing Indebtedness in respect thereof) made during such period and (ii) any payment of the Existing Senior Notes (or any Permitted Refinancing Indebtedness in respect thereof) made from proceeds of the Loans during such period; provided that Consolidated Indebtedness Payments shall not include (i) voluntary prepayments or mandatory prepayments of Loans hereunder or (ii) any payment pursuant to which such Consolidated Indebtedness is refinanced or repaid in whole or in part (A) through an incurrence of Indebtedness expressly permitted by Section 10.1, (B) with the proceeds of an issuance of Capital Stock of the Company or (C) with the proceeds of a disposition of assets (other than Collateral) expressly permitted pursuant to Section 10.5.”

(iv) “Maturity Date” is hereby amended and restated in its entirety as follows:

“Maturity Date” means the earlier to occur of (a) September 2, 2013; provided that such date shall be accelerated to: (i) if the 2011 Notes have not been repaid, refinanced, defeased or, in the reasonable determination of the Administrative Agent, the payment in full thereof adequately collateralized or reserved for by the Borrowers prior to October 15, 2010, October 15, 2010 and (ii) if the Maturity Date has not been modified pursuant to clause (i) above and the 2012 Notes have not been repaid, refinanced, defeased or, in the reasonable determination of the Administrative Agent, the payment in full thereof adequately collateralized or reserved for by the Borrowers prior to January 15, 2012, January 15, 2012, (b) the date of termination of the entire Aggregate Commitment by the Administrative Borrower pursuant to Section 2.6 or (c) the date on which the Obligations have been accelerated pursuant to Section 11.2(b) and in connection therewith, the Obligations have become immediately due and

payable and the Aggregate Commitment has been terminated. For purposes hereof, the Administrative Agent shall deem the payment in full of the applicable Existing Senior Notes to be adequately collateralized or reserved for if, at the time of determination, (x) the Company have arranged for the following (individually or a through a combination of the following) in an amount greater than or equal to the amount necessary to fully repay the principal of, premium, if any, and interest on the applicable Existing Senior Notes, on the respective maturity dates thereof, as required pursuant to the 2011 Indenture and/or 2012 Indenture, as applicable (such amount, the "Refinancing Amount"): (A) such amount shall be deposited into and held in the Collateral Account (such deposit amount with the Administrative Agent, the "Maturity Date Deposit Amount") and/or (B) the Administrative Agent (at the written direction of the Company) shall have established Reserves (in addition to any other Reserves established pursuant to the terms of this Agreement) in such amount (such Reserve amount, the "Maturity Date Reserve Amount") (provided that the Maturity Date Reserve Amount, once so established, shall constitute a Reserve until the applicable Existing Senior Notes are no longer outstanding) or (y) the Company shall have defeased the applicable Existing Senior Notes in accordance with Section 10.4 of the 2011 Indenture or Section 8.4 of the 2012 Indenture, as applicable."

(v) "Permitted Acquisition" is hereby amended by replacing the amount "\$300,000,000" with "\$200,000,000" in clauses (d)(ii)(A), (f) and (g) thereof.

(b) New Definition. The following definitions are hereby added to Section 1.1 in the appropriate alphabetical location:

"Collateral Account" means a deposit account or securities account under the exclusive dominion and control of the Administrative Agent which the Loan Parties shall not be permitted to access except as permitted under Section 6.4."

"Maturity Date Deposit Amount" has the meaning given such term in the definition of Maturity Date.

"Maturity Date Reserve Amount" has the meaning given such term in the definition of Maturity Date.

(c) Amendments to Article VI. Article VI is amended by adding the following new Section 6.4 to the end of such Article:

"Section 6.4 Collateral Account. So long as no Default or Event of Default shall have occurred and be continuing: (a) amounts on deposit in the Collateral Account shall be invested in cash or such Cash Equivalents as the Company may elect; (b) if at any time the amount on deposit in the Collateral Account exceeds the applicable Refinancing Amount, upon the written request of the Company, the Administrative Agent will withdraw the amount of such excess from the Collateral Account and return such amount to the Company; (c) if at any time the applicable Refinancing Amount exceeds the amount on deposit in the Collateral Account, upon the written request of the Administrative Agent, the Company will deposit an amount equal to such excess into the Collateral Account; and (d) upon the written request and direction of the Company, the Administrative Agent will withdraw amounts on deposit in the Collateral Account for payment to the trustee of the applicable Existing Senior Notes for the purpose of paying, prepaying, redeeming or otherwise acquiring for value the applicable Existing Senior

Notes, so long as after giving effect to any such payment, prepayment, redemption or acquisition for value, the remaining amount on deposit in the Collateral Account will equal or exceed the applicable Refinancing Amount (determined after taking into account such payment, prepayment, redemption or acquisition for value). Any request from the Company to withdraw amounts from the Collateral Account pursuant to clause (b) or (d) above will be accompanied by a certification by the Company of the applicable Refinancing Amount as of such date. The Collateral Account, and all amounts on deposit therein, shall constitute Collateral and the Company shall take, at the Company's expense, all such necessary actions as the Administrative Agent may reasonably request to create and perfect the Administrative Agent's security interest therein. At the time of the deposit of any amounts into the Collateral Account, the Company shall certify in writing to the Administrative Agent the amount of funds being provided from the proceeds of Loans and the amount of funds being provided from other cash or Cash Equivalents of the Company, as applicable."

(d) Amendments to Section 10.3.

(i) Section 10.3(p)(ii)(A) is hereby amended by replacing the amount "\$300,000,000" with "\$200,000,000" in such Section.

(ii) Section 10.3(q) is hereby amended by replacing each occurrence of the amount "\$300,000,000" with "\$200,000,000" in such Section.

(e) Amendments to Section 10.9.

(i) Section 10.9(b) is amended by deleting the introductory clause thereof in its entirety and replacing it as follows:

"make any payment or prepayment on, or redeem or acquire for value (including, without limitation, (x)(i) by way of depositing with any trustee with respect thereto money or securities before due for the purpose of paying such when due or (ii) by depositing the Maturity Date Deposit Amount into the Collateral Account and/or establishing a Reserve in the amount of the Maturity Date Reserve Amount, and (y) at the maturity thereof) any Subordinated Indebtedness or the Existing Senior Notes (or any Permitted Refinancing Indebtedness in respect thereof), except:"

(ii) Section 10.9(b)(iii) is hereby amended and restated in its entirety as follows:

"(iii) prepayments, repurchases and repayments of the Existing Senior Notes (or any Permitted Refinancing Indebtedness in respect thereof) (including, without limitation, (x) by way of depositing with any trustee with respect thereto money or securities before due for the purpose of paying such when due or (y) by depositing the Maturity Date Deposit Amount into the Collateral Account and/or establishing a Reserve in the amount of the Maturity Date Reserve Amount, as described in the definition of Maturity Date, so long as (A) in the case of any optional prepayment, repurchase or repayment, no Default or Event of Default shall have occurred and be continuing or would result therefrom and (B) such prepayment, repurchase or repayment is made from the proceeds of (x) any Permitted Refinancing Indebtedness expressly permitted pursuant to Section 10.1(l), (y) an issuance of Capital Stock by the Company or (z) a disposition of assets (other than Collateral) expressly permitted pursuant to Section 10.5;

provided that if any such prepayment, repurchase or repayment is made from any source not described in clause (iii)(B) above, then the making of such prepayment, repurchase or repayment shall be a breach of this Section unless:

(A) both 30-Day Excess Availability and Excess Availability on the date of such prepayment, repurchase or repayment (calculated on a pro forma basis after giving effect to such prepayment, repurchase or repayment) equal or exceed \$200,000,000; or

(B) (1) both 30-Day Excess Availability and Excess Availability on the date of such prepayment, repurchase or repayment (calculated on a pro forma basis after giving effect to such prepayment, repurchase or repayment) equal or exceed twenty-five percent (25%) of the Aggregate Commitment and (2) the Company shall have a Fixed Charge Coverage Ratio equal to or greater than 1.10 to 1.00 (calculated on a pro forma basis after giving effect to such prepayment, repurchase or repayment);

provided that if a repayment of the Existing Senior Notes under this clause (iii) is effected by the making of a Maturity Date Deposit Amount and/or reserving the Maturity Date Reserve Amount, the applicable test under subclause (A) or (B) herein shall be measured only at the time such deposit is made and/or reserve is established, provided further that, notwithstanding the foregoing, no payment of the Existing Senior Notes shall be permitted to be made from amounts held in the Collateral Account or from the proceeds of Revolving Loans if a Default or Event of Default shall have occurred and be continuing or would result therefrom; and”

Except as so amended, the Loan Agreement and all other Loan Documents shall continue in full force and effect.

SECTION 3 Effectiveness. This Amendment shall become effective (including any resulting changes to the Applicable Margin and the Commitment Fee Rate) on the date upon which each of the following conditions is satisfied (such date, the “First Amendment Effective Date”):

(a) Execution of Counterparts of Amendment. The Administrative Agent shall have received counterparts of this Amendment duly executed by the Borrowers, the Guarantors, the Lenders and the Administrative Agent.

(b) Amendment Fee. The Borrowers shall have paid to the Administrative Agent (or its applicable affiliates), for the account of the Lenders (including the Administrative Agent in its capacity as a Lender) an amendment fee in an aggregate amount equal to 5.0 basis points times the Aggregate Commitment.

(c) Other Documents. The Administrative Agent shall have received any other documents or instruments reasonably requested by the Administrative Agent in connection with the execution of this Amendment.

SECTION 4 Limited Effect. Except as expressly provided herein, the Loan Agreement and the other Loan Documents shall remain unmodified and in full force and effect. This Amendment shall not be deemed (a) to be a waiver of, or consent to, or a modification or amendment of, any other term or condition of the Loan Agreement or any other Loan Document or a waiver of any Default or Event of

Default, (b) to prejudice any right or rights which Administrative Agent or Lenders may now have or may have in the future under or in connection with the Loan Agreement or the other Loan Documents or any of the instruments or agreements referred to therein, as the same may be amended, restated, supplemented or modified from time to time, or (c) to be a commitment or any other undertaking or expression of any willingness to engage in any further discussion with any Borrower or any other Person with respect to any waiver, amendment, modification or any other change to the Loan Agreement or the Loan Documents or any rights or remedies arising in favor of Lenders or Administrative Agent, or any of them, under or with respect to any such documents.

SECTION 5 Representations and Warranties. Each Loan Party represents and warrants that (a) it has the corporate power and authority to make, deliver and perform this Amendment, (b) it has taken all necessary corporate or other action to authorize the execution, delivery and performance of this Amendment, (c) this Amendment has been duly executed and delivered on behalf of such Loan Party, (d) this Amendment constitutes a legal, valid and binding obligation of such Loan Party, enforceable against such Loan Party in accordance with its terms; provided, that the enforceability hereof is subject to general principles of equity and to bankruptcy, insolvency and similar laws affecting the enforcement of creditors' rights generally, (e) each of the representations and warranties made by such Loan Party in or pursuant to the Loan Documents is true and correct in all material respects on and as of the date hereof as if made on and as of the date hereof, except for any representation and warranty made as of an earlier date, which representation and warranty shall remain true and correct as of such earlier date and (f) no Default or Event of Default has occurred and is continuing as of the date hereof or after giving effect hereto.

SECTION 6 Acknowledgement and Reaffirmation. By its execution hereof, each Loan Party hereby expressly (a) acknowledges and agrees to the terms and conditions of this Amendment, (b) reaffirms all of its respective covenants, representations, warranties and other obligations set forth in the Loan Agreement and the other Loan Documents to which it is a party and (c) acknowledges that its respective covenants, representations, warranties and other obligations set forth in the Loan Agreement and the other Loan Documents to which it is a party remain in full force and effect.

SECTION 7 Costs and Expenses. The Borrowers agree to pay in accordance with Section 14.3 of the Loan Agreement all reasonable costs and expenses of the Administrative Agent in connection with the preparation, execution and delivery of this Amendment and the other instruments and documents to be delivered hereunder, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Administrative Agent with respect thereto and with respect to advising the Administrative Agent as to its rights and responsibilities hereunder and thereunder.

SECTION 8 Execution in Counterparts. This Amendment may be executed by one or more of the parties to this Amendment on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page of this Amendment by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof.

SECTION 9 Governing Law. The validity, interpretation and enforcement of this Amendment shall be governed by the internal laws of the State of New York but excluding any principles of conflicts of law or other rule of law that would cause the application of the law of any jurisdiction other than the laws of the State of New York.

SECTION 10 Entire Agreement. This Amendment is the entire agreement, and supersedes any prior agreements and contemporaneous oral agreements, of the parties concerning its subject matter.

SECTION 11 Successors and Assigns. This Amendment shall be binding on and inure to the benefit of the parties and their respective heirs, beneficiaries, successors and permitted assigns.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their duly authorized officers, all as of the day and year first written above.

BORROWERS:

MOHAWK INDUSTRIES, INC.

By: /s/ Scott R. Veldman
Name: Scott R. Veldman
Title: Vice President & Treasurer

ALADDIN MANUFACTURING CORPORATION

By: /s/ Scott R. Veldman
Name: Scott R. Veldman
Title: Vice President & Treasurer

MOHAWK FACTORING, INC.

By: /s/ Scott R. Veldman
Name: Scott R. Veldman
Title: Vice President & Treasurer

DAL-TILE CORPORATION
DAL-TILE DISTRIBUTION, INC.
MOHAWK CARPET DISTRIBUTION, INC.
UNILIN FLOORING NC, LLC

By: /s/ Scott R. Veldman
Name: Scott R. Veldman
Title: Vice President & Treasurer

WAYN-TEX LLC

By: /s/ Scott R. Veldman
Name: Scott R. Veldman
Title: Vice President & Treasurer

Mohawk Industries, Inc.
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GUARANTORS:

DAL-ELIT, LLC
DAL-TILE GROUP INC.
MOHAWK CARPET TRANSPORTATION OF GEORGIA, LLC
MOHAWK ESV, INC.
MOHAWK SERVICING, LLC

By: /s/ Scott R. Veldman
Name: Scott R. Veldman
Title: Vice President & Treasurer

DAL-TILE INTERNATIONAL INC.
DAL-TILE SERVICES, INC.
MOHAWK CARPET, LLC

By: /s/ Scott R. Veldman
Name: Scott R. Veldman
Title: Vice President & Treasurer

DAL-TILE SHARED SERVICES, INC.
MOHAWK RESOURCES, LLC

By: /s/ Scott R. Veldman
Name: Scott R. Veldman
Title: Vice President & Treasurer

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ADMINISTRATIVE AGENT:

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Administrative Agent, Issuing Bank and Swingline Lender

By: /s/ Dan Denton
Name: Dan Denton
Title: _____

Mohawk Industries, Inc.
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LENDERS:

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Lender

By: /s/ Dan Denton
Name: Dan Denton
Title: _____

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JPMORGAN CHASE BANK, N.A., as Lender

By: /s/ T.C. Wilde

Name: T.C. Wilde

Title: Vice President

Mohawk Industries, Inc.

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SUNTRUST BANK, as Lender

By: /s/ Stephen D. Metts

Name: Stephen D. Metts

Title: Director

Mohawk Industries, Inc.

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BANK OF AMERICA, N.A., as Lender

By: /s/ Andrew A. Doherty

Name: Andrew A. Doherty

Title: Senior Vice President

Mohawk Industries, Inc.

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REGIONS BANK, as Lender

By: /s/ Michael A. Mezza

Name: Michael A. Mezza

Title: Senior Vice President

Mohawk Industries, Inc.

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DEUTSCHE BANK TRUST COMPANY AMERICAS,
as Lender

By: /s/ Omayra Laucella
Name: Omayra Laucella
Title: Vice President

By: /s/ Paul O'Leary
Name: Paul O'Leary
Title: Director

Mohawk Industries, Inc.
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BARCLAYS BANK PLC, as Lender

By: /s/ Noam Azachi

Name: Noam Azachi

Title: Assistant Vice President

Mohawk Industries, Inc.

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ING BELGIUM SA/NV, as Lender

By: /s/ Markey Johan

Name: Markey Johan

Title: Director

By: /s/ Jacques Mamere

Name: Jacques Mamere

Title: Head of Lending — Structured Finance

Mohawk Industries, Inc.

First Amendment

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CERTIFICATIONS

I, Jeffrey S. Lorberbaum, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mohawk Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2010

/s/ Jeffrey S. Lorberbaum

Jeffrey S. Lorberbaum
Chairman and Chief Executive Officer

CERTIFICATIONS

I, Frank H. Boykin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mohawk Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2010

/s/ Frank H. Boykin

Frank H. Boykin
Chief Financial Officer

Statement of Chief Executive Officer of
MOHAWK INDUSTRIES, INC.
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to
§ 906 of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report of Mohawk Industries, Inc. (the "Company") on Form 10-Q for the period ended July 3, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey S. Lorberbaum, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jeffrey S. Lorberbaum

Jeffrey S. Lorberbaum
Chairman and Chief Executive Officer

August 6, 2010

Statement of Chief Financial Officer of
MOHAWK INDUSTRIES, INC.
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to
§ 906 of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report of Mohawk Industries, Inc. (the "Company") on Form 10-Q for the period ended July 3, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Frank H. Boykin, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Frank H. Boykin

Frank H. Boykin
Chief Financial Officer

August 6, 2010

