

SEALY CORPORATION CORPORATE GOVERNANCE GUIDELINES

The Board of Directors of Sealy Corporation has adopted the following guidelines in furtherance of its continuing effort to enhance its corporate governance. The Board will review and amend these guidelines as it deems necessary and appropriate.

1. Board Mission and Director Responsibilities.

The Board is elected by the shareholders to oversee their interest in the long-term health and the overall success of the business and its financial strength. The Board serves as the ultimate decision-making body of the Company, except for those matters reserved to or shared with the shareholders. The Board selects and oversees the members of senior management, who are charged by the Board with conducting the business of the Company.

The core responsibility of the directors is to exercise our business judgment to act in what we reasonably believe to be in the best interests of the Company and its shareholders. Directors must fulfill our responsibilities consistent with our fiduciary duty to the shareholders, in compliance with all applicable laws and regulations. Directors will also, as appropriate, take into consideration the interests of other stakeholders, including employees and the members of communities in which the Company operates.

The Board provides advice and counsel to the Chief Executive Officer and other senior officers of the Company. The Board oversees that the assets of the Company are properly safeguarded, that appropriate financial and other controls are maintained, and that the Company's business is conducted wisely and in compliance with applicable laws and regulations.

In discharging our duties, directors may rely on the Company's senior executives and outside advisors and auditors. Accordingly, skill and integrity will be important factors in selection of the Company's senior executives and other advisors. The Board has the authority to hire independent legal, financial or other advisors as we may deem necessary.

The Board will hold regularly scheduled meetings at least four times a year. Directors are expected to attend all meetings of the Board and of the committees on which we serve. Directors should devote the time and effort necessary to fulfill our responsibilities.

The Chairman of the Board prepares Board meeting agendas based on discussions with directors and management and business issues that arise. Annotated draft agendas for Board meetings are sent to Board members in advance of each meeting. Committee agendas are prepared based on the responsibilities and duties set forth in the charter of each respective committee, expressions of interest by committee members and recommendations of management. Committee agendas are sent to committee members in advance of each committee meeting.

Information and materials regarding items requiring Board or committee approval are distributed in advance of the respective meeting unless there are countervailing considerations such as

confidentiality for its being held until the day of the meeting. Other information and materials are distributed in advance of the meetings or otherwise where important to the Board's or the committee's understanding, to facilitate discussion or generally to assist each Board member in fulfilling his or her fiduciary obligation to the Company and its shareholders. Directors are expected to review these materials before the meeting. If a matter is particularly important, Board or committee approval may be sought at a meeting subsequent to initial presentation. Following the meeting, confidential materials are returned to or left with the Company.

Certain items pertinent to the oversight and monitoring function of the Board will be brought to us regularly. The Board will review the Company's long-term strategic plans and the most significant financial, accounting and risk management issues facing the Company during at least one Board meeting each year.

Non-management directors will meet in regular executive sessions. Normally, such meetings will occur during regularly scheduled Board meetings.

2. Director Qualifications.

Directors may be nominated by the Board or by shareholders in accordance with the By-Laws. The Corporate Governance/Nominating Committee will review all nominees for the Board in accordance with its charter. The assessment will include a review of the nominee's judgment, experience, independence, understanding of the Company's or other related industries, and such other factors as the Committee concludes are pertinent in light of the current needs of the Board. The Committee will select qualified nominees and review its recommendations with the Board, which will decide whether to invite the nominee to join the Board. The Chairman of the Board should extend the Board's invitation to join the Board.

In accordance with the By-Laws, directors are elected for a term of one year. The Board does not believe that it should establish limits on the number of terms a director may serve. Term limits may cause the loss of experience and expertise important to the optimal operation of the Board. In addition, the Board does not have limits on the number of other public company boards of directors upon which a director may sit, nor does the Board have any retirement or tenure policies that would limit the ability of a director to be nominated for reelection. However, to ensure that the Board remains composed of high functioning members able to keep our commitments to Board service, the Corporate Governance/Nominating Committee will evaluate the qualifications and performance of each incumbent director before recommending the nomination of that director for an additional term.

The Board expects that when the Chief Executive Officer resigns from that position, he or she will also simultaneously submit his or her resignation from the Board. Whether the individual continues to serve on the Board is a matter for discussion at that time with the new Chief Executive Officer and the Board.

A director whose primary profession or occupation changes or who becomes aware of a relationship which would deem any non-management director as not independent following his or her election to the Board is to offer not to stand for re-election at the next election following

such change. Whether or not such offer will be accepted by the Board will be based on the recommendation of the Corporate Governance/Nominating Committee.

A majority of the directors will be independent, provided however that pursuant to the exemption provided to "controlled companies" by Section 303A of the rules of the New York Stock Exchange, for such time that the Company qualifies as a "controlled company" it may avail itself of such exemption. No director will be deemed independent unless the Board affirmatively determines that the director has no material relationship with the Company, directly or as an officer, shareholder or partner of an organization that has a relationship with the Company. The Board will observe all additional criteria for independence established by the New York Stock Exchange or other governing laws and regulations.

With respect to a determination of director independence, the Board and the Corporate Governance/Nominating Committee will broadly consider all relevant facts and circumstances and will apply the following standards

- (1) Consistent with the applicable listing standards of the New York Stock Exchange, a director will not be considered independent if, within the preceding three years:
 - (a) the director was an employee, or an immediate family member of the director was an executive officer, of the Company;
 - (b) the director or an immediate family member of the director, received more than \$100,000 per year in direct compensation from the Company, other than director fees and pension or other forms of deferred compensation for prior service (provided that such compensation is not contingent in any way on continued service with the Company); except that compensation received by an immediate family member of the director for services as a non-executive employee of the Company need not be considered in determining independence under this test;
 - (c) the director was affiliated with or employed by, or an immediate family member of the director was affiliated with or employed in a professional capacity by, a present or former internal or external auditor of the Company (in applying this test and consistent with the guidance provided by the New York Stock Exchange, the term "professional capacity" shall only cover those persons participating in the auditor's audit and assurance and tax compliance practices in non-support roles, and any relationship with a person in a role other than the audit assurance and tax compliance practice will not be considered a material relationship that would impair a director's independence);
 - (d) the director, or an immediate family member of the director, was employed as an executive officer of another company where any of the Company's present executives serve on that company's compensation committee; or
 - (e) the director was employed by another company (other than a charitable organization) or an immediate family member of the director was employed as an executive officer of such company, that makes payments to, or receives payments from, the Company for property or services in an amount which, in any single fiscal year, exceeds the greater of \$1 million or 2% of such other company's

consolidated gross revenues (in applying this test, both the payments and the consolidated gross revenues to be measured will be those reported in the last completed fiscal year, and this test applies solely to the financial relationship between the Company and the director's (or immediate family member's) current employer - the former employment of the director or immediate family member need not be considered).

- (2) A director will only be appointed as a member of the Audit Committee if he or she also satisfies the independence criteria set forth in Rule 10A-3 under the Securities and Exchange Act of 1934, as amended, subject to the phase-in rules for companies listing securities on the New York Stock Exchange.
- (3) The following relationships will not be considered to be material relationships with the Company that would impair a director's independence:
 - (a) If a director of the Company is an executive officer or an employee, or the director's immediate family member is an executive officer, of another company that makes payments to, or receives payments from, the Company for property or services in an amount which, in any single fiscal year, does not exceed the greater of (i) \$1,000,000 or (ii) 2% of such other company's consolidated gross revenues;
 - (b) If a director of the Company is an executive officer or employee of another company which is indebted to the Company, or to which the Company is indebted, and the total amount of the indebtedness is less than 2% of the consolidated assets of the company wherein the director serves as an executive officer or employee;
 - (c) If a director of the Company is an executive officer of another company in which the Company owns an equity interest, and the amount of the equity interest held by the Company is less than 10% of the total shareholders' equity of the company at which the director serves as an executive officer; or
 - (d) If a director of the Company serves as a director, officer or trustee of a charitable organization, and the Company's contributions to the organization in the most recently completed fiscal year are less than the greater of (i) \$1,000,000 or (ii) 2% of that organization's gross revenues.
- (4) For relationships not covered by paragraph (3) above, or for relationships that are covered, but as to which the Board believes a director may nevertheless be independent, the determination of whether the relationship is material or not, and therefore whether the director would be independent, will be made by the Board of Directors.
- (5) For the purposes of these standards, an "immediate family member" includes a person's spouse, parents, children, siblings, mothers-in-law, fathers-in-law, sons-in-law, daughters-in-law, brothers-in-law, sisters-in-law and anyone (other than domestic employees) who shares such person's home; except that when applying the independence tests described above, the Company need not consider individuals who are no longer immediate family members as a result of legal separation or divorce or those who have died or have become incapacitated.

3. Committees of the Board.

The Board has [four] standing committees: Audit, Compensation, Corporate Governance/Nominating, [and Executive]. The Board may establish additional committees as necessary or appropriate.

[During the intervals between meetings of the Board, the Executive Committee performs all the duties and may exercise all the powers of the Board in the management of the property and business of the Company except such duties and powers as are by law, the Certificate of Incorporation or the By-Laws of the Company reserved to the Board of Directors acting as a whole.]

Only independent directors may serve on the Audit Committee, the Compensation Committee and the Corporate Governance/Nominating Committee, subject to the phase-in rules for companies listing securities on [the New York Stock Exchange] and the “controlled companies” exception described above. Each of the standing committees other than the Executive Committee will have its own charter. Each charter will set forth the responsibilities of the committee, the qualifications and procedures of the committee and how the committee will report to the Board. Each committee will conduct a self-evaluation annually.

The Chairman of each committee will determine the frequency of committee meetings, consistent with the committee’s charter and the Company’s needs.

4. Director Access to Officers, Employees and Information.

Directors have full and free access to officers, employees and the books and records of the Company. Any meetings or contact that a director wishes to initiate may be arranged through the Chief Executive Officer or the Secretary or directly by the director. The directors should use their judgment to ensure that any such contact is not disruptive to the business operations of the Company. The Board and each of its committees has the authority to hire independent legal, financial or other advisors as it may deem to be necessary without consulting or obtaining the advance approval of any officer of the Company.

The Board welcomes the regular attendance at Board meetings of non-Board members who are in the most senior management positions in the Company. The Chairman of the Board shall extend such invitations.

5. Director Orientation and Continuing Education.

Information with regard to serving on the Board, benefits, and obligations are provided to both directors and candidates for membership on the Board, with such materials updated as necessary. An orientation is provided to new Board members, customized to the needs and prior experience of each new Board member. Each new director is required to attend at least one director education program from among programs at various institutions which have been identified by the Corporate Governance/Nominating Committee. All other directors are encouraged to

participate in continuing education programs as needed. Directors are also encouraged to participate in a director site visitation program to the major facilities of the Company worldwide.

6. Annual Chief Executive Officer Performance Evaluation.

To ensure that the Chief Executive Officer is providing the best leadership for the Company, the Board will annually evaluate the Chief Executive Officer's performance in an executive session of non-management directors. The Compensation Committee will measure the Chief Executive Officer's performance against his goals and objectives and, considering the full Board's evaluation, determine the compensation of the Chief Executive Officer. The full Board will review the Compensation Committee's actions. The Board shall annually review and ratify corporate goals and objectives relevant to the Chief Executive Officer's compensation.

7. Management Succession.

Assuring that the Company has the appropriate successor to the current Chief Executive Officer in the event of his death or disability is one of the Board's primary responsibilities. The Chief Executive Officer reports annually to the Board on executive management succession planning and makes available, on a continuing basis, his recommendation on succession in the event he were disabled. The Board and the committees of non-management directors and independent directors regularly review succession planning and the strengths and weaknesses of certain individuals currently employed by the Company who could succeed the Chief Executive Officer in the event of his death or disability.

8. Annual Board Performance Evaluation.

The Board of Directors will conduct an annual self-evaluation to determine whether we and our committees are functioning effectively. During the year, the Corporate Governance/Nominating Committee shall receive input on the Board's performance from directors and, through its Chairman, will discuss the input with the full Board and oversee the full Board's review of its performance. The assessment will focus on the Board's contribution to the Company and specifically focus on areas in which the Board or management believes that the Board or any of its committees could improve.

9. Director Compensation.

The form and amount of director compensation shall be determined by the Compensation Committee and then recommended to the full Board for action in accordance with the committee charter. [The Board believes that a portion of director compensation should be in the form of shares of the Company's common stock and that directors should continue to own shares of the Company's common stock during their tenure on the Board.] Only non-employee directors receive compensation for serving on the Board. In determining compensation, the Compensation Committee shall take into consideration the responsibilities of the directors and fees being paid by other corporations comparable to the Company.

10. Board Interaction with Outside Interested Parties.

The Board believes that management speaks for the Company. From time to time, at the request of management, individual Board members may meet or otherwise communicate with various constituencies that are involved with the Company. Where comments from the Board are appropriate, they will normally come from the Chairman.