

MOHAWK INDUSTRIES INC

Form 11-K

June 15, 2011

**Table of Contents**

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 11-K**

[Mark One]

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the fiscal year ended December 31, 2010**

**OR**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number 01-13697**

**MOHAWK CARPET, LLC RETIREMENT SAVINGS PLAN II**

(Full title of the Plan)

**MOHAWK INDUSTRIES, INC.**

(Name of the issuer of the securities held pursuant to the Plan)

160 S. Industrial Blvd.

Calhoun, Georgia 30701

(Address of principal executive offices)

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**Table of Contents**

MOHAWK CARPET, LLC RETIREMENT SAVINGS PLAN II  
Index to Financial Statements, Supplemental Schedule and Exhibit

Item:

Report of Independent Registered Public Accounting Firm

Statements of Net Assets Available for Plan Benefits as of December 31, 2010 and 2009

Statements of Changes in Net Assets Available for Plan Benefits for the Years ended December 31, 2010 and 2009

Notes to Financial Statements

Schedule H, Line 4i Schedule of Assets (Held at Year End) December 31, 2010

Signatures

Exhibit 23.1 Consent of Independent Registered Public Accounting Firm

2

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MOHAWK CARPET, LLC RETIREMENT SAVINGS PLAN II  
Table of Contents

	Page
<u>Report of Independent Registered Public Accounting Firm</u>	4
<u>Statements of Net Assets Available for Plan Benefits as of December 31, 2010 and 2009</u>	5
<u>Statements of Changes in Net Assets Available for Plan Benefits for the Years Ended December 31, 2010 and 2009</u>	6
<u>Notes to Financial Statements</u>	7
<u>Schedule H, Line 4i Schedule of Assets (Held at End of Year) December 31, 2010</u>	12
<u>EX-23.1</u>	

**Table of Contents**

Report of Independent Registered Public Accounting Firm

The Plan Administrator

Mohawk Carpet, LLC

Retirement Savings Plan II:

We have audited the accompanying statements of net assets available for plan benefits of the Mohawk Carpet, LLC Retirement Savings Plan II (the Plan) as of December 31, 2010 and 2009, and the related statements of changes in net assets available for plan benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits of the Plan as of December 31, 2010 and 2009, and the changes in net assets available for plan benefits for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole.

The supplemental schedule of assets (held at end of year) as of December 31, 2010 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As discussed in note 1 to the financial statements, the Plan changed the manner in which it accounts for loans to participants in 2010 due to the adoption of ASU 2010-25, *Plan Accounting - Defined Contribution Pension Plans (Topic 962)*.

/s/ KPMG LLP

Atlanta, Georgia

June 15, 2011

**Table of Contents**

MOHAWK CARPET, LLC RETIREMENT SAVINGS PLAN II  
 Statements of Net Assets Available for Plan Benefits  
 December 31, 2010 and 2009

	2010	2009
Assets:		
Plan's interest in Master Trust, at fair value (notes 1, 4 and 5)	\$ 392,687,580	354,927,229
Loans to participants (note 1)	13,273,516	13,393,764
Contributions receivable from employer	91,319	57,621
Contributions receivable from participants	310,570	139,129
Net assets available for plan benefits before adjustments	406,362,985	368,517,743
Adjustment from fair value to contract value for Plan's interest in Master Trust related to fully benefit-responsive investment contracts	(1,018,595)	1,332,054
Net assets available for plan benefits	\$ 405,344,390	369,849,797

See accompanying notes to financial statements.

**Table of Contents**

MOHAWK CARPET, LLC RETIREMENT SAVINGS PLAN II  
 Statements of Changes in Net Assets Available for Plan Benefits  
 Years Ended December 31, 2010 and 2009

	2010	2009
Additions:		
Investment income:		
Interest	\$ 664,776	855,914
Plan's interest in income of Master Trust (notes 1, 4 and 5)	40,354,878	53,073,613
Net investment income	41,019,654	53,163,387
Contributions from employer	8,730,700	10,415,232
Contributions from participants	24,653,374	25,208,519
Total additions	74,403,728	89,553,278
Deductions:		
Distributions to participants	38,904,924	37,473,211
Administrative expenses	190,294	182,458
Total deductions	39,095,218	37,655,669
Net increase in net assets available for plan plan benefits before transfers to/from other Mohawk Carpet, LLC Plans	35,308,510	51,897,609
Transfers:		
Transfers from other plans (note 8)	336,202	213,640
Transfers to other plans (note 8)	(150,119)	(211,538)
Net transfers from other plans	186,083	2,102
Net increase in net assets available for plan benefits	35,494,593	51,899,711
Net assets available for plan benefits at beginning of year, as previously reported		319,074,782
Cumulative effect of change in accounting principle (note 1)		(1,124,696)
Net assets available for plan benefits at beginning of year, as adjusted	369,849,797	317,950,086
Net assets available for plan benefits at end of year	\$ 405,344,390	369,849,797

See accompanying notes to financial statements.

**Table of Contents**

MOHAWK CARPET, LLC RETIREMENT SAVINGS PLAN II  
Notes to Financial Statements  
December 31, 2010 and 2009

**(1) Summary of Significant Accounting Policies**

The following is a summary of significant accounting policies followed by the Mohawk Carpet, LLC Retirement Savings Plan II (the Plan) in preparing its financial statements.

**(a) Basis of Presentation**

The accompanying financial statements of the Plan have been prepared on the accrual basis of accounting and present the net assets available for plan benefits and changes in those net assets.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

**(b) Investments**

The Mohawk Carpet, LLC Retirement Savings Plan and Mohawk Carpet, LLC Retirement Savings Plan II Master Trust (Master Trust) was established on January 1, 2007. As of December 31, 2010 and 2009, the Plan's investments consist of its interest in the investments of the Master Trust. The Master Trust is an arrangement by which investments of the Plan and one other Mohawk Carpet, LLC defined-contribution plan share a trust (see note 5). The Plan's investment in the Master Trust is based on its equity share of the Master Trust's investments.

The Master Trust's investments in registered investment companies and common stock are stated at fair value. Fair value is based on the quoted market or redemption values on the last business day of the Plan year. Securities traded on a national securities exchange are valued at the closing market price on the last business day of the Plan year. Common collective funds contain investments in guaranteed investment contracts, which are stated at contract value. The Plan's interest in common collective funds is valued based on information reported by the Plan's trustee using financial statements of the common collective funds at year end. These investments are maintained in the Stable Value Fund of the Master Trust as of December 31, 2010 and 2009. The statements of net assets available for plan benefits present the fair value of the common collective funds as well as the related adjustment of the fully benefit-responsive investment contracts from fair value to contract value. Securities transactions are accounted for on a trade-date basis. Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2009-12, *Fair Value Measurements and Disclosures (Topic 820), Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, allows investors to use NAV as a practical expedient to estimate fair value of investments in investment companies that do not have readily determinable fair values, including investees that have attributes of investment companies, report net asset value or its equivalent to their investors, and calculate net asset value or its equivalent consistent with the measurement principles of the American Institute of Certified Public Accountants (AICPA) Investment Companies Guide (i.e., their assets generally are measured at fair value). The Plan utilized NAV as a practical expedient to estimate the fair value of certain investments that fall within the scope of this pronouncement.

ASU 2010-06, *Fair Value Measurements and Disclosures (Topic 820), Improving Disclosures about Fair Value Measurements*, requires additional disclosure of significant transfers in and out of instruments categorized as Level 1 and 2. This update also clarifies existing disclosure requirements by defining the level of disaggregation of instruments into classes as well as additional disclosure around the valuation techniques and inputs used to measure fair value. The provisions of this pronouncement were applied to both 2010 and 2009.

On January 1, 2010, the Plan adopted ASU 2010-25, *Plan Accounting - Defined Contribution Pension Plans (Topic 962)*, which requires retrospective application. Accordingly, effective January 1, 2009, loans to participants are presented at their unpaid principal balance plus any accrued but unpaid interest. The Plan recorded a cumulative change in accounting principle of \$(1,124,696) (net assets available for plan benefits at beginning of year) on January 1, 2009 in connection with the retrospective adoption. Prior to the adoption of ASU 2010-25, loans to participants were classified as investments and stated at fair value based on a discounted cash flow model using market based interest rates. Loans to participants and net increase in net assets available for plan benefits increased (decreased) by \$(358,556) and \$766,140, respectively, as of and for the plan year ended December 31, 2009, due to



the retrospective adoption.

The Plan presents in the statements of changes in net assets available for benefits the Plan's interest in income of the Master Trust, which consists primarily of the realized gains or losses on the fair value of the Master Trust investments and the unrealized appreciation on those investments.

The Plan provides for investing in numerous funds, which invest in various types of investment securities and in various companies in various markets. Investment securities, generally, are exposed to several risks, such as interest rate, market, and credit risks. Due to the level of risk associated with the funds, it is reasonably possible that changes in the values of the funds will occur in the near term and such changes could materially affect the amounts reported in the financial statements and supplemental schedule of assets (held at end of year).

**(2) Description of the Plan**

The following description of the Plan provides only general information. Participants should refer to the plan agreement for a more complete description of the Plan's provisions.

**(a) General**

The Plan is a defined contribution plan and covers substantially all salaried, sales, and nonexempt employees, of Mohawk Carpet, LLC (the Company), a wholly owned subsidiary of Mohawk Industries, Inc., and all employees, including hourly, nonexempt and salaried, of the Karastan Bigelow Group and the Lauren Park Mill Group. The Plan provides for retirement savings to qualified active participants through both participant and employer contributions and is subject to certain provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Employees are eligible to participate in the Plan at the beginning of the calendar month after the completion of 90 days of service.

**Table of Contents**

MOHAWK CARPET, LLC RETIREMENT SAVINGS PLAN II  
Notes to Financial Statements  
December 31, 2010 and 2009

The Plan is administered by an Administrative Committee (Committee) appointed by the Company. The Committee is responsible for the control, management, and administration of the Plan and the assets. Fidelity Management Trust Company (Fidelity) was the Trustee of the Plan as of and for the years ended December 31, 2010 and 2009.

**(b) Contributions**

Contributions to the Plan are made by both participants and the Company. Participants may contribute a maximum of 50% of their gross compensation, subject to certain limitations. Participants may allocate their contributions in multiples of 1% to various investment funds of the Plan. For all participants other than employees of Dal-Tile International, Inc., the Company provides 50% matching contributions up to the first 4% of each participant's gross compensation contributed to the Plan and an additional match of \$0.25 for every \$1.00 of participant contributions in excess of 4% up to a maximum of 6%. The employer match for participants employed by Dal-Tile International, Inc. is 50% up to the first 6% of each participant's gross compensation contributed to the Plan.

The terms of the Plan also provide for discretionary employer profit sharing contributions to plan participants employed on the last day of the plan year or terminated during the plan year on account of death, disability, or retirement. During 2010 and 2009, there were no discretionary employer profit sharing contributions relating to 2010 and 2009 performance, respectively. Discretionary employer profit sharing contributions of \$1,021,129 and were made to the Plan during 2009 relating to 2008 performance.

**(c) Participant Accounts**

Each participant's account is credited with the participant's contributions for the period as well as the employer's matching contribution and an allocation of any discretionary employer profit sharing contribution. Investment income, realized gains/losses, and the change in unrealized appreciation or depreciation on plan investments are credited to participants' accounts monthly based on the proportion of each participant's account balance to the total account balance within each investment fund at the beginning of the month.

Participant accounts may be invested in one or more of the investment funds available under the Plan at the direction of the participant. The Plan provides for monthly valuation of accounts.

**(d) Distributions to Participants**

Upon termination of employment, the participant's account shall be distributed in a lump-sum cash payment as soon as administratively practicable.

Under the terms of the Plan, participants may make hardship withdrawals from their accounts upon furnishing proof of hardship as specified in the plan agreement. Participants may also borrow the lesser of \$50,000 or 50% of the value of their accounts subject to limitations provided by the Plan. Loans must be paid back to the Plan generally within four years of the loan date, with the exception of homestead loans.

Benefits are recorded when paid.

**(e) Vesting**

Participants are immediately vested in their contributions and any income earned on such contributions. Participants whose entry date is on or after January 1, 2001 are vested in the Company's matching and discretionary contributions after one year of service. Prior to January 1, 2001, those participants in the Plan vested immediately in the Company's matching and discretionary contributions.

Amounts forfeited by participants who terminate from the Plan prior to being 100% vested are applied to reduce subsequent Company contributions to the Plan and/or administrative expenses. In 2010 and 2009, employer contributions were not reduced for forfeitures. In 2010 and 2009, \$9,725 and \$0 of forfeited funds were used to pay administrative expenses, respectively.

**(f) Administrative Expenses**

Certain administrative expenses of the Plan are paid by the Company. These costs include legal, accounting, and certain administrative fees. All other Plan related expenses are paid by the Plan.

**(3) Transactions with Parties in Interest**

As of December 31, 2010 and 2009, the Master Trust held investments in Mohawk Industries, Inc. common stock, registered investment companies and common collective funds that are sponsored by the Trustee.

**(4) Fair Value Measurement**

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities.

**Table of Contents**

## MOHAWK CARPET, LLC RETIREMENT SAVINGS PLAN II

## Notes to Financial Statements

December 31, 2010 and 2009

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or inputs that are observable or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

This category generally includes certain private debt and equity instruments and alternative investments.

An asset or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

The following table presents the Plan's fair value hierarchy for those assets measured at fair value as of December 31, 2010 and 2009:

	Fair Value	As of December 31, 2010		Level 3
		Level 1	Level 2	
Investments:				
Short-term investments	\$ 1,422,670	1,422,670		
Mohawk Industries, Inc. common stock	23,006,118	23,006,118		
Small cap funds	96,286,979	96,286,979		
Mid cap funds	31,970,621	31,970,621		
Large cap funds	28,481,413	28,481,413		
International funds	19,707,887	19,707,887		
Blended funds	58,401,388	58,401,388		
Fixed income bond funds	30,254,535	30,254,535		
Stable value funds	103,155,969		103,155,969	
Total investments, at fair value	\$ 392,687,580	289,531,611	103,155,969	

	Fair Value	As of December 31, 2009 *		Level 3
		Level 1	Level 2	
Investments:				
Short-term investments	\$ 768,218	768,218		
Mohawk Industries, Inc. common stock	21,270,024	21,270,024		

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Small cap funds	87,885,377	87,885,377	
Mid cap funds	24,545,120	24,545,120	
Large cap funds	22,106,374	22,106,374	
International funds	19,271,463	19,271,463	
Blended funds	47,913,490	47,913,490	
Fixed income bond funds	25,228,816	25,228,816	
Stable value funds	105,938,347		105,938,347
Total investments, at fair value	\$ 354,927,229	248,988,882	105,938,347

\* Certain reclassifications have been made to the 2009 investment categories to conform to 2010 presentation.

**Table of Contents**

MOHAWK CARPET, LLC RETIREMENT SAVINGS PLAN II  
Notes to Financial Statements  
December 31, 2010 and 2009

**(5) Investments**

At December 31, 2010 and 2009, the Plan's interest in the net assets of the Master Trust was approximately 72.9% and 71.5%, respectively.

Master Trust net assets as of December 31, 2010 and 2009 are as follows:

	2010	2009
Investment, at fair value		
Cash and equivalents	\$	1
Interest bearing cash	6,726,891	4,558,155
Mohawk Industries, Inc. common stock	30,968,417	28,724,104
Registered investment companies	321,004,503	278,635,328
Common collective funds	179,860,501	184,373,706
Other receivables, net	55,571	362,646
Net assets, at fair value	\$ 538,615,883	496,653,940

Investment income has been allocated among the Plans based on the respective participants' interest. Changes in net assets of the Master Trust for the plan years ended December 31, 2010 and 2009 are as follows:

	2010	2009
Interest and dividends	\$ 8,603,594	7,821,145
Net appreciation in fair value of investments:		
Mohawk Industries, Inc. common stock	5,574,657	5,593,982
Registered investment companies	36,400,153	52,995,600
Common collective funds	4,094,287	5,225,437
Net investment income	54,672,691	71,636,164
Expenses	481,349	413,548
Net transfer of assets out of investment account	(12,229,399)	(6,057,392)
Net increase in net assets	41,961,943	65,165,224
Net assets at beginning of year	496,653,940	431,488,716
Net assets at end of year	\$ 538,615,883	\$ 496,653,940

The following investments represent 5% or more of the Plan's assets at December 31, 2010 and 2009:

	2010	2009
Plan's interest in Master Trust	\$ 392,687,580	354,927,229

All of the Plan's investments are held by a party in interest to the Plan.

**(6) Income Tax Status**

The Internal Revenue Service has determined and informed the Company by a letter dated April 22, 2005, that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC).

Although the Plan has been amended since receiving the determination letter, the plan administrator believes that the Plan is designed and currently being operated in compliance with the applicable requirements of the IRC.

U.S. generally accepted accounting principles require plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2010, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2007.

**(7) Plan Termination**

While it is the Company's intention to continue the Plan indefinitely, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA and the plan agreement. In the event of plan termination, participants will become 100% vested in their accounts.

**(8) Transfers from/to Other Plans**

During 2010 and 2009, due to changes in employment status, \$336,202 and \$213,640, respectively, were transferred from the Mohawk Carpet, LLC Retirement Savings Plan to the Plan.

During 2010 and 2009, due to changes in employment status, \$150,119 and \$211,538, respectively, were transferred to the Mohawk Carpet, LLC Retirement Savings Plan from the Plan.

**Table of Contents**

MOHAWK CARPET, LLC RETIREMENT SAVINGS PLAN II  
Notes to Financial Statements  
December 31, 2010 and 2009

**(9) Reconciliation to 5500**

The following schedule reconciles amounts per the accompanying financial statements to Form 5500 for December 31, 2010 and 2009:

	2010	2009
Net assets available for plan benefits per the accompanying financial statements	\$ 405,344,390	369,849,797
Adjustment from contract value to fair value for Plan's interest in Master Trust related to fully benefit-responsive investment contracts	1,018,595	(1,332,054)
Net assets available for plan benefits per Form 5500	\$ 406,362,985	368,517,743
Net increase in net assets available for plan benefits before transfers to/from other Mohawk Carpet, LLC Plans per the accompanying financial statements	\$ 35,308,510	51,897,609
Adjustment from contract value to fair value for Plan's interest in Master Trust related to fully benefit-responsive investment contracts	2,350,649	3,008,144
Net increase in net assets available for plan benefits per Form 5500	\$ 37,659,159	54,905,753

**(10) Subsequent Events**

Effective January 1, 2011, the employer match for all participants is 50% up to the first 6% of each participant's gross compensation contributed to the Plan.



**Table of Contents**

**Schedule I**

MOHAWK CARPET, LLC RETIREMENT SAVINGS PLAN II  
 Schedule H, Line 4i Schedule of Assets (Held at End of Year)  
 December 31, 2010

<b>Identity of issue</b>	<b>Description of investment</b>	<b>Current value</b>
*Plan's interest in Master Trust, at fair value		\$ 392,687,580
*Loans to participants	(1)	13,273,516
	Total	\$ 405,961,096

\* Represent parties in interest to the Plan.

(1) Loans are consummated at a fixed rate (then current prime rate plus 1.00%) with maturity dates through October 4, 2017.

Interest rates range from 4.25% to 10.50% on loans outstanding.

See accompanying report of independent registered public accounting firm.

**Table of Contents**

**SIGNATURES**

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

Mohawk Carpet, LLC Retirement Savings Plan  
II  
(Full Title of the Plan)

Dated: June 15, 2011

By: /s/ Phillip Brown  
Vice President, Human Resources