IN THE SUPERIOR COURT OF THE STATE OF DELAWARE

DUSTIN EVANS, Individually And On Behalf Of All Others Similarly Situated, Plaintiff, v. MOHAWK INDUSTRIES, INC., JEFFREY S. LORBERBAUM, FRANK H. BOYKIN, and WILLIAM CHRISTOPHER WELLBORN, Defendants.	Case No.: **JURY TRIAL DEMANDED**

COMPLAINT

Plaintiff Dustin Evans ("Plaintiff"), by and through his counsel, alleges the following upon information and belief, except as to those allegations concerning Plaintiff, which are alleged upon personal knowledge. Plaintiff's information and belief are based upon, *inter alia*, counsel's investigation, which included review and analysis of: (a) regulatory filings made by Mohawk Industries, Inc. ("Mohawk" or the "Company") with the United States Securities and Exchange Commission ("SEC"); (b) press releases, presentations, and media reports issued by and disseminated by the Company; (c) analyst and media reports concerning Mohawk; and (d) other public information regarding the Company.

INTRODUCTION

1. This securities class action is brought on behalf of all persons or entities that purchased shares of Mohawk's common stock in the Mohawk Industries Retirement Plan 1 and Mohawk Industries Retirement Plan 2 (hereinafter, the "Plan") between April 27, 2017 and July 25, 2019, inclusive (the "Class Period"). The claims asserted herein are alleged against Mohawk and certain of the Company's executives (collectively, "Defendants") who signed the Registration Statement (defined below), and arise under Section 11 and 12 of the Securities Act of 1933 (the "Securities Act").

2. Mohawk is a global manufacturer of flooring products. The Company conducts its business through three segments: (1) Global Ceramic, (2) Flooring North America ("Flooring NA"), and (3) Flooring Rest of World ("Flooring ROW"). The Global Ceramic segment offers a range of ceramic and porcelain tile and natural stone products. The Flooring NA segment offers floor covering product lines, including carpets, rugs, laminate, hardwood flooring, sheet vinyl, and luxury vinyl tile. The Flooring ROW segment offers laminate, sheet vinyl, carpet, hardwood flooring, and luxury vinyl tile.

3. The Company's traditional product offerings include ceramic, stone, laminate, carpet, wood, and vinyl flooring (the "Conventional Flooring Products"). Mohawk markets and distributes its products under various brands which it sells

through independent distributors, home improvement centers, retailers, and wholesalers.

4. Over the past several years, consumers around the world have increasingly opted to use a new flooring material, Luxury Vinyl Tile ("LVT"), as an alternative to more traditional floor coverings. LVT is a luxury vinyl product that is designed to look like wood, stone, or ceramic tile. LVT is waterproof, less costly to install than the traditional flooring products, and lasts longer than more traditional flooring products. LVT is predominantly manufactured in and exported from China, where manufactures swiftly ramped up LVT production capacity and led the pace on LVT product innovation.

5. Indeed, during the Class Period, Mohawk's CEO described the rapid growth in U.S. consumer demand for LVT as the biggest change in the flooring industry since carpet in the 1960s. In just five years, LVT has gone from being a relatively unknown product to comprising approximately 15% of all flooring sales in the U.S. As consumer demand for LVT has grown, however, it has siphoned growth away from Mohawk's Conventional Flooring Products—a market in which the Company has historically dominated the industry.

6. While Mohawk's competitors entered into direct distribution deals with Chinese manufacturers to capitalize on the growing LVT market, Mohawk took a different approach by investing in LVT production plants and growing its LVT

business through the acquisition of IVC Group ("IVC"), an LVT manufacturer with operations in Europe and the U.S., in a deal worth $1.2 billion that closed on June 15, 2015. However, prior to and during the Class Period, Mohawk struggled to grow its LVT business and keep up with consumer demand for LVT products because of the Company's LVT "capacity restraints" and other production issues. As rapid growth in demand for LVT cannibalized sales of Mohawk's Conventional Flooring Products, the Company was left scrambling to prop up sales of its Conventional Flooring Products. As a result, Defendants engaged in a scheme to "channel stuff" its Conventional Flooring Products—that is, they induced their distributors to take on surpluses of Conventional Flooring Products that were vastly greater than demand—in an effort to make Mohawk's sales growth and financial performance appear far better than they were.

7. Two important metrics investors considered in assessing the Company's financial performance were: Days Sales Outstanding ("DSO") and Days in Inventory (or Inventory Days) ("DII"). Mohawk recognizes revenue once its products are received by its customers. If the Company did not collect cash at the time of sale, the amount owed is also reflected on the Company's balance sheet as accounts receivable. DSO represents the average number of days that it takes Mohawk to collect payment after a sale has been made. This metric is significant because a high DSO indicates that Mohawk is taking longer to collect money from

its accounts receivable and generate cash flow and could signal that its customers already have a high volume of inventory that they aren't quickly selling through to end users. DII is a ratio that measures the average number of days that Mohawk holds its inventory before selling it to its customers. This metric is significant because a high DII indicates that Mohawk has been manufacturing quantities of products that its customers have been unwilling or unable to purchase. A similar ratio related to DII is "inventory turnover," which refers to the number of times Mohawk is able to sell its inventory over a particular time period. In general, a higher inventory turnover ratio is preferred because it indicates a greater generation of sales for Mohawk.

8. The Class Period begins on April 28, 2017, when Mohawk held a conference call with analysts and investors to discuss the Company's financial results for the first quarter of 2017. During the call, Defendant Jeffrey S. Lorberbaum ("Lorberbaum") touted the "growing demand" for certain Mohawk Conventional Flooring Products and that the Company's investments in making "more differentiated products" and "innovative new products" were a driving factor in Mohawk's sales growth. During the call, Defendant Frank H. Boykin ("Boykin") told investors that the Company's DSO had increased to 54.9 days compared to 52.3 days the prior year, purportedly as a result of "channel mix." The Company's then-CFO also reported increased inventories, with DII increasing to 110 days compared

to 107 days the prior year and attributed the increase to "geographic expansion and product growth."

9. Throughout the Class Period, Defendants continued making false and misleading statements about the Company's sales growth and demand for its Conventional Flooring Products. Despite the Company's accounts receivable and inventory levels increasing during the Class Period, Defendants assuaged the markets concerns by misleading it to believe that those increases were the result of external factors like rising raw material costs and inflation. But in reality, Mohawk was engaging in channel-stuffing to artificially inflate its sales and revenues. Defendants failed to disclose that Mohawk was stuffing its distribution channels with Conventional Flooring Products, which made the Company's sales growth and financial performance appear far better than they were. As a result of these misrepresentations, shares of Mohawk's common stock traded at artificially inflated prices during the Class Period.

10. On July 25, 2018, after the market closed, the Company reported disappointing financial results for the second quarter of 2018, with earnings that were well below both Wall Street estimates and the Company's previous guidance range. The following morning, in a conference call with analysts and investors, Mohawk also disclosed deteriorating margins which it attributed, in part, to significant production cuts the Company imposed to normalize inventory.

Specifically, the Company revealed that it "produced less [Conventional Flooring Products] than [it] sold to reduce inventory." Similarly, Mohawk also revealed that it "reduced [its] production volumes more than [the Company] had thought" and that the Company "came into the year with higher inventories than [it] wanted to have." These disclosures caused the Company's stock price to decline from $217.37 per share to $179.31 per share, or over 17%.

11. Then, on October 25, 2018, after the market closed, the Company reported sales and earnings for the third quarter of 2018 that substantially missed analysts' estimates and the Company's previous guidance range, with sales growth in all segments lower than estimates. Company executives attributed Mohawk's poor financial results, in part, to further manufacturing reductions that were required during the period to control inventory buildup. On this news, the Company's stock price fell nearly 24%, from $151.07 per share to $115.03 per share.

12. On July 25, 2019, after the market closed, Mohawk reported that sales in its Flooring NA segment were down 7% and revealed that the Company was again reducing production to control inventory levels and match its supply with customer demand. The Company also revealed that increased competition and excess inventory had impacted its financial results, particularly in its Global Ceramic segment. The Company announced that "lower demand" for certain Conventional Flooring Products created excess inventory which impacted the Company's sales

and margins. The Company further revealed that there was a "big buildup in inventory in ceramic" in the sales channel, which had negatively impacted the Company's sales. Accordingly, the Company provided a weak earnings forecast for the third quarter of 2019, which was well below analysts' estimates. As a result of these disclosures, the price of Mohawk's stock dropped from $156.36 per share to $128.84 per share, or nearly 18%.

JURISDICTION AND VENUE

13. The claims asserted herein arise under and pursuant to § 11 of the Securities Act, 15 U.S.C. § 77k. This Court has jurisdiction over the subject matter of this action pursuant to Section 22 of the Securities Act, 15 U.S.C. § 77v, which explicitly states that "[e]xcept as provided in section 16(c), no case arising under this title and brought in any State court of competent jurisdiction shall be removed to any court in the United States." Section 16(c) of the Securities Act refers to "covered class actions," which are defined lawsuits brought as class actions or brought on behalf of more than 50 persons asserting claims under state or common law. This is an action asserting federal law claims. Thus, it does not fall within the definition of a "covered class action" under § 16(c) and therefore is not removable to federal court under the Securities Litigation Uniform Standards Act of 1998 ("SLUSA").

14. The Court has personal jurisdiction over each of the parties to this action. Defendant Mohawk is subject to the jurisdiction of this Court because it is incorporated in Delaware and therefore a citizen of Delaware.

15. Venue is proper because Defendant Mohawk is incorporated in Delaware.

PARTIES

Plaintiff

16. Plaintiff Dustin Evans purchased Mohawk stock in the Plan pursuant to the Registration Statement defined below

Defendants

17. Defendant Mohawk is a global manufacturer of flooring products. Mohawk markets and distributes its products under various brands which it sells through independent distributors, home centers, retailers, and wholesalers. The Company is incorporated in Delaware and maintains its corporate headquarters at 160 South Industrial Blvd., Calhoun, Georgia.

18. ***Defendant Jeffrey S. Lorberbaum*** ("Lorberbaum") is, and was at all relevant times, Chief Executive Officer of Mohawk, as well as Chairman of the Company's Board of Directors ("Board"). Loberbaum signed the Registration Statement defined below.

19. ***Defendant Frank H. Boykin*** ("Boykin") served as Mohawk's Executive Vice President of Finance and Chief Financial Officer ("CFO") from January 2005 until April 2019. Boykin signed the Registration Statement defined below.

20. ***Defendant William Christopher Wellborn*** ("Wellborn") is, and was at all relevant times, President and Chief Operating Officer ("COO") of Mohawk, as well as a member of the Company's Board. Wellborn signed the Registration Statement defined below.

21. Defendants Lorberbaum, Boykin and Wellborn are collectively referred to hereinafter as the "Individual Defendants." The Individual Defendants, because of their positions with Mohawk, possessed the power and authority to control the contents of the Company's reports to the SEC, press releases, and presentations to securities analysts, money and portfolio managers, and institutional investors. Each of the Individual Defendants was provided with copies of the Company's reports and press releases alleged herein to be misleading prior to, or shortly after, their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information available to them, each of the Individual Defendants knew that the adverse facts specified herein had not been disclosed to, and were being concealed from, the public, and that the positive representations which were being made were then materially false and/or misleading.

Non-Party

22. ***Non-party Glenn R. Landau*** ("Landau") has served as Mohawk's Executive Vice President and Chief Financial Officer ("CFO") since April 2019.

THE PLAN DOCUMENT

23. Plaintiff is a beneficial owner of the Mohawk stock in the Plan accounts. A "beneficial owner" is any "person" who, directly or indirectly, has or shares (1) voting or investment power over and (2) a pecuniary interest in a security. 17 C.F.R. §§ 240.16a-1(a)(1)-(2), § 240.13d-3(a)(1)-(2). Here, Plaintiff (1) have voting and investment power and (2) also have a pecuniary interest.

24. The Company's Plan Form S-8 Registration Statement Under the Securities Act of 1933 (the "Registration Statement") states in relevant part:

> Amount to be registered consists of 175,000 shares of common stock of Mohawk Industries, Inc. (the "Company") that may be issued under the Mohawk Industries Retirement Plan 1 (the "Mohawk Retirement Plan 1"). Pursuant to Rule 416(c) under the Securities Act of 1933, as amended (the "Securities Act"), this registration statement on Form S-8 (the "Registration Statement") also covers an indeterminate amount of interests to be offered or sold pursuant to the Mohawk Retirement Plan 1.
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> PART I INFORMATION REQUIRED IN THE SECTION 10(a) PROSPECTUS
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> (a) The documents constituting Part I of this Registration Statement under the
> Securities Act will be sent or given to participants in the Plans as specified by Rule 428(b)(1) under the Securities Act. These

documents and the documents incorporated by reference in this Registration Statement pursuant to Item 3 of Part II of this form, taken together, constitute a prospectus that meets the requirements of Section 10(a) of the Securities Act.

(b) Upon written or oral request, the Company will provide, without charge, the
documents incorporated by reference in Item 3 of Part II of this Registration Statement. The documents are incorporated by reference in the Section 10(a) prospectus. The Company will also provide, without charge, upon written or oral request, other documents required to be delivered to employees pursuant to Rule 428(b). Requests for any of the above-mentioned information should be directed to R. David Patton, Vice President-Business Strategy, General Counsel and Secretary at the address and telephone number on the cover page of this Registration Statement.

PART II INFORMATION REQUIRED IN REGISTRATION STATEMENT

Item 3. Incorporation of Documents by Reference.

The following documents filed with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are hereby incorporated by reference into this Registration Statement and deemed to be a part hereof:

(1) The Company's Annual Report on Form 10-K for the fiscal year ended
December 31, 2015, filed on February 29, 2016;

(2) The Company's Quarterly Reports on Form 10-Q for the quarters ended April
2, 2016, filed on May 6, 2016, and July 2, 2016, filed on August 5, 2016;

(3) The Company's Current Reports on Form 8-K, filed on February 19, 2016,
March 4, 2016, April 4, 2016, and May 20, 2016;

(4) The description of the Company's common stock contained in its Registration
Statement on Form 8-A filed on January 29, 1992, including any amendment or report filed for purposes of updating such description;

(5) The Mohawk Retirement Plan 1's Annual Report on Form 11-K for the year
ended December 31, 2015;

(6) The Mohawk Retirement Plan 2's Annual Report on Form 11-K for the year
ended December 31, 2015; and

(7) All other documents subsequently filed by the Company or the Plans pursuant
to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act prior to the filing of a post-effective amendment to this Registration Statement that indicates that all securities offered have been sold or that deregisters all securities that remain unsold (except for information furnished to the Commission that is not deemed to be "filed" for purposes of the Exchange Act).

Any statement contained in a document incorporated or deemed incorporated herein by reference shall be deemed to be modified or superseded for the purpose of this Registration Statement to the extent that a statement contained herein or in any subsequently filed document which also is, or is deemed to be, incorporated herein by reference modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Registration Statement. [Emphasis added].

BACKGROUND

25. During the past several years, the flooring industry has seen a rapid and significant shift in consumer demand for a new flooring material, Luxury Vinyl Tile,

or LVT, as an alternative to Conventional Flooring Products. LVT is predominantly manufactured in and exported from China, where manufacturers swiftly ramped up LVT production capacity and product innovation.

26. While Mohawk's competitors entered distribution deals directly with Chinese manufacturers to capitalize on the growing LVT trend, Mohawk took a different approach by investing in LVT production plants and growing its LVT business through the acquisition of IVC. However, prior to and during the Class Period, Mohawk struggled to grow its LVT business and keep up with consumer demand for the product because of its LVT "capacity restraints" and other production issues. The shift in consumer demand for LVT has been significant for Mohawk, because as consumer demand for LVT has grown, it has siphoned growth away from Mohawk's Conventional Flooring Products, in which the Company has historically dominated the industry. Thus, as rapid growth in demand for LVT cannibalized sales of the Company's Conventional Flooring Products, Mohawk was left scrambling to recover so that its sales growth did not decline. As a result, Defendants engaged in a scheme to stuff its channel with Conventional Flooring Products in order to make Mohawk's sales growth and financial performance appear far better than they were.

27. As a result of this scheme, during the Class Period, Mohawk reported record revenues, attributing its strong financial performance to a growing demand

for certain Conventional Flooring Products, investments in new and differentiated products, and the "exceptional execution" of its businesses. At the same time, to alleviate investor concerns regarding the Company's increasing accounts receivable and rising inventory levels, Defendants repeatedly misled the market and in turn Plaintiff and the class he seeks to represent by blaming the increases on external factors such as a changing mix in customers, higher raw material costs and inflation.

MATERIALLY FALSE AND MISLEADING STATEMENTS CAUSE SUBSTANTIAL LOSSES

28. The Class Period beings on April 27, 2017 when Mohawk filed a press release with the SEC, stating in relevant part:

> Calhoun, Georgia, April 27, 2017 - Mohawk Industries, Inc. (NYSE: MHK) today announced 2017 first quarter record net earnings of $201 million and diluted earnings per share (EPS) of $2.68, a 16.5% increase versus prior year. Excluding restructuring, acquisition expenses and other charges, net earnings were $203 million, and EPS was $2.72, a 14% increase over last year's first quarter adjusted EPS. Net sales for the first quarter of 2017 were $2.22 billion, up 2% versus the prior year's first quarter as reported and 4% applying constant days and currency rates. For the first quarter of 2016, net sales were $2.17 billion, net earnings were $172 million and EPS was $2.30; excluding restructuring, acquisition and other charges, net earnings were $177 million and EPS was $2.38.
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> Commenting on Mohawk Industries' first quarter performance, Jeffrey S. Lorberbaum, Chairman and CEO, stated, "Our sales and earnings per share set records for the first quarter with volume, mix and productivity adding approximately $60 million to operating income. Our operating margin for the quarter rose to 12.4%, a 110 basis point improvement over the prior year and the highest first quarter result in the company's history. Our first quarter sales grew as expected, with Flooring North America and Rest of the World outpacing Global Ceramic growth on a

constant days and currency basis. This year around the world, we plan to invest more than $750 million to expand our production in most product categories. In addition, we are entering the European carpet tile and counter top markets as well as the Russian sheet vinyl business. In April, we completed the acquisition of two small ceramic manufacturers in Europe and a carpet nylon polymerization plant in the U.S.; in May, we anticipate purchasing a mine for our U.S. ceramic operations. We are initiating many price increases across our portfolio which should cover our material costs in the third quarter.

"For the quarter, our Global Ceramic Segment sales increased approximately 2% as reported and on a constant days and currency basis. Operating income for the segment rose approximately 16% as reported to a margin of 15%. In the period, the growth rate was lower due to customer inventory adjustments and postponed product transitions in North America, severe weather in Russia and Eastern Europe and a weaker Mexican Peso. Purchasing patterns have now returned to normal, and our sales growth is increasing. To recover increasing costs, we announced a general price increase in North America, which should be implemented by the end of the second quarter. Our recent investments in our North American ceramic business will propel our growth through the remainder of the year. Our new Tennessee facility is operating at planned volume and quality levels, and we are using the plant's advanced technology to introduce premium products, such as sophisticated metallic and glazed color body collections. In the U.S. this year, we are planning to open 18 to 20 new ceramic tile or stone centers to expand our distribution. Our ceramic sales in Mexico continue to outpace the growing market, and we are developing new collections and distribution to utilize the additional capacity when our Salamanca expansion becomes operational later this year. In Europe, our ceramic business increased our profitability as a result of improved product mix, productivity and equipment upgrades. With the investments we have made in Russia, our domestic ceramic collections with award-winning designs and large sizes up to ten-feet long are replacing premium imported products.

"During the quarter, our Flooring North America Segment's sales increased 4% as reported or 5% on a constant day's basis. Operating income grew 22% to a margin of 10% as reported. Our raw materials have risen, and we are increasing prices as necessary. ***Sales of our hard***

surface products continue to outpace our carpet category, with our LVT and premium laminate growing the fastest. Our residential carpet sales performed well in the period with ongoing strength from our proprietary SmartStrand franchise. During the quarter, we introduced SmartStrand Silk Reserve, the next generation of ultra-soft carpet, which has extended our leadership in premium carpet. We anticipate continued sales improvement with our new tufted, printed and woven commercial carpet technologies, and we are extending our design leadership in carpet tile. With their superior design and performance, our flexible, rigid and commercial LVT collections are being well accepted across all channels of the market. Our sheet vinyl sales strategy has improved our position with Mohawk retailers, independent distributors and home centers. Sales of our laminate collections remained strong with our unique styling and performance features and our new production line should be operational in the fourth quarter. We have upgraded our wood offering to meet the growing demand for wider planks with rich textures and sophisticated colors. After implementing residential and commercial carpet price increases, we announced additional pricing actions in carpet and sheet vinyl in May due to unforeseen increases in our raw materials. We anticipate that these increases will cover our costs in the third quarter.

"For the quarter, our Flooring Rest of the World Segment's sales increased 1% as reported and 3% on a constant days and currency basis and operating margin was 15% as reported. The segment's operating margin was down versus prior year due to higher material costs and currency changes. We are increasing prices across most product categories to offset higher material costs, which should cover the costs in the third quarter. ***All of our LVT brands grew significantly during the period as we increased our production and expanded our distribution and product offering. Our new LVT product introductions are being well received across all channels due to their unique design and performance attributes.*** Our sheet vinyl sales lagged compared to last year as low inventories from earlier plant disruptions limited our service. We anticipate normalized sheet vinyl sales in the second quarter. Our laminate production in Europe is running at capacity, and we are preparing for the installation of new equipment that will give us additional capabilities to extend our lead in the category. Our insulation board sales continued to increase during

> the period, and our wood panel sales are growing with expanded margins as we improve our mix, capacity and efficiencies.
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> "We remain optimistic about the economy, the flooring industry and Mohawk's potential. Our second quarter sales growth should accelerate sequentially on a local basis, and our operating income should improve despite inflation, expiring patents and a weaker British Pound. We are implementing product price increases across the enterprise due to escalating material costs. Our capital investments and process improvements will continue to yield higher productivity. This quarter, we will finalize four acquisitions that will broaden our product offering, geographic penetration and competitive position. Taking all of this into account, our adjusted EPS guidance for the second quarter is $3.53 to $3.62, including our acquisitions. In the third quarter, higher pricing and productivity as well as lower currency headwinds should improve our results. As we stated last quarter, this year's sales growth, prior to acquisitions, will be similar to last year, and our adjusted operating margin will increase slightly. We are investing at record levels with upfront start-up and marketing costs this year to enhance our long-term growth and make Mohawk a more profitable company.

29. The next day, on April 28, 2017, Mohawk held a conference call with analysts and investors to discuss the Company's financial results for the first quarter of 2017. During the call, Defendant Lorberbaum touted the "growing demand" for certain Mohawk Conventional Flooring Products and that the Company's investments in making "more differentiated products" and "innovative new products" were a driving factor in Mohawk's revenue growth. During the call, Defendant Boykin told investors that the Company's DSO had increased to 54.9 days compared to 52.3 days the prior year, primarily as a result of "channel mix." Defendant Boykin also reported increased inventories, with DII increasing to 110

days compared to 107 days the prior year and attributed the increase to "geographic expansion and product growth."

30. On May 5, 2017, Mohawk filed its Form 10-Q financial results for the first quarter of 2017. The Form 10-Q stated in relevant part:

> Quarter Ended April 1, 2017, as compared with Quarter Ended April 2, 2016
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> **Net sales**
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> Net sales for the three months ended April 1, 2017 were $2,220.6 million, reflecting an increase of $48.6 million, or 2.2%, from the $2,172.0 million reported for the three months ended April 2, 2016. The increase was primarily attributable to higher sales volume of approximately $50 million, or 2%, and the favorable net impact of price and product mix of approximately $16 million, partially offset by the net impact of unfavorable foreign exchange rates of approximately $18 million.
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> *Global Ceramic segment*—Net sales increased $11.2 million, or 1.5%, to $785.0 million for the three months ended April 1, 2017, compared to $773.7 million for the three months ended April 2, 2016. The increase was primarily attributable to the favorable net impact of price and product mix of approximately $8 million, or 1%.
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> *Flooring NA segment*—Net sales increased $33.1 million, or 3.7%, to $939.5 million for the three months ended April 1, 2017, compared to $906.4 million for the three months ended April 2, 2016. The increase was primarily attributable to higher sales volume of approximately $28 million, or 3%, and the favorable net impact of price and product mix of approximately $5 million.
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> *Flooring ROW segment*—Net sales increased $4.2 million, or 0.9%, to $496.2 million for the three months ended April 1, 2017, compared to $492.0 million for the three months ended April 2, 2016. The increase was primarily attributable to higher sales volume of approximately $20

> million, or 4%, partially offset by the net impact of unfavorable foreign exchange rates of approximately $19 million, or 4%.
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> **Gross profit**
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> Gross profit for the three months ended April 1, 2017 was $680.4 million (30.6% of net sales), an increase of $40.7 million or 6.4%, compared to gross profit of $639.7 million (29.5% of net sales) for the three months ended April 2, 2016. As a percentage of net sales, gross profit increased 110 basis points. The increase in gross profit dollars was primarily attributable to higher sales volume of approximately $14 million, savings from capital investments and cost reduction initiatives of approximately $36 million, and the favorable net impact of price and product mix of approximately $10 million, partially offset by higher input costs of approximately $22 million, including increased material costs of approximately $11 million.

31. The statements set forth above were materially false and misleading. In truth, Defendants engaged in deceptive and unsustainable sales practices to mask declining customer demand for its Conventional Flooring Products. The Company's revenue growth was not attributable to product differentiation and innovation or growing demand for Conventional Flooring Products, but rather due to unsustainable channel stuffing of Conventional Flooring Products. Mohawk's increasing accounts receivable was not the result of channel mix and its increasing inventories was not the result of product growth and expansion, but instead the result of the Company deliberately stuffing the channels with Conventional Flooring Products to boost sales.

32. On July 27, 2018, Mohawk filed a Form 8-K with the SEC. The Company press release entitled *Mohawk Industries Reports Record Q2 Results* stated in relevant part:

> Calhoun, Georgia, July 27, 2017 - Mohawk Industries, Inc. (NYSE: MHK) today announced 2017 second quarter record operating income of $356 million, net earnings of $261 million and diluted earnings per share (EPS) of $3.48. Excluding restructuring, acquisition and other charges, net earnings were $278 million and EPS was $3.72, a 7% increase over last year's second quarter adjusted EPS. Net sales for the second quarter of 2017 were $2.5 billion, up 6% versus the prior year's second quarter or an increase of approximately 8% on a constant days and currency basis. For the second quarter of 2016, net sales were $2.3 billion, operating income was $351 million, net earnings were $255 million and EPS was $3.42; excluding restructuring, acquisition and other charges, net earnings were $259 million and EPS was $3.47.
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> For the six months ending July 1, 2017, net earnings and EPS were $461 million and $6.17, respectively. Net earnings excluding restructuring, acquisition and other charges were $482 million and EPS was $6.44, an increase of 10% over the 2016 six-month period adjusted EPS. For the six-month period, net sales were $4.7 billion, an increase of 4% versus prior year as reported or 6% on a constant days and currency basis. For the six-month period ending July 2, 2016, net sales were $4.5 billion, net earnings were $427 million and EPS was $5.73; excluding restructuring, acquisition and other charges, net earnings and EPS were $436 million and $5.85.
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> Commenting on Mohawk Industries' second quarter performance, Jeffrey S. Lorberbaum, Chairman and CEO, stated, "During the period, Mohawk delivered record results, generating the highest sales, adjusted operating income and adjusted EPS in the company's history. Adjusted operating income increased to $381 million, up 7% overcoming higher material and start-up costs and a reduction of IP income. Across the business, we are increasing prices to offset inflation, introducing innovative products and improving our productivity.

"During the period, we completed the acquisition of two small ceramic manufacturers to expand our European platform and two U.S. material manufacturing operations to enhance the vertical integration of our businesses. This year, we are increasing our internal investments to over $850 million to capitalize on innovative new products, increased automation and greater efficiencies, as well as to enhance the four acquisitions. As detailed last quarter, we are expanding our sales capacity by approximately $1.4 billion. This production will come online over the next twelve months, and our start-up costs will be higher until we have optimized all our new manufacturing operations later in 2018. These initiatives will increase our sales and profitability, maximizing the long-term value of our business.

"For the quarter, our Global Ceramic Segment sales increased approximately 9% as reported and on a constant days and currency basis. Operating margin was 17% as reported and 18% on an adjusted basis, with adjusted operating income rising approximately 16% for the quarter. We completed two European ceramic acquisitions that increased our sales by 6% during the period. Our legacy business improved from the prior quarter but was limited in North America by capacity constraints in red body ceramic and in Europe by a temporary plant shutdown to upgrade our technical production. In Europe, half of our new technical equipment has begun production and is operating at expected levels, and we are importing product to satisfy U.S. demand until our Mexican expansion becomes operational later this year. We are introducing higher value products from our new Tennessee plant, including longer, more-realistic wood visuals; surface textures in registration with our designs; and proprietary slip resistant surfaces. During the quarter, we completed the acquisition of a talc mine in Texas that will ensure our material supply and enhance our competitive position. Even with our capacity restraints, our sales in Mexico outpaced the strong local market. Our European ceramic business grew substantially as a result of our new acquisitions and new products we have introduced. Our Russian ceramic business is significantly outperforming the market, with sales and margins improving as a result of our unique styling, strong brand, and robust distribution. Russia's economy has expanded the last two quarters, and we are increasing our capacity to support future growth.

“During the quarter, our Flooring North America Segment’s sales increased 6% as reported. Operating margin for the quarter was 12% as reported and 13% on an adjusted basis, with adjusted operating income rising 12%. For the period, our hard surface sales outpaced carpet, and residential sales were stronger than commercial. We have implemented price increases and improved our product mix, which together have offset material and other inflation. We are executing productivity initiatives across our operations, resulting in improved efficiencies and yields. Our premium residential carpet collections are growing faster than the market due to increasing consumer preference for the superior softness and performance of our exclusive SmartStrand franchise. We have begun shipping SmartStrand Silk Reserve, the fourth generation of our proprietary fiber, with an even greater level of softness. During the period, we completed the purchase of a nylon polymerization plant, which we are enhancing to improve our competitive position. Our Main Street commercial sales expanded faster than our specified channels, with carpet tile continuing to gain share. Our LVT and laminate sales outpaced our other hard surfaces, with our distribution expanding as a result of our leading design and performance attributes. Our LVT operations are improving, and construction is progressing on our new rigid LVT line, which will start up by the end of this year. Our propriety water resistant laminate with enhanced visuals is growing as an alternative to wood, and we are increasing our capacity later this year to support additional growth.

“For the quarter, our Flooring Rest of the World Segment’s sales increased 2% as reported and 8.5% on a constant days and currency basis. Operating margin was 17% as reported and on an adjusted basis, with adjusted operating income decreasing approximately 12% for the quarter. The segment was impacted by increasing material costs and currency changes, which we are implementing price increases to recover, and the reduction in patent income. We anticipate that the majority of the price increases will be fully implemented by the fourth quarter, allowing us to recover our higher costs. Our LVT sales are growing significantly, although we are reaching the limits of our present capacity. Our new LVT production line in Belgium will produce both rigid and flexible products and should start-up in the fourth quarter. In Russia, we are finalizing the purchase of a building near our ceramic facilities to house our new sheet vinyl manufacturing operation. In Europe, our premium laminate collections grew

> substantially, and we have begun installation of a new laminate press line to further expand our business and improve our product mix with value-added introductions. Construction of our new carpet tile plant is underway, and we will begin limited operations in the fourth quarter.
>
> "Mohawk's operating performance in the third quarter should continue to significantly improve, with sales and income strengthening further, even with higher materials and changes in patents. We are implementing price increases across most product categories and regions to recover material and currency changes in the third quarter. We will begin optimizing the acquisitions we completed in the second quarter by improving their strategies and enhancing their profitability. Taking all of this into account, our adjusted EPS guidance for the third quarter is $3.70 to $3.79.
>
> To enhance our long-term performance, we are investing at record levels this year to expand our product offering and capacity, improve our efficiencies and extend our geographic reach. In the fourth quarter, we will incur higher start-up costs as our production expansions ramp up and we elevate our marketing activities to increase our sales. The expansion of our LVT, ceramic, laminate, sheet vinyl and carpet tile capacity will increase our future growth and profitability, strengthening our position as the global leader in flooring."

33. On July 28, 2017, Mohawk held a conference call with analysts and investors to discuss the Company's financial results for the second quarter of 2017. During the conference call, Defendant Lorberbaum stated that "[Mohawk's] businesses continued their exceptional execution, with sales growth of 6%." Non-party Wellborn touted the "increased demand" for certain Mohawk Conventional Flooring Products, and Defendant Lorberbaum stated that the Company was "fueling [its] growth around the globe with significant investments to extend [its] product portfolio and penetrate new markets." Non-party Wellborn also stated that the

Company was "growing [its] sales with unique merchandising and promotions to optimize each channel" for certain Mohawk Conventional Flooring Products. During the call, Defendant Boykin reported an increase in the Company's receivables and reported that DSO had increased to 55 days compared to 54 days the prior year "due to the changing mix in our customers in the quarter." In addition, Defendant Boykin stated that the Company's inventories had increased, with DII at 109 days compared to 105 days the previous year, and he attributed the increase to "raw material inflation and more sourced product needed to support [its] LVT, ceramic and countertop businesses." In response to an analyst's question regarding the Company's significant growth in inventories, Defendant Lorberbaum replied that the growth was the result of increasing material costs, the Company increasing the number of sourced products to support its new businesses, and a U.S. economy that was not as robust as expected.

34. On August 4, 2017, Mohawk filed its Form 10-Q financial results for the second quarter of 2017. The Form 10-Q stated in relevant part:

> ***Quarter Ended July 1, 2017, as compared with Quarter Ended July 2, 2016***
>
> **Net sales**
>
> Net sales for the three months ended July 1, 2017 were $2,453.0 million, reflecting an increase of $142.7 million, or 6.2%, from the $2,310.3 million reported for the three months ended July 2, 2016. The increase was primarily attributable to higher sales volume of approximately $109 million, or 5%, which includes legacy sales

volume of approximately $84 million and sales volume attributable to acquisitions of approximately $48 million, offset by the unfavorable impact of fewer shipping days in the second quarter of 2017 of approximately $23 million. Also contributing to the increase in sales was the favorable net impact of price and product mix of approximately $46 million, or 2%, partially offset by the net impact of unfavorable foreign exchange rates of approximately $12 million.

Global Ceramic segment—Net sales increased $72.9 million, or 8.8%, to $902.7 million for the three months ended July 1, 2017, compared to $829.8 million for the three months ended July 2, 2016. The increase was primarily attributable to higher sales volume of approximately $60 million, or 7%, which includes legacy sales volume of approximately $18 million and sales volume attributable to acquisitions of approximately $48 million, offset by the unfavorable impact of fewer shipping days in the second quarter of 2017 of approximately $6 million. Also contributing to the increase in sales was the favorable net impact of price and product mix of approximately $11 million, or 1%.

Flooring NA segment—Net sales increased $59.6 million, or 6.1%, to $1,040.3 million for the three months ended July 1, 2017, compared to $980.7 million for the three months ended July 2, 2016. The increase was primarily attributable to higher sales volume of approximately $39 million, or 4%, and the favorable net impact of price and product mix of approximately $21 million, or 2%.

Flooring ROW segment—Net sales increased $10.2 million, or 2.0%, to $510.1 million for the three months ended July 1, 2017, compared to $499.8 million for the three months ended July 2, 2016. The increase was primarily attributable to higher sales volume of approximately $11 million, or 2%, despite a decline in patent revenue, and includes the unfavorable impact of fewer shipping days in the second quarter of 2017 of approximately $17 million, and the favorable impact of price and product mix of approximately $15 million, or 3%, partially offset by the net impact of unfavorable foreign exchange rates of approximately $15 million, or 3%.

Gross profit

> Gross profit for the three months ended July 1, 2017 was $779.1 million (31.8% of net sales), an increase of $23.5 million or 3.1%, compared to gross profit of $755.6 million (32.7% of net sales) for the three months ended July 2, 2016. As a percentage of net sales, gross profit decreased 90 basis points. The increase in gross profit dollars was primarily attributable to higher sales volume of approximately $31 million, savings from capital investments and cost reduction initiatives of approximately $38 million, and the favorable net impact of price and product mix of approximately $39 million, partially offset by higher input costs of approximately $58 million, including increased material costs of approximately $41 million, the unfavorable impact of higher restructuring, acquisition and integration-related, and other costs of approximately $20 million, the net impact of unfavorable foreign exchange rates of approximately $3 million, and investments in expansion of production capacity of approximately $3 million.

35. The statements set forth above were materially false and misleading. In truth, Defendants engaged in deceptive and unsustainable sales practices to mask declining customer demand for its Conventional Flooring Products. The Company's revenue growth was not attributable to exceptional execution, unique merchandising and promotions, or growing demand for Conventional Flooring Products, but rather due to unsustainable channel stuffing of Conventional Flooring Products. Mohawk's increasing accounts receivable was not the result of a changing mix of customers and its increasing inventories was not the result of raw material inflation and more sourced product, but instead the result of the Company deliberately stuffing the channels with Conventional Flooring Products to boost sales.

36. On October 26, 2017, Mohawk filed a Form 8-K with the SEC. The Company press release entitled *Mohawk Industries Reports Q3 Results* stated in relevant part:

> Calhoun, Georgia, October 26, 2017 - Mohawk Industries, Inc. (NYSE: MHK) today announced 2017 third quarter, net earnings of $270 million and diluted earnings per share (EPS) of $3.61. Adjusted net earnings were $281 million and EPS was $3.75, excluding restructuring, acquisition and other charges, a 7% increase over last year. Net sales for the third quarter of 2017 were $2.4 billion, up 7% in the quarter and 5% on a constant days and currency basis. For the third quarter of 2016, net sales were $2.3 billion, net earnings were $270 million and EPS was $3.62; adjusted net earnings were $261 million and EPS was $3.50, excluding restructuring, acquisition and other charges.
>
> For the nine months ending September 30, 2017, net earnings and EPS were $731 million and $9.77, respectively. Adjusted net earnings and EPS were $763 million and $10.19, excluding restructuring, acquisition and other charges, a 9% increase over last year. For the nine-month period, net sales were $7.1 billion, an increase of 5% and 5.5% on a constant days and currency basis. For the nine-month period ending October 1, 2016, net sales were $6.8 billion, net earnings were $697 million and EPS was $9.34; adjusted net earnings and EPS were $697 million and $9.35, excluding restructuring, acquisition and other charges.
>
> Commenting on Mohawk Industries' third quarter performance, Jeffrey S. Lorberbaum, Chairman and CEO, stated, "During the period, Mohawk delivered record adjusted earnings and EPS, with sales growing approximately 7%. Our businesses outside the U.S. had stronger revenue growth, as the economies of those countries expanded. In the period, we overcame rising material costs, disruptions from hurricanes and reduced patent revenue. Our price and mix improved as we enhanced our product offering and implemented pricing actions to recover inflation. Our many operational and process improvements resulted in productivity gains of approximately $49 million and we incurred $8 million of start-up costs.

“For the full year, we are investing about $900 million to optimize long-term results by entering new product categories, extending our reach into new geographies and facilitating growth in our existing businesses. These projects include ceramic expansions in Mexico, Russia, Italy and Poland; additional premium laminate, engineered wood, rug and polyester carpet capacity in the U.S.; and increased premium laminate capacity in Europe and Russia. These investments will satisfy increasing demand for our products as well as introduce state-of-the-art manufacturing technology to further our position as the industry’s innovation leader. During 2018, in the U.S., we will launch production of rigid LVT as well as quartz countertops. In Europe, we will enter the rigid LVT, carpet tile and porcelain countertop businesses, and in Russia we will open a manufacturing plant to participate in the country’s large sheet vinyl market.

“For the quarter, our Flooring Rest of the World Segment’s sales increased 13% as reported and 8% on a constant days and currency basis. The segment had an exceptional quarter with the majority of our manufactured product sales and earnings growing dramatically. Our patent revenue is running at a higher rate than we anticipated due to broader use of our patents and the increase in worldwide sales of LVT. During the period, our price and mix improvements offset inflation and currency changes. Our laminate innovation in proprietary structures and water-proof technologies is increasing the selection of our products by customers who would ordinarily purchase wood flooring. Our present European LVT manufacturing is nearing capacity, and our new plant will begin operating by the end of the year. The new plant will expand our capacity of flexible LVT as well as produce rigid LVT. We are expanding the segment’s commercial sales force to increase the specifications of sheet vinyl, LVT and our upcoming carpet tile collections. Our new commercial carpet tile plant should initiate limited production in the fourth quarter.

“For the quarter, our Global Ceramic Segment sales increased 9% as reported and 7% on a constant days and currency basis. In the quarter, the strongest growth in our ceramic business was in Russia and Mexico as well as our acquisitions in Italy and Poland, which have been integrated with our existing European ceramic business. New capacity came online during the period with new production in Mexico and our modernized commercial tile plant in Italy. We also started up idled assets at our Polish plant, and we are installing additional equipment to broaden our position in the Northern and Central European markets. Our U.S. ceramic business was softer than we anticipated due to the impact of hurricanes in two of the country's largest ceramic markets. In the third and fourth quarters of this year, we are opening about 15 service centers and stone centers in key U.S. markets. Our North American manufacturing plants are operating at record levels for volume, quality and cost. Our sales and margins in Mexico increased as we broadened our product offering and enlarged our customer base. During the period, our European ceramic business increased dramatically, with growth in our local markets and the addition of our Italian and Polish acquisitions. Our Russian ceramic business is meaningfully outperforming the industry, and we are adding capacity to increase our share as the market expands.

"During the quarter, our Flooring North America Segment's sales increased 2% as reported. The segment's price, mix and productivity improved significantly during the period, covering increases in raw materials and other inflation. Our new product introductions improved our average selling prices and margins, and our process innovations and investments in manufacturing technology improved our costs. The hurricanes in Texas and Florida interrupted normal purchasing patterns and impacted our sales during the period. For the quarter, our soft surfaces sales growth exceeded hard surfaces, which were constrained by production limitations that will be addressed in the fourth quarter. Growth in our residential carpet outpaced our commercial sales. We have recently announced a 5 to 6% price increase on all of our carpet products effective the end of this year to cover our increasing costs. We have enhanced the productivity of our U.S. LVT operations, and we are expanding our product offering in both the residential and commercial categories. We have introduced a proprietary rigid LVT collection designed for exceptional stability and durability as we prepare for our new U.S. LVT production in the second quarter of next year. Our new laminate production will be operational this quarter and will allow us to expand our successful water proof laminate that improves on Mother Nature in both performance and visuals.

"In the fourth quarter, we anticipate that the business will improve as we benefit from innovative new products, increased volume and the

> performance of our recent acquisitions. We expect higher sales with the relief of some of our capacity constraints, enabling us to expand our market position. During the upcoming period, we will absorb higher start-up costs estimated at $15 million in our results as new operations come online. The disruptions caused by hurricanes in the U.S. should diminish as those markets begin their recovery. Greater productivity, better product mix and price changes should improve our fourth quarter results, overcoming the reductions from our expired patents. Taking all of this into account, our EPS guidance for the fourth quarter is $3.25 to $3.34, excluding any one-time charges."

37. On October 27, 2017, Mohawk held a conference call with analysts and investors to discuss the Company's financial results for the third quarter of 2017. During the call, Defendant Lorberbaum touted the "increasing demand" for certain Mohawk Conventional Flooring Products and that the Company's investments to "enhance[] [its] product offering with unique designs and differentiated features" and introduce "new product[s]" were a driving factor in Mohawk's sales growth. During the call, Defendant Boykin again reported increased inventory levels and again attributed the increase to "raw material inflation and source product growth."

38. On November 3, 2017, Mohawk filed its Form 10-Q financial results for the third quarter of 2017. The Form 10-Q stated in relevant part:

> ***Quarter Ended September 30, 2017, as compared with Quarter Ended October 1, 2016***
>
> **Net sales**
>
> Net sales for the three months ended September 30, 2017 were $2,448.5 million, reflecting an increase of $154.4 million, or 6.7%, from the $2,294.1 million reported for the three months ended October 1, 2016. The increase was primarily attributable to higher sales volume of

approximately $42 million, or 2%, which includes sales volume attributable to acquisitions of approximately $47 million, offset by a decrease in legacy sales volume of approximately $5 million, including the loss of patent revenue and the impact of the hurricanes during the quarter. Also contributing to the increase in sales was the favorable net impact of price and product mix of approximately $73 million, or 3%, and the net impact of favorable foreign exchange rates of approximately $40 million, or 2%.

Global Ceramic segment—Net sales increased $71.4 million, or 8.7%, to $893.4 million for the three months ended September 30, 2017, compared to $822.0 million for the three months ended October 1, 2016. The increase was primarily attributable to higher sales volume of approximately $52 million, or 6%, which includes legacy sales volume of approximately $5 million and sales volume attributable to acquisitions of approximately $47 million. Also contributing to the increase in sales was the net impact of favorable foreign exchange rates of approximately $17 million, or 2%, and the favorable net impact of price and product mix of approximately $3 million. Sales were negatively impacted by the hurricanes in Texas and Florida during the quarter.

Flooring NA segment—Net sales increased $23.2 million, or 2.3%, to $1,031.8 million for the three months ended September 30, 2017, compared to $1,008.6 million for the three months ended October 1, 2016. The increase was primarily attributable to the favorable net impact of price and product mix of approximately $41 million, or 4%, partially offset by a decrease in sales volume of approximately $18 million, or 2%. Sales were negatively impacted by the hurricanes in Texas and Florida during the quarter.

Flooring ROW segment—Net sales increased $59.8 million, or 12.9%, to $523.3 million for the three months ended September 30, 2017, compared to $463.5 million for the three months ended October 1, 2016. The increase was primarily attributable to higher sales volume of approximately $8 million, or 2%, despite a decline in patent revenue, the favorable impact of price and product mix of approximately $29 million, or 6%, and the net impact of favorable foreign exchange rates of approximately $23 million, or 5%.

Gross profit

> Gross profit for the three months ended September 30, 2017 was $783.3 million (32.0% of net sales), an increase of $56.7 million or 7.8%, compared to gross profit of $726.6 million (31.7% of net sales) for the three months ended October 1, 2016. As a percentage of net sales, gross profit increased 30 basis points. The increase in gross profit dollars was primarily attributable to savings from capital investments and cost reduction initiatives of approximately $40 million, the favorable net impact of price and product mix of approximately $63 million, the net impact of favorable foreign exchange rates of approximately $10 million, higher sales volumes of approximately $4 million, and the favorable impact of lower restructuring, acquisition and integration-related, and other costs of approximately $5 million, partially offset by higher input costs of approximately $61 million, including increased material costs of approximately $47 million and costs associated with investments in expansion of production capacity of approximately $3 million.

39. The statements set forth above were materially false and misleading. In truth, Defendants engaged in deceptive and unsustainable sales practices to mask declining customer demand for its Conventional Flooring Products. The Company's revenue growth was not attributable to product differentiation and innovation or growing demand for Conventional Flooring Products, but rather due to unsustainable channel stuffing of Conventional Flooring Products. Mohawk's increasing inventories was not the result of raw material inflation and source product growth, but instead the result of the Company deliberately stuffing the channels with Conventional Flooring Products to boost sales.

40. On February 8, 2018, Mohawk filed a Form 8-K with the SEC. The Company press release entitled *Mohawk Industries Reports Q4 Results* stated in relevant part:

> Calhoun, Georgia, February 8, 2018 - Mohawk Industries, Inc. (NYSE: MHK) today announced 2017 fourth quarter net earnings of $240 million and diluted earnings per share (EPS) of $3.21. Adjusted net earnings were $256 million and EPS was $3.42, excluding restructuring, acquisition and other charges, a 5% increase over last year. Net sales for the fourth quarter of 2017 were $2.4 billion, up 8.5% in the quarter and 6% on a constant days and currency basis. For the fourth quarter of 2016, net sales were $2.2 billion, net earnings were $234 million and EPS was $3.13; adjusted net earnings were $243 million and EPS was $3.26, excluding restructuring, acquisition and other charges.
>
> For the year ended December 31, 2017, net earnings and EPS were $972 million and $12.98, respectively. Adjusted net earnings and EPS were $1,019 million and $13.61, excluding restructuring, acquisition and other charges, an 8% increase over last year. For the year ended December 31, 2017, net sales were $9.5 billion, an increase of 6% as reported and on a constant days and currency basis. For the year ended December 31, 2016, net sales were $9.0 billion, net earnings were $930 million and EPS was $12.48; adjusted net earnings and EPS were $940 million and $12.61, respectively, excluding restructuring, acquisition and other charges.
>
> Commenting on Mohawk Industries' fourth quarter and full-year performance, Jeffrey S. Lorberbaum, Chairman and CEO, stated, "In 2017, our strong organization and long-term strategies allowed Mohawk to deliver record-breaking results. For the full year, we generated operating income of $1.4 billion, up 6% as reported and 9% excluding restructuring, acquisition and other charges, and our EBITDA rose to $1.8 billion, both records. Our recurring business income grew at a much higher rate in 2017 when excluding the expired patent income and incremental start-up investments. During the year, we identified opportunities for growing our business, differentiating our products and improving our productivity, which we supported with

over $900 million in internal investments, the highest in company history.

“Over the past three years, our strategies of adding new products, increasing our capacities and acquiring new businesses have led to expanded earnings even as income from our click patents expired. Our 2017 results reflected the impact of these strategies, even with $34 million in start-up costs to ramp up new products and production and significant increases in raw materials.

“During 2017, we completed four acquisitions to broaden our product offering and improve our cost structure. These include bolt-on ceramic businesses in Italy and Poland, a U.S. talc mine for ceramic and a nylon polymerization plant to further integrate our carpet manufacturing. Turning to our fourth quarter performance, we recorded our best results for the period in history, with operating income of $343 million, growing 13%, while absorbing start-up costs of approximately $10 million and the decline of income from patents.

“For the quarter, our Global Ceramic Segment sales increased 10% as reported and 8% on a constant days and currency basis. Our sales in Russia and Mexico grew the fastest, and our European acquisitions added approximately 6% to our sales. As anticipated, we saw improvement in our legacy sales during the period, with additional capacity coming online in Mexico, Russia and Europe and strengthening sales in the U.S. Our U.S. business improved as we progressed through the period, even with large customers postponing product changes and making reductions in their inventories. To increase our US sales and distribution, we have opened fifteen new tile and stone centers, and we are expanding our partnerships with both national and regional builders across the country including both our tile and countertop products. Our U.S. countertop sales are accelerating as we increase our distribution points and broaden our quartz offering. The Mexican ceramic market is strong, and our sales are increasing with new product offerings and our new production. Our new plant in Salamanca is fully operational, and production is ahead of our expectations. Our European ceramic sales increased substantially and outperformed the market. We have made significant progress in integrating our Italian and Polish acquisitions, broadening their product offerings and enhancing their sales strategies. Our Russian ceramic business has been operating at full capacity, and we are expanding our production to satisfy the growing demand and increase our market share.

“During the quarter, our Flooring North America Segment’s sales increased 3% as reported. The segment’s margins increased approximately 130 basis points as reported, while absorbing $10 million of restructuring costs and $2.5 million of start-up costs associated with our new LVT line. Late in the fourth quarter, we implemented a carpet price increase to recover rising inflation. Our carpet sales were strong during the period as some customers raised their inventory levels prior to our price changes and residential sales continued to grow faster than commercial. Almost all channels in residential improved, highlighted by the success of our SmartStrand and Continuum product offerings. To better serve our dealers, we have recently combined our hard and soft surface residential sales management. We are seeing improvements in performance as we better leverage our relationships across our entire product portfolio. With our new carpet tile and broadloom collections, our commercial sales are strengthening in most channels, with particular strength in hospitality, institutional, retail and Mainstreet. We are expanding our rigid and flexible LVT offerings with specific products tailored for each of the residential, do-it-yourself, apartment and commercial markets. During the quarter, we increased our marketing investments in LVT to expand our sales in anticipation of our new manufacturing line, which will begin production in the second quarter. We are creating another unique position in the marketplace with Revwood Plus, a revolutionary new water proof wood product with leading style in larger sizes and contemporary finishes.

“For the quarter, our Flooring Rest of the World Segment’s sales increased 18% as reported and 9% on a constant currency basis, as local economies improved and the Euro strengthened. Our reported operating income for the period increased 19% as a result of improved price and mix, productivity and a reduction of restructuring and acquisition charges. The price increases we implemented covered the dramatic changes in our material costs in most of our products. We have agreed to acquire Godfrey Hirst, the largest flooring company in Australia and New Zealand which is focused on carpet and expanding in hard surface flooring, as well as a small European mezzanine floor manufacturer, which will enhance our wood panel strategy and differentiate our products. In 2018, we also have finalized the acquisition of two small distributors in Europe to enhance our geographic penetration. Our LVT sales are growing rapidly as we pushed the limits of our capacity. We have the broadest LVT offering in Europe, and we are positioned as the market's style, design and performance leader. Our new European carpet tile plant has initiated limited manufacturing, with the final operational phases scheduled to come online this quarter before a full market launch in the second quarter. Our laminate sales are growing, driven by unique features such as planks over two meters long and our exclusive water proof technology. As demand increased, our new wood panel products enhanced our sales and mix, and process improvements have reduced our costs.

"The record results that Mohawk delivers reflect a unique strategy that combines the best features of a large, well-run public company, a private acquisition firm and a venture capital group. Our organization's capabilities to continuously expand by innovating our products, increasing our portfolio and participating in new regions is unsurpassed in the market. This year, to enhance our long-term growth and profitability, we will invest $60-$70 million starting up new operations to expand our market position and geographical scope. Of these investments, about one-third is non-cash depreciation due to limited utilization, one-third is for marketing to expand our distribution, and one-third is for the cost of ramping up new production.

During 2018, we will invest an additional $750 million in our existing businesses to complete projects that were begun in 2017 and to commence new initiatives. Our largest investments during this two-year period are the expansion of LVT in the U.S. and Europe; ceramic capacity increases in the U.S., Mexico, Italy, Poland, Bulgaria and Russia; luxury laminate in the U.S., Europe and Russia; carpet tile in Europe; sheet vinyl in Russia; countertops in the U.S. and Europe; and carpet and rugs in the U.S.

In the first quarter, we anticipate all segments improving sales and the introduction of innovative products across our portfolio. In Flooring North America, the timing of our carpet price increase moved some sales into the prior quarter. Our ongoing operating results, excluding the expired patents and start-up investments, will substantially improve

> in the first quarter. Our earnings will benefit from our past acquisitions and a stronger Euro, as well as our 2018 global tax rate which will decline to approximately 21% due to tax reform. Taking all of this into account, our EPS guidance for the first quarter is $2.93 to $3.02, excluding any one time charges.
>
> The acquisition of Godfrey Hirst will be completed later this year after normal closing conditions are concluded. We anticipate opportunities to enhance their product innovation and marketing strategies, lower their costs by supplying raw materials and increase their sales of hard surface products. Godfrey Hirst should be accretive to EPS by $0.35 to $0.40 in the first twelve months.

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42. On February 9, 2018, Mohawk held a conference call with analysts and investors to discuss the Company's financial results for the fourth quarter of 2017. During the call, non-party Wellborn touted the "increasing demand" for certain Mohawk Conventional Flooring Products, and Defendant Lorberbaum stated that the Company's investments to add "new products" and to "differentiat[e] [its existing] products" were a driving factor in its sales growth. In addition, non-party Wellborn stated that "[o]ur high-styled offerings, consumer brands, franchised and owned retail stores and efficient operations give us a significant competitive advantage" and that the Company was "operating at full capacity and [] expanding [its] production to satisfy the growing demand and increase [its] market share." During the call, Defendant Boykin reported the Company's inventories had increased, with DII at 119, and he attributed the increase to "higher raw material cost, ramp-up of new products and backwards integration." Similarly, in direct

response to an analyst's question, Defendant Lorberbaum attributed the rising inventory levels to an "increase in raw material prices before the selling price have gotten through and continuing," as well as to some "backward integration" the Company has done.

43. On February 28, 2018, Mohawk filed its Form 10-K financial results for the year ended December 31, 2017. The Form 10-K stated in relevant part:

> ***Year Ended December 31, 2017, as Compared with Year Ended December 31, 2016***
>
> **Net sales**
>
> Net sales for 2017 were $9,491.3 million, reflecting an increase of $532.2 million, or 5.9%, from the $8,959.1 million reported for 2016. The increase was primarily attributable to higher sales volume of approximately $245 million, or 3%, which includes sales volumes attributable to acquisitions of approximately $137 million and legacy sales volumes of approximately $107 million, the favorable net impact of price and product mix of approximately $218 million, or 2%, and the favorable impact of foreign exchange rates of approximately $69 million, or 1%.
>
> *Global Ceramic Segment*—Net sales increased $230.4 million, or 7.3%, to $3,405.1 million for 2017, compared to $3,174.7 million for 2016. The increase was primarily attributable to higher sales volume of approximately $162 million, or 5%, which includes sales volume attributable to acquisitions of approximately $137 million and legacy sales volume of approximately $24 million, the favorable net impact of foreign exchange rates of approximately $39 million, or 1%, and the favorable net impact of price and product mix of approximately $29 million, or 1%.
>
> *Flooring NA Segment*—Net sales increased $145.1 million, or 3.8%, to $4,010.9 million for 2017, compared to $3,865.7 million for 2016. The increase was primarily attributable to higher sales volumes of

approximately $39 million, or 1%, and the favorable net impact of price and product mix of $105 million, or 3%.

Flooring ROW Segment—Net sales increased $156.8 million, or 8.2%, to $2,075.5 million for 2017, compared to $1,918.6 million for 2016. The increase was primarily attributable to higher sales volume of approximately $44 million, or 2%, the favorable net impact of price and product mix of approximately $83 million, or 4%, and the favorable net impact of foreign exchange rates of approximately $30 million, or 2%.

44. The statements set forth above were materially false and misleading. In truth, Defendants engaged in deceptive and unsustainable sales practices to mask declining customer demand for its Conventional Flooring Products. The Company's revenue growth was not attributable to product differentiation and innovation or growing demand for Conventional Flooring Products, but rather due to unsustainable channel stuffing of Conventional Flooring Products. Mohawk's increasing inventories was not the result of increasing raw material prices and the Company's backward integration, but instead the result of the Company deliberately stuffing the channels with Conventional Flooring Products to boost sales. As a result of Mohawk's channel stuffing, the Company was not enjoying a "competitive advantage."

45. On April 26, 2018, Mohawk filed a Form 8-K with the SEC. The Company press release entitled Mohawk Industries Reports Q1 Results stated in relevant part:

Calhoun, Georgia, April 26, 2018 - Mohawk Industries, Inc. (NYSE: MHK) today announced 2018 first quarter net earnings of $209 million and diluted earnings per share (EPS) of $2.78. Adjusted net earnings were $225 million and EPS was $3.01, excluding restructuring, acquisition and other charges, an 11% increase over last year. Net sales for the first quarter of 2018 were $2.4 billion, up 9% in the quarter and 4% on a constant currency basis. For the first quarter of 2017, net sales were $2.2 billion, net earnings were $201 million and EPS was $2.68; adjusted net earnings were $203 million and EPS was $2.72, excluding restructuring, acquisition and other charges.

Commenting on Mohawk Industries' first quarter performance, Jeffrey S. Lorberbaum, Chairman and CEO, stated, "Mohawk is benefiting from its diverse geographical footprint and product portfolio. Our performance in the first quarter accentuated this strength as we realized significant growth in LVT in our largest markets and sales and profits grew strongly in our ceramic business outside the U.S. We are leveraging our global organization's strength to initiate manufacturing in new markets and extend our development of innovative products. Our global decentralized structure enables us to simultaneously manage numerous internal investments while also executing new acquisitions.

"For the quarter, our operating income grew at a greater rate when adjusted for the loss of income from expired patents and higher start-up costs of new facilities and sales initiatives. In the first quarter, material and freight inflation increased more than we anticipated and impacted our costs. We are initiating selective pricing actions by product and region that, combined with improving mix and cost reductions, will offset expected inflation.

"For the quarter, our Global Ceramic Segment sales increased 12% as reported and 8% on a constant currency basis. Our sales in Russia and Mexico grew the fastest, and our European acquisitions added approximately 6% to our sales. Operating margin was approximately 13% both as reported and on an adjusted basis, decreasing year over year due to inflation, product mix and start-up cost. First quarter segment sales sequentially improved, and we anticipate increased growth throughout the balance of the year, supported by greater capacity and new product introductions. We are implementing sales actions to increase our customer base and market share in both the residential and commercial sectors. In the U.S., we are launching innovative slip resistant tile, introducing higher styled designs in all price points and marketing ceramic’s durability and ease of care to consumers. Our new service centers and countertop distribution are ramping up and will enhance our results as sales increase. The building for our new quartz plant is nearing completion, and equipment installation should begin this quarter. In Mexico, the increased capacity and new capabilities of our Salamanca plant are allowing us to expand our customer base domestically and grow exports to Central and South America. In Europe, our product mix is improving as we capture a larger share of the premium market, and our new product launches increase our average price. Our two acquisitions in Italy and Poland are progressing as planned as we integrate their operations and expand their product offering. In Russia, we continue to grow our leading market position in a challenging economic environment.

“During the quarter, our Flooring North America Segment’s sales increased 1%. The segment’s operating margin was 8% as reported, absorbing increased inflation, restructuring and LVT start-up costs. On an adjusted basis, the operating margin was approximately 10% including the higher inflation and start-up costs. Our residential carpet sales increased during the quarter, led by the retail replacement channel. Our sales benefited from the strength of our innovative products, including super soft SmartStrand Silk Reserve, luxury Karastan collections, patented Continuum polyester offerings and propriety, hypoallergenic Air.o unified soft flooring. In the first quarter, we implemented the carpet price increase we announced last fall. In addition, our raw material and freight costs escalated more than we anticipated, and we announced another carpet price increase of 6% to 7% to cover. We have realigned our commercial sales structure, so that we can provide greater expertise with complete flooring solutions for each end-use market. LVT sales continue to expand in both residential and commercial. To support our increasing manufacturing capabilities, we are expanding our collections of both flexible and rigid LVT. Our new laminate production line is working well and has unique capabilities to make products indistinguishable from natural wood with superior visuals and performance. Our revolutionary RevWood Plus, a new water-proof wood product, is rapidly gaining acceptance with longer planks and contemporary finishes. Our investments in new technologies and hundreds of productivity projects are enhancing our service levels, quality and cost structures.

"For the quarter, our Flooring Rest of the World Segment's sales increased 18% as reported and 4% on a constant currency basis, as local economies improved and the Euro strengthened. As reported, our operating income increased 17% as a result of improved price and mix, productivity and the strengthening Euro, overcoming inflation, start-up costs and expired patents. On an adjusted basis, the operating margin was approximately 16%, a slight improvement even with higher start-up costs and lower patent income. We are starting new LVT and laminate production in Belgium, and we are launching new carpet tile and rigid LVT products. The price increases we implemented last fall are covering raw material increases from 2017, and we are selectively increasing prices to offset further inflation. LVT in Europe is growing in acceptance, and we are the market leader. Our new LVT production line is ramping up, and we are expanding our product offering to fully utilize its capacity. Our sheet vinyl assets in Europe are running at capacity, and we are seeding the Russian market to build demand for our new plant, which should initiate production by the end of this year. To expand our sales across Europe, we are assembling an experienced commercial sales force for our LVT, sheet vinyl and carpet tile. Our laminate business continues to perform well, and we lead the premium market in realistic design and water-resistant products. Our new laminate press is operating, and we are introducing additional premium products to extend our market leadership. Our wood panel sales are performing well as a result of investments that expanded capacity and improved our costs. Our insulation business is recovering as raw material supply increases and costs moderate.

"Around the globe, we are starting up a number of large investments that will significantly enhance our long-term results by expanding existing sales, adding product categories and entering new markets. Many of these operations are currently initiating new production, including Mexican, Italian and Russian ceramic; U.S. and European premium laminate; U.S. and European LVT; Italian porcelain slabs; and European carpet tile. In addition, by the end of this year, we anticipate commencing production of quartz countertops in the U.S. and sheet vinyl in Russia, as well as expanding polyester carpet in the U.S.; ceramic tile in Poland; and laminate and ceramic wall tile in Russia. We anticipate finalizing the acquisition of Godfrey Hirst as early as the end of May, adding the largest flooring producer in Australia and New Zealand to our global portfolio. To prepare for the

> integration, we are assessing the sales, product and raw material strategies for both companies to optimize performance.
>
> "As anticipated this year, we will have a non-recurring reduction of operating income of $70-75 million, comprised of $30-35 million from higher start-up costs and $40 million from patents that expired in 2017. In 2018, incremental depreciation of $75 million will curtail our operating margins until our sales reach a level to fully absorb these investments. Changes in the U.S. tax law will reduce our adjusted tax rate from 26% last year to an estimated 21% this year. Taking all of this into account, our EPS guidance for the second quarter is $3.89 to $3.98, excluding any one-time charges.
>
> "During the balance of 2018, our sales growth should improve as we increase the use of our new production, introduce additional products and complete the acquisition of Godfrey Hirst. This year, the Godfrey Hirst acquisition is estimated to increase revenue by $180 million and EPS by $0.25. In the third quarter, higher prices, mix and productivity should increase our adjusted operating income above last year, even with a lower operating margin. In the fourth quarter, our adjusted operating income and margin should exceed 2017, as the impact from start-ups and patents decline. Next year, with higher utilization and lower start-up costs, we will see further enhancements of our sales and profitability. With the strength of our organization, we can execute additional acquisitions if appropriate risk and return can be achieved."

46. On April 27, 2018, Mohawk held a conference call with analysts and investors to discuss the Company's financial results for the first quarter of 2018. During the call, Defendant Boykin stated that the Company's "[i]nventory turns continue to be impacted by increasing inflation and our backwards integration." During the call, Defendant Lorberbaum also stated that the Company "anticipate[d] higher growth rates in all segments" throughout the rest of the year.

47. On May 4, 2018, Mohawk filed its Form 1-Q financial results for the first quarter of 2018. The Form 10-Q stated in relevant part:

> ***Quarter Ended March 31, 2018, as compared with Quarter Ended April 1, 2017***
>
> **Net sales**
>
> Net sales for the three months ended March 31, 2018 were $2,412.2 million, reflecting an increase of $191.6 million, or 8.6%, from the $2,220.6 million reported for the three months ended April 1, 2017. The increase was attributable to higher sales volume of approximately $57 million, or 2%, which includes sales volume attributable to acquisitions of approximately $45 million. Also contributing to the increase in sales was the net impact of favorable foreign exchange rates of approximately $99 million, or 4% and the favorable net impact of price and product mix of approximately $36 million, or 2%.
>
> *Global Ceramic segment*—Net sales increased $91.6 million, or 11.7%, to $876.5 million for the three months ended March 31, 2018, compared to $785.0 million for the three months ended April 1, 2017. The increase was primarily attributable to higher sales volume of approximately $68 million, or 9%, which includes sales volume attributable to acquisitions of approximately $45 million. Also contributing to the increase in sales was the net impact of favorable foreign exchange rates of approximately $29 million, or 3%, partially offset by the unfavorable net impact of price and product mix of approximately $5 million.
>
> *Flooring NA segment*—Net sales increased $10.9 million, or 1.2%, to $950.4 million for the three months ended March 31, 2018, compared to $939.5 million for the three months ended April 1, 2017. The increase of $11 million was primarily attributable to the favorable net impact of price and product mix and higher sales volume.
>
> *Flooring ROW segment*—Net sales increased $89.1 million, or 18.0%, to $585.3 million for the three months ended March 31, 2018, compared to $496.2 million for the three months ended April 1, 2017. The increase was primarily attributable to the net impact of favorable

> foreign exchange rates of approximately $70 million, or 14% and the favorable impact of price and product mix of approximately $34 million, or 7%, partially offset by a decrease in sales volume of approximately $15 million, or 3%. The decrease in sales volume is primarily due to the decline of IP contract revenue.

48. The statements set forth above were materially false and misleading. In truth, Defendants engaged in deceptive and unsustainable sales practices to mask declining customer demand for its Conventional Flooring Products. Mohawk's increasing inventories was not the result of increasing inflation or the Company's backward integration, but instead the result of the Company deliberately stuffing the channels with Conventional Flooring Products to boost sales. As a result of the Company's channel stuffing, Defendants knew that Mohawk's growth rate was unsustainable.

THE TRUTH EMERGES

49. On July 25, 2018, after the market closed, the Company reported disappointing financial results for the second quarter of 2018, with earnings that were well below both Wall Street estimates and the Company's previous guidance range. These shortfalls were driven by Mohawk's efforts to "produce[] less [Conventional Flooring Products] than [it] sold to reduce inventory." Similarly, Mohawk disclosed that it "reduced [its] production volumes more than [the Company] had thought" and acknowledged that the Company "came into the year with higher inventories than [it] wanted to have." The Company's efforts to reduce

inventories signaled that its sales channels were stuffed with more product than it was able to sell through. These disclosures caused the Company's stock price to decline from $217.37 per share to $179.31 per share, or over 17%, on unusually high trading volume.

50. Despite these disclosures, Mohawk continued to misrepresent the demand for its Conventional Flooring Products and sales growth, as well as the reasons for rising inventory levels. Specifically, during the second quarter 2018 earnings call, Defendant Boykin blamed the Company's increasing inventory levels on "[i]nflation [that] negatively impacted the calculation."

51. The statements set forth above were materially false and misleading. In truth, Defendants engaged in deceptive and unsustainable sales practices to mask declining customer demand for its Conventional Flooring Products. Mohawk's increasing inventories was not the result of increasing inflation, but instead the result of the Company deliberately stuffing the channels with Conventional Flooring Products to boost sales.

52. Then, on October 25, 2018, after the market closed, the Company reported sales and earnings for the third quarter of 2018 that substantially missed analysts' estimates and fell well below the Company's previous guidance range, with sales growth in all segments falling below estimates. Mohawk attributed its poor financial results, in part, to manufacturing reductions that were required to control

inventory buildup. In particular, non-party Wellborn stated that "[t]o improve our inventory turns, we are presently manufacturing fewer units than we are selling, which is negatively impacting our costs." As a result of these disclosures, the Company's stock price plummeted nearly 24%, from $151.07 per share to $115.03 per share, on unusually high trading volume.

53. However, the Company continued to misrepresent the demand for its Conventional Flooring Products and sales growth and the reasons for rising inventory levels. In particular, on October 26, 2018, during the third quarter 2018 earnings call, Defendant Boykin again blamed the Company's increasing inventory levels on "[i]nflation and backwards integration [that] negatively impacted the calculations." In addition, in response to an analyst's question regarding the Company's rising inventories, Defendant Lorberbaum misled investors to believe it was the result of raw material inflation by stating that "inventory turns get worse because the raw materials have increased." During the call, Defendant Boykin assured investors that inventories would "go down in the fourth quarter" and the Company would "see improvement in [its] inventory turns" into the next year.

54. Similarly, on April 26, 2019, during the first quarter 2019 earnings call, non-party Landau attributed the Company's increasing inventory levels to "the ramp up of new plants, acquisitions and higher raw material costs." In addition, in response to an analyst's question regarding the Company's rising inventories,

Defendant Lorberbaum stated that the Company's "inventories in the ongoing businesses were kept under control with lower production rates."

55. The statements set forth above were materially false and misleading. In truth, Defendants engaged in deceptive and unsustainable sales practices to mask declining customer demand for its Conventional Flooring Products. Mohawk's increasing inventories was not the result of higher raw materials costs or new plants and acquisitions, but instead the result of the Company deliberately stuffing the channels with Conventional Flooring Products to boost sales. In reality, the Company's inventories were not "under control," but rather bloated with too much product as a result of Mohawk channel stuffing its distributors with Conventional Flooring Products, which caused the Company's customers to significantly reduce their orders for Conventional Flooring Products.

56. Then, on July 25, 2019, after the market closed, Mohawk revealed that sales in its Flooring NA segment were down 7% year-over-year, and that it was again reducing production to control inventory levels and match its supply with customer demand. The Company also revealed that increased competition and excess inventory had impacted its financial results, particularly in its Global Ceramic segment. The Company announced that "lower demand" for certain Conventional Flooring Products created excess inventory which impacted the Company's sales and margins. The Company also disclosed that there was a "big buildup in inventory

in ceramic" in the sales channel, which had negatively impacted the Company's sales. Accordingly, the Company gave a weak earnings forecast for the third quarter of 2019, which was well below analysts' estimates. As a result of these disclosures, the price of Mohawk's stock dropped from $156.36 per share to $128.84 per share, or nearly 18%, on unusually high trading volume.

57. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's securities, Plaintiff and other Class members have suffered significant losses and damages.

CLASS ACTION ALLEGATIONS

58. Plaintiff brings this action as a class action on behalf of all persons who purchased or otherwise acquired the publicly traded common stock of Mohawk in the Mohawk Industries Retirement Plan 1 and Mohawk Industries Retirement Plan 2 during the Class Period (the "Class"). Excluded from the Class are Defendants and their families, directors, and officers of Mohawk and their families and affiliates.

59. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court.

60. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of

the Class which predominate over questions which may affect individual Class members include:

(a) Whether Defendants violated the Securities Act;

(b) Whether Defendants omitted and/or misrepresented material facts;

(c) Whether Defendants' statements omitted material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;

(d) Whether the Individual Defendants are personally liable for the alleged misrepresentations and omissions described herein;

(e) Whether Defendants knew or recklessly disregarded that their statements and/or omissions were false and misleading;

(f) Whether Defendants' conduct impacted the price of Mohawk common stock;

(g) Whether Defendants' conduct caused the members of the Class to sustain damages; and

(h) The extent of damage sustained by Class members and the appropriate measure of damages

61. Plaintiff's claims are typical of those of the Class because Plaintiff and the Class sustained damages from Defendants' wrongful conduct.

62. Plaintiff will adequately protect the interests of the Class and has retained counsel experienced in class action securities litigation. Plaintiff has no interests which conflict with those of the Class.

COUNT I

(VIOLATION OF SECTION 11 OF THE SECURITIES ACT AGAINST DEFENDANTS)

63. Plaintiff incorporates by reference and re-alleges each allegation contained above, as though fully set forth herein.

64. The Registration Document, along with other documents it incorporates by reference was inaccurate and misleading, contained untrue statements of material facts, omitted to state other facts necessary to make the statements made not misleading, and omitted to state material facts required to be stated therein.

65. Mohawk is the registrant of the Registration Statement. The Company is responsible for the contents of the Registration Statement.

66. As issuer of the Mohawk stock, Defendants are strictly liable to Plaintiff and members of the Plan for the misstatements and omissions.

67. Defendants are strictly liable for the contents of the Registration Statement, and for the documents it incorporates (past and future) by reference. Defendants failed to make a reasonable investigation or to possess reasonable grounds for the belief that the statements contained in the Registration Statement were true and without omissions of any material facts and were not misleading.

68. By reasons of the conduct herein alleged, Defendants in this Count violated Section 11 of the Securities Act.

69. Plaintiff and the Plan have sustained damages. The value of Mohawk stock has declined substantially subsequent to and due to Defendants' violations.

COUNT II

(VIOLATION OF SECTION 12(a)(2) OF THE SECURITIES ACT AGAINST MOHAWK)

70. Plaintiff repeats and re-alleges each and every allegation contained above.

71. This Count is brought pursuant to Section 12(a)(2) of the Securities Act against.

72. Mohawk was a seller, offeror, and/or solicitor of purchasers of common stock offered by Mohawk pursuant to the Plan. Mohawk issued, caused to be issued, and/or signed the Registration Document. The Registration Document was used to induce investors, such as Plaintiff and others, to purchase Mohawk securities.

73. The Registration Document was inaccurate and misleading, contained untrue statements of material facts, omitted to state other facts necessary to make the statements made not misleading, and omitted to state material facts required to be stated therein.

74. Mohawk's actions of solicitation included participating in the preparation of the false and/or misleading Registration Document.

75. Mohawk did not make a reasonable investigation or possess reasonable grounds for the belief that the statements contained in the Registration Document was true and without omissions of any material facts and were not misleading.

76. Plaintiff and other members did not know, nor could they have known, of the untruths and/or omissions contained in the Registration Document.

77. By virtue of the conduct alleged herein, the Mohawk is liable for the aforesaid wrongful conduct and is liable to Plaintiff and the Class.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for judgment as follows:

A. Determining that this action is a proper class action under Rule 23 of the Federal Rules of Civil Procedure;

B. Awarding compensatory damages in favor of Plaintiff and other Class members against all Defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

C. Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including attorneys' fees and expert fees;

D. As to the claims set forth under the Securities Act, awarding rescission or a recessionary measure of damages; and

E. Awarding such equitable/injunctive or other further relief as the Court may deem just and proper.

JURY DEMANDED

Plaintiff demands a trial by jury.

Dated: January 29, 2020

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