



Audit Committee Charter

Purpose

The Audit Committee (the “Committee”) is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities. The Committee shall monitor (a) the integrity of the Company’s publicly reported financial statements, (b) the Company’s compliance with legal and regulatory requirements, (c) the independent auditors’ qualifications and independence, and (d) the performance of the Company’s internal audit function and independent auditors. In furtherance of this purpose, the Committee shall maintain direct communication among the Company’s independent auditors and VP - Internal Audit and the Board of Directors. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company. The Committee has the authority to retain at Company expense outside legal, accounting or other advisors to advise the Committee and to determine and recommend funding for payment of ordinary administrative expenses necessary and appropriate in carrying out the Committee’s duties. The Committee shall produce an annual report for inclusion in the Company’s proxy statement for the annual meeting of stockholders, in accordance with applicable rules and regulations.

The Committee’s job is one of oversight and it recognizes that the Company’s management is responsible for preparing the Company’s financial statements and that the outside auditors are responsible for auditing those financial statements. Additionally, the Committee recognizes that financial management, as well as the independent auditors, have more time, knowledge and more detailed information about the Company than do Committee members; consequently, in carrying out its oversight responsibilities, the Committee is not providing any expert or special assurance as to the Company’s financial statements or any professional certification as to the independent auditors’ work.

Composition of the Committee

The members of the Committee shall be independent directors meeting the requirements of the New York Stock Exchange and appointed by the Board of Directors on the recommendation of the Nominating and Corporate Governance Committee. The Committee will have at least three (3) members, and each member of the Committee will be financially literate at the time he or she is appointed by the Board of Directors or will become financially literate within a reasonable period of time after his or her appointment. The Chairman of the Committee shall be designated by the Board of Directors. In the absence of the Chairman, the members of the Committee may designate a chairman by majority vote. The Board of Directors may, at any time, remove one or more directors as members of the Committee.

In light of the extraordinary commitment of time and attention required of members of the Committee in fulfilling their responsibilities, no member of the Committee shall be a member of the audit committee, or a committee fulfilling similar functions, of more than two other public companies.

Authority and Responsibilities

The Committee shall:

- (a) At least annually, review and reassess the adequacy of this Charter and evaluate the performance of the Committee and report the results thereof to the Board of Directors.
- (b) Study and make recommendations to the Board of Directors with respect to audit policies and procedures and the scope and extent of audits. In consultation with corporate management, the independent auditors, and the internal auditors, consider the integrity of the Company's financial reporting processes and controls. Discuss significant financial and other risk exposures and the steps corporate management has taken to monitor, control, and report such exposures.
- (c) Review the qualifications, independence and performance of the independent auditors including the lead partner of the independent auditor and present its conclusions to the Board of Directors annually in advance of the annual meeting of stockholders. As part of such annual review, obtain and review a report by the independent auditors describing: all relationships between the independent auditors and the Company, the independent auditors' internal quality-control procedures, any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditors, and any steps taken to deal with any such issues. Discuss with the independent auditors all significant relationships they have with the Company that could impair the auditors' independence. Discuss with corporate management and personnel responsible for Mohawk's internal audit function the qualifications, independence and performance of the independent auditors. The independent auditors shall report directly to the Committee and are ultimately accountable to the Committee and the Board of Directors.
- (d) Retain and terminate the Company's independent auditors, with sole authority to pre-approve, to the extent required by applicable law, all audit and non-audit engagements and the related fees and terms with the independent auditors. In accordance with applicable law, the Committee may delegate this authority to one or more designated members of the Committee; provided that any such decision made pursuant to the foregoing delegation of authority shall be presented to the Committee at its next regularly scheduled meeting.
- (e) Satisfy itself as to the professional competency of the VP - Internal Audit and the adequacy of his/her staff in discharging responsibility of the office. Review with management the appointment and replacement of the VP - Internal Audit.

- (f) Review with the independent auditors and with the VP - Internal Audit, at a time when the annual audit plan is being developed, the plan's timing, scope, staffing, locations, foreseeable issues, priorities and procedures, the coordination between the independent auditors and the VP - Internal Audit in executing the plan and the engagement team.
- (g) Meet separately, periodically, with corporate management, the VP - Internal Audit and the independent auditors.
- (h) Review annually the Company's internal auditing program and significant reports with the VP - Internal Audit and corporate management's response and follow-up to those reports.
- (i) Meet quarterly with corporate management and with the independent auditors, to discuss the annual audited financial statements, including footnotes, the unaudited quarterly financial results prior to the release of earnings and/or the quarterly financial statements prior to filing or distribution, including, in each case, a review of the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations". In discharging this obligation, receive and review, if necessary, a report from the controller as to any unusual deviations from prior practice that were included in the preparation of the annual or quarterly financial results. Review and discuss (1) draft press releases of unaudited interim and annual financial results before public release and (2) financial information and earnings guidance provided to analysts and ratings agencies. Press releases and interim financial statements also will be reviewed by the independent auditors prior to public release.
- (j) Review the report to the Committee from the Company's independent auditors in accordance with Section 204 of the Sarbanes-Oxley Act of 2002. Review the contents of such report and all major accounting policy matters involved in the preparation of interim and annual financial reports with corporate management and any deviations from prior practice with the independent auditors.
- (k) Review with the independent auditors, on completion of the annual audit, their experience, any difficulties encountered, any restrictions on their work, cooperation received, significant disagreements with corporate management, their findings and their recommendations. Discuss certain matters required to be communicated to audit committees in accordance with AS 1301.
- (l) Review the application of significant regulatory, accounting and auditing policies, including new pronouncements, to the Company's financial reports.

- (m) Analyze financial reports to understand performance fluctuations between reporting periods and between reports and plan.
- (n) Review and assess the adequacy of internal accounting procedures and controls, including a review with the independent auditors of their evaluation of the Company's internal controls. Review quarterly the programs that the Company has instituted to correct any control deficiencies noted by the VP - Internal Audit in the periodic review or the independent auditors in their annual review. Discuss with management the results of the foregoing reviews, including significant items and potential ways to improve the accounting procedures and controls.
- (o) Establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- (p) Establish clear hiring policies for current or former employees of the independent auditors.
- (q) Report annually to the Board of Directors, after the close of each fiscal year but prior to the Company's annual meeting of stockholders, as well as on any other occasion, any issues that arise with respect to the quality or integrity of the Company's publicly reported financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the independent auditors, the performance of the internal audit function, or whatever it deems appropriate concerning the activities of the Committee.
- (r) Perform any other activities consistent with this Charter, the Company's bylaws, and governing law as the Committee or the Board deems necessary or appropriate.

Committee Meetings

The Committee shall meet at least four times per year. Minutes of each of these meetings shall be kept, and the Chief Financial Officer will function as the management liaison officer to this Committee.