

TEMPUR PEDIC INTERNATIONAL INC
Form DEF 14A
March 24, 2005
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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

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only

(as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-11(c) or § 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)

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(1) Amount Previously Paid:

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March 24, 2005

Dear Stockholder:

You are cordially invited to attend the 2005 Annual Meeting of Stockholders of Tempur-Pedic International Inc., which will be held at 11:00 a.m., local time on April 26, 2005 at the InterContinental Barclay, 111 East 48th Street, New York, New York 10017.

The Notice of Annual Meeting of Stockholders and a Proxy Statement, which describe the formal business to be conducted at the meeting, accompany this letter. Our 2004 Annual Report to Stockholders is also enclosed for your information.

All stockholders are invited to attend the Annual Meeting. However, to ensure your representation at the Annual Meeting, you are urged to vote as described in the accompanying notice (a pre-paid return envelope is enclosed for that purpose).

Your shares cannot be voted unless you date, sign, and return the enclosed proxy card or attend the annual meeting in person. Regardless of the number of shares you own, your careful consideration of, and vote on, the matters before the stockholders is important.

Sincerely,

ROBERT B. TRUSSELL, JR.

Chief Executive Officer and Director

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Tempur-Pedic International Inc.

1713 Jaggie Fox Way

Lexington, Kentucky 40511

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held on April 26, 2005

To Our Stockholders:

The 2005 Annual Meeting of Stockholders of Tempur-Pedic International Inc., a Delaware corporation, will be held at 11:00 a.m., local time on April 26, 2005 at the InterContinental Barclay, 111 East 48th Street, New York, New York 10017. The purposes of the Annual Meeting shall be:

1. To elect eight (8) directors to each serve for one-year terms and until the director's successor has been duly elected and qualified;
2. To ratify the appointment of the firm of Ernst & Young LLP as Tempur-Pedic International Inc.'s independent auditors for the fiscal year ending December 31, 2005; and
3. To transact such other business as may properly come before the meeting or any adjournment thereof.

Stockholders of record on the books of Tempur-Pedic International at the close of business on March 21, 2005 will be entitled to notice of and to vote at the Annual Meeting.

Please sign, date, and return the enclosed proxy card in the enclosed postage-paid envelope, as instructed in the proxy materials, at your earliest convenience. If you return the proxy, you may nevertheless attend the Annual Meeting and vote your shares in person.

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

By Order of the Board of Directors,

DALE E. WILLIAMS

Senior Vice President, Chief Financial Officer,

Secretary and Treasurer

Lexington, Kentucky

March 24, 2005

A copy of your proxy card and picture identification will be required to enter the meeting. Cameras and recording equipment will not be permitted at the meeting.

It is important that your shares be represented at the annual meeting. Whether or not you plan to attend the annual meeting, please sign, date, and return the enclosed proxy card in the enclosed envelope, which requires no postage if mailed from within the United States, as instructed on the proxy card.

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TEMPUR-PEDIC INTERNATIONAL INC.

1713 Jaggie Fox Way

Lexington, Kentucky 40511

PROXY STATEMENT

Annual Meeting of Stockholders To Be Held on Tuesday, April 26, 2005

INFORMATION CONCERNING SOLICITATION AND VOTING

Our Board of Directors is soliciting proxies for the 2005 Annual Meeting of Stockholders. 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.

Voting materials, which include this Proxy Statement, a Proxy Card and our 2004 Annual Report to Stockholders, were mailed to stockholders on or about March 24, 2005. 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 terms Tempur-Pedic International, we, our, ours, us, and Company refer to Tempur-Pedic International Inc.

Q: Who may vote at the meeting?

A: The Board set March 21, 2005 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 21, 2005 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 21, 2005, 98,559,438 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.

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

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

Election of eight (8) directors to each serve for one-year terms and until the director's successor has been duly elected and qualified.

Ratification of the appointment of the firm of Ernst & Young LLP as Tempur-Pedic International's independent auditors for the fiscal year ending December 31, 2005.

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

A: In Proposal One for the election of the directors, those eight nominees who receive the highest number of affirmative FOR votes of the shares present or represented and entitled to vote at the annual meeting will be elected. Proposal Two for the ratification of Tempur-Pedic International's independent auditors requires the affirmative FOR vote of a majority of the shares of common stock present or represented and entitled to vote on March 21, 2005.

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Q: How are the votes counted?

A: For each item up for voting, you may vote FOR, AGAINST, or you may ABSTAIN. In electing directors, you may also choose to withhold your vote from any specific nominee. 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.

Election of Directors

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

Ratification of Auditors and Other Matters

An abstention is counted as a vote against ratification of the independent auditor and all other matters to properly come before the meeting. 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 our transfer agent, EquiServe Trust Company, N.A.

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.

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

A: Whether you hold shares directly as a stockholder of record or beneficially in street name, you may vote without attending the meeting. You may vote by granting a proxy, or for shares held in street name, 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) and FOR the ratification of the appointment of Ernst & Young LLP as Tempur-Pedic International's independent auditors for the fiscal year ending December 31, 2005 (Proposal Two).

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 fiscal 2005.

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PROPOSAL ONE

ELECTION OF DIRECTORS

Board of Directors

Tempur-Pedic International's Board of Directors consists of eight members, each serving one-year terms: Jeffrey S. Barber, Francis A. Doyle, Tully M. Friedman, Sir Paul Judge, Nancy F. Koehn, Christopher A. Masto, P. Andrews McLane and Robert B. Trussell, Jr. The term for these eight directors will expire at this 2005 Annual Meeting. The nominees, if elected, will each serve a one-year term until Tempur-Pedic International's annual meeting in 2006 or until his or her respective successor is elected and qualified. Each of the nominees has consented to serve a new one-year term. There are no family relationships among our executive officers and directors.

VOTE REQUIRED

The eight persons receiving the highest number of votes represented by outstanding shares of common stock present or represented by proxy and entitled to vote 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:

Jeffrey S. Barber, 32, has served as a member of Tempur-Pedic International's Board of Directors since November 2002. Mr. Barber is a Principal of TA Associates, Inc., where he has been employed since 2001. Mr. Barber's activity at TA Associates centers on buyouts and leveraged recapitalizations of companies in the consumer, financial services and business services sectors. Mr. Barber was employed as an Associate in the Private Equity Group of Weiss, Peck & Greer, LLC during 2000 and as an Associate in the Private Equity Group of Vestar Capital Partners from 1997 to 1999. Prior to that, Mr. Barber was employed at Morgan Stanley & Co., where he worked in the investment banking department. Mr. Barber received his B.A. degree, with University and Departmental Honors, from Johns Hopkins University and his M.B.A. degree, as a Beta Gamma Sigma Scholar, from Columbia University.

Francis A. Doyle, 56, has served as a member of Tempur-Pedic International's Board of Directors since March 2003. Mr. Doyle has served as President and Chief Executive Officer of Connell Limited Partnership 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 the Joslin Diabetes Center and Boston College. Mr. Doyle is a certified public accountant and holds a B.S. degree and an M.B.A. degree from Boston College.

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Tully M. Friedman, 63, has served as a member of Tempur-Pedic International's Board of Directors since November 2002. Mr. Friedman is Chief Executive Officer of Friedman Fleischer & Lowe, LLC, which he co-founded in 1997. Prior to forming Friedman Fleischer & Lowe, Mr. Friedman co-founded and served as one of two managing general partners of private equity firm Hellman & Friedman. He is currently on the Board of Directors of Archimedes Technology Group, CapitalSource Inc., The Clorox Company, Mattel, Inc. and Kool Smiles Holding Corporation. He received his B.A. degree, with great distinction, from Stanford University and received a J.D. degree from Harvard Law School.

Sir Paul Judge, 55, has served as a member of Tempur-Pedic International's board of directors since July 2004. Sir Paul Judge is chairman of the Royal Society of Arts, Manufactures and Commerce, Deputy Chairman of the American Management Association and President of the United Kingdom Chartered Management

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Institute. 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 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 currently serves on the board of Standard Bank Group Ltd of Johannesburg and Schroder Income Growth Fund plc, 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, 45, 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 2001. From July 1989 through June 2001, Ms. Koehn was an Associate 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, 37, has served as a member of Tempur-Pedic International's Board of Directors since November 2002. Mr. Masto is a Managing 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. Mr. Masto received his B.A. degree, *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, 57, has served as Chairman of Tempur-Pedic International's Board of Directors since November 2002. Mr. McLane joined TA Associates, Inc. in 1979, where he is Senior Managing Director and a member of the firm's Executive Committee. Mr. McLane's activity at TA Associates centers on buyouts and leveraged recapitalizations of companies in the consumer, financial services and business services sectors. Mr. McLane is a director of Numeric Investors L.P. and also serves on the boards of the United States Ski and Snowboard Team, St. Paul's School and the Appalachian Mountain Club. Mr. McLane graduated from Dartmouth College in 1969 with an A.B. degree and from the Tuck School of Business at Dartmouth in 1973 with an M.B.A. degree.

Robert B. Trussell, Jr., 53, is the Chief Executive Officer of Tempur-Pedic International and a member of Tempur-Pedic International's board of directors. He has served in this capacity at Tempur-Pedic International or its predecessor since 2000, and from 2000 to December 2004, Mr. Trussell served as Tempur-Pedic International President. From 1992 to 2000, Mr. Trussell served as President of Tempur-Pedic, Inc., 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.

Our directors have determined that Francis A. Doyle is an audit committee financial expert within the meaning of the rules of the Securities and Exchange Commission and has accounting or related financial management expertise within the meaning of the New York Stock Exchange rules.

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<u>Name</u>	<u>Age</u>	<u>Position</u>
Robert B. Trussell, Jr.	53	Chief Executive Officer and Director
H. Thomas Bryant	57	President
David Montgomery	43	Executive Vice President and President of International Operations
Matthew D. Clift	45	Executive Vice President of Global Operations
Dale E. Williams	42	Senior Vice President, Chief Financial Officer, Secretary and Treasurer
David C. Fogg	46	Senior Vice President of Tempur-Pedic International and President of Tempur-Pedic, Inc. Retail Division.
Jeffrey B. Johnson	40	Vice President, Corporate Controller, Chief Accounting Officer and Assistant Secretary

Robert B. Trussell, Jr. is the Chief Executive Officer of Tempur-Pedic International and a member of Tempur-Pedic International's board of directors. He has served in this capacity at Tempur-Pedic International or its predecessor since 2000, and from 2000 to December 2004, Mr. Trussell served as Tempur-Pedic International President. From 1992 to 2000, Mr. Trussell served as President of Tempur-Pedic, Inc., 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.

H. Thomas Bryant joined Tempur-Pedic International in July 2001. From July 2001 to December 2004, Mr. Bryant served as Executive Vice President and President of North American Operations. In December 2004, Mr. Bryant was promoted to President of Tempur-Pedic International. 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.

David Montgomery joined Tempur-Pedic International in February 2003 and serves as Executive Vice President and President of International Operations. 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'École Supérieure de Commerce de Reims, France and Middlesex Polytechnic, London.

Matthew D. Clift joined Tempur-Pedic International in December 2004 and serves as Executive Vice President of Global Operations. 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.

Dale E. Williams joined Tempur-Pedic International in July 2003 and serves as Senior Vice President, Chief Financial Officer, Secretary and Treasurer. From 2001 to September 2002, Mr. Williams served as Vice President and Chief Financial Officer of Honeywell Control Products, a division of Honeywell International, Inc. From September 2002, when he left Honeywell in connection with a reorganization, to July 2003, Mr. Williams received severance from Honeywell and was not employed. From 2000 to 2001, Mr. Williams served as Vice

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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.

David C. Fogg has served as a Senior Vice President and President of our North American Retail Division since 2001, and has been employed with Tempur-Pedic International or its predecessor since 1995. Prior to that, Mr. Fogg was Vice President of International Sales at Occidental Petroleum's Island Creek Coal Company. Mr. Fogg's professional activities include participation in the International Sleep Products Association (ISPA) Board of Trustees, Better Sleep Council Board and Strategic Planning Committee. Mr. Fogg received his B.A. degree from Pomona College located in Claremont, California.

Jeffrey B. Johnson joined Tempur-Pedic International in November 1999 and serves as Vice President, Corporate Controller and Chief Accounting Officer. From 1993 to 1999, Mr. Johnson was an experienced manager at Arthur Andersen in the audit and business advisory services division. Mr. Johnson is a certified public accountant and a certified management accountant and holds a B.S. degree, with honors, from the University of Kentucky and an M.B.A. degree, with honors, from the University of Chicago.

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

Corporate Governance

The following materials related to the Company's corporate governance are available on our website at: <http://www.tempurpedic.com/ir> 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

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Compensation Committee Charter

Nominating and Corporate Governance Committee Charter

Committees of the Board

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: Dale E. Williams. Please specify which document you would like to receive.

Board of Directors Meetings

The Board of Directors held eight (8) meetings in 2004, and acted by written consent nine (9) times. All directors attended 75% or more of the combined total number of meetings of the Board of Directors and its committees held in 2004 during the period in which they served as directors or committee members.

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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 (the NYSE Independence Rules). The Board of Directors has determined that none of Francis A. Doyle, Tully M. Friedman, Sir Paul Judge, Nancy F. Koehn or Christopher A. Masto has a material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company) within the meaning of the NYSE Independence Rules.

The Board of Directors has determined that Robert B. Trussell, Jr. does not qualify as an independent director under the NYSE Independence Rules because he serves as Chief Executive Officer of Tempur-Pedic International Inc. The Board of Directors has also determined that P. Andrews McLane and Jeffrey S. Barber do not currently qualify as independent directors due to certain payments made by Tempur-Pedic International Inc. to affiliates of TA Associates, Inc. in 2002 in connection with the acquisition of Tempur World, Inc. and related financing.

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.

The Audit Committee

The members of the Audit Committee are Francis A. Doyle (Chair), 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 and that Mr. Doyle is an audit committee financial expert as defined in the rules of the Securities and Exchange Commission.

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 control 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;

the Company's quarterly and annual financial statements and annual report on Form 10-K;

the adequacy of management's implementation of internal controls;

the Company's accounting policies and procedures and significant changes in accounting policies;

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the Company's business conduct and ethics policies and practices;

the Company's policies with respect to risk assessment and risk management; and

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.

In addition, the committee appoints the independent public accountants and reviews their independence and performance and the reasonableness of their fees.

The Audit Committee met ten (10) times in 2004 and acted by written consent two (2) times. A copy of the Audit Committee charter as adopted by our Board of Directors is attached to this proxy statement as Appendix A and is also available on Tempur-Pedic International's website <http://www.tempurpedic.com/ir>. The charter is available in print to any stockholder who requests it in writing by contacting the Chief Financial Officer of Tempur-Pedic International at 1713 Jaggie Fox Way, Lexington, Kentucky 40511.

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The Compensation Committee

The members of the Compensation Committee are Tully M. Friedman (Chair), Francis A. Doyle and Sir Paul Judge. 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;

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 Securities Exchange Act of 1934, as amended (the Exchange Act), and Section 162(m) of the 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;

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 Commission requirements, complying with these requirements when listed by the NYSE or subject to the requirements of the Commission.

The Compensation Committee met one (1) time in 2004 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 web site <http://www.tempurpedic.com/ir>. The charter is available in print to any stockholder who requests it in writing by contacting the Chief Financial Officer of Tempur-Pedic International at 1713 Jaggie Fox Way, Lexington, Kentucky 40511.

The Nominating and Corporate Governance Committee

The members of the Nominating and Corporate Governance Committee are Francis A. Doyle (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;

considering and making recommendations concerning director nominees proposed by stockholders; and

developing and recommending to the Board corporate governance guidelines for the Company.

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The Nominating and Corporate Governance Committee met one (1) time in 2004 and acted by written consent two (2) times. A copy of the Nominating and Corporate Governance Committee charter as adopted by our Board of Directors is available on Tempur-Pedic International's web site <http://www.tempurpedic.com/ir>. The charter is available in print to any stockholder who requests it in writing by contacting the Chief Financial Officer of Tempur-Pedic International at 1713 Jaggie Fox Way, Lexington, Kentucky 40511.

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:

Directors must have a reputation for integrity, honesty and adherence to high ethical standards;

Directors must have the ability to exercise sound business judgment;

Directors must have substantial business or professional experience and be able to offer meaningful advice and guidance to the Company's management based on that experience; and

Directors must be able 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 accounting, governance, finance or marketing and whether the nominee has leadership experience with public companies or other sophisticated and complex organizations.

Process for Identifying and Evaluating Director Nominees

The Nominating and Corporate Governance Committee identifies candidates for director nominees in consultation with management, through the use of search firms or other advisors as appropriate, or through such other methods as the Nominating and Corporate Governance Committee deems to be helpful to identify candidates. 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. With regard to the Company's newest directors, Nancy F. Koehn and Sir Paul Judge, each were initially suggested as a director candidate by a non-management director of the Company. In 2004, the Company did not employ a search firm or pay fees to other third parties in connection with seeking or evaluating Board nominee candidates. 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.

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Procedures for Recommendation of Director Nominees by Stockholders

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. Recommendations must be received by the Committee no later than October 1, 2005. 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 2006 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 New York Stock Exchange 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 web site at <http://www.tempurpedic.com/ir> 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 2004, executive sessions were held after three regularly scheduled meetings of the Board of Directors. Executive sessions are led by P. Andrews McLane, the presiding director.

Director Compensation

Non-employee directors Sir Paul Judge and Nancy F. Koehn receive an annual retainer of \$35,000 for their service on the Board of Directors. All directors may be reimbursed for reasonable out-of-pocket expenses incurred in connection with attendance at Board of Directors or committee meetings. Under our 2003 Equity Incentive Plan (Plan), directors also are eligible to receive stock option grants or restricted stock awards at the discretion of the Board of Directors or other administrator of the Plan. In March 2003, Francis A. Doyle was granted options to purchase 210,000 shares of common stock for service as director and as chairman of the audit committee, a quarter of which vested on the first anniversary of the grant date and the remainder of which vest quarterly over a three-year period beginning on such anniversary date. In March 2004, Nancy F. Koehn was granted options to purchase 25,000 shares of common stock for service as a director, which options vest quarterly over a four-year period. In July 2004, Sir Paul Judge was granted options to purchase 25,000 shares of common stock for service as a director, which options vest quarterly over a four-year period.

Charitable Contributions

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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 fiscal 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 June 22, 2004, all of the directors then serving on the Board, attended.

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The following table sets forth information as of March 1, 2005 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; and

all of Tempur-Pedic International's directors and executive officers as a group.

Beneficial ownership of shares is determined under rules of the Securities and Exchange Commission and generally includes any shares over which a person exercises sole or shared voting or investment power. The table also includes the number of shares that can be acquired within 60 days upon exercise of options. Common stock subject to these options 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. The table assumes 98,460,557 shares of common stock outstanding as of March 1, 2005.

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, director and 5% stockholder listed below is c/o Tempur-Pedic International Inc., 1713 Jaggie Fox Way, Lexington, Kentucky 40511.

Name of Beneficial Owner:	Shares Beneficially Owned	
	Number of Shares	Percentage of Class
5% Stockholders:		
TA Associates Funds(1)	34,364,387	34.9%
Friedman Fleischer & Lowe Funds(2)	16,828,403	17.1%
Executive Officers and Directors:		
Robert B. Trussell, Jr.(3)	2,876,046	2.9%
H. Thomas Bryant(4)	375,279	*