

## TEMPUR-PEDIC INTERNATIONAL INC.

### AUDIT COMMITTEE CHARTER

#### Charter

This charter governs the operations of the Audit Committee (the "**Committee**") of the Board of Directors (the "**Board**") of Tempur-Pedic International Inc. (the "**Company**"). At least annually, the Committee shall review and reassess this charter and recommend any proposed changes to the Board for its approval.

#### Membership

The Committee shall be composed of at least three directors, each of whom is independent of management and the Company. Members of the Committee shall be considered independent if they satisfy the requirements for independence set forth in Rule 10A-3(b)(1) under the Exchange Act and the requirements of the New York Stock Exchange, Inc. (the "**NYSE**") as set forth in Section 303A(2) of the NYSE's Listed Company Manual, and any and all additional requirements of the NYSE and rules and regulations of the Securities and Exchange Commission (the "**Commission**") at such time as the Company is subject to these requirements. Notwithstanding the foregoing, a non-independent director may serve on the Committee, or the committee may consist of two independent directors, to the extent allowed pursuant to any and all transitional rules or exemptions specified by the NYSE and the Commission, including but not limited to the transitional rules in effect pending the effectiveness of NYSE Rule 303A.

All Committee members shall be financially literate as such qualification is interpreted by the Board in its business judgment, or shall become financially literate within a reasonable period of time after their appointment to the Committee. At least one member shall have accounting or related financial management expertise, as interpreted by the Board in its business judgment, sufficient to satisfy the requirements of the NYSE.

The Committee and its Chairman shall be appointed by the Board. To the extent that the nomination or recommendation of Committee members is delegated to the Nominating and Corporate Governance Committee of the Board or another appropriately designated and chartered Committee of the Board, such appointments shall be made pursuant to such nominations or recommendations. Any Committee member may be replaced by the Board at any time.

#### Meetings

The Committee shall meet as often as it shall determine, but not less frequently than quarterly. The Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or any consultant to, the Committee.

Except as otherwise provided by the Certificate of Incorporation or By-Laws of the Company, the frequency, location and operation of meetings and similar procedural matters relating to the Committee shall, to the extent applicable, be the same as those that relate to meetings of, and procedural matters concerning, the Board. The Committee shall adopt procedures regarding the recording, distribution and approval of minutes of meetings of the Committee.

#### Purposes

The Committee shall assist the Board in overseeing the integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the independent auditor's qualifications and independence, the performance of the Company's independent auditors, and the responsibility, function, and performance of the Company's internal auditors and audit function. The Committee shall also prepare on an annual basis a report for inclusion in the Company's proxy statement. In carrying out its duties, it is the goal of the Committee to maintain free and open communication among the Committee, independent auditor, internal auditor, and management of the Company. The Committee shall periodically hold separate meetings with the internal auditor or other personnel responsible for the internal audit function, the independent auditor, and management of the Company to facilitate communication and the Committee's oversight responsibilities. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company.

### Duties and Responsibilities

The primary responsibility of the Committee is to select and appoint the independent auditor, oversee the Company's financial reporting process on behalf of the Board and report the results of its activities to the Board. Management is responsible for preparing the Company's financial statements, and the independent auditor is responsible for auditing those financial statements. The Committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible, in order to best react to changing conditions and circumstances. The Committee should take the appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices and ethical behavior.

The Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate. In addition, the Committee is authorized to engage, and the Company shall provide funding for, such independent counsel and other advisors as the Committee may deem necessary or advisable to retain to assist the Committee in carrying out its duties. The Company shall provide appropriate funding, as determined by the Committee, for payment of compensation to any such counsel or other advisors, compensation to any public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, and ordinary administrative expenses of the Committee that are necessary or appropriate for carrying out the Committee's duties.

The following shall be the principal recurring processes of the Committee in carrying out its oversight responsibilities. The processes are set forth as a guide with the understanding that the Committee may supplement them as appropriate.

### *Relating to the Independent Auditor*

- The Committee shall have a clear understanding with management and the independent auditor that the independent auditor is ultimately accountable to the Committee, as representatives of the Company's stockholders. The Committee shall have the sole authority to appoint (subject, if applicable, to ratification by the stockholders of the Company), retain, compensate, terminate and replace the independent auditor. The Committee may receive input from management on these matters but shall not delegate these responsibilities. The Committee shall be responsible for the oversight of the independent auditor, including the

resolution of any disagreements between management and the independent auditor regarding financial reporting or other matters.

- The Committee shall have the sole authority to approve the scope, fees and terms of all audit engagements, as well as all permissible non-audit engagements of the independent auditor. The Committee shall pre-approve all audit and permissible nonaudit services to be performed for the Company by the independent auditor, giving effect to the “de minimus” exception for ratification of certain non-audit services set forth in Section 10A(i)(1)(B) of the Exchange Act. On an annual basis, the Committee shall consider whether the provision of non-audit services by the independent auditor, on an overall basis, is compatible with maintaining the independent auditor's independence from management.
- The Committee shall, at least annually, obtain and review a report by the independent auditor describing the firm’s internal quality-control procedures, any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues, and all relationships between the independent auditor and the company. The Committee shall discuss with the auditors their independence from management and the Company and shall review all additional written disclosures provided by the independent auditor. The Committee shall evaluate the auditor’s qualifications, performance and independence, including the performance of the auditor’s lead partner, taking into consideration the opinions of management and the Company’s internal auditors. The Committee shall ensure the rotation of the lead partner and the audit partner responsible for reviewing the audit to the extent required by law, and shall consider whether regular rotation of the audit firm is necessary or appropriate to ensure continuing auditor independence. The Committee shall report on its evaluation and conclusions, and any actions taken pursuant thereto, to the Board.
- The Committee shall establish clear policies governing the hiring of employees or former employees of the independent auditors.

#### *Relating to Audits and Financial Statements*

- The Committee shall discuss with the independent auditor the overall scope and plans for the annual audit. In addition, the Committee shall discuss with management, the independent auditor, and the internal auditor the adequacy and effectiveness of the accounting and financial controls, including the Company's system to monitor and manage business risk, and legal and ethical compliance programs.
- The Committee shall review with management and the independent auditor the audited financial statements (including management's discussion and analysis contained therein) to be included in the Company's Annual Report on Form 10-K, including its judgment as to the quality, and not only the acceptability, of accounting principles, the reasonableness of significant judgments and the clarity of the disclosures in the financial statements. The Committee also shall discuss the results of the annual audit and any other matters required to be communicated to the Committee by the independent auditor under generally accepted accounting principles. Based on the foregoing and on review of other information made available to the Committee, the Committee shall recommend to the Board whether the audited financial statements should be included in the Company's Form 10-K. In addition,

the Committee shall prepare annually a report to the stockholders of the Company, as required by the rules of the Commission.

- The Committee shall similarly review with management and the independent auditor the interim financial statements with management and the independent auditor prior to the filing of each of the Company's Quarterly Reports on Form 10-Q. The Committee also shall discuss the results of the quarterly review and any other matters required to be communicated to the Committee by the independent auditor under generally accepted accounting principles. The chairman of the Committee may represent the entire Committee for the purposes of this review.
- The Committee shall review with the independent auditor any audit problems or difficulties encountered during the course of the audit work, including Company management's response to these difficulties. This review shall include a discussion of any restrictions on the scope of the auditor's activities or access to requested information, as well as any significant disagreements with Company management. The Committee shall discuss with the independent auditor any noted or proposed accounting adjustments that were "passed," communications between the auditors and the audit firm's national office regarding auditing or accounting issues presented by the engagement, and any proposed "management" or "internal control" letters.
- The Committee shall discuss with the independent auditor any additional matters required to be discussed pursuant to Statement on Auditing Standards No. 61 and shall obtain from the independent auditor assurance that Section 10A(b) of the Exchange Act (including auditor discovery that illegal acts may have occurred) has not been implicated.
- The Committee shall review each report of the independent auditor, delivered to the Committee pursuant to Section 10A(k) under the Exchange Act, concerning: (a) all critical accounting policies and practices to be used, (b) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent auditor and (c) other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.
- The Committee shall review the disclosures made by officers of the Company in the certification required to be filed (a) as part of the Company's Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q, regarding any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls and (b) pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, regarding the compliance of periodic reports and their fair presentation of the Company's financial statements and results of operations.
- The Committee shall, when required, review the plans for and compliance with Section 404 of the Sarbanes-Oxley Act for "Management Assessment of the Internal Controls" including reviewing the results of Management's assessment and reviewing the results of the independent auditor's required report for the assessment.

*Relating to the Internal Audit Function*

- The Committee shall establish, or determine that there have been established, guidelines and procedures for the maintenance of an internal audit function and shall assist with Board oversight of the internal audit function.
- The Committee shall select and engage the internal auditor and shall meet regularly with the internal auditor to discuss the internal auditor's assessment of the Company's risk management processes and system of internal control.
- The Committee shall at least annually discuss with the Company's independent auditor the responsibilities, budget and staffing of the Company's internal audit function.

*Relating to Other Compliance Matters*

- The Committee shall report regularly to the Board to review any issues which arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the performance and independence of the Company's independent auditors, and the performance of the Company's internal audit function.
- The Committee shall establish, or determine that there have been established, procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters and shall monitor ongoing compliance with those provisions.
- The Committee shall regularly discuss the type of 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.
- The Committee shall at least annually review and discuss the Company's policies with respect to risk assessment and risk management. While the Committee shall not be solely responsible for the Company's risk assessment and risk management functions, the Committee shall discuss policies and guidelines to govern the process by which the Company undertakes these functions.
- The Committee shall review such other reports, adopt such other policies and implement such other procedures as shall be necessary to comply with the rules and regulations that, from time to time, may be established by the NYSE or the Commission.
- With respect to any reference in this Charter to the NYSE or Commission requirements, the Committee shall be required to comply with these requirements when the Company is subject to the requirements of the NYSE or the Commission.
- The Committee shall, on an annual basis, complete a self-evaluation of the Committee's performance. The Committee shall report on the results of this self-evaluation to the Board.