TEMPUR PEDIC INTERNATIONAL INC
Form DEF 14A
March 25, 2009

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No. __)

Filed by the Registrant x
Filed by a Party other than the Registrant o

Check the appropriate box:

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

TEMPUR-PEDIC INTERNATIONAL INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):
x No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

2009 PROXY STATEMENT
ANNUAL MEETING OF STOCKHOLDERS

The 2009 Annual Meeting of Stockholders of Tempur-Pedic International Inc.
will be held at the offices of Bingham McCutchen LLP, 13th Floor,
One Federal St., Boston, MA 02110
May 5, 2009 at 10:00 A.M.

PROXY VOTING OPTIONS

YOUR VOTE IS IMPORTANT!

Important Notice Regarding Availability of Proxy Materials:

The 2009 Proxy Statement and 2008 Annual Report are available at www.ProxyVote.com.

Whether or not you expect to attend in person, we urge you to vote your shares by phone, via the Internet, or by signing, dating, and returning the proxy card enclosed with the paper copy of your voting materials at your earliest convenience. This will ensure the presence of a quorum at the meeting. Promptly voting your shares will save us the expense and extra work of additional solicitation. Submitting your proxy now will not prevent you from voting your stock at the meeting if you want to do so, as your vote by proxy is revocable at your option.

Voting by the Internet or telephone is fast and convenient, and your vote is immediately confirmed and tabulated. Most important, by using the Internet or telephone, you help us reduce postage and proxy tabulation costs. Or, if you prefer, you can vote by mail by returning the enclosed proxy card in the addressed, prepaid envelope provided.

VOTE BY INTERNET	VOTE BY TELEPHONE	VOTE BY MAIL
http://www.proxyvote.com 24 hours a day/7 days a week Use the Internet to vote your proxy. Have your proxy card in hand when you access the web site.	1-800-690-6903 toll-free 24 hours a day/7 days a week Use any touch-tone telephone to vote your proxy. Have your proxy card in hand when you call.	Sign and date the proxy card and return it in the enclosed postage-paid envelope.

If you vote your proxy by Internet or by telephone, please do NOT mail back the proxy card. You can access, view and download this year's Annual Report on Form 10-K and Proxy Statement at http://www.proxyvote.com.

March 25, 2009

To our Stockholders:

I am pleased to invite you to attend the annual meeting of stockholders of Tempur-Pedic International Inc. to be held on Tuesday, May 5, 2009 at 10 a.m., local time, at the offices of Bingham McCutchen LLP, 13th Floor, One Federal Street, Boston, Massachusetts.

Details regarding admission to the meeting and the business to be conducted are more fully described in the accompanying notice of annual meeting and Proxy Statement.

We are mailing to many of our stockholders a Notice of Availability of Proxy Materials instead of a paper copy of this Proxy Statement, our 2008 Annual Report on Form 10-K and proxy card, as permitted by the rules of the Securities and Exchange Commission. The Notice contains instructions on how to access those documents over the Internet. The Notice also contains instructions on how each of those stockholders can receive a paper copy of our proxy materials, including this Proxy Statement, our 2008 Annual Report on Form 10-K and a form of proxy card or voting instruction card. All stockholders who do not receive this Notice will receive a paper copy of the proxy materials by mail. We believe that this process conserves natural resources and reduce the costs of printing and distributing our proxy materials.

Your vote is important. Whether or not you plan to attend the annual meeting, we hope you will vote as soon as possible. You may vote by proxy over the Internet or by telephone, or, if you received paper copies of the proxy materials by mail, you can also vote by mail by following the instructions on the proxy card or voting instruction card. Voting over the Internet, by telephone or by written proxy or voting instruction card will ensure your representation at the annual meeting regardless of whether you attend in person.

Thank you for your ongoing support of and continued interest in Tempur-Pedic International.

Sincerely,

MARK SARVARY
President, Chief Executive Officer and Director

2009 ANNUAL MEETING OF STOCKHOLDERS

TUESDAY, MAY 5, 2009
10:00 A.M.

NOTICE OF MEETING AND PROXY STATEMENT

YOUR VOTE IS IMPORTANT

Tempur-Pedic International Inc. (Company) will hold its 2009 Annual Meeting of Stockholders at the offices of Bingham McCutchen LLP, 13th Floor, One Federal Street, Boston, Massachusetts 02110 on Tuesday, May 5, 2009, at 10:00 a.m. At the Annual Meeting, stockholders will: (1) elect ten directors to each serve for a one-year term and until the director's successor has been duly elected and qualified, (2) approve the First Amendment to the Company's Amended and Restated 2003 Equity Incentive Plan, (3) ratify the appointment of Ernst & Young LLP as the Company's independent auditors for the year ending December 31, 2009, and (4) transact such other business as may properly come before the meeting or any adjournment thereof.

If you are a stockholder of record, you may vote in any one of four ways: in person by attending the Annual Meeting, by Internet, by telephone, or by mail using the proxy card enclosed in the paper copy of your voting materials. Specific voting information is included under the caption "Voting Procedures." Only stockholders of record at the close of business on March 6, 2009, are entitled to vote. On March 6, 2009, 74,894,718 shares of the Company's common stock were outstanding. Each share entitles the holder to one vote.

Our Board of Directors asks you to vote in favor of the director nominees, the approval of the First Amendment to our Amended and Restated Equity Incentive Plan and the ratification of Ernst & Young LLP as the Company's independent auditors. This Proxy Statement provides you with detailed information about each of these matters. We encourage you to read this Proxy Statement carefully.

Important Notice Regarding the Availability of Proxy Materials
for the Stockholder Meeting to be Held on May 5, 2009

The Proxy Statement and Annual Report on Form 10-K and the means to vote by Internet are available at http://www.proxyvote.com.

We have sent to you the notice of availability of proxy materials. If you would like to receive a paper copy or e-mail copy of the voting materials, you may elect to do so following the instructions on the notice of availability. Instead of receiving paper copies of our annual reports and Proxy Statements in the mail, we encourage you to elect to receive an e-mail that will provide an electronic link to these documents. Choosing to receive your proxy materials online will save us the cost of producing and mailing documents to you as well as conserve natural resources. With electronic delivery, we will notify you by e-mail as soon as the annual report and Proxy Statement are available on the Internet, and you can easily submit your stockholder votes online. If you are a stockholder of record, you may enroll in the electronic delivery service at the time you vote by marking the appropriate box on your proxy card, by selecting electronic delivery if you vote on the Internet, or at any time in the future by going directly to www.proxyvote.com, selecting the "Investor Service Direct" option, and following the enrollment instructions. If you are a beneficial holder, you may also have the opportunity to receive annual meeting materials electronically. Please check the information provided in the proxy materials mailed to you by your brokerage firm, bank or trustee.

All of our stockholders are cordially invited to attend the Annual Meeting.

By Order of the Board of Directors,

Dale E. Williams
Executive Vice President, Chief Financial Officer,
and Secretary

Lexington, Kentucky
March 25, 2009

Picture identification will be required to enter the Annual Meeting. Cameras and recording equipment will not be permitted at the Annual Meeting.

TABLE OF CONTENTS

Table of Contents

TEMPUR-PEDIC INTERNATIONAL INC.

1713 Jaggie Fox Way
Lexington, Kentucky 40511

PROXY STATEMENT

Annual Meeting of Stockholders To Be Held on Tuesday, May 5, 2009

INFORMATION CONCERNING SOLICITATION AND VOTING

Our Board of Directors is soliciting proxies for the 2009 Annual Meeting of Stockholders. The 2009 Annual Meeting of Stockholders of Tempur-Pedic International Inc. will be held at 10:00 a.m., local time on May 5, 2009 at the offices of Bingham McCutchen LLP, 13th Floor, One Federal Street, Boston, Massachusetts 02110. This Proxy Statement contains important information for you to consider when deciding how to vote on the matters brought before the meeting. Please read it carefully.

Notice of the meeting and Notice of Availability of the voting materials, which include this Proxy Statement and a proxy card, were mailed to stockholders on or about March 25, 2009. Our principal executive offices are located at 1713 Jaggie Fox Way, Lexington, Kentucky 40511. Our telephone number is (800) 878-8889. As used in this Proxy Statement, the term “Tempur-Pedic International,” refers to Tempur-Pedic International Inc. and the terms “we,” “our,” “ours,” “us,” and “Company” refer to Tempur-Pedic International Inc. and its consolidated subsidiaries.

Q: Who may vote at the meeting?

A: Our Board set March 6, 2009 as the record date for the meeting. All stockholders who owned Tempur-Pedic International common stock of record at the close of business on March 6, 2009 may attend and vote at the meeting. Each stockholder is entitled to one vote for each share of common stock held on all matters to be voted on. On March 6, 2009, 74,894,372 shares of Tempur-Pedic International common stock were outstanding.

Q: How many votes does Tempur-Pedic International need to be present at the meeting?

A: A majority of Tempur-Pedic International’s outstanding shares of common stock as of the record date must be present at the meeting in order to hold the meeting and conduct business. This is called a quorum. Shares are counted as present at the meeting if you:

- Are present and vote in person at the meeting; or
- Have properly submitted a proxy card, by submitting the proxy card via the Internet, telephone or in writing.

Q: What proposals will be voted on at the meeting?

A: There are three proposals scheduled to be voted on at the meeting:

- Election of ten (10) directors to each serve for a one-year term and until the director’s successor has been duly elected and qualified (Proposal One).
- Approval of the First Amendment to our Amended and Restated 2003 Equity Incentive Plan (Proposal Two).
- Ratification of the appointment of the firm of Ernst & Young LLP as Tempur-Pedic International’s independent auditors for the year ending December 31, 2009 (Proposal Three).

Q: What is the voting requirement to approve the proposal?

A: In Proposal One for the election of directors, those ten nominees who receive the highest number of affirmative “FOR” votes of the shares present or represented and entitled to vote at the meeting will be elected. Proposals Two and Three require the affirmative “FOR” vote of a majority of the shares of common stock present or represented and entitled to vote at the Annual Meeting.

1

Table of Contents

Q: How would my shares be voted if I do not specify how they should be voted?

A: If you sign and return your proxy card without indicating how you want your shares to be voted, the Proxy Committee appointed by the Board will vote your shares as follows:

Proposal One: "FOR" the election of ten directors to each serve for a one-year term and until the director's successor has been duly elected and qualified.

Proposal Two: "FOR" the approval of the First Amendment to our Amended and Restated 2003 Equity Incentive Plan

Proposal Three: "FOR" the ratification of the appointment of the firm of Ernst & Young LLP as Tempur-Pedic International's independent auditors for the year ending December 31, 2009.

Q: How are the votes counted?

A: Proposal One, you may vote "FOR" or "WITHHOLD" with respect to each specific nominee. For Proposal Two, you may vote "FOR," "AGAINST," or "ABSTAIN." Abstentions and broker "non-votes" are counted as present and entitled to vote for purposes of determining a quorum. A broker "non-vote" occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner.

Proposal One - Election of Directors

Abstentions and broker non-votes are not counted for purposes of the election of directors.

Proposal Two –Approval of the First Amendment to our Amended and Restated 2003 Equity Incentive Plan

An abstention is counted as a vote against the approval of the First Amendment to our Amended and Restated 2003 Equity Incentive Plan (Proposal Two). A broker "non-vote" is not considered as a vote cast under the rules of the NYSE, but the underlying shares are considered shares entitled to vote on the proposal. As a result, under the rules of the NYSE, the passage of the First Amendment to our Amended and Restated 2003 Equity Incentive Plan (Proposal Two) may not pass if the number of votes actually cast did not constitute a majority of our outstanding shares of common stock represented at the meeting.

Proposal Three –Ratification of Auditors

An abstention is counted as a vote against the ratification of the independent auditor (Proposal Three). A broker non-vote is not counted for purposes of ratification of the independent auditor and all other matters to properly come before the meeting.

Voting results will be tabulated and certified by Broadridge Financial Solutions.

Q: How may I vote my shares in person at the meeting?

A: Shares held directly in your name as the stockholder of record may be voted in person at the meeting. If you choose to attend the meeting, please bring the enclosed proxy card and proof of identification for entrance to the meeting. If you hold your shares in street name, you must request a legal proxy from your stockbroker in order to vote at the meeting.

2

Table of Contents

Q: How can I vote my shares without attending the meeting?

A: You may vote in person at the meeting or by proxy. We recommend you vote by proxy even if you plan to attend the meeting. You can always change your vote at the meeting. Giving us your proxy means you authorize us to vote your shares at the meeting in the manner you direct.

If your shares are held in your name, you can vote by proxy in three convenient ways:

Via Internet: Go to http://www.proxyvoting.com and follow the instructions. You will need to enter the control number printed on your proxy card.

By Telephone: Call toll-free 1-800-690-6903 and follow the instructions. You will need to enter the control number printed on your proxy card.

In Writing: Complete, sign, date and return your proxy card in the enclosed envelope (if you have received a paper copy of the voting materials).

If your shares are held in street name, you may vote by submitting voting instructions to your stockbroker or nominee. In most cases, you will be able to do this by mail. Please refer to the summary instructions included on your proxy card. For shares held in street name, the voting instruction card will be included by your stockbroker or nominee.

You may submit your proxy by mail by signing your proxy card or, for shares held in street name, by following the voting instruction card included by your stockbroker or nominee and mailing it in the enclosed, postage-paid envelope. If you provide specific voting instructions, your shares will be voted as you have instructed.

Q: How can I change my vote after I return my proxy card?

A: You may revoke your proxy and change your vote at any time before the final vote at the meeting. You may do this by signing and submitting a new proxy card with a later date or by attending the meeting and voting in person. Attending the meeting will not revoke your proxy unless you specifically request it.

Q: What is Tempur-Pedic International's voting recommendation?

A: Our Board of Directors recommends that you vote your shares "FOR" each of the nominees to the Board (Proposal One), "FOR" the approval of the First Amendment to our Amended and Restated 2003 Equity Incentive Plan (Proposal Two) and "FOR" the ratification of the appointment of Ernst & Young LLP as Tempur-Pedic International's independent auditors for the year ending December 31, 2009 (Proposal Three).

Q: Where can I find the voting results of the meeting?

A: The preliminary voting results will be announced at the meeting. The final results will be published in our quarterly report on Form 10-Q for the second quarter of 2009.

Table of Contents

PROPOSAL ONE

ELECTION OF DIRECTORS

Board of Directors

Tempur-Pedic International's Board of Directors currently consists of ten members, each serving a one-year term. The nominees for this year's election of directors include: H. Thomas Bryant, Francis A. Doyle, John Heil, Peter K. Hoffman, Sir Paul Judge, Nancy F. Koehn, Christopher A. Masto, P. Andrews McLane, Mark Sarvary and Robert B. Trussell, Jr. The nominees, if elected, will each serve a one-year term until Tempur-Pedic International's annual meeting in 2010 or until his or her respective successor is elected and qualified. Each of the nominees has consented to serve a one-year term. There are no family relationships among our executive officers and directors.

All of the nominees are standing for re-election by our stockholders, except for Mr. Sarvary. Upon the recommendation of the Board's Nominating and Corporate Governance Committee, our Board of Directors elected Mr. Sarvary to the Board of Directors on June 30, 2008, effective as of August 4, 2008, the date he became our Chief Executive Officer and President of Tempur-Pedic International Inc.

VOTE REQUIRED

The ten persons receiving the highest number of votes represented by outstanding shares of common stock present or represented by proxy and entitled to vote at the Annual Meeting will be elected.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE ELECTION TO THE BOARD OF DIRECTORS OF EACH OF THE FOLLOWING NOMINEES:

Nominees to Board of Directors

H. Thomas Bryant, 61, has served as a member of Tempur-Pedic International's Board of Directors since April 2006. Mr. Bryant served as President and Chief Executive Officer of Tempur-Pedic International Inc. from April 2006 until his retirement from this position on August 4, 2008. From December 2004 to April 2006, Mr. Bryant served as President of Tempur-Pedic International. From July 2001 to December 2004, Mr. Bryant served as Executive Vice President and President of North American Operations. Prior to joining Tempur-Pedic International, from 1998 to 2001, Mr. Bryant was the President and Chief Executive Officer of Stairmaster Sports & Medical Products, Inc. From 1989 to 1997, Mr. Bryant served in various senior management positions at Dunlop Maxfli Sports Corporation, most recently as President. Prior to that, Mr. Bryant spent 15 years in various management positions at Johnson & Johnson. Mr. Bryant received his B.S. degree from Georgia Southern University.

Francis A. Doyle, 60, has served as a member of Tempur-Pedic International's Board of Directors since April 2003. Mr. Doyle has served as President and Chief Executive Officer of Connell Limited Partnership, a global manufacturer of industrial products, since 2001. From 1972 to 2001, he was a partner at PricewaterhouseCoopers LLP, where he was Global Technology and E-Business Leader and a member of the firm's Global Leadership Team. He currently serves on the Board of Directors of Liberty Mutual Holding Company, Inc. and Citizens Financial Group. He is a trustee of Boston College. Mr. Doyle is a certified public accountant and holds a B.S. degree and an M.B.A. degree from Boston College.

John Heil, 56, has served as a member of Tempur-Pedic International's Board of Director since March 2008. Mr. Heil currently serves as President of United Pet Group, Inc., a global manufacturer and marketer of pet supplies and subsidiary of Spectrum Brands, Inc. Mr. Heil also serves on Spectrum Brands' Executive Committee as Chief Operating Officer. Mr. Heil also has been a member of the board of directors of VA Antech, Inc., a NYSE listed company, since February 2002, and previously served as a director from 1995 to 2000. Prior to joining United Pet Group, Mr. Heil spent twenty-five years with the H. J. Heinz Company in various executive and general management positions including President and Managing Director of Heinz Pet Products and President of Heinz Specialty Pet Foods. Mr. Heil holds a BA degree in economics from Lycoming College.

Table of Contents

Peter K. Hoffman, 60, has served as a member of Tempur-Pedic International's Board of Directors since October 2006. From January 1, 2000, Mr. Hoffman served as President of Global Grooming for The Procter & Gamble Company (formerly The Gillette Company) until his retirement at the end of 2006. Mr. Hoffman spent over 34 years with The Gillette Company and Procter & Gamble in executive positions both in North America and Europe, including roles as President, Global Blades and Razors; President, Duracell North Atlantic; and President, Braun North America. Mr. Hoffman received an A.B. degree in Economics from Columbia University and an M.B.A. degree with distinction from the Tuck School of Business, Dartmouth College, where he was elected an Edward Tuck Scholar.

Sir Paul Judge, 59, has served as a member of Tempur-Pedic International's Board of Directors since July 2004. Sir Paul Judge is chairman of the British-North American Committee and Deputy Chairman of the American Management Association. After thirteen years working for Cadbury Schweppes, Sir Paul led the buyout of that company's food operations to form Premier Brands, becoming its chairman. Sir Paul Judge was subsequently chairman of Food from Britain, director general of the Conservative Party and a ministerial adviser at the UK Cabinet Office. Sir Paul Judge has served on the board of Standard Bank Group Ltd of Johannesburg since June 2003 and Schroder Income Growth Fund plc since December 1995, and as a member of the Advisory Board for Barclays Private Bank. In 1996, he became a Knight Bachelor in recognition of his public and political service. He was an Open Scholar at Trinity College, University of Cambridge, graduating in 1971, and received an M.B.A. in 1973 from the Wharton Business School.

Nancy F. Koehn, 49, has served as a member of Tempur-Pedic International's Board of Directors since March 2004. Ms. Koehn has been a Professor of Business Administration at Harvard Business School since July 1991. From July 1997 through June 2001, Ms. Koehn was an Associate Professor at Harvard Business School. From July 1991 through June 1997, she was an Assistant Professor at Harvard Business School. She is the author of a number of books on various business topics, including her most recent book, Brand New: How Entrepreneurs Earned Consumers' Trust from Wedgwood to Dell, and has written and supervised numerous case studies. Ms. Koehn consults with many companies and speaks frequently before business leaders on a range of subjects including strategic branding, leading in turbulent times, visionary entrepreneurs—past and present—and competing on the demand side in the Information Revolution. In 2001, Business 2.0 named Ms. Koehn one of 19 leading business gurus in the United States. Ms. Koehn holds a B.A. degree from Stanford University, an M.A. degree in Public Policy from the Harvard University Kennedy School of Government and an M.A. degree and a Ph.D. degree in European History from Harvard University.

Christopher A. Masto, 41, has served as a member of Tempur-Pedic International's Board of Directors since November 2002. Mr. Masto is a Managing Senior Director of Friedman Fleischer & Lowe, LLC, which he co-founded in 1997. Prior to 1997, he worked as a management consultant with Bain & Company. Prior to that, Mr. Masto was employed at Morgan Stanley & Co., where he worked in the investment banking department. He currently serves on the board of Archimedes Technology Group and Speedy Cash Holdings Corp. Mr. Masto graduated magna cum laude from Brown University with an Sc.B. in Electrical Engineering and received his M.B.A. degree from Harvard Business School.

P. Andrews McLane, 61, has served as Chairman of Tempur-Pedic International's Board of Directors since November 2002. His career began in 1973 with the State Street Bank. Mr. McLane joined TA Associates, Inc. in 1979, became a Managing Director in 1982 and Senior Managing Director in 1997, and served on TA Associate's Executive Committee for 20 years. He became a Senior Advisor of the firm in 2008. Mr. McLane is a director of Advisory Research, Inc., Numeric Investors Arnhold and S. Bleichroeder Advisers. Mr. McLane serves on the board of St. Paul's School and on the board of overseers of the Museum of Fine Arts, Boston. Mr. McLane graduated from Dartmouth College with an A.B. degree and from the Tuck School of Business at Dartmouth with an M.B.A. degree.

Mark Sarvary, 49, joined Tempur-Pedic International in June 2008 and serves as President and Chief Executive Officer of Tempur-Pedic International Inc. Prior to joining Tempur-Pedic, Mr. Sarvary served as an Industrial Partner with CVC Capital Partners, a global private equity firm. Prior to CVC, from 2004 to 2007, Mr. Sarvary was the President of Campbell Soup Company's North America division, including Campbell Soup, Pepperidge Farm, Pace, Prego and V8 as well as Godiva's global business. From 2002 until 2004, Mr. Sarvary was the President of Campbell's Pepperidge Farm division. Prior to joining Campbell's, from 1999 to 2002, Mr. Sarvary was the CEO of J. Crew Group, Inc., and from 1993 to 1999 he worked for Nestle, most recently as the President of the Stouffer's Frozen Food division. Earlier in his career, Mr. Sarvary worked as a strategy consultant with Bain & Company and in sales and marketing roles with IBM in Europe. Mr. Sarvary received his BSc in Physics from Kent University in the United Kingdom and an MBA from INSEAD Business School in France.

Table of Contents

Robert B. Trussell, Jr., 57, has served as a member of Tempur-Pedic International's Board of Directors or its predecessors since 1992, and has served as Vice Chairman of the Board of Directors since April 2006. Mr. Trussell served as Chief Executive Officer of Tempur-Pedic International until May 2006, and served in that capacity at Tempur-Pedic International or its predecessor since November 2002. From 1994 to December 2004, Mr. Trussell served as President of Tempur-Pedic International or one of the predecessors to Tempur-Pedic International. Prior to joining Tempur-Pedic International, Mr. Trussell was general partner of several racing limited partnerships that owned racehorses in England, France and the United States. He was also the owner of several start-up businesses in the equine lending and insurance business. Mr. Trussell received his B.S. degree from Marquette University.

Executive Officers

Name	Age	Position
Mark Sarvary	49	President and Chief Executive Officer
Matthew D. Clift	49	Executive Vice President of Global Operations
David Montgomery	48	Executive Vice President and President of International Operations
Richard W. Anderson	49	Executive Vice President and President, North America
Dale E. Williams	46	Executive Vice President, Chief Financial Officer, and Secretary
Bhaskar Rao	43	Chief Accounting Officer and Vice President of Strategic Planning

Matthew D. Clift joined Tempur-Pedic International in December 2004 and serves as Executive Vice President of Global Operations, with responsibilities including manufacturing and research and development. From 1991 to December 2004, Mr. Clift was employed by Lexmark International where he most recently served as Vice President and General Manager of the consumer printer division. From 1981 to 1991, Mr. Clift was employed by IBM Corporation and held several management positions in research and development and manufacturing. Mr. Clift obtained his B.S. degree in chemical engineering from the University of Kentucky.

David Montgomery joined Tempur-Pedic International in February 2003 and serves as Executive Vice President and President of International Operations, with responsibilities including marketing and sales. From 2001 to November 2002, Mr. Montgomery was employed by Rubbermaid, Inc., where he served as President of Rubbermaid Europe. From 1988 to 2001, Mr. Montgomery held various management positions at Black & Decker Corporation, most recently as Vice President of Black & Decker Europe, Middle East and Africa. Mr. Montgomery received his B.A. degree, with honors, from L' Ecole Superieure de Commerce de Reims, France and Middlesex Polytechnic, London.

Richard W. Anderson joined Tempur-Pedic International in July 2006 and serves as Executive Vice President and President, North America. From 1983 to 2006, Mr. Anderson was employed by The Gillette Company, which became a part of Procter & Gamble in 2005. Mr. Anderson most recently served as the Vice President of Marketing for Oral-B and Braun in North America. Previously, Mr. Anderson was the Vice President of Global Business Management for Duracell. Mr. Anderson has held several management positions in marketing and sales as well as overseeing branding, product development and strategic planning. Mr. Anderson obtained B.S. and M.B.A. degrees from Virginia Tech.

Dale E. Williams joined Tempur-Pedic International in July 2003 and serves as Executive Vice President, Chief Financial Officer and Secretary. From November 2001 through 2002, Mr. Williams served as Vice President and Chief Financial Officer of Honeywell Control Products, a division of Honeywell International, Inc. From 2000 to 2001, Mr. Williams served as Vice President and Chief Financial Officer of Saga Systems, Inc./Software AG, Inc.

Prior to that, Mr. Williams spent 15 years in various management positions at General Electric Company, most recently as Vice President and Chief Financial Officer of GE Information Services, Inc. Mr. Williams received his B.A. degree in finance from Indiana University.

Bhaskar Rao joined Tempur-Pedic International in January 2004 as Director of Financial Planning and Analysis. In October 2005, Mr. Rao was promoted to Vice President of Strategic Planning. In May 2006, Mr. Rao was promoted to the position of Chief Accounting Officer and continues to serve as Vice President of Strategic Planning. From 2002 until December 2003, Mr. Rao was employed by Ernst & Young as a Senior Manager in the assurance and business advisory group. Mr. Rao was employed by Arthur Anderson from 1994 until 2002. Mr. Rao graduated from Bellarmine University with B.A. degrees in Accounting and Economics. Mr. Rao is also a Certified Public Accountant.

Table of Contents

BOARD OF DIRECTORS' MEETINGS, COMMITTEES OF THE BOARD AND RELATED MATTERS

Corporate Governance

The following materials related to our corporate governance and related matters are available on our website at: http://investor.tempurpedic.com/ under the caption "Corporate Governance":

- Mission Statement
- Core Values
- Corporate Governance Guidelines
- Code of Business Conduct and Ethics for Employees, Executive Officers and Directors
- Policy on Complaints of Accounting, Internal Accounting Controls and Auditing Matters
- Audit Committee Charter
- Compensation Committee Charter
- Nominating and Corporate Governance Committee Charter
- Committees Membership
- Contact the Presiding Director

Copies may also be obtained, free of charge, by writing to: Tempur-Pedic International Inc., 1713 Jaggie Fox Way Lexington, Kentucky 40511, Attention: Investor Relations. Please specify which document you would like to receive.

Board of Directors' Meetings

The Board of Directors held nine (9) meetings in 2008, and acted by written consent six (6) times. Each director attended 75% or more of the combined total number of meetings of the Board of Directors and its committees held in 2008 during the period in which they served as directors or committee members.

Directors' Independence

Our corporate governance guidelines provide that a majority of the Board of Directors shall consist of independent directors within the meaning of the New York Stock Exchange Rules governing the composition of the Board of Directors and its committees (NYSE Independence Rules). The Board of Directors has determined that none of Francis A. Doyle, John Heil, Peter K. Hoffman, Sir Paul R. Judge, Nancy F. Koehn, Christopher A. Masto or P. Andrews McLane have a material relationship with the Company (either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company) within the meaning of the NYSE Independence Rules and accordingly are "independent" for purposes of the NYSE Independence Rules.

The Board of Directors has determined that Mark Sarvary does not qualify as an independent director under the NYSE Independence Rules because he serves as President and Chief Executive Officer of Tempur-Pedic International. The Board of Directors has also determined that H. Thomas Bryant does not qualify as an independent director under the NYSE Independence Rules as he was employed as the President and Chief Executive Officer of Tempur-Pedic International within the last three years and Robert B. Trussell, Jr. does not qualify as an independent director under the NYSE Independence Rules as he was employed as the Chief Executive Officer of Tempur-Pedic International within the last three years. We expect that this three year period will lapse with respect to Mr. Trussell on May 5, 2009, and therefore he will be considered "independent" for purposes of the NYSE Independence Rules after the 2009 Annual Meeting of Stockholders.

Committees of the Board

The standing committees of the Board of Directors are the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee.

Table of Contents

The Audit Committee

The members of the Audit Committee are Francis A. Doyle (Chair), Peter K. Hoffman, Sir Paul Judge and Nancy F. Koehn. The Board has determined that each member of the Audit Committee is independent as defined in the NYSE Independence Rules and the rules of the Securities and Exchange Commission (SEC). The Board has also determined that Mr. Doyle is an audit committee financial expert within the meaning of Item 407 (d) (5) (ii) of Regulation S-K of the Securities and Exchange Act of 1934, as amended, (Exchange Act) and has "accounting or related financial management expertise" within the meaning of the applicable New York Stock Exchange rules. The Audit Committee was established in accordance with Section 3(a)(58) of the Exchange Act.

The Audit Committee of the Board of Directors is responsible for providing independent, objective oversight with respect to Tempur-Pedic International's accounting and financial reporting functions, internal and external audit functions, and systems of internal controls over financial reporting and legal, ethical, and regulatory compliance. Some of the Audit Committee's responsibilities include:

- reviewing the scope of internal and independent audits;
- reviewing the Company's quarterly and annual financial statements and annual report on Form 10-K;
- reviewing the adequacy of management's implementation of internal controls;
- reviewing the Company's accounting policies and procedures and significant changes in accounting policies;
- reviewing the Company's business conduct and ethics policies and practices;
- reviewing the Company's policies with respect to risk assessment and risk management;
- reviewing information to be disclosed and types of presentations to be made in connection with the Company's earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies;
- preparing an annual evaluation of the committee's performance;
- reporting regularly to the Board on the committee's activities; and
- appointing the independent public accountants and reviewing their independence and performance and the reasonableness of their fees.

The Audit Committee has established whistle blower procedures, which provide for the (a) the receipt, retention, and treatment of complaints received regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters. Tempur-Pedic International also has a confidential, anonymous reporting system which is web-based and available to all employees. All reports are treated confidentially.

The Audit Committee met eleven (11) times and acted by written consent once in 2008. A copy of the Audit Committee charter as adopted by our Board of Directors is available on Tempur-Pedic International's website at http://investor.tempurpedic.com/, under the caption "Corporate Governance."

The Compensation Committee

The members of the Compensation Committee are Peter K. Hoffman (Chair), John A. Heil, Sir Paul Judge, and Francis A. Doyle. The Board of Directors has determined that each member of the Compensation Committee is independent as defined in the NYSE Independence Rules. The committee's responsibilities include:

- reviewing and approving on an annual basis the corporate goals and objectives with respect to compensation for the chief executive officer, evaluating at least once a year the chief executive officer's performance in light of these established goals and objectives and, based upon these evaluations, determining and approving the chief executive officer's annual compensation, including salary, bonus, incentive and equity compensation;

- reviewing on an annual basis the Company's compensation structure for officers and employees other than the chief executive officer and making recommendations to the Board regarding the compensation of these officers and employees;

Table of Contents

- oversee the development of executives succession plans and the leadership development and training of the Company's executive team;
- reviewing on an annual basis the Company's compensation structure for its directors and making recommendations to the Board regarding the compensation of directors;
- reviewing the Company's incentive compensation and other stock-based plans and recommending changes in such plans to the Board as needed, having and exercising all the authority of the Board with respect to the administration of such plans;
- reviewing executive officer compensation for compliance with Section 16 of the Exchange Act and Section 162(m) of the Internal Revenue Code of 1986, as amended (Code), and other applicable laws, rules and regulations;
- reviewing and approving employment agreements, severance arrangements and change in control agreements and provisions when, and if, appropriate, as well as any special supplemental benefits;
- reviewing with management the "Compensation Discussion and Analysis" section in the Company's Proxy Statement;
- preparing and publishing an annual executive compensation report in the Company's Proxy Statement;
- preparing an annual evaluation of the committee's performance;
- reporting regularly to the Board on the committee's activities;
- performing any other activities consistent with the committee's charter, the Company's by-laws and governing law, as the committee or the Board deems appropriate; and
- with respect to any reference in the committee's charter to NYSE or SEC requirements, complying with these requirements when listed by the NYSE or subject to the requirements of the SEC.

The Compensation Committee, in its role as administrator under the Company's Amended and Restated 2003 Equity Incentive Plan, has delegated authority to the Company's President and Chief Executive Officer to grant certain options within certain specified parameters.

In determining the compensation of our executive officers, our President and Chief Executive Officer recommends performance objectives to the Compensation Committee, and assists the Compensation Committee to determine if the performance objectives have been achieved.

Since 2005, the Compensation Committee has periodically engaged Frederick W. Cook & Co., Inc., an executive compensation consultant, to evaluate the Company's overall compensation structure and equity compensation for the Company's executive officers. In May 2008, the Compensation Committee engaged Cook to advise us in determining and preparing an initial compensation package for Mark A. Sarvary. In November 2008, the Compensation Committee engaged Cook to reevaluate our peer group companies and provide an overall analysis of the compensation structure of the Company's Named Executive Officers for 2008. For a further description of the services Cook has provided, see "Executive Compensation – Compensation Discussion and Analysis."

The Compensation Committee met five (5) times in 2008 and acted by written consent seven (7) times. A copy of the Compensation Committee charter as adopted by our Board of Directors is available on Tempur-Pedic

International's website at http://investor.tempurpedic.com/, under the caption "Corporate Governance."

Compensation Committee Interlocks and Insider Participation

No member of our Compensation Committee serves as a member of the Board of Directors or Compensation Committee of any entity that has one or more executive officers serving as members of our Board of Directors or Compensation Committee.

Table of Contents

The Nominating and Corporate Governance Committee

The members of the Nominating and Corporate Governance Committee are P. Andrews McLane (Chair), Nancy F. Koehn and Christopher A. Masto. The Board of Directors has determined that each member of the Nominating and Corporate Governance Committee is independent as defined in the NYSE Independence Rules. The committee's responsibilities include:

- identifying individuals qualified to become members of the Board;
- recommending to the Board director nominees to be presented at the annual meeting of stockholders and to fill vacancies on the Board;
- developing appropriate criteria for identifying properly qualified directorial candidates;
- reviewing and recommending to the Board annual members to each standing committee of the Board;
- preparing an annual evaluation of the committee's performance and reporting regularly to the Board concerning actions and recommendations of the committee;
- establishing procedures to assist the Board in developing and evaluating potential candidates for executive positions, including the chief executive officer;
- reviewing and evaluating related party transactions; and
- developing and recommending to the Board corporate governance guidelines for the Company.

The Nominating and Corporate Governance Committee met two (2) times and acted by written consent two (2) times in 2008. A copy of the Nominating and Corporate Governance Committee charter as adopted by our Board of Directors is available on Tempur-Pedic International's website at http://investor.tempurpedic.com/ under the caption "Corporate Governance."

Policies Governing Director Nominations

Director Qualifications

The Nominating and Corporate Governance Committee of the Board of Directors is responsible for reviewing with the Board of Directors from time to time the appropriate qualities, skills and characteristics desired of members of the Board of Directors in the context of the needs of the business and the composition of the Board of Directors. This assessment includes consideration of the following minimum qualifications that the Nominating and Corporate Governance Committee believes must be met by all directors:

- a reputation for integrity, honesty and adherence to high ethical standards;
- the ability to exercise sound business judgment;

- substantial business or professional experience and the ability to offer meaningful advice and guidance to the Company’s management based on that experience; and
- to devote the time and effort necessary to fulfill their responsibilities to the Company.

The Nominating and Corporate Governance Committee also considers numerous other qualities, skills and characteristics when evaluating director nominees, including whether the nominee has specific strengths that would augment existing skills and experience of the Board of Directors, such as an understanding of and experience in technology, accounting, governance, finance or marketing and whether the nominee has leadership experience with public companies or other sophisticated and complex organizations.

Table of Contents

Process for Identifying and Evaluating Director Nominees

The Nominating and Corporate Governance Committee has established a process for identifying and evaluating nominees for director. Although the Nominating and Corporate Governance Committee will consider nominees recommended by stockholders, the Committee believes that the process it uses to identify and evaluate nominees for director is designed to produce nominees that possess the educational, professional, business and personal attributes that are best suited to further the Company's mission. The Committee may identify nominees through the use of professional search firms that may utilize proprietary screening techniques to match candidates to the Committee's specified qualifications. The Committee may also receive recommendations from existing directors, executive officers, key business partners, and trade or industry affiliations. The Committee will evaluate nominations at regular or special meetings, and in evaluating nominations, will seek to achieve a balance of knowledge, experience and capability on the Board and to address the membership criteria set forth above under "Director Qualifications." The Board itself is ultimately responsible for recommending candidates for election to the stockholders or for appointing individuals to fulfill a vacancy.

In 2008, the Company did not employ a search firm or pay fees any third party to either search for or evaluate Board nominee candidates.

Procedures for Recommendation of Director Nominees by Stockholders

The Nominating and Corporate Governance Committee will consider director candidates recommended by our stockholders. In evaluating candidates recommended by our stockholders, the Nominating and Corporate Governance Committee applies the same criteria set forth above under “Director Qualifications.” Any stockholder recommendations of director nominees proposed for consideration by the Nominating and Governance Committee should include the nominee's name and qualifications for Board membership and should be addressed in writing to the Committee, care of: Tempur-Pedic International Inc., 1713 Jaggie Fox Way, Lexington, Kentucky 40511, Attention: Corporate Secretary. In addition, the Company’s bylaws permit stockholders to nominate directors for consideration at an annual stockholder meeting in accordance with certain procedures described in this Proxy Statement under the heading “Stockholder Proposals for 2010 Proxy Statement.”

Designation of, and Communication with, Tempur-Pedic International’s Board of Directors through its Presiding Director

The Board of Directors has designated P. Andrews McLane as the “presiding director” as that term is defined in applicable NYSE Independence Rules. Stockholders or other interested parties wishing to communicate with our Board of Directors can call (859) 514-4605 and leave a message for the presiding director. You may also contact the presiding director by e-mail at presidingdirector@tempurpedic.com or by going to Tempur-Pedic International’s website at http://investor.tempurpedic.com/ under the caption “Corporate Governance — Contact the Presiding Director.” Regardless of the method you use, the presiding director will be able to view your unedited message. The presiding director will determine whether to relay your message to other members of the Board.

Executive Sessions

Executive sessions, or meetings of the outside (non-management) directors without management present, are held regularly. In 2008, executive sessions were held after two (2) regularly scheduled meetings of the Board of Directors. Executive sessions are led by P. Andrews McLane, the presiding director.

Charitable Contributions

Tempur-Pedic International has not made any charitable contributions to any charitable organization in which a director serves as an executive officer in which, within the preceding three years, such contributions in any single year exceeded the greater of $1 million, or 2% of such organization's consolidated gross revenues.

Board Member Attendance at Annual Meetings

In accordance with our Corporate Governance Guidelines, all directors are generally expected to attend the annual meeting of stockholders. At our last annual meeting, which was held on May 6, 2008, all of the directors standing for re-election on the Board attended, except Ms. Koehn.

Table of Contents

PRINCIPAL SECURITY OWNERSHIP AND CERTAIN BENEFICIAL OWNERS

The following table sets forth information as of March 6, 2009 regarding the beneficial ownership of our outstanding equity securities by:

- each person known to beneficially own more than 5% of Tempur-Pedic International's outstanding common stock;
- each of Tempur-Pedic International's directors and Named Executive Officers (as defined below in "Executive Compensation and Related Information"); and
- all of Tempur-Pedic International's directors and executive officers as a group.

Beneficial ownership of shares is determined under Rule 13d-3(d)(1) of the Exchange Act and generally includes any shares over which a person exercises sole or shared voting or investment power and the number of shares that can be acquired within sixty (60) days upon exercise of any option. Common stock subject to these options, warrants and rights is deemed to be outstanding for the purpose of computing the ownership percentage of the person holding such options, but is not deemed to be outstanding for the purpose of computing the ownership percentage of any other person. As of the close of market on March 6, 2009, there were 74,894,372 shares of common stock outstanding, which is used to calculate the percentages in the table below.

Except as otherwise indicated, the persons named in the table below have sole voting and investment power with respect to all shares of common stock held by them. Unless otherwise indicated, the address of each officer and director listed below is c/o Tempur-Pedic International Inc., 1713 Jaggie Fox Way, Lexington, Kentucky 40511.

	Shares Beneficially Owned	
Name of Beneficial Owner:	Number of Shares	Percentage of Class
5% Stockholders:		
Invesco Ltd. (1)	15,212,002	20.3 %
FMR LLC (2)	5,274,900	7.0 %
Kayne Anderson Rudnick Investment Management LLC (3)	4,746,138	6.3 %
Friedman Fleischer & Lowe Funds (4)	4,275,425	5.7 %
Franklin Resources (5)	3,871,460	5.2 %
Executive Officers and Directors:		
Mark Sarvary	—	* %
David Montgomery (6)	637,566	* %
Matthew D. Clift (7)	329,834	* %
Richard W. Anderson (8)	87,500	* %
Dale E. Williams (9)	416,187	* %
P. Andrews McLane (10)	738,603	1.0 %
Christopher A. Masto (11)	211,995	* %
Francis A. Doyle (12)	166,522	* %
Nancy F. Koehn (13)	91,150	* %
Sir Paul Judge (14)	91,150	* %
Robert B. Trussell, Jr. (15)	162,385	* %

Peter K. Hoffman (16)	52,950	*	%
John Heil (17)	15,200	*	%
H. Thomas Bryant (18)	113,836	*	%
All executive officers and directors as a group (15 persons) (19):	3,131,753	2.1	%

* Represents ownership of less than one percent

(1) Amounts shown reflect the aggregate number of shares of common stock held by Invesco Trimark Ltd, Invesco AIM Advisors, Inc., Invesco PowerShares Capital Management LLC, Invesco Powershares Capital Management Ireland Ltd. And Invesco Institutional (N.A.), Inc. based on information set forth in a Schedule 13G/A filed with the SEC on February 10, 2009. The address of Invesco Ltd. is 1555 Peachtree Street NE, Atlanta, GA 30309.

Table of Contents

(2) Amounts shown reflect the aggregate number of shares of common stock held by FMR LLC based on information set forth in a Schedule 13G filed with the SEC on February 17, 2009. The address of FMR LLC is 82 Devonshire Street, Boston, MA, 02109.

(3) Amounts shown reflect the aggregate number of shares of common stock held by Kayne Anderson Rudnick Investment Management LLC based on information set forth in Schedule 13G filed with the SEC on February 11, 2009. The address of Kayne Anderson Rudnick Investment Management LLC is 1800 Avenue of the Stars, 2nd Floor, Los Angeles, CA 90067.

(4) Amounts shown reflect the aggregate number of shares of common stock held by Friedman Fleischer & Lowe Capital Partners II, L.P., FFL Executive Partners II, L.P. and FFL Parallel Fund II, L.P. (the "FFL Funds"). The general partner of each of the FFL Funds is Friedman Fleisher & Lowe GP II, L.P. ("FFL GP II"), and the general partner FFL GP II is Friedman Fleischer & Lowe GP II, LLC ("FFL GP II, LLC"). David L. Lowe, Spencer C. Fleischer, Tully M. Friedman and Christopher A. Masto are managing members of FFL GP II, LLC. Amounts shown and ownership of such shares are based on information set forth in Schedule 13D filed with the SEC on March 31, 2008. The address of the FFL Funds is One Maritime Plaza, Suite 2200, San Francisco, CA 94111.

(5) Amounts shown reflect the aggregate number of shares of common stock held by Franklin Resources, Inc., Charles B. Johnson, Rupert H. Johnson, Jr. and Franklin Templeton Investments Corp. based on information set forth in a Schedule 13G filed with the SEC on February 9, 2009. The address of Franklin Resources, Inc., Charles B. Johnson, Rupert H. Johnson, Jr. is One Franklin Parkway, San Mateo, CA 94403-1906. The address of Franklin Templeton Investments Corp is 200 King Street West, Suite 1500, Toronto Ontario, M5H 3T4.

(6) Includes 175,000 shares of common stock issuable upon exercise of outstanding options exercisable within 60 days of March 6, 2009.

(7) Includes 300,000 shares of common stock issuable upon exercise of outstanding options exercisable within 60 days of March 6, 2009.

(8) Includes 87,500 shares of common stock issuable upon exercise of outstanding options exercisable within 60 days of March 6, 2009.

(9) Includes 175,000 shares of common stock issuable upon exercise of outstanding options exercisable within 60 days of March 6, 2009.

Table of Contents

(10) Includes 254,943 shares of common stock which Mr. McLane may be deemed to have an indirect pecuniary interest as his spouse is the trustee of 10 trusts holding these shares in the aggregate for the benefit of his children and grandchildren. Also includes 51,600 shares of common stock issuable upon exercise of outstanding options exercisable within 60 days of March 6, 2009. The address for Mr. McLane is c/o T.A. Associates, Inc., John Hancock Tower, 56th Floor, 200 Clarendon Street, Boston, MA 02116.

(11) Includes 172,395 shares of common stock held in revocable trust for the benefit of Mr. Masto's children. Also includes 39,600 shares of common stock issuable upon exercise of outstanding options exercisable within 60 days of March 6, 2009. The address for Mr. Masto is c/o Friedman Fleischer & Lowe, LLC, One Maritime Plaza, 22nd Floor, San Francisco, CA 94111. Mr. Masto disclaims beneficial ownership of any shares held by the FFL Funds in which he does not have a pecuniary interest.

(12) Includes 66,150 shares of common stock issuable upon exercise of outstanding options exercisable within 60 days of March 6, 2009. The address for Mr. Doyle is c/o Connell Limited Partnership, One International Place, Fort Hill Square, Boston, MA 02110.

(13) Includes 91,150 shares of common stock issuable upon exercise of outstanding options exercisable within 60 days of March 6, 2009. The address for Ms. Koehn is Harvard Business School, Rock Center 110, Boston, MA 02163.

(14) Includes 91,150 shares of common stock issuable upon exercise of outstanding options exercisable within 60 days of March 6, 2009. The address for Sir Paul Judge is 88 The Panaromic, 152 Grosvenor Road, London SW1V 3JL England.

(15) Amount reflects the aggregate number of shares owned by RBT Investments, LLC and Robert B. Trussell and Martha O. Trussell, Tenants in Common, and includes 62,285 shares of common stock issuable upon exercise of outstanding options exercisable within 60 days of March 6, 2009. The address for RBT Investments, LLC and Robert B. Trussell and Martha O. Trussell, Tenants in Common, is c/o Tempur-Pedic International Inc. 1713 Jaggie Fox Way, Lexington, KY 40511.

(16) Includes 52,950 shares of common stock issuable upon exercise of outstanding options exercisable within 60 days of March 6, 2009. The address for Mr. Hoffman is c/o Tempur –Pedic International Inc., 1713 Jaggie Fox Way, Lexington, KY 40511.

(17) Includes 15,200 shares of common stock issuable upon exercise of outstanding options exercisable within 60 days of March 6, 2009. The address for Mr. Heil is c/o Spectrum Brands, Inc, 7794 Five Mile Road, Suite 190, Cincinnati, OH 45230.

(18) Includes 9,000 shares of common stock issuable upon exercise of outstanding and currently exercisable options. The address for Mr. Bryant is c/o Tempur –Pedic International Inc.,1713 Jaggie Fox Way, Lexington, KY 40511.

(19) Includes 1,282,946 shares of common stock issuable upon exercise of outstanding and currently exercisable options.

TEMPUR-PEDIC INTERNATIONAL INC.

EXECUTIVE COMPENSATION AND RELATED INFORMATION

COMPENSATION DISCUSSION AND ANALYSIS

Overview of Compensation Program

The Compensation Committee of our Board of Directors has responsibility for establishing, monitoring and overseeing our Company's compensation philosophy and objectives. In the paragraphs that follow, we provide an overview and analysis of our compensation philosophy, the material compensation decisions we have made with respect to our compensation philosophy and the material factors that we considered when making those decisions.

Throughout this Proxy Statement, those persons who served as (i) our principal executive officer during the year ended December 31, 2008, (ii) our principal financial officer during the year ended December 31, 2008 and (iii) our other three most highly compensated executive officers for the year ended December 31, 2008 are collectively referred to as our "Named Executive Officers". Effective August 4, 2008, Mr. Mark Sarvary became our Chief Executive Officer, replacing Mr. Thomas Bryant upon his retirement. The compensation programs described below apply in many cases to larger groups of the Company's employees other than the six Named Executive Officers.

Compensation Philosophy and Objectives

Our senior management compensation plan is designed to attract, motivate and retain our management talent and to reward our management for strong Company performance and successful execution of our key business plans and strategies. We believe that our compensation philosophy aligns management incentives with the long-term interests of our stockholders. We compensate our senior management through a mix of base salary, annual incentive bonus and equity compensation that ties pay to performance and is designed to provide pay that is competitive with individuals holding comparable positions and providing similar results at companies of similar size, value and complexity. While the mix of these elements varies by an employee's level in the organization, a majority of the potential compensation for senior management, consistent with our compensation philosophy, is considered "at risk" based on Company and individual performance. In 2008, approximately 53% of Mr. Bryant's compensation was at risk dependent on performance, approximately 52% of Mr. Sarvary's compensation was at risk dependent on performance, and approximately 47% - 68% of the other Named Executive Officers' compensation was at risk dependent on performance. We currently provide long-term incentives in the form of periodic equity compensation grants, but we do not offer deferred compensation plans, retirement plans (other than our 401K plan) or performance-based equity awards (other than our equity grants) to any of our employees.

Compensation Process

The Compensation Committee reviews our Chief Executive Officer's compensation annually and makes determinations regarding annual merit increases and other changes in salary, annual incentive bonus and equity compensation. Mr. Sarvary's initial compensation package as Chief Executive Officer was determined by our Compensation Committee in connection with the negotiation of his employment agreement in June 2008. The Chief Executive Officer reviews the compensation of the other Named Executive Officers annually and makes recommendations to the Compensation Committee regarding annual merit increases, annual incentive bonuses and equity compensation, which are further discussed below. The Board, upon recommendation of the Compensation Committee, reviews and approves the compensation for our executive officers, other than our Chief Executive Officer. The Named Executive Officers meet annually to review the performance of each senior manager and subsequently meet with the appropriate senior manager to review the performance of each applicable employee of the Company. The conclusions reached and recommendations made with respect to employees other than the Named Executive

Officers, including salary adjustments and annual incentive bonuses, are based on the reviews and presented to the Chief Executive Officer for approval, with any equity awards to be approved by the Compensation Committee.

Overview

In developing our Company's compensation structure, the Compensation Committee has sought to develop a compensation program for its Named Executive Officers which would also align with stockholder return. To achieve this goal, the Compensation Committee has retained outside consultants to provide advice with respect to the Company's compensation structure for its Named Executive Officers, including information regarding the Company's compensation structure and compensation levels compared to a peer group.

Table of Contents

Use of Outside Consultants and Peer Groups

Since 2005, the Compensation Committee has periodically engaged Frederick W. Cook & Co., Inc. (Cook), an executive compensation consultant, to assist in the evaluation of our overall compensation structure. Through these engagements, Cook has provided comparative analyses of the Company's overall compensation structure, specifically reviewed the compensation of our Chief Executive Officer and has developed a comparative peer group for the Company. The Cook studies have covered total direct compensation including base salaries, annual incentive bonuses and long-term incentive compensation, as well as competitive trends and practices in executive compensation.

In October 2007, the Compensation Committee engaged Cook to review our peer group companies and provide an overall analysis of the compensation structure for the Company's Named Executive Officers. Cook provided the Compensation Committee with the results of its study in November 2007 (2007 Cook Report). The 2007 Cook Report confirmed the peer group used in 2006 and focused on the Company's Named Executive Officers. The 2007 Cook Report summarized the competitive data and comparisons of the Company's Chief Executive and other Named Executive Officers to the comparable competitive market data for executive officers at comparable levels in the peer group.

In May 2008, the Compensation Committee engaged Cook to advise us in determining and preparing an initial compensation package for Mark A. Sarvary who had been identified as the Board of Directors' choice to be appointed Chief Executive Officer to succeed Mr. Bryant. Cook provided an overall analysis of the compensation structure for the Chief Executive Officer position of Tempur-Pedic, competitive trends and practices for Chief Executive Officer compensation and took into account Mr. Sarvary's experience and recent compensation packages. In late June 2008, the Company hired Mr. Sarvary as its Chief Executive Officer to replace Mr. Bryant. Mr. Bryant retired as President and Chief Executive Officer of Tempur-Pedic effective August 4, 2008.

In November 2008, the Compensation Committee engaged Cook to reevaluate our peer group companies and provide an overall analysis of the compensation structure of the Company's Named Executive Officers for 2008. Cook provided the Compensation Committee with the results of its study in January 2009 (2008 Cook Report), including an update on trends and practices in executive compensation. Overall, the 2008 Report concluded that the target direct compensation for the five Named Executive Officers approximates the median of the peer group data.

Peer Group

In its June 2006 report, Cook developed a peer group for the Company. In selecting the peer group, Cook included branded consumer product companies that had comparable revenues, net income, and market capitalization. The 2007 Cook Report confirmed this peer group. While consistency from year to year is desirable, the Compensation Committee reviews the peer group from year to year and considers updates to it as appropriate. In the 2008 Cook Report, Cook recommended that one member of the peer group be deleted because it was acquired in 2007 and that three other members of the peer group be deleted because they had become significantly larger than the Company. Cook also recommended adding to the peer group two new companies meeting the criteria. Set forth below is the peer group of branded consumer products companies used by Cook to assess the competitiveness and cost effectiveness of our executive compensation plan in the 2008 Cook Report.

Table of Contents

Callaway Golf	Guess	Select Comfort
Central Garden & Pet	Herman Miller	Timberland
Columbia Sportswear	Movado Group	Tupperware Brands
Deckers Outdoor	Nautilus	Under Armour
Elizabeth Arden	Nu Skin Enterprises	Wolverine World Wide
Fossil	Sealy	

Compensation Components

Based on our compensation philosophy, the three principal components of our compensation include the following:

- Base Salary
- Annual Incentive Bonus
- Equity Compensation

Overall, the Compensation Committee seeks to strike a balance among these three components, with an emphasis on ensuring that a majority of the total potential compensation for the Company's Named Executive Officers is significantly at risk and tied to overall Company performance.

Base Salary

In determining the annual base salary for our senior management, including each of our Named Executive Officers, our goal is to provide a reasonable level of guaranteed compensation that is set at a competitive level. Each individual's initial or starting base salary is a result of the person's previous experience, prior compensation history and the current compensation level of other senior managers within the Company with similar experience and responsibility.

At the beginning of each year, all of our employees, including each of our Named Executive Officers and senior managers, are required to establish individual objectives. These objectives are used in connection with performance reviews, salary increases and annual bonuses. Each employee's set of objectives is approved by his or her supervising manager, with each of the employee's objectives to be consistent with our core values and strategic objectives. In the case of Mr. Bryant, our former President and Chief Executive Officer, and Mr. Sarvary, our current President and Chief Executive Officer, the goals and objectives are approved by the Compensation Committee. All other Named Executive Officers' objectives are initially approved by the Chief Executive Officer, subsequently reviewed by our Compensation Committee and upon recommendation from the Compensation Committee, approved by the Board. Each employee's performance is reviewed annually and merit increases to an individual's base salary are aligned with overall Company and individual performance and successful execution of their individual objectives.

With respect to our employees, including our Named Executive Officers, the base salary increase in any year is based on prevailing market practices, economic conditions and individual performance measurements. In 2008, guided by the results of the 2007 Cook Report, the Compensation Committee raised base salaries of the Named Executive Officers to a level near the median of the comparative peer group used in the 2007 Cook Report. The 2008 base salary for Mr. Bryant reflected an 8% increase based on a peer group adjustment plus a 4% merit increase, and the base salary for Mr. Williams reflected a 6% increase based on a peer group adjustment plus a 4% merit increase. The Compensation Committee determined that no peer group adjustments were required for the other Named Executive Officers and approved merit increases of 4% to 5%, resulting in base salaries near the median for these executives.

In determining the starting annual base salary for Mr. Sarvary, the Compensation Committee based the salary on the peer group data and Mr. Sarvary's experience and prior compensation packages. After reviewing and discussing the foregoing with the Board of Directors and chief executive officer search committee of the Board, the Compensation Committee awarded Mr. Sarvary an annual salary of $750,000, positioning him near the median for chief executive officers in the peer group.

Based on the 2008 Cook Report, the salaries for each of our Named Executive officers is near the median of the peer group. Therefore, their 2008 base salary levels are being maintained without increase for 2009.

Table of Contents

The amount of each Named Executive Officer's base salary increase based on his individual performance and execution of his objectives for the prior year, expressed as a percentage of his base salary immediately prior to the increase, is set forth below:

Named Executive Officer	Base Salary Changes 2009	2008	
Mark Sarvary	0%	N/A(1)	
H. Thomas Bryant	N/A(2)	12%	(3)
Dale E. Williams	0%	10%	(4)
Matthew D. Clift	0%	5%	
David Montgomery	0%	4%	
Richard W. Anderson	0%	4%	

(1) Mr. Sarvary joined us in June 2008 and became Chief Executive Officer effective August 4, 2008.

(2) In August 2008, Mr. Bryant retired as our President and Chief Executive Officer and remained on our Board of Directors as a non-employee director.

(3) 4% merit increase and 8% adjustment relative to peer group data.

(4) 4% merit increase and 6% adjustment relative to peer group data.

Annual Incentive Bonus

The annual incentive bonus is a lump-sum cash payment for each eligible senior manager. The amount of the bonus is linked to the achievement of specific financial and operating targets or strategic initiatives. Our senior managers are eligible to receive annual incentive bonuses set at a targeted percentage of their base salary. The Compensation Committee believes senior management, such as the Named Executive Officers, who hold positions affording them the authority to make critical decisions affecting the Company's overall performance, should have a material percentage of their annual compensation contingent upon the Company's performance, with the Chief Executive Officer's percentage at a higher level than the other Named Executive Officers.

Overview

Since 2008, the Compensation Committee's practice has been to set the targeted annual incentive bonus level for the Chief Executive Officer at 100% of his base salary and the targeted annual incentive bonus level for each of the other Named Executive Officers at 55% of his base salary. The Chief Executive Officer's targeted annual incentive bonus at 100% of base salary was held constant from 2007 to 2008, while the targeted annual incentive bonus for the Named Executive Officers, other than the Chief Executive Officer, was increased to 55% from 50% of the Named Executive Officers' base salary in 2008 based on the 2007 Cook Report in order to more closely match the peer group. Based on the comparison to the peer group in the 2008 Cook Report, the Compensation Committee decided to maintain the targeted annual incentive bonus percentage in relation to each executive's base salary at the same levels in 2009 for all Named Executive Officers (see table below). For the Chief Executive Officer, this target bonus percentage took into consideration the Chief Executive Officer's overall responsibility for the performance of the Company. Coincident with Mr. Sarvary's employment with the Company, the Compensation Committee based the size of the Chief Executive Officer's annual incentive bonus target for 2008 at 100% of his base salary, pro-rated for six months of employment during 2008, with an actual bonus award based on the achievement of the performance criteria amounting to more or less than the target amount. The following table sets forth the targeted annual incentive bonus

levels for each Named Executive Officer shown as a percentage of his base salary:
18

Table of Contents

Named Executive Officer	Targeted Annual Incentive Bonus 2009	2008	
Mark Sarvary	100%	100%	(1)
H. Thomas Bryant	N/A	100%	
Dale E. Williams	55%	55%	
Matthew D. Clift	55%	55%	
David Montgomery	55%	55%	
Richard W. Anderson	55%	55%	

(1) Mr. Sarvary's target bonus was set at 100% of the salary payable to him for the June 30, 2008 to December 31, 2008 period.

For 2008, the annual incentive bonus for our Named Executive Officers was comprised of two components: (i) a Company goals component and (ii) an Individual goals component. Two-thirds of the bonus was derived from the Company goals component and one-third was derived from the Individual goals component. The Company goals component was tied to the Company's achievement of specific financial targets. The Individual goals component relates to the successful execution of individual objectives established at the beginning of each year as determined in the discretion of the Compensation Committee or the Board of Directors, as applicable. For Mr. Sarvary, our Chief Executive Officer, the 2008 Company goals and his 2008 Individual goals were developed when he joined the Company and followed the above framework for the period June 30, 2008 to December 31, 2008, with the bonus payout pro-rated for that time period.

The Company goals component of the annual incentive bonus for each of our Named Executive Officers is based on targeted net sales and earnings before interest and taxes (EBIT). Each year, these performance targets are selected to motivate the Named Executive Officers to achieve profitable business growth consistent with the Company's long-term financial objectives. The Company goals component of the annual incentive bonus is established using a matrix to allow for payments between 50% and 200% of their targeted Company goals component, depending on the level of net sales and EBIT for each year. A failure to meet the minimum requirement may result in no bonus payment with respect to the Company goals component of the bonus plan. In calculating the Company goals payout, the Compensation Committee considers material, unanticipated or unusual events that affect the financial targets and then makes a recommendation to the Board for approval.

The Individual goals component of the annual incentive bonus for the Named Executive Officers is heavily weighted toward the successful completion of individual objectives. In the case of the Chief Executive Officer, the goals and objectives are approved by the Compensation Committee. The goals and objectives for all of the other Named Executive Officers are initially approved by the Chief Executive Officer, subsequently reviewed by the Compensation Committee and, upon recommendation by the Compensation Committee, approved by the Board. The Individual goals component of the annual incentive bonus targets 100% payout for the achievement of an executive's annual objectives. Payments can range from no bonus payment to 200% of the targeted Individual goals component, based on individual performance. The determination of whether the Individual goals component of the bonus has been met and to what degree is based on the subjective determination of the Compensation Committee, and in exercising this discretion the Compensation Committee looks broadly at each executive's performance against individual objectives and the overall performance of the applicable Named Executive Officers within their specific area of responsibility.

The purpose of the Company goals component, represented by the net sales and EBIT targets of the Company and the purpose of the Individual goals component, represented by the achievement of individual targets, are designed to focus the Named Executive Officers on behaviors that support the overall performance and success of our Company. Individual and Company goals are set with a reasonable level of difficulty that require the Company and Named Executive Officers to perform at a high level in order to meet the goals and objectives, and the likelihood of attaining these goals and objectives is not assured.

Table of Contents

Achievement of Company Goals for 2008

For Named Executive Officers, except Mr. Sarvary, the annual incentive bonus plan for 2008 was consistent with the Company's bonus plan for 2007, with the financial target matrix updated for new net sales and EBIT targets for 2008. The matrix expressed a range of targets for total net sales (ranging from $1.195 billion to $1.286 billion) and EBIT (ranging from $269.5 million to $310 million) as established by the Compensation Committee. At the time the Compensation Committee established the targets for the Company goals component for 2008, the Compensation Committee believed that these targets were commensurate with the long-term growth objectives of our business and reflected a performance that would require strong operating execution. Our Compensation Committee considered the target levels for 2008 to be challenging for executives to achieve and believed that they required our management to significantly increase the Company's net sales and EBIT from 2007. During 2008, the macroeconomic environment deteriorated significantly, and the Company achieved net sales of $928 million and EBIT of $132 million. As a result, none of the Named Executive Officers, except for Mr. Sarvary, received a bonus payout based on the targeted Company goals component.

For Mr. Sarvary, who became our Chief Executive Officer effective August 4, 2008, his annual incentive bonus plan for 2008 included a financial target matrix that was updated to reflect the Company's actual results for the first half of 2008 and the Company's goals for the second half of 2008. The matrix for the maximum and minimum bonus included a range of targets for total net sales (ranging from $980 million to $1.020 billion) and EBIT (ranging from $144.1 million to $162.9 million). The Compensation Committee established a maximum cap and a minimum floor on the amount of the bonus based on Company goals, recognizing that Mr. Sarvary was joining the Company at mid-year and that during his initial six months, which coincided with an extremely challenging macroeconomic environment, he should neither be over-rewarded or under-rewarded for significant variations in Company performance versus target. However, the Compensation Committee determined that if the Company's EBIT performance fell below a certain threshold level, it would not be prudent to pay a Company goals bonus to Mr. Sarvary. The maximum bonus for Mr. Sarvary based on the Company goals was capped at 130% of the target bonus and the minimum amount of Mr. Sarvary's bonus based on Company Goals was 70% of the target bonus, provided that if EBIT for 2008 was less than $127.8 million, then Mr. Sarvary would not receive a bonus based on Company goals. During 2008, the Company achieved net sales of $928 million and EBIT of $132 million. Accordingly, Mr. Sarvary received 70% of the targeted Company goals component.

Achievement of Individual Goals for 2008

The individual objectives for the Individual goals component of the annual incentive bonus for 2008 for Mr. Sarvary, our Chief Executive Officer, included the following: implement a new cost structure; review and strengthen account plans for top customers; develop new products for 2009; develop quarterly projections by segment; develop the strategic plan for 2010 and 2011; visit all Company plants and implement internal communication plan; build on efficiencies of the senior team; maintain personnel succession plans and personnel development plans and provide the board with a year-end report, including an evaluation and review of all key managers; and meet and dialogue with key customers, investors and analysts. The Compensation Committee established a maximum cap and a minimum floor on the amount of the bonus based on the Individual goals component for Mr. Sarvary. The maximum amount of the bonus based on the Individual goals was capped at 200% of the target bonus allocable to the Individual goals and the minimum amount of the bonus based on the Individual goals was set at $0. In reviewing the Chief Executive Officer's performance from August 2008 through December 2008, the Compensation Committee concluded that Mr. Sarvary's individual achievements had been significant during this period. The Compensation Committee noted that Mr. Sarvary had met almost all his Individual goals, with many being achieved at a high level of achievement in a difficult overall business environment. After the review of these achievements, the Compensation Committee determined and paid out 95% of Mr. Sarvary's Individual goals component target, reflecting his achievements for 2008.

The individual objectives for the Individual goals component of the annual incentive bonus for 2008 for Mr. Williams, our Executive Vice President and Chief Financial Officer, included the following: oversee cost reduction programs; reduce costs and decrease external professional fees; maintain capital structure; and establish and implement objectives for our investor relations department. In 2008, Mr. Williams achieved all of his Individual goals, including significant cost and headcount reductions, reduced external professional fees, substantial reduction in debt through the repatriation initiative, and strong overall management of profitability despite a difficult business environment. In addition, the Compensation Committee concluded that Mr. Williams had been very successful in managing the Company’s capital structure, including working capital improvements and debt reduction, and the Company’s earnings repatriation, and these efforts were instrumental in positioning the Company for the current challenging economic environment. Accordingly, his Individual goals component was paid out at 110% of his target.

Table of Contents

The individual objectives for the Individual goals component of the annual incentive bonus for 2008 for Mr. Clift, our Executive Vice President of Global Operations, included the following: implement order management and network design project for the domestic supply chain; hit minimum targets for patent disclosures; launch new products; deliver two new material technologies; improve overall productivity; and increase IT infrastructure stability. In 2008, Mr. Clift achieved all of his Individual goals, including supply chain network redesign with closure of five distribution centers, generation of significant array of new patents, delivery of technical innovation through a substantial number of new products and two new material technologies, and improvements in global productivity and utilization in Tempur-Pedic factories. Accordingly, his Individual goals component was paid out at 100% of his target.

The individual objectives for the Individual goals component of the annual incentive bonus for 2008 for Mr. Anderson, our Executive Vice President of North America, included the following: expand retail slots; launch new mattress products; expand pillow programs; expand and increase brand awareness; and grow market share. In 2008, Mr. Anderson achieved most, but not all of his Individual goals. Accomplishments included an increase in slots per retail store, the launch of two new products, increases in pillow retail programs at key retailers, and an increase in Tempur-Pedic brand awareness. Due to the macroeconomic environment, growth in market share was not achieved. Accordingly, his Individual goals component was paid out at 90% of his target.

The individual objectives for the Individual goals component of the annual incentive bonus for 2008 for Mr. Montgomery, our Executive Vice President of International Operations, included the following: introduce new mattress models in Europe and Japan and expand distribution and growth internationally; restructure the retail furniture business in Japan; explore new international markets; and growth in third party sales channels. In 2008, Mr. Montgomery achieved most of his Individual goals, including the launch of two new products in key markets, expansion of infrastructure and retail presence in Japan, and progress in preparing for expansion into new markets. Third party growth was not achieved due to the economic slowdown. In addition, Mr. Montgomery responded quickly to the very challenging business environment through cost reduction and sales initiatives Accordingly, his Individual goals component was paid out at 95% of his target.

Annual Incentive Bonus Plan Payments for 2008

Based on the relative weight of the Company goals component (two-thirds) and the Individual goals component (one-third), each Named Executive Officer, received a percentage of his overall target incentive bonus potential for 2008 as follows: Mr. Sarvary, 78% (representing 78% of his salary for the last six months of 2008); Mr. Clift, 33%; Mr. Anderson, 30%; Mr. Williams, 37%; and Mr. Montgomery, 32%. Mr. Bryant was not eligible to receive a bonus for 2008 in light of his retirement from the Company. In connection with his decision to retire, Mr. Bryant elected not to renew his employment agreement for an additional term. As a result, after April 28, 2008, Mr. Bryant became an at-will employee and did not receive an annual incentive bonus for 2008.

The remainder of our senior management team have diverse performance goals and receive annual incentive bonuses set at a targeted percentage of their base salary that are tied to the Company's and business units' goals. The Named Executive Officers retain the right to adjust bonus payments for the remaining senior managers based on individual and Company performance.

Equity Compensation

Members of senior management, including our Named Executive Officers, are eligible to receive equity compensation awards under our equity incentive plans. We believe that providing equity awards as a component of compensation for senior managers aligns the interests of senior managers with the interests of our stockholders by focusing the executive on the long-term growth of the Company, and not short-term individual performance. In addition, we believe that stock options provide an additional method of compensation where the return for each senior manager is directly tied to stockholders' return on their investment.

Under our equity compensation design, the timing and size of awards has differed among each Named Executive Officer and all other members of senior management. Historically, our stock option awards for Named Executive Officers have been intermittent multi-year grants with a four year vesting period and based on continued employment. The value of these awards was at or above the median for the peer group after spreading the value of our four-year option grants across the relevant four years. In contrast, members of senior management other than Named Executive Officers typically receive grants on an annual basis based on their job level at the time and their individual and Company performance for the year.

Table of Contents

After evaluating the analysis and conclusions contained in the 2008 Cook Report, the Compensation Committee has decided generally to transition away from intermittent multi-year grants for Named Executive Officers and to move in steps towards an annual grant cycle, which is consistent with the majority of peer group companies and which the Compensation Committee believes will provide superior motivation and retention for key executives, while continuing to cause executives to maintain a long-term business focus aligned with the interests of stockholders. As part of this transition, our Named Executive Officers, other than the Chief Executive Officer (who received a significant grant in 2008), were awarded a four-year stock option grant in February 2009. The following table sets forth the equity incentive awards for each Named Executive Officer granted in February 2009.

Named Executive Officer	February 2009 Stock Option Award
Dale E. Williams	180,000
Matthew D. Clift	210,000
David Montgomery	180,000
Richard W. Anderson	150,000

Each of the stock option awards granted in February 2009 has an exercise price of $6.14 and vests in four equal annual installments beginning on the first anniversary date of the date of the grant and every year thereafter until all the shares are vested. In addition, if a change of control of the Company occurs and the Named Executive Officer's employment is terminated but not for cause or if he resigns for good reason (in each case as defined in his employment agreement) within twelve (12) months after the occurrence of a change of control, the Named Executive Officer's next annual installment of shares will accelerate and vest as of the date of his termination of employment.

In January 2008, the Company granted to Mr. Anderson an option award for 100,000 shares of our common stock, at an exercise price of $20.02, subject to the applicable vesting schedule. This action was based on the conclusions of the 2007 Cook Report which indicated that Mr. Anderson, who was hired during the middle of 2006, had the lowest long-term incentive value and number of shares among the Named Executive Officers. The vesting schedule for the award granted to Mr. Anderson provides that twenty-five percent (25%) of the option shares shall vest on the first anniversary date of the date of grant, and thereafter twenty-five percent (25%) shall vest on every annual anniversary date until all shares are vested. In addition, if a change of control of the Company occurs and Mr. Anderson's employment is terminated but not for cause or if Mr. Anderson resigns for good reason (in each case as defined in his employment agreement) within twelve (12) months after the occurrence of a change of control, Mr. Anderson's next installment of 25,000 shares will accelerate and vest as of the date of his termination of employment. Mr. Anderson received this option grant in order to bring his total option holdings to a level more similar to the option holdings of the other Named Executive Officers other than the Chief Executive Officer, based on continued strong performance since joining the Company in June, 2006.

In May 2008, the Company granted to the Named Executive Officers, except for the Chief Executive Officer, option awards for 50,000 shares of our common stock, at an exercise price of $11.76, subject to the applicable vesting schedule. The vesting schedule for these awards provides that fifty percent (50%) of the option shares shall vest on the first anniversary date of the date of grant, and fifty percent (50%) shall vest on the second anniversary date until all shares are vested. In addition, if a change of control of the Company occurs and the Named Executive Officer's employment is terminated but not for cause or if he resigns for good reason (in each case as defined in his employment agreement) within twelve (12) months after the occurrence of a change of control, the Named Executive Officer's next installment of 25,000 shares will accelerate and vest as of the date of his termination of employment. These options were granted as an additional retention incentive in connection with the search for a new Chief Executive Officer.

In July 2008, Mr. Sarvary received a stock option award grant of 900,000 shares upon his employment with the Company as President and Chief Executive Officer, at an exercise price of $7.81, subject to the applicable vesting schedule. The vesting schedule for the award provides that twenty-five percent (25%) of the option shares shall vest on the first anniversary date of the date of grant, and thereafter twenty-five percent (25%) shall vest on every annual anniversary date until all shares are vested. In addition, if a change of control of the Company occurs and Mr. Sarvary is terminated but not for cause or if he resigns for good reason (in each case as defined in his employment agreement) within twelve (12) months after the occurrence of a change of control, Mr. Sarvary's next installment of 225,000 shares will accelerate and vest as of the date of his termination of employment. In awarding this option, the Compensation Committee reviewed and considered the entire compensation package being offered to Mr. Sarvary, including his base salary, annual cash bonus, hiring bonus to help defray certain relocation expenses not covered by the relocation expense reimbursement policy offered to senior management and the appropriate incentives to retain and incent him as the Chief Executive Officer.

22

Table of Contents

In setting the size of these equity awards, the Compensation Committee takes into account a number of factors, including the Named Executive Officer's position with the Company, prevailing market conditions and the overall size of the executive officer's compensation package, as well as the studies completed by Cook, the executive compensation consultant.

The remaining senior managers typically receive grants on an annual basis based on their individual and the Company's performance. Historically, these awards were granted by the Compensation Committee in December of each year. In 2008, these awards were made in May 2008 in recognition of upcoming change in leadership at the Company. Beginning in 2009, these grants will be awarded in the first quarter, consistent with a revised integrated compensation timetable that ensures that stock option grants fully recognize an assessment of each individual's performance in the prior year and potential for the individual's growth within the Company in the future. These stock option awards typically have ranged between 5,000 and 40,000 shares. In addition, individual stock option awards are granted throughout the year as needed with respect to hiring new members of senior management or promotions of employees into senior management positions. These awards also typically have ranged between 5,000 and 35,000 stock options.

In January 2008, our board of directors adopted minimum stock ownership guidelines for our executive officers and directors. The principal objective of the guidelines is to enhance the linkage between the interests of stockholders and our executive officers and directors through a minimum level of stock ownership. The guidelines provide that, within 5 years, the Chief Executive Officer should own a fixed number of shares equal to 5 times his base salary, and that all other Named Executive Officers should own a fixed number of shares equal to three times the executive's base salary. Our directors also are required to own, within five years, a fixed number of shares equal to four times the director's annual retainer. Unexercised vested stock options count towards an individual's ownership (based on the anticipated after tax value), but unvested stock options and unvested restricted stock are not counted towards an individual's ownership. Until the guidelines are met, executive officers and directors are required to retain 50% of the net after-tax value of any shares obtained by option exercise or restricted stock unit exercise or sale of vested restricted stock.

Other Benefits

We offer a 401K plan to all of our employees, including our senior management and Named Executive Officers. The plan is designed to allow employees to defer current earnings and recognize them later in accordance with statutory regulations when their individual income tax rates may be more beneficial. The Company typically matches 100% of the first three percent of each employee's salary that is deferred and 50% of the fourth and fifth percent of salary deferred. However, the decision to make the match is at the sole discretion of the Company. The Company made the matching contribution in 2008 for all participating employees.

The Company does not have any other defined contribution or any defined benefit pension plans. There are no alternate plans in place for senior management. In August 2008, Mr. Bryant retired as President and Chief Executive Officer of Tempur-Pedic International and remained on the Board of Directors as a non-employee director.

Mr. Sarvary received a one-time hiring bonus of $200,000 to help defray certain relocation expenses in excess of the relocation expense reimbursement policy offered to senior management in connection with his employment with the Company. The Company paid $100,000 upon employment and will pay the remaining $100,000 upon the first anniversary of his employment agreement. Mr. Sarvary's employment agreement also provides that he will receive two years of base salary plus benefits if he is terminated without cause or if he resigns for good reason.

The Company also has various broad-based employee benefit plans. Named Executive Officers participate in these plans on the same terms as eligible, non-executive employees, subject to any legal limits on the amounts that may apply. The Named Executive Officers receive an annual car allowance.

Table of Contents

Each of our Named Executive Officers is a party to an employment agreement with the Company. These employment agreements provide for severance arrangements in the event of termination of employment in certain circumstances and also provide for non-competition, non-solicitation and confidentiality agreements. These severance arrangements are discussed in more detail below under "Potential Payments Upon Termination Or Change In Control". The employment agreements for the Named Executive Officers other than Mr. Bryant were put in place at the time they became employees with the Company (in certain cases, prior to the Company's initial public offering in 2003), Mr. Bryant's employment agreement was put in place in 2002 and amended in its entirety when he became Chief Executive Officer in 2006. We believe that these agreements, including the severance provisions, are necessary to allow us to be competitive in recruiting and retaining top talent for executive officer positions. The Compensation Committee has not to date believed it necessary to revise the severance and related terms in these employment agreements, except that in March 2008, the Company amended Mr. Williams' employment agreement to make the severance and related provisions better align with the corresponding provisions in the employment agreement for the other Executive Vice Presidents. However, as part of its analysis of the reasonableness of each individual element of compensation and each Named Executive Officer's compensation package as a whole, the Committee expects that it will periodically conduct an analysis of each of these arrangements for reasonableness and market competitiveness.

Tax and Accounting Implications

Deductibility of Compensation

Section 162(m) of the Code limits the Company's deduction for compensation paid to the executive officers named in the Summary Compensation Table, other than the Chief Financial Officer, to $1 million unless certain requirements are met. For 2008, the requirements for deductible compensation under Section 162(m) were met for all executive officers. The policy of the Compensation Committee with respect to Section 162(m) is to establish and maintain a compensation program that will optimize the deductibility of compensation. However, the Compensation Committee may exercise its right to use judgment, where appropriate, to respond to changing business conditions or to an executive officer's individual performance, to authorize compensation which may not in a specific case be fully deductible by the Company.

Accounting for Stock-Based Compensation

As of January 1, 2006, the Company began accounting for stock-based payments, including its Equity Incentive Plans and Employee Stock Purchase Plan, in accordance with FASB Statement 123(R), "Share Based Payments."

Table of Contents

COMPENSATION COMMITTEE REPORT

The information contained in this report shall not be deemed to be “soliciting material” or “filed” or incorporated by reference in future filings with the Securities and Exchange Commission, or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that Tempur-Pedic International specifically incorporates it by reference into a document filed under the Securities Act of 1933, as amended (Securities Act), or the Exchange Act.

The Compensation Committee is comprised entirely of independent directors. The Compensation Committee has reviewed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference into the Company’s Annual Report on Form 10-K for the year ended December 31, 2008.

Submitted by,

COMPENSATION COMMITTEE
Peter K. Hoffman (Chair)
Francis A. Doyle
John Heil
Sir Paul Judge

Table of Contents

COMPENSATION OF EXECUTIVE OFFICERS

The following table sets forth information concerning the annual and long-term compensation for services in all capacities to Tempur-Pedic International for the year ended December 31, 2008 of those persons who served as (i) our principal executive officer during the year ended December 31, 2008, (ii) our principal financial officer during the year ended December 31, 2008 and (iii) our other three most highly compensated executive officers for the year ended December 31, 2008. We refer to our principal executive officers, principal financial officer and the other three most highly compensated executive officers collectively as our "Named Executive Officers".

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($) (6)	Stock Awards ($)	Option Awards($) (7)	Non-equity Incentive Plan Compensation ($) (6)	All Other Compensation ($) (8)	Total ($)
Mark Sarvary—President and Chief Executive Officer (1)	2008	$360,577	$218,750	$ —	$ 308,976	$175,000	$104,115	$1,167,418
H. Thomas Bryant—President and Chief Executive Officer (2)	2008	506,784	—	—	603,811	—	22,887	1,133,482
	2007	623,537	290,909	—	1,025,215	799,119	22,057	2,760,837
	2006	537,305	198,000	—	571,121	311,550	21,938	1,639,914
Dale E. Williams—Executive Vice-President, Chief Financial Officer and Secretary	2008	341,601	68,567	—	368,041	—	17,230	795,439
	2007	309,987	67,158	—	326,204	198,673	17,230	919,252
	2006	294,054	48,757	—	307,525	76,718	19,441	746,495
Matthew D. Clift—Executive Vice-President, Global Operations (3)	2008	360,795	66,000	—	266,722	—	17,230	710,747
	2007	344,867	86,224	438,162	202,125	221,066	17,230	1,309,675
	2006	324,121	53,741	438,162	202,125	84,560	20,832	1,123,541
David Montgomery —Executive Vice-President, President of International Operations (4)	2008	444,613	60,439	—	505,969	—	81,254	1,092,275
	2007	461,455	68,671	—	442,495	293,437	86,790	1,352,848
	2006	408,798	71,635	—	315,290	112,717	72,838	981,278
Richard W. Anderson—Executive Vice-President,	2008	328,700	54,120	—	696,346	—	20,645	1,099,811

President North America (5)									
	2007	314,711	68,182		—	296,561	201,701	8,230	889,385
	2006	132,692	34,750		—	66,143	38,944	79,043	351,572

(1) Mr. Sarvary joined the Company on June 30, 2008 and became our President and Chief Executive Officer on August 4, 2008. Mr. Sarvary received a bonus of $100,000 at the time he accepted employment with us. The remainder of this amount is representative of annual bonus payouts which were earned in 2008 and paid in February 2009.

Table of Contents

(2) Mr. Bryant was promoted to the position of Chief Executive Officer at our Annual Stockholder's Meeting held on April 28, 2006. He retained the position of President of Tempur-Pedic International, and was elected as a member of our Board of Directors. On August 4, 2008, Mr. Bryant retired as President and Chief Executive Officer and remained on our Board of Directors. Mr. Bryant's salary for 2008 is comprised of $437,554 earned while serving as President and Chief Executive Officer, $59,230 of unused vacation that was paid-out upon Mr. Bryant's retirement and $10,000 paid for serving as a non-employee member of our Board of Directors.

(3) On December 1, 2004, Mr. Clift was awarded 70,000 restricted stock units. The fair market value of Tempur-Pedic International's common stock on that date was $19.30, resulting in a restricted stock award of $1,351,000.

(4) Mr. Montgomery's salary is paid in British Pounds ( ) and is converted to United States Dollars ($) using the monthly payments translated at the monthly average rate for each month in the year ended December 31, 2008. Mr. Montgomery's Non-Equity Incentive Plan Compensation is denominated in British Pounds and has been converted to United States Dollar using the conversion rate for the date paid to Mr. Montgomery.

(5) Mr. Anderson joined the Company in July 2006 and received a bonus of $10,000 at the time he accepted employment with us. The remainder of this amount is representative of annual bonus payouts which were earned in 2006 and paid in February 2007.

(6) Bonus and Non-equity Incentive Plan Compensation payouts were earned in 2008 and paid in February 2009 to Mr. Sarvary, Mr. Williams, Mr. Clift, Mr. Montgomery and Mr. Anderson, pursuant to the 2008 Executive Incentive Bonus Plan as discussed in the "Compensation Discussion and Analysis" section of this Proxy Statement. As described in the Compensation Discussion and Analysis," the amount paid upon the achievement of the Individual goals appear in the column "Bonus" and the amounts paid upon the achievement of the Company performance appear in the column "Non-equity Incentive Plan Compensation."

(7) For stock options granted, the value set forth is also included in the Company's financial statements in accordance with FAS 123(R). See the Company's Annual Report for the year ended December 31, 2008 for a complete description of the FAS 123(R) valuation.

(8) Represents amounts paid on behalf of each of the Named Executive Officers for the following three respective categories of compensation: (i) premiums for life, accidental death and dismemberment insurance and long-term disability benefits, (ii) contributions to our defined contribution plans and (iii) car allowance. Amounts for each of the Named Executive Officers for each of the three respective preceding categories is as follows: Mr. Sarvary: (2008 – $515,$0, $3,600); Mr. Bryant: (2008 – $687, $18,000, $3,600; 2007 – $1,030, $13,827, $7,200; 2006 – $1,330, $13,408, $7,200); Mr. Williams: (2008 – $1,030, $9,000, $7,200; 2007 – $1,030, $9,000, $7,200; 2006 – $1,330, $10,911, $7,200); Mr. Clift (2008 – $1,030, $9,000, $7,200; 2007 – $1,030, $9,000, $7,200; 2006 – $1,330, $12,302, $7,200); Mr. Montgomery: (2008 – $8,357, $44,461, $27,788; 2007 – $6,492, $46,146, $30,017; 2006 – $5,192, $39,295, $27,647,); and Mr. Anderson: (2008 – $1,030, $12,415, $7,200; 2007 – $1,030, $0, $7,200; 2006 – $443, $0, $3,600). Mr. Sarvary received relocation expenses in the amount of $100,000 which is included in "All Other Compensation." Mr. Anderson received relocation expenses in the amount of $75,000 which is included in "All Other Compensation" for the year ended December 31, 2006. Mr. Montgomery also received tax preparation fees in the amount of

$648, $833 and $705 which is in “All Other Compensation” for the years ended December 31, 2008, 2007 and 2006, respectively.

Table of Contents

Grants of Plan-Based Awards

The following table sets forth certain information concerning each grant of an award made to a Named Executive Officer during 2008 under our equity compensation plans.

Name	Grant Date (1)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh) (1)	Grant Date Fair Value of Stock and Option Awards ($) (2)
Mark Sarvary	6/30/2008	900,000	$ 7.81	$ 2,412,000
H. Thomas Bryant (3)	7/8/2008	9,000	8.33	21,960
Dale E. Williams	5/15/2008	50,000	11.76	204,000
Matthew D. Clift	5/15/2008	50,000	11.76	204,000
David Montgomery	5/15/2008	50,000	11.76	204,000
Richard W. Anderson	1/29/2008	100,000	20.02	698,000
	5/15/2008	50,000	11.76	204,000

(1) The exercise price for each stock option is the market value on the date of grant.

(2) For stock options granted, the value set forth represents the grant date fair value as determined in accordance with FAS 123(R). See the Company's Annual Report for the year ended December 31, 2008 for a complete description of the FAS 123(R) valuation.

(3) On July 8, 2008, Mr. Bryant received a grant of 9,000 options for his service as a non-employee director on our Board. On July 8, 2008, our Compensation Committee amended the stock option agreement by and between Mr. Bryant and the Company dated as of June 26, 2006. This option agreement originally stated that the exercise period for the options would expire on the effective date of Mr. Bryant's retirement as an employee of the Company. The amendment approved by the Compensation Committee allows for a ninety-day exercise period for the vested options. All other terms of the option agreement remained the same.

Table of Contents

Outstanding Equity Awards at Fiscal Year-End

The table below sets forth the outstanding stock option awards classified as exercisable and unexercisable as of December 31, 2008 for each of our Named Executive Officers. There are no unvested stock awards as of December 31, 2008.

`	Option Awards	
	Number of Securities	Number of Securities Underlying