

**SELECT COMFORT CORPORATION**

**CHARTER**

**FOR THE**

**MANAGEMENT DEVELOPMENT**

**AND**

**COMPENSATION COMMITTEE**

**OF THE**

**BOARD OF DIRECTORS**

(Revised September 2013)

The purposes, responsibilities and duties of the Management Development and Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of Select Comfort Corporation (the “Company”) shall be as follows:

**I. PURPOSES**

The primary purposes of the Committee are to:

- (a) Discharge the responsibilities of the Board relating to the development and compensation of the Company’s executive officers; and
- (b) Prepare such report or reports, as may be required by applicable law, including without limitation the Committee report on executive compensation required for inclusion in the annual proxy statement or annual report on Form 10-K.

The Committee will fulfill these responsibilities by carrying out the activities enumerated in Section IV of this Charter.

## **II. COMPOSITION**

The Committee shall be comprised of two or more directors as determined by the Board, each of whom shall be determined by the Board to be “independent” in accordance with the rules of the NASDAQ Stock Market. Members of the Committee shall also qualify as “non-employee directors” within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended, and “outside directors” within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended, and shall satisfy any other necessary standards of independence under the federal securities and tax laws. No Committee member shall receive any compensation from the Company or any of its subsidiaries, other than compensation permitted to be paid to independent compensation committee members under applicable law, regulations and NASDAQ Listing Rules. The members of the Committee shall be elected by the Board at the annual organizational meeting of the Board and shall serve for such terms as are established by the Board or until their successors shall be duly elected and qualified. Unless the Board elects a Chair, the members of the Committee may designate a Chair by majority vote of the full Committee membership.

## **III. MEETINGS**

The Committee shall meet at least two times annually, or more frequently as circumstances dictate. The Chair of the Committee shall have the authority to call meetings of the Committee upon reasonable notice and shall preside at all meetings of the Committee. Meetings of the Committee may be conducted by telephone conference if each of the members may simultaneously hear each other member. A majority of the members of the Committee shall constitute a quorum for the conduct of business and the Committee shall act by majority vote of the quorum. Action of the Committee may be taken without a meeting if unanimous written

consent thereto by each of the members of the Committee is given. The Committee shall keep minutes of its meetings and shall provide copies of such minutes and of actions by written consent to the Board and to the Secretary of the Company for placement in the Company's minute books.

#### **IV. RESPONSIBILITIES AND DUTIES**

To fulfill its responsibilities and duties the Committee shall:

- (a) Establish, and from time to time review and revise, corporate goals and objectives with respect to compensation for the Chief Executive Officer ("CEO") and other executive officers;
- (b) Establish and lead a process for the full Board to evaluate the performance of the CEO in light of those goals and objectives and provide an annual performance review to the CEO;
- (c) Review and approve on an annual basis the evaluation process applicable to executive officers other than the CEO;
- (d) Periodically review the Company's succession and management development plans for the CEO and other executive officers;
- (e) Review and approve salaries and other compensation applicable to the CEO and other executive officers, provided, however, that the CEO shall not be present during any Committee deliberations or voting with respect to his or her compensation;
- (f) Establish and lead a process for determination of the compensation applicable to service on the Board by non-employee directors;
- (g) Oversee the Company's compliance with SEC rules and regulations regarding shareholder approval of certain executive compensation matters, including advisory votes on executive compensation and the frequency of such votes, and the requirement under NASDAQ Listing Rules that, with limited exceptions, shareholders approve equity compensation plans;

- (h) Administer the Company's stock option and stock purchase plans applicable to any employee of the Company;
- (i) Determine specific grants of options, restricted stock or other awards for executive officers, and general grant levels for other participants, under the Company's stock incentive plans;
- (j) Administer the Company's incentive compensation plans applicable to executive officers of the Company, including the annual establishment of (i) eligible employees, (ii) performance goals, and (iii) target incentive compensation levels;
- (k) Review the Company's policies with respect to employee benefit plans and approve substantive changes to such benefit plans;
- (l) Periodically review and approve the terms of any severance policy or agreement, change in control agreement, or other employment agreements or terms for executive officers of the Company;
- (m) Have the sole discretion and authority to retain, terminate and obtain the advice of any compensation consultant, legal counsel or other adviser to assist it in the performance of the Committee's duties, but only after taking into consideration all factors relevant to the adviser's independence from management, including those specified in Section 5605(d)(3)(D) of the NASDAQ Listing Rules; the Committee shall be directly responsible for the appointment, compensation and oversight of the work of any adviser retained by the Committee, and shall have sole authority to approve the adviser's fees and the other terms and conditions of the adviser's retention; any independent consultant engaged by the Committee for any purpose as contemplated by this clause (m) shall not be separately engaged by the Company for any work not expressly commissioned by the Committee without the prior approval of the Committee.

(n) Undergo an annual review of the performance of the Committee pursuant to such process as may be established and modified from time to time by the Corporate Governance and Nominating Committee.

(o) Review the results of any shareholder vote on executive compensation and assess implications for changes to compensation policies and practices as appropriate;

(p) Periodically review the compensation practices and policies for all employees from a risk standpoint;

(q) Review and discuss with management, prior to the filing of the proxy or information statement or Form 10-K, the disclosure relating to executive compensation, including the CD&A;

(r) Report regularly to the Board with regard to action taken by the Committee and any issues that may arise in the course of the discharge by the Committee of its responsibilities and duties hereunder; and

(s) Annually review the Committee's compliance with this Charter, and annually review and reassess the adequacy of this Charter and submit any material recommended changes to the Board for its consideration.

## **V. FUNDING OF THE COMMITTEE'S FUNCTIONS BY THE COMPANY**

The Company shall provide for appropriate funding for the Committee, in its capacity as a committee of the Board, in such amounts as may be determined by the Committee, for payment of compensation to any advisors engaged by the Committee in connection with the fulfillment by the Committee of its responsibilities and duties hereunder.