

SOTHEBYS
Form DEF 14A
March 26, 2009
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934

Filed by the Registrant S

Filed by a Party other than the Registrant £

Check the appropriate box:

£ Preliminary Proxy Statement

S Definitive Proxy Statement

£ Definitive Additional Materials

£ Soliciting Material Pursuant to § 240.14a-12

£ Confidential, for Use of the Commission Only
(as permitted by Rule 14a-6(e)(2))

SOTHEBY S

(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):

S No fee required.

£ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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- (1) Amount previously paid:
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 - (3) Filing party:
 - (4) Date filed:
-

**SOTHEBY S
NOTICE OF ANNUAL MEETING
OF SHAREHOLDERS
TO BE HELD MAY 7, 2009**

To the Shareholders of
SOTHEBY S

The Annual Meeting of Shareholders of SOTHEBY S (the Company) will be held on Thursday, May 7, 2009, at the Company s offices located at 1334 York Avenue, New York, New York, at 11:00 a.m., local time, for the following purposes:

1. To elect eleven (11) directors to serve until the next annual meeting of shareholders and until their successors are elected and qualified;
2. To ratify the appointment of Deloitte & Touche LLP as the Company s independent registered public accounting firm for the year ending December 31, 2009; and
3. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

The Board of Directors has fixed the close of business on March 18, 2009 as the record date for determining the shareholders that are entitled to notice of, and to vote at, the annual meeting or any adjournment or postponement thereof.

By Order of the Board of Directors
MICHAEL I. SOVERN, Chairman

New York, New York
March 26, 2009

SHAREHOLDERS WHO DO NOT INTEND TO BE PRESENT AT THE MEETING IN PERSON ARE REQUESTED TO VOTE BY TELEPHONE OR BY INTERNET IN ACCORDANCE WITH THE INSTRUCTIONS IN THE NOTICE MAILED TO SHAREHOLDERS OR BY PROXY CARD IN ORDER THAT THE NECESSARY QUORUM MAY BE ASSURED. ANY PROXY MAY BE REVOKED IN THE MANNER DESCRIBED IN THE ACCOMPANYING PROXY STATEMENT AT ANY TIME BEFORE IT HAS BEEN VOTED AT THE MEETING.

SOTHEBY S
1334 York Avenue
New York, New York 10021

PROXY STATEMENT
FOR ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 7, 2009

ANNUAL MEETING AND RELATED INFORMATION

What is the purpose of the Annual Meeting?

At the Sotheby s (the Company) 2009 Annual Meeting of Shareholders (including any adjournment or postponement, the Meeting), shareholders will consider and vote upon:

The election
of eleven
(11)
directors
(Proposal 1).

A proposal
to ratify the
appointment
of Deloitte &
Touche LLP
as the
Company s
independent
registered
public
accounting
firm for the
year ending
December
31, 2009
(Proposal 2).

This proxy statement is being made available to you in connection with the solicitation of proxies by and on behalf of the Board of Directors of the Company, for use at the Meeting to be held for the purposes described in the accompanying Notice of Annual Meeting.

Why am I receiving a notice in the mail indicating the Internet availability of this Proxy Statement and the accompanying materials instead of a paper copy of those materials?

A Securities and Exchange Commission rule permits the Company to make its proxy materials available over the Internet to its shareholders. The proxy materials consist of:

The Notice
of Annual

Meeting

This Proxy
Statement;
and

The
Company's
2008
Annual
Report,
which
includes its
Annual
Report on
Form 10-K
for the
fiscal year
ended
December
31, 2008.

To take advantage of this rule, the Company is mailing a notice of the posting of the proxy materials on the Internet (the Access Notice) to its shareholders. The Access Notice contains instructions regarding how to vote your shares, including a control number that you will need in order to vote.

The Company expects to mail the Access Notice and post the proxy materials on the Internet at:
<http://investor.shareholder.com/bid/proxy.cfm> on or about March 26, 2009.

I would like to receive copies of this year's proxy materials in paper form by mail or by email. How do I inform the Company?

The Access Notice contains several ways to inform the Company of your preference.

May I choose to receive future years' proxy materials in paper form by mail or by email?

Yes. The Access Notice also provides instructions on how to make this request.

Who is entitled to vote?

Shareholders of record of the Company's common stock, par value \$0.01 per share, as of the close of business on March 18, 2009 (the Record Date). At the close of business on the Record Date, 68,583,054 shares of the Company's common stock, sometimes referred to in this proxy statement as shares, were outstanding. Each share of the Company's common stock is entitled to one vote.

How do I vote my shares?

As indicated in the Access Notice mailed to you, you may vote your shares by telephone, internet or, if you choose to receive the proxy materials in paper form, by proxy card.

What is the effect of my voting by telephone, the internet, or completing and returning the proxy card?

A valid proxy from a shareholder will be voted as specified in each proxy card at the Meeting. Any shareholder giving a proxy by telephone, the Internet or by completing and returning a proxy card retains the power to revoke the proxy by written notice to the Secretary of the Company, addressed to the Secretary and Worldwide General Counsel, Sotheby's, 1334 York Avenue, New York, New York 10021, at any time prior to its exercise by the individual who is receiving your proxy.

How will my shares be voted by the proxies?

Unless a shareholder provides contrary instructions when voting, all shares represented by valid proxies or proxy cards received pursuant to this solicitation (and not revoked before they are voted) will be voted FOR Proposals 1 and 2. The Company knows of no business other than that set forth above to be transacted at the Meeting, but if other matters requiring a vote do arise, it is the intention of Michael I. Sovern, William F. Ruprecht and William S. Sheridan, the persons named in the proxy card to whom you are granting your proxy, to vote in accordance with their judgment on such matters.

Can I vote in person at the Meeting?

Yes. Please note, however, that attendance at the Meeting alone will not result in the revocation of your proxy unless you affirmatively indicate at the Meeting that you intend to vote your shares in person.

What constitutes a quorum for the transaction of business at the Meeting?

The holders of the number of shares possessing a majority of the shares entitled to vote at the Meeting, present in person or by proxy, constitute a quorum for the Meeting.

How many votes are needed to approve a Proposal?

For Proposal 1, the election of directors, a plurality of the votes cast at the Meeting is required to elect each of the nominees for director. The approval of Proposal 2 requires the affirmative vote of a majority of the votes cast by the shareholders present in person or represented by proxy and entitled to vote.

Abstentions and broker non-votes (where a broker or nominee is not permitted to vote on a matter without specific instructions from the beneficial owner) are not counted as votes cast on any matter to which they relate, but are counted in determining the presence of a quorum. Proposals 1 and 2 are considered routine matters for which brokers may vote without specific instructions from the beneficial owner.

Abstentions and broker non-votes have no effect on the outcome of Proposal 1 or Proposal 2.

ANNUAL REPORT

SHAREHOLDERS MAY WITHOUT CHARGE REQUEST A COPY OF THE COMPANY'S 2008 ANNUAL REPORT, WHICH INCLUDES THE ANNUAL REPORT ON FORM 10-K OF THE COMPANY FOR THE YEAR ENDED DECEMBER 31, 2008, BY WRITING TO: INVESTOR RELATIONS, 1334 YORK AVENUE, NEW YORK, NEW YORK 10021.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON MAY 7, 2009

The Notice of Annual Meeting, this Proxy Statement, the 2008 Annual Report to Shareholders and the Proxy Card are available at the following website address:

<http://investor.shareholder.com/bid/proxy.cfm>.

PROPOSAL 1 ELECTION OF DIRECTORS

The Nominating and Corporate Governance Committee of the Board of Directors has recommended to the Board, and the Board has nominated, the eleven incumbent directors to be elected at the Meeting. The Company's shareholders elect directors by a plurality of the votes cast at

the Meeting. Directors serve until the next annual meeting and until their respective successors have been elected and qualified.

The shares represented by your Proxy, if given and unless otherwise specified, will be voted by the persons named as proxies for the election of the following eleven individuals nominated by the Board of Directors. The principal occupation and certain other biographical information regarding each nominee are also set forth below.

Name	Age	Year First Elected A Director
John M. Angelo	67	2007
Michael Blakenham	71	1987
The Duke of Devonshire	64	1994
Allen Questrom	69	2005
William F. Ruprecht	53	2000
Michael I. Sovern	77	2000
Donald M. Stewart	70	2003
Robert S. Taubman	55	2000
Diana L. Taylor	54	2007
Dennis M. Weibling	57	2006
Robin G. Woodhead	57	2000

Mr. Angelo became a director of the Company in April 2007. Since 1988, he has served as the Chief Executive Officer of Angelo, Gordon & Company, a privately-held registered investment advisor dedicated to alternative investing, of which he is a co-founder and for which he oversees all fund management. Between 1970 and 1988, Mr. Angelo served in a number of positions with L.F. Rothschild & Company, the last of which was as Senior Managing Director and a member of its Board of Directors.

Lord Blakenham became a director of the Company in 1987. From 1983 to 1997, he was Executive Chairman of Pearson plc, a British media company serving the worldwide information, education and entertainment markets. From 1983 to 1993, he also served as Chairman of the Financial Times and, from 1993 to 1998, as Chairman of MEPC plc, a publicly quoted United Kingdom real estate investment and development company. Lord Blakenham was a director of LaFarge SA until May 2008 and, from 2001 to 2005, was the President of the British Trust for Ornithology. From 1997 to 2003, he served as Chairman of the Board of Trustees of the Royal Botanical Gardens, Kew and has also served as Chairman of Japan 2001, a Japanese cultural festival, and as a director of the UK-Japan 21st Century Group. Lord Blakenham currently serves as a Councilor on the Mid Suffolk District Council and is Chairman of Suffolk Together, a recently formed political party.

The Duke of Devonshire CBE, formerly the Marquess of Hartington, became a director of the Company in September 1994 and assumed the role of Deputy Chairman of the Company in April 1996. In March 2008, he was appointed as the next Chancellor of the University of Derby, England. In 2007, the Duke became a Trustee of the Wallace Collection, a major London fine arts museum, and the Storm King Arts Center in New York and a Patron of the Sheffield Botanical Gardens Trust. In 2006, he became a Trustee of the Sheffield Galleries & Museums Trust. Since 1997, the Duke has served as Chairman of and Her Majesty's Representative at Ascot Racecourse, which is managed by the Ascot Authority, of which he has served as a Trustee since 1982. In 1997, he was made a Commander of the British Empire (CBE) for services to horseracing. The Duke of Devonshire assists in the management of family estates in England, including Chatsworth, and in Ireland as well as of The Devonshire Arms (Bolton Abbey) Limited, which operates three luxury hotels in England. He also oversees the Devonshire Collection, a world-renowned private art collection.

Mr. Questrom became a director of the Company in December 2004. He is a member of the Board of Directors of Wal-Mart Stores, Inc. and is a Senior Advisor for Lee Equity Partners. He is non-executive Chairman of Deb Shops, Inc. From 2000 to December 2004, he was the Chairman and Chief Executive Officer of J.C. Penney Company. Between May 1999 and January 2001, Mr. Questrom served as Chairman of the Board of Barneys New York, Inc., a fashion retailer, and between May 1999 and September 2000, as Chief Executive Officer and President of that company. Previously, Mr. Questrom

was Chairman and Chief Executive Officer of Neiman Marcus and also served as Chairman and Chief Executive Officer of Federated Department Stores, Inc from February 1990 through May 1997.

Mr. Ruprecht became a director and the President and Chief Executive Officer of the Company in February 2000 and served as Executive Vice President of the Company and Managing Director of Sotheby's North and South America from February 1994 until February 2000. From 1992 to February 1994, he served as Director of Marketing for the Company worldwide and also oversaw a number of specialist departments. From 1986 to 1992, Mr. Ruprecht served as Director of Marketing for Sotheby's, Inc. In 2008, he became a Trustee of the University of Vermont and, in 2007, Mr. Ruprecht became a Trustee of The Historical Society of the Town of Greenwich, Connecticut.

Mr. Sovern became a director and Chairman of the Board of the Company in February 2000 and is President Emeritus and the Chancellor Kent Professor of Law of Columbia University. Since 1960, he has been a professor of law at Columbia University and served as the President of Columbia University from 1980 until 1993. Mr. Sovern is a member of the Board of Directors of Comcast Corporation. He also has served as the President of the Shubert Foundation since 1996 and is the Honorary Chairman of the Japan Society and the Chairman Emeritus of the American Academy in Rome.

Mr. Stewart became a director of the Company in April 2003. He is Visiting Professor, Harris School of Public Policy of the University of Chicago and served as the President and Chief Executive Officer of The Chicago Community Trust from 2000 until July 2004 and as President of that organization until 2005. From 1999 to 2000, Mr. Stewart served as Senior Program Officer and Special Advisor to the President, Carnegie Corporation of New York and from 1987 to 1999, he was the President of The College Board, the association of high schools and colleges. He served as President and Chief Executive Officer of Spelman College from 1976 to 1987. Mr. Stewart was also a director of The New York Times Company, The Campbell Soup Company and The Principal Financial Group.

Mr. Taubman became a director of the Company in August 2000. He is chairman, president and chief executive officer of Taubman Centers, Inc. Mr. Taubman joined the Taubman organization in 1976, was elected executive vice president in 1984, chief operating officer in 1988, president and chief executive officer in 1990 and chairman in 2001. He has headed Taubman Centers and served on its board of directors since the company's initial public offering in 1992. Mr. Taubman is a member of the board of directors of Comerica Incorporated. He serves as a director of the Real Estate Roundtable in Washington, D.C., as a trustee of the Urban Land Institute (ULI) and on the Board of Governors of the National Association of Real Estate Investment Trusts (NAREIT). He is on the Board of Directors of Detroit Renaissance. Mr. Taubman is the founding chairman of ULI's Detroit Regional District Council and a member and past trustee of the International Council of Shopping Centers. Mr. Taubman serves as a member of the Board of Directors of Beaumont Hospitals, a trustee of the Skillman Foundation, and a trustee of the Cranbrook Educational Community, where he is chairman of the audit committee. He is a member of the Board of Directors of SEMCOG (Southeastern Michigan Council of Governments). He is also a member of the United States Travel and Tourism Promotion Advisory Board, which was formed in 2003 to assist the U.S. Department of Commerce in attracting international visitors to the United States.

Ms. Taylor became a director of the Company in April 2007. In April 2007, she joined Wolfensohn & Co., an investment banking firm, as Managing Director. From June 2003 to March 2007, Ms. Taylor served as Superintendent of Banks for the State of New York, a position to which she was appointed by Governor George Pataki. Prior to her appointment, she held a number of senior government and private sector positions, including Chief Financial Officer of the Long Island Power Authority and Vice President of KeySpan Energy. From 1980 to 1996, Ms. Taylor was an investment banker. She worked at Smith Barney, Harris Upham; Lehman Brothers and Donaldson Lufkin & Jenrette before joining M.R. Beal & Co. as a founding partner. She is a director of Brookfield Properties, Inc., a public real estate development company, and of Fannie Mae. Ms. Taylor serves on several not-for-profit boards, including ACCION International, the International Women's Health Coalition, the Mailman School of Public Health and The After School Corporation. She is a member of the Council on Foreign Relations.

Mr. Weibling became a director of the Company in May 2006. Since 2004, he has served as the Managing Director of Rally Capital, LLC, a private equity fund that is a wholly-owned subsidiary of Teledesic Corporation, of which he is a director. Mr. Weibling currently serves as a board member of

several companies in which Rally Capital has invested: Telecom Transport Management Inc., Telesphere Networks Ltd., and SinglePoint Communications, Inc. From October 1993 to December 2001, he served as President of Eagle River, Inc. and then as Vice Chairman of Eagle River Investments until November 2003, both being ventures of the family of Keith W. McCaw. Beginning in 1999, Mr. Weibling served as a director of Nextel Partners, Inc. and Nextel Communications, Inc. until their respective mergers with Sprint Corporation in 2005 and 2006. Until 2003, he served on the board of XO Communications. Mr. Weibling also serves on the board of Seattle Pacific University.

Mr. Woodhead became a director of the Company in February 2000. Since 1998, he has served as an Executive Vice President of the Company and became Chairman, Sotheby's International, in 2008, having served as Chief Executive of Sotheby's International from 2006 to 2008. He served as Chief Executive, Sotheby's Asia (from 1999 to 2006), and as Chief Executive, Sotheby's Europe (from 1998 to 2006). Mr. Woodhead was Co-Managing Director, Sotheby's Europe from January until December 1998. From 1992 until 1997, he was the Chief Executive of the London Commodity Exchange.

It is not contemplated that any of the nominees will be unable or unwilling to serve; however, if any nominee is unable or unwilling to serve, it is intended that the shares represented by the Proxy, if given and unless otherwise specified therein, will be voted for a substitute nominee or nominees designated by the Board of Directors.

MANAGEMENT**Executive Officers**

Officers of the Company are appointed by the Board of Directors and serve at the discretion of the Board. The executive officers of the Company (including certain officers of certain principal subsidiaries and divisions) are listed below as well as biographical information for each person, unless that person has been nominated for a director position, in which case such executive officer's biography is contained under the caption "Proposal 1 Election of Directors":

Name	Age	Present Title
Susan Alexander	55	Executive Vice President and Worldwide Head of Human Resources
Kevin Ching	52	Chief Executive Officer, Sotheby's Asia
Maarten ten Holder	38	Managing Director, Sotheby's North and South America
Gilbert L. Klemann, II	58	Executive Vice President, Worldwide General Counsel and Secretary
Patrick van Maris van Dijk	47	Managing Director, Sotheby's Europe
Diana Phillips	62	Executive Vice President and Worldwide Director of Press and Corporate Affairs
William F. Ruprecht	53	President and Chief Executive Officer
William S. Sheridan	55	Executive Vice President and Chief Financial Officer
Dr. David Ulmer	52	Senior Vice President and Chief Technology and Strategy Officer
Bruno Vinciguerra	46	Executive Vice President and Chief Operating Officer
Robin G. Woodhead	57	Executive Vice President and Chairman, Sotheby's International
Mitchell Zuckerman	62	Chairman, Sotheby's Financial Services, Inc. and President Sotheby's Ventures, LLC

Ms. Alexander was appointed Executive Vice President and Worldwide Head of Human Resources of the Company in October 2004. From January 1986 to October 2004, she served as Senior Vice President and Worldwide Head of Human Resources of the Company and has been employed by the Company since 1984.

Mr. Ching joined the Company as Chief Executive Officer, Sotheby's Asia in July 2006 and became a director of Sotheby's Hong Kong Limited in October 2006. From 1994 until 2006, he served as a board executive director and group legal counsel of Dickson Concepts (International) Limited, a Hong Kong public company, and was responsible for its legal affairs as well as general business development, with special responsibility for China.

Mr. ten Holder became Managing Director of Sotheby's North and South America in September 2007. He previously served as Deputy Managing Director of Sotheby's North America from 2006 to September 2007 and as Deputy Managing Director of Sotheby's Milan, Italy office between 2002 and 2006. Between 1996 and 2002, Mr. ten Holder held various positions with the Company's European subsidiaries.

Mr. Klemann joined the Company in February 2008 as Executive Vice President, Worldwide General Counsel and Secretary. Prior to joining the Company, he served as Senior Vice President and General Counsel of Avon Products, Inc. from January 2001 until December 2007. During 2000, he was Of Counsel to the international law firm of Chadbourne & Parke LLP, and, from 1998 to 1999, he was an Executive Vice President of Fortune Brands, Inc. (formerly American Brands, Inc.), with responsibilities that included corporate development, legal and administrative functions. Between 1991 and 1997, Mr. Klemann served as the Senior Vice President and General Counsel of American

Brands, Inc. and previously was a partner in Chadbourne & Parke LLP, where he was a member of the Management Committee. He is a director of North American Galvanizing & Coatings, Inc.

Mr. van Maris became Managing Director of Sotheby's Europe in July 2008. Previously he was Head of Regional European Experts (from January 2006 to July 2008) and prior to that served as Managing Director of Sotheby's in the Netherlands (2003 to 2005). Since 1989, Mr. van Maris has served in a number of different executive positions with Sotheby's.

Ms. Phillips became an Executive Vice President of the Company in October 2004. She became Worldwide Director of Press and Corporate Affairs in 1988 and was promoted to Senior Vice President in 1990. She joined Sotheby's in 1985 as Manager of Corporate Information for Sotheby's North America. Prior to joining Sotheby's, she was with Hill & Knowlton, the international public relations firm.

Mr. Sheridan was appointed Executive Vice President and Chief Financial Officer of the Company in February 2001, having served as Senior Vice President and Chief Financial Officer of the Company between November 1996 and February 2001. From 1987 until November 1996, Mr. Sheridan was a partner at the accounting and consulting firm of Deloitte & Touche LLP. Mr. Sheridan also serves as a director of Alliance One International, Inc.

Dr. Ulmer became Senior Vice President and Chief Technology and Strategy Officer of the Company in 2006, having previously served as Senior Vice President and Chief Technology Officer since January 2000. He served as Senior Vice President of Information Technology from June 1997 until January 2000.

Mr. Vinciguerra, an Executive Vice President of the Company since January 2007, was appointed to the additional position of Chief Operating Officer of the Company in July 2008. He has served as Director of Global Business Development of the Company since February 2008. From January 2007 to February 2008, Mr. Vinciguerra was the Director of New Initiatives of the Company. He previously served as the General Manager of Dell Western Europe from 2003 to 2006 and as the General Manager of Dell Southern Europe from 2000 to 2003. From 1998 to 2000, Mr. Vinciguerra was Senior Vice President, Strategic Planning of The Walt Disney Company. From 1994 to 1997, he was a vice president and partner of Bain and Co., where he had been employed since 1986.

Mr. Zuckerman has been Chairman of Sotheby's Financial Services, Inc. since 2007 and President of Sotheby's Ventures, LLC since 1997. From 1988 to 2007, he was President of Sotheby's Financial Services, Inc.

CORPORATE GOVERNANCE

Board of Directors Generally

Board of Directors Meetings and Attendance. The Board of Directors of the Company met six times during 2008. Each director attended at least 75% of the meetings of the Board and the committees of the Board on which he or she served during the applicable time period.

Annual Meeting Attendance by Directors. With respect to the Annual Meeting, the Company expects all Board members to make every effort to attend but also recognizes that unavoidable scheduling conflicts and special individual circumstances need to be taken into account in applying this policy. All of the Board members standing for reelection at the Company's 2008 Annual Meeting of Shareholders attended that meeting, other than Lord Blakenham.

Board Sessions of Non-Management Directors. As required by corporate governance rules of the New York Stock Exchange, Inc. (NYSE) on which the Company's common stock is listed, the non-management directors of the Board of Directors meet at regularly scheduled executive sessions without management. The chairman of these sessions is Mr. Sovern, the Company's Chairman of the Board.

Board Committees

Audit Committee

The primary purpose of the Audit Committee of the Board of Directors is to assist the Board in fulfilling its responsibility for the integrity of the Company's financial reports. In carrying out its purpose, the Committee serves as an independent and objective monitor of the Company's financial reporting process and internal control systems, including the activities of the Company's independent registered public accounting firm and internal audit function. The Audit Committee met four times during 2008. Its current members are Mr. Weibling (Chairman), Lord Blakenham, Mr. Questrom and Ms. Taylor.

The Company's Board of Directors has determined that all members of the Audit Committee are financially literate under applicable NYSE corporate governance rules. In addition, the Board has determined that Dennis M. Weibling meets the definition of "audit committee financial expert" contained in applicable rules of the Securities and Exchange Commission (SEC) and also has the requisite financial and accounting expertise required under NYSE rules.

The Audit Committee operates under a charter that conforms to applicable SEC and NYSE rules.

Compensation Committee

Generally. The Compensation Committee undertakes the responsibilities of the Board relating to the compensation of the Company's employees and, in particular, the compensation of the Company's Chief Executive Officer and other executive officers. Its prime responsibilities are to review, evaluate and approve the Company's compensation and other benefit plans, policies and programs. The Compensation Committee operates under a charter that conforms to applicable NYSE rules. The Compensation Committee met four times during 2008. Its current members are Mr. Taubman (Chairman), Mr. Angelo and Mr. Stewart.

Determination of Named Executive Officer Compensation. In addition to the Compensation Committee, the Company's President and Chief Executive Officer, William F. Ruprecht, plays a role in recommending and determining the compensation of senior executives, including that of the other Named Executive Officers in this proxy statement. In addition, the Company's Executive Vice President and Worldwide Head of Human Resources, Susan Alexander, makes recommendations regarding senior executive compensation as requested by the Compensation Committee. See "Compensation Discussion and Analysis" below for further information regarding this process.

Use of Outside Compensation Consultants. Since 2007, the Compensation Committee has retained the independent compensation consulting firm Semler Brossy Consulting Group, LLC to analyze the Company's incentive compensation programs and to recommend structural changes to these programs based on its analysis.

During 2005 and 2006, the committee retained independent compensation consultant Frederic W. Cook & Co. to analyze the compensation packages of certain Named Executive Officers and to make recommendations regarding these individuals' compensation, particularly in comparison to identified peer group companies. In 2008, the committee hired Semler to perform similar work regarding Mr. Vinciguerra's compensation package. With respect to Mr. Woodhead, the committee retained in 2006 the independent compensation consultant Watson Wyatt Worldwide to perform services comparable to those provided by Cook because of the need for international expertise in this evaluation. The Cook and Watson Wyatt services were provided in part to assist the committee in structuring employment and severance arrangements entered into during 2006 with several Named Executive Officers, including the Chief Executive Officer, and Mr. Vinciguerra as noted above. The committee considered the Semler, Cook and Watson Wyatt studies in making NEO compensation decisions for 2008. In addition, the committee engaged RNW, a strategic management consultant, to provide assistance with a new CEO review process. The Compensation Committee directly engaged these consultants to provide these services and other related services. See Compensation Discussion and Analysis below for detailed information regarding the use of compensation consultants by the Committee.

In addition, as authorized by the Compensation Committee, the Company has retained the following independent outside consultants in connection with other executive compensation matters as noted: Hewitt Associates for deferred compensation plan-related advice, Aon Consulting, Ltd. for United Kingdom pension matters, and PricewaterhouseCoopers for tax advice and analysis.

Executive Committee

The Executive Committee considers and takes certain corporate action in between regularly scheduled meetings of the Board of Directors. Frequently, the committee takes action pursuant to internal Company corporate governance rules to approve significant loan and auction guaranty transactions. The committee met once in 2008 and took action by unanimous written consent on 11 occasions, after appropriate briefing of individual committee members by executive officers. Its current members are Mr. Sovern (Chairman), the Duke of Devonshire and Mr. Ruprecht.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee assists the Board in identifying individuals qualified to become Board members and recommends director nominees to be nominated by the Board to stand for election as directors at each annual meeting of shareholders of the Company and to fill vacancies on the Board. In past years, the Company, at the request of the committee, has retained a nationally recognized search firm to assist it in identifying qualified director candidates. Since the 2008 annual meeting of shareholders, there have not been any vacancies on the Board, nor has the Board deemed it desirable to expand its size.

The following are a number of the key attributes that the committee seeks when evaluating Board candidates:

Mature
judgment

Financial or
management
experience

Demonstrated
interest or
experience in
the fine art

and
collectibles
field

Independence
from
management

Business
development
or marketing
experience

In striving to create an appropriately diverse Board, the committee recognizes that some of these attributes may be more important than others for new director candidates, depending on the composition of the Board at any given time.

The committee will consider shareholder nominations of appropriate candidates for director in accordance with the stated requirements. See [Procedures for Director Nominations by Shareholders](#) below. The committee will evaluate such candidates as it does candidates identified by other means.

The committee is responsible for recommending to the Board appropriate Corporate Governance Guidelines applicable to the Company. In early 2008, the Board delegated to the committee the power to implement, oversee and modify the Company's Related Party Transactions Policy recently adopted by the Board. The Nominating and Corporate Governance Committee met four times during 2008. Its current members are Mr. Sovern (Chairman), Mr. Questrom, Mr. Stewart and Ms. Taylor.

The Nominating and Corporate Governance Committee operates under a charter that conforms to applicable SEC and NYSE rules.

Finance Committee

The Board created the Finance Committee in order to assist the Board in fulfilling its responsibility to oversee (i) the financial management of the Company, including oversight of the Company's capital structure and financing strategies, investment strategies and banking relationships, and (ii) the Company's plans with respect to possible acquisitions, divestitures or other strategic transactions. The committee met three times during 2008. Its current members are: Mr. Weibling (Chairman), Mr. Angelo, Mr. Ruprecht, Mr. Taubman, Ms. Taylor, and Mr. Sovern.

Compensation Committee Interlocks and Insider Participation

The directors who served as members of the Compensation Committee during 2008 were: Mr. Angelo, Mr. Taubman and Mr. Stewart. None of the members of the Compensation Committee during 2008 had any of the relationships requiring disclosure under this caption nor did any Company executive officer have any of the relationships requiring disclosure under this caption.

Director Independence and Governance Guidelines

Generally. NYSE corporate governance rules require, among other things, that the Board of Directors determine that a majority of a company's directors are independent under those rules. To determine whether a particular director is independent, the Board has examined the various relationships of each director to the Company as required by NYSE rules.

Categorical Standards. As permitted by these rules, the Board has adopted the following categorical standards to identify immaterial relationships with the Company that would not disqualify a director from being deemed independent:

1. The director has received, or an immediate family member has received, during any twelve month period within the last three years, \$100,000 or less in direct compensation from the Company, other than director and committee fees and pension or other deferred compensation for prior service, so long as that compensation is not contingent on continued service;
2. The Director or an immediate family member is a partner, shareholder or officer of a law firm or other professional service firm that has received less than \$100,000 in fees from the Company in any single fiscal year during the preceding three years;
3. The Company has made a contribution to a tax exempt organization of which the director or any immediate family member serves as a trustee, director or executive officer and such contributions, for any single fiscal year during the preceding three years, have not exceeded \$100,000;
4. During any single fiscal year within the last three years, the director, an immediate family member, or a company Controlled (as defined below) by any of them was indebted to the Company, or the Company was indebted to any such person, and either the total amount of such indebtedness did not exceed \$100,000 or such indebtedness consists

of a loan made in the ordinary course of the Company's art lending business on substantially the same terms as those prevailing at the time for a similarly situated person who is not a director. Controlled means a company of which the director or immediate family member beneficially owns a majority of the outstanding voting securities; or

5. During the last three years, the director or an immediate family member has purchased or sold property through the Company or its affiliates, so long as such purchases or sales were at public

auction or in private transactions in the ordinary course of the Company's business on substantially the same terms as those prevailing at the time for a similarly situated person who is not a Director.

For purposes of the foregoing standards, an immediate family member includes a director's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares the director's home. When applying the look-back provisions in these standards, individuals who are no longer immediate family members as a result of legal separation or divorce, or those who have died or become incapacitated will not be deemed to be immediate family members.

Board Independence Determinations. Upon reviewing each director's relationships with the Company, after considering all applicable NYSE rules and the stated categorical standards, the Board of Directors has determined that all directors other than the Duke of Devonshire and Messrs. Ruprecht and Woodhead meet these categorical standards and are independent under NYSE rules. The Duke of Devonshire is not independent because of the annual consulting fee he receives from the Company, and Messrs. Ruprecht and Woodhead are not independent as they are, respectively, the President and Chief Executive Officer and an Executive Vice President and the Chairman of a Company division.

The Board of Directors has determined that each current member of the Audit, Compensation and Nominating and Corporate Governance Committees is independent under NYSE rules.

Corporate Governance Guidelines

As required by NYSE rules, the Company has adopted Corporate Governance Guidelines concerning board sessions without management, director education and other matters.

Ethical Conduct

For many years, the Company has had Compliance Policies applicable to all employees. These cover such issues as ethical conduct, conflicts of interest and related party transactions, maintenance of confidentiality of Company and client information and compliance with laws, including specific policies regarding observing export/import, money laundering, data protection and antitrust laws. The Company has an international Compliance Department led by a Worldwide Director of Compliance with responsibility for regularly providing Compliance Policy training to all relevant employees, auditing compliance with the Compliance Policies and assisting the Company and its employees in interpreting and enforcing the Compliance Policies. To comply with NYSE rules regarding ethical conduct, the Company has incorporated many of these policies in its Code of Business Conduct and Ethics (the Code), which is applicable to the Company's directors, officers and employees.

In lieu of reporting on SEC Form 8-K amendments to or waivers with respect to this Code as they may affect or be granted to the Chief Executive Officer, the Chief Financial Officer, other executive officers, and certain other senior financial officers, the Company will promptly disclose amendments or waivers by posting information concerning them on the Company's website, www.sothebys.com. No such amendments or waivers occurred during 2008.

In addition, the Board has adopted a Related Party Transactions Policy to provide a more focused procedure for evaluating potential and existing Company transactions with affiliates such as directors and executive officers. See [Certain Relationships and Related Transactions-Related Party Transactions Policy](#) below.

Procedures for Director Nominations by Shareholders

A shareholder who desires to recommend a director candidate should forward the candidate's name and qualifications to the Secretary of the Company at 1334 York Avenue, New York, New York 10021 and must include the information required by Section 1.13 of the Company's By-Laws, which requires information regarding the recommending shareholder as well as the candidate. In order for a candidate to be eligible for election as a director at the 2010

Annual Meeting of Shareholders, the Secretary must receive the required submission no earlier than February 6, 2010 and no later than

March 8, 2010, subject to modification if the 2010 annual meeting occurs more than 30 days before or more than 60 days after May 7, 2010 as provided in Section 1.13 of the Company's By-Laws.

Availability of Corporate Governance Documents

Copies of the Audit Committee Charter, Compensation Committee Charter, Nominating and Corporate Governance Committee Charter, Corporate Governance Guidelines, and Code of Business Conduct and Ethics are available on the Company's website, www.sothebys.com. In addition, shareholders may obtain a copy of any of these documents by writing to the Company's Investor Relations Department at 1334 York Avenue, New York, New York 10021.

Communications with Directors

Shareholders and other interested parties may communicate with the Board of Directors, including the Chairman of the Board and the non-management directors, individually or as a group, by sending written communication to the directors c/o the Company's Worldwide General Counsel, 1334 York Avenue, New York, New York 10021. All such communications will be reviewed by the Worldwide General Counsel, or his designee, to determine which communications will be forwarded to the directors. All communications will be forwarded except those that are solicitations or otherwise relate to improper or irrelevant topics, as determined in the sole discretion of the Worldwide General Counsel or his designee. The Worldwide General Counsel shall maintain copies of all such communications received and forwarded to the Board of Directors and shall report to the Board on the number and nature of communications not forwarded.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table lists information regarding the beneficial ownership of the Company's common stock as of March 18, 2009, the most recent practicable date for the calculation of the ownership table, which is also the record date, by:

Each
director of
the
Company

Each
Named
Executive
Officer of
the
Company

All
executive
officers and
directors of
the
Company as
a group

Each
shareholder
known by

the
Company to
be the
beneficial
owner of
more than
5% of the
outstanding
shares of
common
stock.

In preparing the table, the Company has relied upon information supplied by such persons and upon information contained in SEC filings.

Under applicable rules of the Securities Exchange Act of 1934 (the Exchange Act), a person beneficially owns shares of common stock if that person directly or indirectly has or shares voting power or investment power with respect to those shares. Except as indicated in the footnotes to the table, the individuals and entities named in the table have sole voting and investment, or transfer, power with respect to all shares of common stock that they own beneficially.

Under applicable Exchange Act rules, a person also beneficially owns shares that the person has the right to acquire within sixty (60) days. For example, if an individual owns options to acquire 1,000 shares of common stock and those options are or would be exercisable on or before May 18, 2009, that individual is the beneficial owner of 1,000 shares of common stock as of March 18, 2009, the record date.

Each recipient of unvested shares of common stock (Restricted Stock) issued under the Company's Amended and Restated Restricted Stock Plan, now known as the Amended and Restated Restricted Stock Unit Plan (collectively, the Restricted Stock Plan), has the right to vote those shares but not to transfer them. Because of this voting power, the recipient is deemed to beneficially own the unvested Restricted Stock.

The Company began granting Restricted Stock Units (RSUs) in early 2009 to its Named Executive Officers and other participants in the Restricted Stock Plan. Each RSU represents a right to

receive one share of common stock upon the lapse of a restriction, which includes continued employment over a period of time and may include other criteria. Unlike shares of Restricted Stock, RSUs do not carry voting rights with respect to the shares of common stock that may be received nor may they be transferred. Because the owner of an RSU does not have voting or transfer power, the owner is not considered to beneficially own the share of common stock underlying an RSU.

Directors, Executive Officers and 5% Shareholders	Common Stock	
	Number of Shares	Percent of Class
John M. Angelo Angelo, Gordon & Co 245 Park Avenue New York, NY 10167	179,604 (1)	*
Apex Capital LLC 25 Orinda Way, Suite 300 Orinda, CA 94563	3,500,000	5.1%
Ariel Capital Management, LLC 200 E Randolph Drive, Suite 2900 Chicago, IL 60601	6,784,008	9.9%
Michael Blakenham 1 St. Leonard s Studios Smith Street London SW3 4EN England	28,277 (2)	*
Duke of Devonshire Sotheby s 34-35 New Bond Street London, W1 2AA England	38,977 (3)	*
Private Capital Management, L.P. 8889 Pelican Bay Boulevard, Suite 500 Naples, FL 34108	4,948,047	7.2%
Allen Questrom Sotheby s 1334 York Avenue New York, New York 10021	8,701 (4)	*
William F. Ruprecht Sotheby s 1334 York Avenue New York, New York 10021	776,132 (5)	1.13%
S.A.C. Capital Advisors, L.P. 72 Cummings Point Road Stamford, Connecticut 06902	3,952,027	5.76%
William S. Sheridan Sotheby s 1334 York Avenue	117,891 (6)	*

New York, New York 10021

Michael I. Sovern	15,846	*
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Sotheby's
1334 York Avenue
New York, New York 10021

Donald M. Stewart	13,829 (7)	*
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The Harris School of Public Policy
The University of Chicago
1155 East 60th Street, Room 150
Chicago, Illinois 60637

Robert S. Taubman	293,615 (8)	*
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200 East Long Lake Road
Bloomfield Hills, Michigan 48304

Directors, Executive Officers and 5% Shareholders	Common Stock	
	Number of Shares	Percent of Class
Diana L. Taylor	4,604 (9)	*
Wolfensohn & Co. 1350 Avenue of the Americas, 29th Floor New York, New York 10019		
Bruno Vinciguerra	20,684 (10)	*
Sotheby's 1334 York Avenue New York, New York 10021		
Dennis M. Weibling	30,746 (11)	*
Rally Capital, LLC 2365 Carillon Point Kirkland, Washington 98033		
Robin G. Woodhead	113,481 (12)	*
Sotheby's 34-35 New Bond Street London, W1 2AA England		
Mitchell Zuckerman	26,844 (13)	*
Sotheby's 1334 York Avenue New York, New York 10021		
Directors and Executive Officers as a Group	1,929,598 (14)	2.8%

* Represents less than 1%.

- (1) Consists of 175,000 shares of common stock owned by Mr. Angelo as well as 4,446 deferred stock units (Deferred Stock Units) and 157.95 dividend

equivalent rights (Dividend Equivalent Rights) issued with respect to the Deferred Stock Units owned by him, which automatically convert to an equal number of shares of common stock when a director holding these units terminates service on the board.

- (2) Consists of 3,305 shares of common stock owned by Lord Blakenham as well as 23,430 Deferred Stock Units and 1,541.96 Dividend Equivalent Rights issued with respect to the Deferred Stock Units owned by him.
- (3) Consists of 14,005 shares of common stock owned by the Duke of Devonshire

as well as
23,430
Deferred
Stock Units
and 1,541.96
Dividend
Equivalent
Rights issued
with respect
to the
Deferred
Stock Units
owned by
him.

(4) Consists of
8,275
Deferred
Stock Units
and 426.28
Dividend
Equivalent
Rights issued
with respect
to the
Deferred
Stock Units
owned by Mr.
Questrom.

(5) Consists of
135,482
shares of
common
stock owned
by Mr.
Ruprecht,
421,483
shares of
unvested
Restricted
Stock, and
219,167
shares of
common
stock that he
has the right
to acquire
upon
exercising
options

(Option
Stock).

(6) Consists of 33,127 shares of common stock owned by Mr. Sheridan, 82,764 shares of unvested Restricted Stock, and 2,000 shares of Option Stock deemed to be owned by his wife, for which Mr. Sheridan disclaims any beneficial ownership.

(7) Consists of 1,000 shares of common stock owned by Mr. Stewart as well as 12,130 Deferred Stock Units and 699.36 Dividend Equivalent Rights issued with respect to the Deferred Stock Units owned by him.

(8) Consists of 12,821 shares of common stock owned by Mr. Taubman s

grantor trust;
18,345
Deferred
Stock Units
and 1,139.61
Dividend
Equivalent
Rights owned
by him; 5,500
shares of
common
stock for
which Mr.
Taubman is
the custodian
for the benefit
of his four
minor
children;
1,000 shares
of common
stock, which
his wife
owns; and
254,809
shares of
common
stock owned
by Taubman
Investments
LLC
(TILCC). Mr.
Taubman
does not have
voting or
dispositive
control

over the shares owned by TILLC, which are pledged as security for a loan, and disclaims any beneficial ownership of such shares beyond the pecuniary interest he has in TILCC.

- (9) Consists of 4,446 Deferred Stock Units and 157.95 Dividend Equivalent Rights issued with respect to the Deferred Stock Units owned by Ms. Taylor.
- (10) Consists of 5,280 shares of common stock owned by Mr. Vinciguerra and 15,404 shares of unvested Restricted Stock.
- (11) Consists of 5,513 Deferred Stock Units

and 232.82
Dividend
Equivalent
Rights
issued with
respect to
the Deferred
Stock Units
owned by
Mr.
Weibling as
well as
10,000
shares of
common
stock owned
by Eagles
Wings LLC,
which are
pledged in
connection
with margin
account
agreements
and over
which Mr.
Weibling
has sole
voting and
dispositive
power as
managing
member and
15,000
shares held
by him in an
individual
retirement
account.

- (12) Consists of
35,367
shares of
common
stock owned
by Mr.
Woodhead,
68,114
shares of
unvested
Restricted

Stock, and
10,000
shares of
Option
Stock.

(13) Consists of
14,850
shares of
common
stock and
11,994
shares of
unvested
Restricted
Stock
owned by
Mr.
Zuckerman.

(14) This sum
includes the
beneficial
ownership
data listed in
this table for
all NEOs
and
directors as
well as the
same data
for the
executive
officers of
the
Company
who are not
NEOs.

COMPENSATION OF EXECUTIVE OFFICERS

Compensation Discussion and Analysis

Introduction

Described below are Sotheby's compensation philosophies and policies concerning its named executive officers, or NEOs, listed in the Summary Compensation Table following this Compensation Discussion and Analysis, or CD&A. These NEOs consist of the Company's Chief Executive Officer, or CEO, Chief Financial Officer, or CFO, and its three other most highly compensated executive officers.

Sotheby's Objectives for NEO Compensation

Objectives Relevant to 2008 Compensation

The Compensation Committee of the Board of Directors, or the Committee, identified the following key objectives in implementing the NEO compensation program for 2008, which are substantially the same as those that were applicable in 2007:

**Market-Based
Pay**

NEO compensation should be consistent with pay practices at comparable companies. Sotheby's is a unique public company with no directly comparable peers. To address this, several years ago, the Committee worked with one of its compensation consultants at the time, Frederic W Cook & Co., Inc., or Cook, to develop compensation data for NEOs at public companies in several related sectors and with similar financial characteristics. These sectors included professional service, luxury goods, retail, and apparel

companies.
Although some
level of
comparison to
other
companies is
helpful,
recognizing the
unique nature
of Sotheby's
business is also
essential.

**Pay Variable
with
Performance**

NEOs should
have an
incentive to
exceed annual
individual and
company
performance
goals. This can
be
accomplished
through an
increased
emphasis on
variable pay.
While
recognizing that
base salaries
must be
competitive,
Sotheby's has
moved towards
basing a greater
proportion of its
NEOs
compensation
on the
achievement of
measurable
individual and
company
results.
Beginning in
2008, the
Company

increased its focus on individual results relative to Company-wide results. By increasing variable pay as a percentage of total compensation, Sotheby's can better align executive compensation with value delivered to its shareholders. This limits fixed costs and also results in higher pay occurring only in years when merited by improved performance. Limiting fixed costs provides fiscal stability for the Company. This is especially important because of the cyclical nature of the global art market.

Retentive Features of Incentive Pay Programs

Incentive programs should promote retention of high performing executives. A mix of compensation opportunities that includes fixed short term as well as performance-related short, medium and long term incentives tied to measurable results is important to motivate, reward and retain executive talent. In addition, the specialized nature of Sotheby's business and the challenge of attracting appropriate executives with the requisite skills increase the importance of retaining current management.

Alignment of Executives and Shareholders

Sotheby's continued use of equity compensation in the form of restricted stock units aligns the interests of executives and shareholders.

Affordability of Compensation

Compensation amounts should not exceed what a company can reasonably afford. Sotheby's regularly measures its total compensation for all employees against a variety of financial metrics, including Company revenues, net income, and earnings before interest, taxes, depreciation and amortization (EBITDA), to ensure that compensation levels remain appropriate. During the last two

years, the Committee has worked with the independent compensation consultant Semler Brossy Consulting Group, LLC, or Semler, to improve the Committee's use of financial metrics for this purpose. For a discussion of how the Company calculates EBITDA, see Supplemental Financial Information at the end of this Proxy Statement.

These objectives are not necessarily of equal weighting and different objectives may become important over time. The Committee continues to review its philosophy and believes it is important for this philosophy to evolve as a part of good governance practice to reflect the development of the Company's business over time.

Individual Performance: The Committee's Evolving Incentive Compensation Philosophy

In 2007, the Committee performed a top to bottom review of Sotheby's historic incentive compensation practices in conjunction with the Company's strategic objectives. Semler assisted in this review by preparing a study of these practices.

Aided by the Semler study, the Committee concluded that a greater emphasis on individual rather than companywide performance in its incentive compensation practices was necessary to fulfill the objectives describe above.

A number of significant changes were required at the NEO level to meet the increased individual performance focus. The Executive Bonus Plan, or EBP, had been the backbone of the performance-based compensation program for NEOs and other senior management. However, EBP awards were earned by NEOs and others based solely on achieving company-wide performance goals, such as net income, and did not include an individual performance component. A key concern emerged regarding the EBP - that rewarding individuals with a sole focus on company-wide performance does not adequately take account of the differences in the performance of business units or divisions and the individuals who manage them. The solution was to amend the EBP award process, as discussed further below.

As a fine art auctioneer and provider of related services, the Company's relationships with major collectors, museums, dealers and others in the art world community are paramount. In focusing on individual NEO achievement, the Committee determined that a key factor in measuring such performance in 2008 was leadership in developing the Company's client-focused strategic initiatives. The Committee viewed enhancement of a client-centric culture as a critical foundation ahead of beginning to measure overall client satisfaction in 2009.

The Elements of NEO Compensation and the Decision-Making Process

For 2008, the compensation program for NEOs consisted of the following categories:

1. Base
Salary

Short Term
Compensation

2. Incentive
Compensation
Program *Redesigned
for 2008*

Cash
Component:
short term
compensation

Annual
cash
bonus

Equity
Component:
medium term
compensation

Annual
restricted
stock unit
awards
vesting
over four
years

3. Performance
Shares

Long term
compensation

Restricted stock
awards granted
to select NEOs
and other senior
executives
vesting only
upon the

achievement of
pre-determined
cumulative
three and five
year company
financial
performance
criteria.
(predated
redesigned
incentive
compensation
program)

4. Retirement
Benefits
Compensation

Pensions and
other deferred
compensation

5. Perquisites
and
Personal
Benefits

Short term
compensation
provided
annually

Previously, the Company separately awarded additional performance-based cash bonuses and medium term restricted stock awards under the EBP. In 2008 the Committee used the EBP to set an objective performance threshold for eligibility of certain officers to receive incentive compensation and to qualify for deductibility under Section 162(m) of the Internal Revenue Code as described under 2008 EBP and 2009 EBP below.

Base Salary

Each NEO receives a base salary to provide predictable income to the executive. Base salary is, however, only one component of a comprehensive NEO compensation package. Other components, including annual cash incentive bonuses and equity awards, allow for a range of compensation levels based on company and individual performance.

The annual base salary for William F. Ruprecht, Sotheby's CEO, is presently set through mid-2011 under his 2006 employment arrangement. The Committee expects to commence discussion of a new arrangement with Mr. Ruprecht later this year.

In 2008, the base salaries for three NEOs, Messrs. Ruprecht, Sheridan, and Zuckerman remained unchanged from 2007, consistent with the increased emphasis on performance-based compensation for the NEO compensation program over the past few years. However, both Mr. Woodhead and Mr. Vinciguerra received pay increases commencing in 2008 in respect to changes to their roles and responsibilities within the Company. Mr. Woodhead's base salary was increased from 262,350 British Pounds to 300,000 British Pounds in accordance with the recent

amendment of his service agreement, which was the first increase in his base salary in nearly eight years. In assuming the position of Chairman, Sotheby's International, Mr. Woodhead's responsibilities now focus more on important client relationships rather than on corporate management as was the case in his prior position as Chief Executive, Sotheby's International. Mr. Vinciguerra was appointed Chief Operating Officer in July, 2008 and his base salary was increased from \$450,000 to \$550,000 at that time. This increase relates to the additional responsibilities Mr. Vinciguerra assumed as the Chief Operating Officer from his previous role as Director of Business Development and Strategic Initiatives. For further discussion of NEO employment arrangement amendments, see Employment and Related Arrangements below.

The Committee sets NEO base salaries based on levels of responsibility and historical individual performance as well as expected future potential, all of which have subjective aspects, as well as market

data for similar positions. During 2006, the Committee referred to studies completed for it by Cook and, in the case of Mr. Woodhead, Watson Wyatt, to obtain guidance regarding base salary at a large number of other companies for NEO positions. In addition, in 2008 Semler provided management with comparable market data to assist in the determination of Mr. Vinciguerra's new base salary. These studies are briefly described below under Outside Compensation Consultants.

Incentive Compensation Program Redesigned for 2008

As briefly described above, the Company made significant changes to its incentive compensation program beginning in 2008. These changes apply to all Sotheby's employees, including the NEOs. The key differences from the prior incentive compensation program include:

How incentive
compensation
is determined

Increased
focus on
individual
performance

Emphasis on
contributing
to the
Company's
strategic
priorities as an
indicator of
individual
achievement

Amendment
of the EBP
award process

The Annual Incentive Compensation Pool

The redesigned incentive compensation program provides the Committee with a quantitative framework for establishing the incentive compensation pool to fund cash bonuses and equity awards to NEOs and to all other employees at year-end. Although the ultimate size of the incentive compensation pool must fall within a pre-established percentage range of the Company's EBITDA, the Committee determines the precise amount within the range to be awarded by considering various qualitative factors, such as how well management drove and optimized results in the overall market and economic environment during the year. The incentive pool may be further adjusted by the Committee, upward or downward within a pre-determined percentage range, based on a number of additional subjective factors, such as leadership in developing a new client-centric culture, consistent with the Company's strategic focus. The Committee then reviews the resulting compensation and benefits to revenue ratio to assess whether there is an appropriate level of total Company compensation cost for the year.

Evaluating Employees: Were Individual Performance Goals Met?

Under the new program, NEOs and all other employees have individual target bonus opportunities set at the beginning of the year. NEOs participate in establishing personal financial and non-financial goals for the upcoming year with their supervisor, Mr. Ruprecht, the CEO. The Committee must approve Mr. Ruprecht's goals. At year-end, the appropriate supervisor or the Committee evaluates whether, and to what extent, individual financial and non-financial goals have been met. Some of the non-financial factors considered include:

Management
effectiveness

Contribution
to building
the entire
Company
franchise and
brand

Success in
building
client
relationships

Along with overall Company financial performance, the results of these reviews determine the amount of any cash bonus or restricted stock unit award to be paid to each NEO. Awards to NEOs under the EBP are subject to meeting the EBP eligibility thresholds, discussed below under "2008 EBP" and "2009 EBP".

2008 NEO Incentive Compensation

The significant problems in the world economy that occurred during 2008 are an important backdrop to understanding NEO incentive compensation at Sotheby's for 2008. Despite the serious worldwide economic downturn that began in the first half of 2008 and accelerated beginning in September Sotheby's nevertheless had a profitable year. However, 2008 net income fell substantially from 2007, and was well short of the Company's internal profitability plan for 2008.

As a result of the diminished profitability of the Company for 2008, the incentive compensation bonus pool shrunk substantially and awards to NEOs decreased accordingly. The Committee believes that specific NEO awards were appropriate in light of the strong leadership and guidance provided by the Company's senior-most management team in a difficult economy and operating environment.

Restricted stock unit awards comprise the equity component of the new program. Because these awards vest over time and become more valuable to the recipient as Sotheby's stock price increases, the Committee believes these are an appropriate form of medium term incentive compensation. Each NEO, as well as certain other executive officers and senior executives received a restricted stock unit grant in early 2009.

At Mr. Ruprecht's request, the Committee established a new CEO review process for 2008, which entailed structured interviews of senior Company executives by members of the Committee. RNW Consulting LLC, a strategic management consulting firm, assisted the Committee in developing the appropriate review methodology. In addition, Mr. Ruprecht provided his annual performance self assessment to the Committee, which also assisted the Committee in evaluating Mr. Ruprecht's performance. Mr. Ruprecht recommended to the Committee that he forego a cash bonus in acknowledgment of the difficult environment. The Committee accepted this recommendation and awarded Mr. Ruprecht the minimum annual equity award pursuant to the terms of his employment agreement.

The Committee also consulted with Susan Alexander, Sotheby's Executive Vice President and Worldwide Director of Human Resources to provide additional insight on NEO performance in 2008.

2008 EBP

In 2008, the \$100 million EBITDA performance threshold established by the Committee at the beginning of the year was achieved. The Committee then used downward discretion under the EBP to lower the NEOs incentive awards from the maximum \$3 million award to levels that are consistent with the level of awards under the company-wide incentive compensation program and each NEO's achievement of his 2008 financial and non-financial goals.

2009 Performance Targets

Whether an NEO is likely to meet his individual financial and non-financial performance targets for 2009 is a complex assessment, resulting in part from the individually-tailored nature of the targets. The Committee believes that each NEO will be required to fulfill substantially challenging individual performance goals for 2009 to receive 100% of his target incentive compensation. These goals will require actions on the part of each NEO that will exceed the fulfillment of routine day-to-day job responsibilities, including management of Company-wide revenue margin improvement and cost reduction programs. These targets will include both financial and non-financial performance standards and may be especially difficult to achieve in the current operating climate.

2009 EBP

Under the new incentive compensation program, cash bonuses for the CEO and cash bonuses and restricted stock unit awards for other NEOs and other executive officers are made under the EBP in order to set an objective threshold for eligibility to receive incentive compensation and to qualify for deductibility under Section 162(m) of the Internal Revenue Code. Under the EBP for 2009, assuming a minimum \$75 million consolidated EBITDA performance threshold established by the Compensation Committee for 2009 is met (excluding any restructuring charges recorded in accordance with GAAP), each individual will be eligible for an award of up to \$2.5 million; however, the Committee will exercise its downward discretion under the EBP so that the amounts of actual awards under the EBP are consistent with the level of awards under the Company-wide incentive compensation program in the manner described above.

Performance Shares

In 2006, the Company developed and awarded to certain NEOs and select others Performance Shares, which are restricted stock shares that vest only upon the achievement of predetermined cumulative three and five year company financial or market performance criteria established by the Committee. The Performance Shares have added a long-term performance component to the NEO compensation packages of Messrs. Ruprecht, Woodhead and Sheridan. The Committee used these grants to counterbalance the shorter term forms of incentive compensation awarded to these NEOs. The Committee has not granted any additional Performance Shares since 2006. The historically cyclical nature of the art market over multiple years is the primary reason why these criteria are likely to be more difficult to achieve than those set for shorter term equity awards. Performance Shares are awarded under the Restricted Stock Plan.

The performance vesting criteria for these awards are as follows:

Grant Date Anniversary	Performance Criteria	% of Award Vesting if criteria are met
3rd	7.2% compound annual growth rate in Sotheby's common stock price (plus dividends) for the preceding three years	60%
	OR	
5th	10% cumulative compound annual growth rate of Sotheby's net income for the preceding three years	40% (3rd anniversary vesting occurred)
	OR	
	7.2% compound annual growth rate in Sotheby's common stock price (plus dividends) for the preceding five years	100% (no vesting on 3rd anniversary)
	OR	
	10% cumulative compound annual growth rate of Sotheby's net income for the preceding five years	

For a detailed discussion of the terms of these awards, see the Grants of Plan-Based Awards table and the accompanying narrative in this proxy statement.

Retirement Benefits Compensation**401(k) Plan**

The Sotheby's, Inc. Retirement Savings Plan, or 401(k) plan, is the primary retirement benefit offered to all United States employees. Participants are provided a matching Company contribution of up to 6% of eligible compensation and are also eligible to share in Company profit sharing contributions to the 401(k) plan if the Committee, in its discretion, declares a profit sharing contribution for that year. The maximum profit sharing percentage is 4% of eligible compensation; however, as a result of the Company's lower profitability, the Committee did not award a profit share contribution in respect to 2008 performance.

Deferred Compensation Plan

The United States-based NEOs and other senior executives may participate in the Sotheby's, Inc. Deferred Compensation Plan. This plan allows participants to defer annually a portion of their pre-tax income from the Company.

In designing the Deferred Compensation Plan and choosing among various service providers to administer the plan several years ago, the Company retained Hewitt Associates, a nationally recognized benefits consulting firm.

United Kingdom Pension Plan

Mr. Woodhead participates in a defined benefit pension plan which the Company maintains for its United Kingdom employees.

A detailed discussion of the United States deferred compensation and United Kingdom pension plans accompanies the Pension Benefits table appearing in this proxy statement.

Perquisites and Other Benefits

In order to provide comprehensive and competitive compensation packages to its NEOs and other senior executives, the Company provides a limited number of perquisites to these individuals, including car allowances, club membership dues, financial planning services and life insurance premiums in addition to benefits available to all Sotheby's full time employees, such as paid vacation and health insurance.

The Company believes that in light of the nature of the Company's business and the need to provide NEOs with appropriate benefits for executives of this level, these perquisites are reasonable.

Outside Compensation Consultants

The Consultant Employment Process

The Sotheby's Compensation Committee Charter grants the Committee the power to retain and terminate compensation consultants and the sole authority to approve a consultant's fees and other terms of an assignment.

During 2005 and 2006, the Committee engaged Cook primarily in connection with the negotiation of Mr. Ruprecht's employment arrangement but also more generally regarding Mr. Sheridan's compensation as CFO and that of some other NEOs. Additionally, the Committee retained the independent compensation consulting firm of Watson Wyatt Worldwide for its significant international compensation expertise to assist in assessing Mr. Woodhead's compensation in connection with negotiating his Services Agreement, which became effective in 2006. In 2008, Semler provided analysis to assist management in determining Mr. Vinciguerra's compensation in his new role as COO. RNW is a strategic consultant to the Company; the Committee engaged RNW to provide assistance with a new CEO review process as described under 2008 NEO Incentive Compensation.

As most of the NEO arrangements are still in effect, the Committee has not felt it necessary to engage consultants for specific NEO position analysis since the original assignments. The Committee is likely to engage appropriate consultants when it commences the negotiation of new NEO employment arrangements to replace those that will be expiring during 2011.

With the prior approval of the Committee or the Committee's Chairman, Cook, Watson Wyatt and Semler have performed and continue to perform a limited number of other services for the Company at the request of Susan Alexander, Sotheby's Executive Vice President and Worldwide Head of Human Resources.

Analysis of NEO Position Compensation

In negotiating Mr. Ruprecht's 2006 employment arrangement, the Committee considered CEO compensation levels for companies in five different groups: Similar Financial Profile, Retailers, Luxury Goods and Services, Professional Services, and Apparel. The Company has described in detail the results of this analysis in the Compensation Discussion and Analysis included in the last two years' proxy statements, including identifying the companies comprising each of the five groups. In negotiating Mr. Ruprecht's employment arrangement, the Committee also considered the appropriate spread between his compensation package and those of other highly compensated executives of the Company.

For Mr. Woodhead, the Committee reviewed Watson Wyatt surveys regarding United Kingdom public industrial general services companies, and London-based financial services companies, the sector in which Mr. Woodhead was previously employed prior to joining the Company.

In setting NEO compensation, the Committee has relied to some degree on benchmarking, which is the process of measuring an executive's pay package against certain percentage ranges for executive positions at comparable companies. This process takes into account not only the amount of compensation, but also the mix between cash and equity compensation.

One major challenge in attempting to compare Sotheby's to other companies is the unique nature of Sotheby's business relative to other public companies. For benchmarking purposes, Cook examined a total of 82 companies, underscoring the scarcity of appropriate comparison companies. Because of this difficulty, the Committee has relied on benchmarking as only one factor in setting NEO compensation. Moreover, the Committee does not have a policy of setting NEO compensation packages to fall within a range of percentiles for similar positions at comparison companies. Rather than relying substantially on imperfect comparative data, the Committee instead has focused on a number of subjective performance factors in its NEO compensation decisions.

Subjective performance factors considered by the Committee in setting NEO compensation with respect to 2008 and other recent years have included:

Historical
performance
by the
individual

The
individual's
projected
contributions
to Sotheby's
future growth

Leadership
skills and
overall
reputation
within the
Company

Interrelationship of NEO Compensation Components

Using the 2006 Cook data to make approximate comparisons to existing Company NEO packages, the Committee considered each element of compensation relative to the others in finalizing NEO multiyear compensation packages in 2006. The Committee examined different substantive categories of compensation, such as fixed cash, incentive cash, incentive equity and performance-based equity, as well as the distribution of these categories over an NEO's future potential span of service to the Company, e.g., short term, medium term and long term incentive and retention attributes of each compensation element. The Committee has strived for balance in not only the type of compensation provided but also the staggering of performance and time vesting for awards over a number of years. For example, the equity and cash mix of Mr. Sheridan's compensation package for 2006 was adjusted largely based on the Cook study data. While mindful of the Cook study, in determining the appropriate mix for 2008, the Committee awarded a higher proportion of NEO incentive compensation as equity, in the form of restricted stock units, than was awarded to the Company officer population as a whole.

CEO Compensation Cost

In determining the appropriate level and mix of Mr. Ruprecht's total compensation package for 2008, the Committee reviewed and considered projected costs to the Company of Mr. Ruprecht's employment arrangement, including prior equity grants. Notwithstanding that the Company was profitable in 2008, its profitability was substantially below its financial goals for the year. In light of the Company's performance, Mr. Ruprecht requested that the Committee award him no cash bonus award for 2008. The Committee concluded that Mr. Ruprecht had made significant progress in

implementing cost reduction plans for the Company and had made substantial achievements with respect to various non-financial individual performance goals. Nevertheless, in light of current adverse economic conditions and their impact on Sotheby's business, the Committee decided to honor his request. For the same reasons, the Committee determined that Mr. Ruprecht should receive the minimum equity award within the range provided in his employment arrangement. Mr. Ruprecht did not receive any incentive compensation with respect to 2008.

Tax Treatment of NEO Compensation

The Committee has taken into consideration Section 162(m) of the Internal Revenue Code of 1986, as amended, or Section 162(m), regarding NEO Compensation. Section 162(m) permits the Company to deduct NEO compensation exceeding \$1 million if objective performance criteria are fulfilled. The new 2008 incentive compensation program's use of the EBP as described above in this CD&A is designed to continue to obtain these tax benefits.

Use of Employment Agreements

Of the Company's NEOs, only Mr. Ruprecht has a long-term employment arrangement with the Company while Mr. Woodhead has a service agreement and Mr. Sheridan has a severance agreement with the Company. Mr. Vinciguerra had a severance agreement with the Company that expired on December 31, 2008. The remaining NEO, Mr. Zuckerman, does not have any such agreement. The Committee believes it is important to minimize the use of employment agreements with senior executives because these agreements often contain significant guaranteed compensation, regardless of the level of a company's financial performance during the term of the agreement. This type of compensation is generally incompatible with the Company's shift towards variable pay for its NEOs. Also, negotiating these agreements is time-consuming and can serve as a distraction from operating the business for all involved. However, the Committee believes that entering into employment or severance agreements from time to time is necessary as an inducement to attract and retain senior executives. Mr. Ruprecht's employment agreement is the only existing NEO agreement which includes guaranteed elements and only in respect to the base salary and minimum level of equity award he can receive.

In 2008, the Company entered into amendments of these agreements with each of Messrs. Ruprecht, Woodhead, Sheridan and Vinciguerra to accommodate the Company's new 2008 incentive compensation program described in this CD&A and to conform to Internal Revenue Code Sec. 409A which concerns deferred compensation.

Use of Change in Control Payments

Of the NEOs, only Mr. Ruprecht will receive a specific payment tied to a change in control of the Company. This payment is only triggered if his employment is terminated following a change in control. He and the other NEOs, along with all other restricted stock plan participants, are entitled to the acceleration of equity award vesting upon a change in control of the Company, a benefit often available to participants under equity compensation plans. In Mr. Ruprecht's case, the Committee believes a special payment is necessary and desirable in order to provide appropriate financial certainty and security for a talented CEO who has consistently proven himself over nearly a decade as a successful leader of Sotheby's. This potential payment reflects a material decrease in the amount to which he would be entitled from that contained in his pre-2006 employment arrangement.

Use of Restricted Stock and Restricted Stock Units

The Company retains the authority to make awards of restricted stock under the Sotheby's Restricted Stock Unit Plan (amended and restated effective as of February 1, 2009). However, effective February 1, 2009 the Company shifted its favored equity award type from restricted stock to RSUs. RSUs can provide some tax advantages and other benefits to participants that are not available if actual shares of restricted stock are granted.

Use of Stock Options

The Company continues to maintain a stock option plan. In recent years, the Company has discontinued grants under this plan for NEOs because of the Committee's current view that restricted stock units having predetermined, performance-based vesting criteria provide a better way to provide incentives and value to the Company's NEOs and other senior executives. The Company's movement away from granting stock options is consistent with this view. The Committee may revisit this issue in the future and, depending on the outcome of such a review, could decide to grant stock options to NEOs and other senior executives.

Timing of Equity Award Grants

The only equity awards made by the Committee to NEOs in early 2009 with respect to 2008 consisted of restricted stock units. Under the new incentive compensation program, restricted stock unit awards are made during the first quarter following the year for which the relevant performance level has been achieved. In the Committee's discretion,

the Company may award other types of restricted stock units from time to time during the year as circumstances warrant.

Committee and Board Compensation Policies

The Committee believes it is important to communicate to stockholders several policies it or the Board of Directors has adopted regarding compensation and related matters.

Stock Ownership Policy

The Company's stock ownership policy encourages senior executives to retain 50% of stock awards until a specified target number of shares are accumulated. Target ownership requirements vary depending on position, salary and equity award participation levels and are anticipated to take another two to three years for most executives to attain. Though this policy is voluntary, the Company monitors compliance for all executive officers, including NEOs, and failure to comply could jeopardize an executive's right to receive future equity awards.

Outside Compensation Consultant Policy

To ensure that outside compensation consultants retained by the Committee maintain a level of independence from management, no compensation consultant may provide services contracted for by Company management unless the Committee has approved in advance each service and the material terms of the engagement, including fees.

Summary Compensation Table

The following table sets forth all compensation of the Chief Executive Officer, the Chief Financial Officer, who is the Company's principal financial officer, and each of the other three most highly compensated executive officers (collectively, the "Named Executive Officers" and, individually, a "Named Executive Officer") of the Company during 2008.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Option Awards (\$)(1)	Non-Equity Incentive Plan Compensation (\$)(2)	Change in Pension and Nonqualified Deferred Compensation Earned
William F. Ruprecht	2008	\$ 700,000	\$ 0	\$ 5,024,215	\$ 14,000	\$ 0	\$
President and Chief Executive Officer	2007	\$ 700,000	\$ 0	\$ 6,251,976	\$ 97,501	\$ 2,600,000	\$
	2006	\$ 687,500	\$ 0	\$ 5,311,500	\$ 214,482	\$ 2,100,000	\$ 3
William S. Sheridan	2008	\$ 600,000	\$ 0	\$ 1,080,468	\$ 0	\$ 180,000	\$
Executive Vice President and Chief Financial Officer	2007	\$ 600,000	\$ 0	\$ 1,126,011	\$ 9,351	\$ 910,000	\$
	2006	\$ 600,000	\$ 0	\$ 526,015	\$ 136,576	\$ 525,000	\$ 2
Bruno Vinciguerra	2008	\$ 500,000	\$ 0	\$ 373,654	\$ 0	\$ 250,000	\$
Executive Vice President and Chief Operating Officer(4)							
Robin G. Woodhead	2008	\$ 556,350	\$ 0	\$ 1,091,694	\$ 0	\$ 148,360	\$ 2
Executive Vice President and Chairman, Sotheby's	2007	\$ 534,948	\$ 0	\$ 1,016,060	\$ 5,754	\$ 1,000,300	\$
	2006	\$ 470,524	\$ 0	\$ 524,123	\$ 53,499	\$ 460,300	\$ 13

International												
Mitchell Zuckerman	2008	\$	535,000	\$	0	\$	365,974	\$	0	\$	180,000	\$
Chairman, Sotheby's	2007	\$	535,000	\$	0	\$	393,130	\$	5,754	\$	931,250	\$
Financial Services	2006	\$	535,000	\$	0	\$	239,893	\$	17,396	\$	625,000	\$

(1) The amounts in each column reflect the dollar amount recognized for financial statement reporting purposes for the indicated fiscal year in accordance with Statements on Financial Accounting Standards (SFAS) 123(R) for restricted stock awards pursuant to the Restricted Stock Plan and the EBP (listed in the Stock Awards column) and stock option awards

pursuant to
the 1997
Stock
Option Plan
(listed in the
Option
Awards
column).

For 2008,
these
figures
include
amortized
expense for:

Restricted
stock and
stock options
granted in
years prior to
2008

Discretionary
and
contractual
grants of
restricted
stock in 2008

With respect
to Mr.
Ruprecht,
restricted
stock awards
guaranteed
under his
employment
arrangement
that are to be
awarded in
2009-2011

To calculate these amounts, the Company used the valuation methods described in Note M to the Company's audited Consolidated Financial Statements for the fiscal year ended December 31, 2008, included in the Company's Annual Report on Form 10-K filed with the SEC on February 27, 2009.

- (2) The
amounts
disclosed in
this column

consist of
the
individual s
annual cash
incentive
bonus.

- (3) The amounts disclosed in this column for 2008 consist of:
- (a) Automobile-related expenses, including driver compensation, on behalf of Mr. Ruprecht in the amount of \$80,491; and a car allowance for Mr. Sheridan, in the amount of \$40,000 and associated gross ups paid to Messrs. Ruprecht and Sheridan in the amounts of \$62,731 and \$29,903, respectively as well as car allowances for each of Messrs. Woodhead and Zuckerman.
- (b) Company contributions of the following amounts under the Company s Retirement Savings Plan, a qualified 401(k) defined contribution plan: \$13,167 on behalf of Mr. Ruprecht, \$9,500 on behalf of Mr. Sheridan, \$13,800 on behalf

of Mr. Vinciguerra,
and \$13,800 on
behalf of
Mr. Zuckerman.
The Company did
not make any profit
sharing
contributions for
this plan with
respect to 2008.

- (c) Company allocations of the following amounts under the Company's Deferred Compensation Plan: \$184,833 on behalf of Mr. Ruprecht, \$81,100 on behalf of Mr. Sheridan, \$67,050 on behalf of Mr. Vinciguerra, and \$74,175 on behalf of Mr. Zuckerman.
- (d) Company payments of life insurance premiums for Messrs. Ruprecht, Sheridan, Woodhead, Vinciguerra and Zuckerman.
- (e) Various club and other membership dues for Mr. Ruprecht and associated tax gross-ups for each dues item.
- (f) Legal services for Mr. Woodhead.
- (g) Financial planning services and legal services provided to Mr.

Sheridan and associated tax gross ups.

- (h) Business referral payment to Mr. Zuckerman.
- (i) Membership dues for Mr. Woodhead.
- (j) Special payment to Mr. Woodhead in the amount of \$2,130, equal to dividend payments that would have been received on the unvested restricted stock entitlements granted on March 31, 2004.
- (k) Dividend payments of the following amounts made in 2008 on shares of unvested restricted stock; \$306,859 on behalf of Mr. Ruprecht, \$67,000 on behalf of Mr. Sheridan, \$13,376 on behalf of Mr. Vinciguerra, and \$15,538 on behalf of Mr. Zuckerman.

(4)

Mr.
Vinciguerra
became an
NEO for the
first time in
2008.

- (5) For Mr.
Woodhead,
there was an
increase in
the present
value of his
pension
benefit
between
2007 and
2008 equal
to \$22,254
under the
Company's
UK Pension
Plan.

Grants of Plan-Based Awards During 2008 Table

The information contained in the following table includes plan-based awards made in 2008 with respect to 2007 performance. These awards are included in this table in order to conform to requirements that this table include *all* grants that were made in 2008, even if the grants relate to 2007 performance rather than 2008 performance. Restricted stock and cash incentive bonus awards made in early 2009 with respect to 2008 performance are disclosed after the table under "2008-Related Compensation Paid in 2009" and will be included in next year's table.

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			Estimated Possible Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares or Stock Units (#)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)	
William F. Ruprecht President and Chief Executive Officer	2/10/08							71,267 (2)
William S. Sheridan Executive Vice President and Chief Financial Officer	2/10/08							25,511 (4)
Robin G. Woodhead Executive Vice President and Chairman, Sotheby's International	2/10/08							27,989 (4)
Bruno Vinciguerra Executive Vice President and Chief Operating Officer	2/10/08	337,500	(5)	(5)				6,479 (3)
	2/10/08							10,933 (4)

Mitchell Zuckerman Chairman, Sotheby's Financial Services	2/10/08	\$	281,250	(5)	(5)	9,111 (4)
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- (1) Calculated using the Company's New York Stock Exchange closing price per share (the Share Closing Price) on the business day immediately preceding the date of grant.
- (2) Granted pursuant to Mr. Ruprecht's employment arrangement. As required under his employment arrangement, a portion of this award was contingent upon the achievement of certain levels of performance using the EBP performance criteria for 2007 as the standard.
- (3) Granted in connection with the hiring

of Mr.
Vinciguerra in
early 2007.

- (4) EBP awards are paid during February of the year following the fiscal year for which the pre-established objective performance criteria have been fulfilled. Each of these awards vests in equal installments on the 1st, 2nd, and 3rd anniversaries of the date of grant. A participant may receive an award ranging from a minimum to a maximum amount. With respect to 2007, each participant was paid the maximum award as a result of the Company's exceptional financial performance in 2007, as indicated in this table. The minimum awards that each participant would have been paid if the minimum pre-established

objective performance criteria had been met but not exceeded are as follows:

EBP Participant	Minimum Possible 2007 EBP Restricted Stock Award (# of shares)
William S. Sheridan	5,669
Robin G. Woodhead	6,220
Bruno Vinciguerra	2,430
Mitchell Zuckerman.	2,025

The EBP awards of Messrs. Sheridan and Woodhead were paid 100% in restricted stock. Messrs. Vinciguerra and Zuckerman received their EBP payments 50% in restricted stock and 50% in cash.

- (5) Consists of cash paid to Messrs. Vinciguerra and Zuckerman pursuant to the EBP in February 2008. As is the case with EBP restricted stock awards, EBP cash awards are paid during February of the year following the fiscal year for which the pre-established objective performance criteria have been fulfilled. These awards cannot be described in terms of Threshold and

Target
payments.

A participant may receive an award ranging from a minimum to a maximum amount. With respect to 2007, Messrs. Zuckerman and Vinciguerra were each paid the maximum award as a result of the Company's exceptional performance in 2007, as indicated in this table. The minimum awards that Messrs. Vinciguerra and Zuckerman each would have been paid if the minimum pre-established objective performance criteria had been met but not exceeded were \$75,000 and \$62,500 respectively.

For a detailed discussion of annual equity and cash incentive compensation awards, see Compensation Discussion and Analysis The Elements of NEO Compensation and the Decision-Making Process.

2008-Related Incentive Compensation Paid in 2009

As noted in the CD&A, the Company pays NEO annual incentive compensation awards early in the year following the year to which the award relates. The awards made in February 2009 with respect to 2008 performance are listed in the table below. These awards are not included in the Grants of Plan-Based Awards in 2008 table above as they were not actually granted during 2008. The cash awards in the following table are also disclosed in the Non-Equity Incentive Compensation column in the Summary Compensation Table above, which includes compensation paid in early 2009 with respect to 2008 performance.

2008-Related Incentive Compensation Paid in 2009

Named Executive Officer	Restricted Stock Unit Awards (#)	Cash Incentive Bonus Awards (\$)
William F. Ruprecht	0 *	0
William S. Sheridan	24,125	\$ 180,000
Bruno Vinciguerra	85,947	\$ 250,000
Robin G. Woodhead	22,618	\$ 148,360
Mitchell Zuckerman	7,539	\$ 180,000

* Mr. Ruprecht received 168,878 RSUs in February 2009 pursuant to the terms of his employment arrangement and consequently do not constitute incentive compensation.

Employment and Related Agreements

With respect to Messrs. Ruprecht, Vinciguerra, Woodhead and Sheridan, a number of the compensation items reported in the Summary Compensation Table and the Grants of Plan-Based Awards in 2008 Table are governed or, in the case of Mr. Vinciguerra, were governed, by the terms of certain employment-related agreements with these individuals. For additional details regarding the types of compensation provided under these agreements, see Compensation Discussion and Analysis above and Potential Payments Upon Termination Or Change-In-Control immediately following this section.

William F. Ruprecht

Pursuant to a written employment arrangement effective April 1, 2006, the Company and Mr. Ruprecht agreed on the terms of his employment for the five-year period ending March 31, 2011. Mr. Ruprecht and the Company recently entered into an amendment of his employment arrangement to reduce his annual base salary by \$100,000 from \$700,000 to \$600,000, effective April 1, 2009. This salary reduction was initiated by Mr. Ruprecht as part of the Company's ongoing cost reduction program, and he waived his right to receive certain benefits under his employment arrangement as a result of the salary reduction.

Mr. Ruprecht is entitled to receive annual cash bonuses based on his own and the Company's performance in relation to a number of management and other objectives determined each year by the Board of Directors and the Compensation Committee. His annual target bonus is 1.5 times his base salary, and his bonus is subject to a cap specified in his terms of employment and is not subject to a floor or minimum payment.

Mr. Ruprecht's employment arrangement previously provided for an annual award of restricted stock of not less than \$1.4 million nor more than \$2.2 million, with the variability of any award over \$1.7 million determined with reference to the achievement of various thresholds of financial performance under the EBP. If no payments under the EBP were made for a particular year, however, his restricted stock award would have ranged between \$1.4 million and \$1.7 million, as determined in the Compensation Committee's discretion. In conjunction with implementing the Company's new 2008 incentive compensation philosophy, Mr. Ruprecht's employment arrangement was amended in March 2008 so that his annual award of restricted stock within the same \$1.4 - \$2.2 million range will now be determined in the discretion of the Compensation Committee based on Company financial performance and his individual performance.

Mr. Ruprecht's employment agreement may be terminated at any time by the Company or Mr. Ruprecht prior to the expiration of the five-year term. If his employment is terminated by the Company for Cause or by Mr. Ruprecht without Good Reason, as such terms are defined in his terms of employment, Mr. Ruprecht will be paid only accrued base salary and benefits. If the Company terminates Mr. Ruprecht's employment without Cause or he terminates his employment for Good Reason during the five-year term, he will be entitled to, among other things, (1) accrued but unpaid salary through the termination date, (2) a cash payment of \$3.5 million, (3) the immediate vesting of certain shares of restricted stock held by him pursuant to a formula described in his terms of employment, and (4) health benefits for him and his family for three years following the date of his termination. Mr. Ruprecht may terminate his employment for Good Reason if, among other things, the Company fails to provide the base salary and minimum restricted stock award valued at \$1.4 million described above.

If Mr. Ruprecht's employment is terminated under certain circumstances following a Change of Control (as defined in his terms of employment), the Company will pay him the compensation and benefits to which he would have been entitled had he been terminated by the Company without Cause, as described above, except that he will receive a \$4 million termination payment, not a \$3.5 million termination payment. If the Internal Revenue Service determines that any Change of Control or other payment to Mr. Ruprecht is subject to a federal excise tax, he is entitled to receive reimbursement for any such tax obligation on an after-tax basis.

At or after expiration of the five-year term, if the Company terminates Mr. Ruprecht's employment without Cause or he decides to terminate his employment agreement, he will receive, among other things, \$2,000,000 in exchange for a covenant not to compete with the Company for 12 months. If, on or before December 31, 2010, the Company has not offered to continue his employment for at least one year with the same base salary and bonus opportunity that he is then receiving, but without any obligation by the Company to award him any additional equity compensation, he will forfeit some unvested restricted stock grants from prior years, but will be entitled to the immediate partial vesting of certain shares of restricted stock held by him pursuant to a formula described in his terms of employment.

The March 2008 amendment of Mr. Ruprecht's employment arrangement also included a modification to take into account recent regulations issued by the Internal Revenue Service under Section 409A of the Internal Revenue Code. The arrangement was modified to provide that the payment of any amount due on termination of employment will be deferred for six months in order to avoid an excise tax on such payment. Deferred amounts will bear interest at the Applicable Federal Rate determined under the Internal Revenue Code.

Robin G. Woodhead

Mr. Woodhead entered into a service agreement with a Company subsidiary on April 1, 2006. This agreement was amended in March 2008 to increase his base salary from £262,350 to £300,000. However, effective May 1, 2009, as part of the Company's ongoing cost reduction plans, the Company and Mr. Woodhead have agreed to amend his agreement to reduce his base salary by 10%.

Mr. Woodhead's service agreement previously provided for a cash incentive bonus based on individual performance determined with reference to an incentive bonus target and an award of restricted stock under the EBP determined in a formulaic manner based on the achievement of financial

thresholds set by the Compensation Committee. To reflect the Company's new 2008 incentive compensation program, the March 2008 amendment modified his service agreement so that Mr. Woodhead will have separate bonus targets of £200,000 each for awards in cash and in restricted stock, both of which will be determined with reference to Company financial and individual performance.

The Company may terminate Mr. Woodhead's employment by giving him 12 months' notice in writing. He may terminate his employment by giving the Company 6 months' notice in writing. The Company may terminate Mr. Woodhead's employment at any time without notice either for cause or by making a payment to him equal to 12 months salary and bonus (calculated at the rate of his most recently communicated incentive bonus target).

As part of the March 2008 amendment, Mr. Woodhead's service agreement has also been modified (i) to provide that termination of his employment on or after April 1, 2009 will constitute Retirement (as defined in the Restricted Stock Plan) with a result that all non-performance based shares of restricted stock will vest immediately, and (ii) to provide that, upon retirement on or after April 1, 2009 at any time other than at the end of a full year, he will be entitled to a partial year bonus for the portion of the year prior to termination of his employment.

In consideration for payments under this agreement, Mr. Woodhead is bound by covenants not to compete with the Company in certain jurisdictions and not to solicit employees of the Company or certain of its clients with whom he has had dealings.

William S. Sheridan

The Company and Mr. Sheridan entered into a severance agreement, effective as of July 1, 2006. Pursuant to the severance agreement, if the Company terminates Mr. Sheridan's employment without Cause or he terminates his employment with Good Reason, as such terms are defined in this agreement, at any time through June 30, 2011 (the Applicable Period), Mr. Sheridan will be entitled to (i) accrued but unpaid salary through the termination date, (ii) any declared and earned but unpaid bonus for the prior calendar year, and (iii) a cash payment of \$1,550,000. Mr. Sheridan may terminate his employment for Good Reason if, among other things, the Company fails to pay him a base salary of not less than \$600,000. Effective May 1, 2009, as part of the Company's ongoing cost reduction plans, Mr. Sheridan and the Company have agreed to amend this provision to reflect a reduction of his base salary by 10%.

Prior to the March 2008 amendment of his severance agreement, Mr. Sheridan also could terminate his employment for Good Reason if the Company reduced his annual incentive bonus target below \$350,000, reduced his Target Annual Incentive Bonus under the EBP below \$350,000 or discontinued his participation in the EBP or a comparable plan. To reflect the Company's new 2008 incentive compensation program, the severance agreement as amended in March 2008 continues to provide that Mr. Sheridan's bonus targets for cash and restricted stock awards each remain at \$350,000, but both awards will be determined with reference to Company financial and individual performance. Accordingly, his Severance Agreement has been amended to eliminate certain references to the EBP and provides that he will be able to terminate his employment for Good Reason if either bonus target is reduced below that level.

In consideration for payments under this agreement, Mr. Sheridan is bound by covenants not to compete with the Company in certain jurisdictions and not to solicit employees of the Company or certain of its clients with whom he has had dealings.

The March 2008 amendment also modified Mr. Sheridan's severance agreement to take into account recent regulations issued by the Internal Revenue Service under Section 409A of the Internal Revenue Code. The agreement was modified to provide that the payment of any amount due on termination of employment will be deferred for six months in order to avoid an excise tax on such payment. Deferred amounts will bear interest at the Applicable Federal Rate determined under the Internal Revenue Code.

Potential Payments Upon Termination Or Change-In-Control

Introduction

The following tables list the estimated potential payments or benefits that the Company would have paid or that would have been received by each NEO had such individual's employment terminated on December 31, 2008 and/or had there been a change in control on that date. Each possible termination scenario is listed as a column heading. For determining equity compensation payments or benefits that would accrue as of the termination date, the Company has used the Share Closing Price of \$8.89 on December 31, 2008. The amounts included in the table with respect to Messrs. Ruprecht, Sheridan, Vinciguerra and Woodhead are based in part on their rights to payments or benefits under their respective employment, service or severance agreements. In addition, some of these benefits are based on the terms of the Stock Option and Restricted Stock Plans.

The Company has assumed for purposes of preparing these tables that, on the termination date, the NEO exercised all vested stock options and sold the underlying shares received. The amount shown in each case is the difference between the Share Closing Price and the exercise price of the stock option, multiplied by the number of shares sold on that date.

Excluded Compensation Items

For the reasons stated, the table does not include any of the following items paid to or accruing with respect to each NEO under the following plans and statutory requirements on the termination date:

Sotheby's, Inc.

Severance Plan.

This is a broad-based plan for which all full-time, non-union salaried United States employees are eligible for payments if the Company or certain wholly-owned subsidiaries terminate an employee because of (i) the sale or elimination of a business entity, business unit or department; or (ii) a consolidation of business units or departments. Certain eligibility exceptions exist, such as isolated job eliminations,

performance-related or other for cause terminations, or refusal to accept an equivalent position within the Company. Payment amounts will vary, depending upon base salary and bonus level, the number of years of service to the Company, and position and employment category. Mr. Woodhead is eligible for substantially the same benefits under a separate agreement. Messrs. Ruprecht s and Sheridan s severance payments under their respective agreements will be reduced by any amounts that they are eligible to receive under this plan.

Sotheby s, Inc. Deferred Compensation Plan; Sotheby s, Inc. Retirement Savings Plan; U.K. Pension Plan. Upon the occurrence of an applicable employment termination event, these plans provide for the distribution of contributed, deferred or earned amounts to participants. However, these

plans do not provide for any additional compensation or benefit beyond this distribution solely as a result of the termination event.

Life or Disability Insurance Benefits.

These benefits are excluded as they are not a direct payment from the Company to an individual or his beneficiaries and will vary depending on the nature of the event occurring.

Estimated Payments Tables

William F. Ruprecht

Payment Category	Type of Termination				Termination by Employee	
	Termination by Company w/o Cause	Permanent Disability or Death	Termination by Employee Good Reason	Change of Control(1)	Termination by Company for Cause	w/o Good Reason
Severance or other Lump Sum Payment	\$ 4,000,000	\$ 2,000,000	\$ 4,000,000	\$ 4,000,000	0	0
Health and Related Benefits(2)	\$ 97,784	\$ 97,784	\$ 97,784	\$ 97,784	0	0
Value of Stock Options Vesting(3)	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	0	0
Value of Restricted Stock Vesting(3)	\$ 1,704,401	\$ 1,704,401	\$ 1,704,401	\$ 1,704,401	0	0
Value of Performance Shares Vesting(4)	\$ 1,600,200	\$ 1,600,200	\$ 1,600,200	\$ 1,600,200	0	0
Excise Tax Gross-Up	n/a	n/a	n/a	\$	n/a	n/a

(1) Under Mr. Ruprecht's employment agreement, a Change of Control occurs on the date that:

(i) any individual,

entity or group (each, a Person) becomes, directly or indirectly, the beneficial owner of the Company s common stock enabling that Person to elect a majority of the members of the Board of Directors.

- (ii) the individuals constituting the Board of Directors (the Incumbent Board) cease for any reason within any period of 18 consecutive months to constitute at least a majority of the Members of the Board of Directors; provided, however, that any individual becoming a director whose election, or nomination for election by the Company s shareholders,

was approved
by a vote of
at least a
majority of
the directors
then
comprising
the
Incumbent
Board shall
be considered
as though the
individual
was a
member of
the
Incumbent
Board.

Mr. Ruprecht
will receive
the
severance,
health benefit
and excise
tax gross-up
payments
only if both a
Change of
Control
occurs and
either the
Company
terminates his
employment
without cause
or he
terminates his
employment
with good
reason. For
this column,
the Company
has assumed
that both the
Change of
Control and
the applicable
termination
occurred on
December 31,

2008.

- (2) Under his employment agreement, Mr. Ruprecht, his wife and children are entitled to health care benefits for three years following the termination date. These figures assume that the cost of such benefits will increase by 10% over the prior year's cost, using 2009 cost as the base year figure.
- (3) These amounts represent the value that Mr. Ruprecht would receive upon the acceleration of certain equity awards on December 31, 2008. For stock option awards, the amount shown is the difference between the Share Closing Price and the

exercise price of the stock options deemed exercised, multiplied by the number of underlying shares. For restricted stock awards (including Performance Share awards), the amount shown is equal to the number of shares vesting on December 31, 2008 multiplied by the Share Closing Price.

- (4) Under Mr. Ruprecht's employment arrangement, if either of the performance criteria (based on compound annual growth rate in Sotheby's common stock price (plus dividends) or cumulative compound annual growth rate of Sotheby's net income,

respectively) have been fulfilled with respect to unvested Performance Shares as of the date of termination under any of the scenarios for which an amount is shown, all unvested Performance Shares will vest on that date. The cumulative compound annual net income growth rate as of the assumed termination date exceeded the 2009 Performance Share vesting target. However, the Performance Shares that could vest in 2011 would not have vested on the assumed termination date. Accordingly, only the value of the 180,000 Performance Shares vesting under the 2009

target are
included in
this table.

Remaining NEOs

Under the terms of the Stock Option Plan and the Restricted Stock Plan, vesting of awards (other than Performance Shares) is accelerated in the event of permanent disability, retirement, death, or a change in control. A change in control under these plans has the same meaning as described above under Mr. Ruprecht's agreement. In addition, the value of accelerated stock option awards, and restricted stock awards (other than Performance Shares) is calculated in the same manner as described in the footnotes to the table for Mr. Ruprecht above.

Unlike Mr. Ruprecht, the Performance Shares of Mr. Sheridan and Mr. Woodhead do not meet either of the two vesting criteria as of December 31, 2008. Consequently, the following table does not include any value for these shares with respect to Mr. Sheridan or Mr. Woodhead.

Name	Type of Event					Termination by Company for Cause
	Termination by Company w/o Cause	Permanent Disability or Death	Termination by Employee Good Reason	Change of Control		
William S. Sheridan.	\$ 1,550,000 (1)	\$ 2,054,046 (2)	\$ 2,054,046 (2)	\$ 504,046 (3)		0
Robin G. Woodhead.	\$ 1,536,624 (4)	\$ 503,130 (5)	\$ 238,474 (6)	\$ 503,130 (5)		0
Bruno Vinciguerra	\$ 1,000,000 (7)	\$ 1,198,193 (8)	\$ 1,000,000 (7)	\$ 198,193 (9)		0
Mitchell Zuckerman	\$ 267,500 (10)	\$ 201,572 (11)	\$ 267,500 (10)	\$ 201,572 (11)		0

(1) Consists of a \$1,550,000 severance payment under Mr. Sheridan's severance agreement

(2) Consists of: a \$1,550,000 severance payment under Mr. Sheridan's severance agreement and accelerated vesting of restricted stock

shares (other than Performance Shares) having a value of \$504,046.

- (3) Consists of accelerated vesting of Mr. Sheridan's restricted stock shares (other than Performance Shares) having a value of \$504,046.

- (4) Consists of a \$1,298,150 termination payment under Mr. Woodhead's service agreement and vesting of 26,825 restricted stock shares (other than Performance Shares) during the six month period commencing December 31, 2008, having a value of \$238,474.

Though Mr. Woodhead is not entitled to a lump sum payment upon termination without cause, he must be given 12

months prior notice of such termination and be paid compensation for that period. See the description of this agreement above, under Employment and Related Agreements. For purposes of this table, the Company has assumed that Mr. Woodhead received the Company's termination notice on December 31, 2008. Because of the prior notice requirement, Mr. Woodhead's date of termination would be December 31, 2009. Under his service agreement, Mr. Woodhead is entitled to receive his base salary, and cash and equity bonuses in a lump sum cash termination payment of \$1,298,150 for the 12 month period ending December 31, 2009.

To provide a reasonable estimate of this termination payment, the Company has assumed that Mr. Woodhead would have received his 2009 salary (\$556,350); 2009 target cash bonus (\$370,900); and his 2009 target equity bonus expressed as a cash value (\$370,900).

Under Mr. Woodhead's service agreement, his restricted stock and stock options would continue to vest for a period of six months after either party provides notice of termination to the other party. The Company has included the value of these unvested restricted stock shares as of December 31, 2008 to provide a reasonable estimate of the benefit of this additional vesting. No stock options held by him

vest during this time period.

- (5) Consists of accelerated vesting of Mr. Woodhead's restricted stock shares (other than Performance Shares) having a value of \$503,130.

- (6) Consists of vesting of 26,825 restricted stock shares during the six month period commencing December 31, 2008, having a value of \$238,474. See Footnote 4 above for an explanation of this amount. Mr. Woodhead's service agreement does not distinguish a termination by him for good reason from a termination by him without good reason. If he terminates his employment for any or no reason, he must provide the Company with 6 months prior

notice. See the description of this agreement above, under Employment and Related Agreements.

- (7) Consists of a \$1,000,000 payment under Mr. Vinciguerra's severance agreement, for which the final effective date was the assumed termination date.
- (8) Consists of a \$1,000,000 payment under Mr. Vinciguerra's severance agreement and accelerated vesting of restricted stock shares having a value of \$198,193.
- (9) Consists of accelerated vesting of Mr. Vinciguerra's restricted stock shares having a value of \$198,193.
- (10) Consists of a \$267,500 termination payment to Mr. Zuckerman. Under a continuing

requirement
of an
otherwise
expired
employment
agreement,
the Company
and Mr.
Zuckerman
must provide
each other
with six
months prior
notice of any
termination
of his
employment
with the
Company.
During this
period, he is
entitled to
receive his
base salary in
regular
installments.
The
Company has
assumed,
however, that
he would
have
received a
lump sum
termination
payment
equal to
one-half of
his 2008
salary on the
assumed
termination
date to
provide a
reasonable
estimate of
the aggregate
payments he
would have
received over
six months.

- (11) Consists of accelerated vesting of Mr. Zuckerman's restricted stock shares having a value of \$201,572.

Outstanding Equity Awards At Fiscal Year-End Table

Name	OPTION AWARDS				STOCK AWARDS		
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number Of Securities Underlying Unexercised Options (#)	Option Exercises Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(1)
William F. Ruprecht President and Chief Executive Officer	86,667	0	0	\$ 18.875	2/24/10	28,750 (2)	\$ 255,588
	10,000	0	0	\$ 19.75	2/24/10	9,353 (3)	\$ 83,148
	37,500	0	0	\$ 8.65	8/5/13	39,393 (4)	\$ 350,204
	85,000	0	0	\$ 15.51	8/5/14	42,958 (5)	\$ 381,897
						71,267 (6)	\$ 633,564
William S. Sheridan Executive Vice President and Chief Financial Officer	0	0	0			5,000 (2)	\$ 44,450
						5,037 (3)	\$ 44,779
						12,150 (8)	\$ 108,014
						9,000 (9)	\$ 80,010
						25,511 (10)	\$ 226,793
Robin G. Woodhead Executive Vice President and Chairman, Sotheby's International	10,000	0	0	\$ 8.65	8/5/13	5,000 (2)	\$ 44,450
						3,886 (3)	\$ 34,547
						12,220 (8)	\$ 108,636
						7,500 (9)	\$ 66,675

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				27,989 (11)	\$	248,822
Bruno Vinciguerra	0	0	0	4,882 (12)	\$	43,401
Executive Vice President and Chief Operating Officer				6,479 (13)	\$	57,598
Mitchell Zuckerman	0	0	0	3,598 (3)	\$	31,986
Chairman, Sotheby's Financial Services				4,340 (8)	\$	38,583
				5,625 (9)	\$	50,006
				9,111 (15)	\$	80,997

(1) Calculated using the Share Closing Price of \$8.89 on December 31, 2008.

(2) These shares were issued on February 7, 2005 and vested in one-fourth increments on each of the first four anniversaries of the date of grant.

(3) These shares were issued on February 10, 2006 and vested in one-third increments on

each of the first three anniversaries of the date of grant.

(4) 78,785 shares were issued on March 27, 2006 of which 19,696 shares vest on each of the first three anniversaries of the date of grant and 19,697 shares will vest on the fourth anniversary of the date of grant.

(5) 57,277 shares were issued on February 9, 2007 of which 14,319 shares vest on each of the first three anniversaries of the date of grant, and 14,320 shares will vest on the fourth anniversary of the date of grant.

(6) 71,267 shares were issued on February 10, 2008 of which 17,816 shares vested on the first anniversary of the date of grant, and 17,817 shares

will vest on the second, third and fourth anniversaries of the date of grant.

- (7) Consists of grants of Performance Shares under the Restricted Stock Plan. In the case of Mr. Ruprecht, 60% of these shares will vest in May 2009 because the relevant pre-established objective performance criteria were met on December 31, 2008. The remaining 40% will vest on the fifth anniversary of the grant date if the relevant criteria are met. With respect to Messrs. Sheridan and Woodhead, if the relevant vesting criteria are met, 60% of this grant will vest on the third anniversary of the grant date and the remaining 40% of the grant will vest on the fifth

anniversary of
the grant date.
For a detailed
discussion of
Performance
Shares, see
Compensation
Discussion

and Analysis The
Elements of NEO
Compensation and
the Decision-Making
Process Incentive
Compensation
Program-Redesigned
for 2008 Performance
Shares .

- (8) These shares were issued on February 9, 2007 and vest in one-third increments on each of the first three anniversaries of the date of grant.
- (9) These shares were issued on February 26, 2007 and vest in one-fourth increments on each of the first four anniversaries of the date of grant.
- (10) 25,511 shares were issued on February 10, 2008 of which 8,503 shares vested on the first anniversary of the date of grant, and 8,504 shares will vest on the second and third anniversaries of the date of grant.
- (11) 27,989 shares were issued on February 10, 2008 of which 9,329 shares vested on the first anniversary of the date of grant, and 9,330 shares will vest on the second and third anniversaries of the date of grant.

- (12) 6,509 shares were issued on February 9, 2007 of which 1,627 shares vest on each of the first three anniversaries of the date of grant and 1,628 shares will vest on the fourth anniversary of the date of grant.
- (13) 6,479 shares were issued on February 10, 2008 of which 1,619 shares vested on the first anniversary of the date of grant, and 1,620 shares will vest on the second, third, and fourth anniversaries of the date of grant.
- (14) 10,933 shares were issued on February 10, 2008 of which 3,644 shares vested on the first two anniversaries of the date of grant, and 3,645 shares will vest on the third anniversary of the date of grant.
- (15) These shares were issued on February 10, 2008 and vest in one-third increments on each of the first three anniversaries of the date of grant.

Option Exercises and Stock Vested in 2008 Table

Name	OPTION AWARDS		STOCK AWARDS	
	Number of Shares	Value Realized on	Number of Shares	Value Realized on

	Acquired on Exercise(#)	Exercise(\$)	Acquired on Vesting(#)	Vesting(\$)
William F. Ruprecht				
President and Chief Executive Officer	6,667	\$ 100,458	118,765	\$ 3,593,946
William S. Sheridan				
Executive Vice President and Chief Financial Officer	0	\$ 0	24,265	\$ 767,412
Robin G. Woodhead				
Executive Vice President and Chairman, Sotheby's International	0	\$ 0	33,121	\$ 1,017,316
Bruno Vinciguerra				
Executive Vice President and Chief Operating Officer	0	\$ 0	1,627	\$ 52,129
Mitchell Zuckerman				
Chairman, Sotheby's Financial Services	0	\$ 0	20,533	\$ 621,525

Pension Benefits

All references in this pension section to the Company or Sotheby's are deemed also to refer to Sotheby's, a wholly-owned United Kingdom subsidiary.

Sotheby's maintains a funded defined benefit pension plan for its employees who are residents of the United Kingdom and who were employed by the Company before April 1, 2004. The Company

makes periodic cash contributions to fund this plan. Mr. Woodhead is the only Named Executive Officer who participates in the plan.

The table below summarizes the value of the benefits under this plan for Mr. Woodhead:

(a)	(b)	(c)	(d)	(e)
Name	Plan Name	Number of Years of Credited Service(#)	Present Value of Accumulated Benefit (#)	Payments During Last Fiscal Year(\$)
Robin G. Woodhead	Sotheby's Pension Scheme	10 years and 11 months	£337,000	0

The number of years of service in column (c) above and present value in column (d) above were calculated as of December 31, 2008, which was the pension plan measurement date used for financial statement reporting purposes with respect to the Company's audited financial statements for the year ended December 31, 2008. The present value of the accumulated benefits for Mr. Woodhead was calculated using the same valuation method and assumptions as used for financial statement reporting purposes, except that no allowance has been made in that amount for future salary growth or for leaving service prior to retirement. For further information on the assumptions used in the pension valuation, please refer to Note N to the Company's audited Consolidated Financial Statements for the year ended December 31, 2008, as included in the Company's Annual Report on Form 10-K, filed with the SEC on February 27, 2009. The pensionable salary used to calculate the benefits for Mr. Woodhead is restricted to a maximum of £117,600 for the 2008-2009 tax year, as discussed below.

As of September 30, 2007, the aggregate present value of Mr. Woodhead's accumulated benefits was £325,000. The increase in the present value of his benefits from the Sotheby's Pension Scheme over the year was therefore £12,000 (A 15 month period has been used to reflect the Company's implementation of the measurement date provisions in SFAS No. 158.).

Standard pension benefits at normal retirement age (age 65) under the plan for employees contributing 4% of salary are 1/60th of the employee's final pensionable salary for every year of service up to a maximum of 40 years. For participants contributing 2% of salary, the benefits accrue at half the rate indicated above. Benefits are paid monthly commencing at retirement. The compensation covered by the plan is the employee's pensionable earnings (subject to the limitation described below), which includes Salary, but excludes Bonus and Other Annual Compensation disclosed in the Summary Compensation Table.

The plan also provides for a benefit upon death while employed in the amount of four times the employee's base salary at the time of death plus a refund of the employee's contributions to the plan and also provides for a pension of 3 $\frac{1}{3}$ % of the employee's base salary at the date of death to be paid to the employee's spouse, or proportionately less if the employee has elected to contribute at the reduced rate.

Members may opt at retirement to take up to 25% of the value of their benefits as a tax-free cash lump sum, with their pension being reduced accordingly.

Members may elect to retire with a reduced pension at any age from age 50. This is subject to the consent of Sotheby's if retirement is before age 60. The pension would be reduced by 4% compounded annually to reflect early payment. For benefits accrued up to March 31, 2004, this reduction only applies to retirement below age 60. Mr. Woodhead has reached age 50 (but not age 60) and is eligible for early retirement.

Through April 5, 2006, U.K. tax regulations limited the pensionable salary with respect to which pension benefits may be based for members of the pension plan who became participants after 1989. Under the new tax rules effective April 6, 2006, this statutory earnings cap no longer applies. However, a plan-specific earnings cap was introduced that mirrors the previous cap, and is £117,600 for the 2008-2009 tax year. This amount is expected to increase in line with UK price inflation in future years.

For the following United States-focused benefits discussion, the term "Company" also refers to Sotheby's, Inc., a wholly-owned subsidiary of Sotheby's, as well as other Company domestic subsidiaries.

Retirement Savings Plan

The Sotheby's, Inc. Retirement Savings Plan, or 401(k) plan, is the primary retirement benefit offered to all United States employees of the Company. Participants are provided a Company matching contribution of up to 6% of eligible compensation and are also eligible to share in Company profit sharing contributions to the 401(k) plan if the Compensation Committee, in its discretion, declares a profit sharing contribution for that year. The maximum profit sharing percentage is 4% of eligible compensation.

Deferred Compensation Plan

The Company's non-employee directors, NEOs and other senior executives in the United States are eligible to participate in the Sotheby's, Inc. Deferred Compensation Plan, effective January 1, 2007, which allows the tax-free deferral of a portion of annual compensation.

United States federal tax law limits the total annual contributions for companies and their employees to 401(k) plans. Participants in the Deferred Compensation Plan may elect by written agreement to reduce their current salary or director fee payments by deferring a portion of their salary or fees. Employees may defer up to 80% of their base salary under the plan and all or part of their annual cash incentive bonus. Participants may choose among various investment crediting options that track a portfolio of various deemed investment funds. Account balances are maintained in a rabbi trust that provides benefit security by sheltering assets in the event of a change-in-control of the Company and certain other situations. Plan liabilities are financed through the trust using Company-owned variable life insurance and other investments.

For senior executives (including NEOs), the Company provides a matching allocation of up to 6% of eligible compensation. They are also eligible to share in Company profit sharing allocations if the Compensation Committee, in its discretion, declares a profit sharing contribution under the 401(k) plan for that year.

All employee elective deferrals and Company matching and profit sharing allocations to the Deferred Compensation Plan are reduced by the amount of plan year employee and Company contributions to the 401(k) plan.

The following table contains information regarding deferred compensation amounts allocated for 2008.

Non-Qualified Deferred Compensation Table

Name	Executive Contributions in Last FY (\$)	Registrant Contributions in Last FY (\$)	Aggregate Earnings in Last FY (\$)	Aggregate Withdrawals/Distributions (\$)	Aggregate Balance at Last FYE (\$)
William F. Ruprecht President and Chief Executive Officer	\$ 262,500	\$ 184,833	\$ 287,235	\$ 0	\$ 2,256,876
William S. Sheridan Executive Vice President and Chief Financial Officer	\$ 373,500	\$ 81,100	\$ 756	\$ 0	\$ 2,353,490
Robin G. Woodhead Executive Vice President and	n/a	n/a	n/a	n/a	n/a

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Chairman, Sotheby's
International

Bruno Vinciguerra	\$	67,050	\$	67,050	\$	5,896	\$	0	\$	111,118
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Executive Vice
President and Chief
Operating Officer

Mitchell Zuckerman	\$	74,175	\$	74,175	\$	0	\$	0	\$	1,551,046
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Chairman, Sotheby's
Financial Services

Equity Compensation Plans

The following table provides information as of December 31, 2008 with respect to shares of the Company's common stock that may be issued under its existing equity compensation plans, including the Stock Option Plan, the Restricted Stock Plan and the Sotheby's 1998 Stock Compensation Plan for Non-Employee Directors, as amended and restated effective May 7, 2007, as amended:

Plan Category(1)	(A) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights(2)	(B) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights(3)	(C) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans(4)
(In thousands, except per share data)			
Equity compensation plans approved by shareholders	3,472	\$ 16.74	3,243
Equity compensation plans not approved by shareholders			
Total	3,472	\$ 16.74	3,243

(1) See Note M of Notes to Consolidated Financial Statements for a description of the material features of Sotheby's equity compensation plans.

(2) Includes 2,537,303 shares of common stock awarded under the Restricted Stock Unit Plan on

which the restrictions have not yet lapsed.

- (3) The weighted-average exercise price does not take into account 2,537,303 shares of common stock awarded under the Restricted Stock Unit Plan, which have no exercise price.
- (4) Includes 2,658,451 shares of common stock available for future issuance under the Restricted Stock Unit Plan, 525,000 shares available for issuance under the 1997 Stock Option Plan and 59,000 shares available for issuance under the Directors Stock Plan.

COMPENSATION OF DIRECTORS

The following table provides compensation details regarding the Company's compensation program for its non-employee directors. Mr. Ruprecht and Mr. Woodhead do not appear in this table as they are employees of the Company and do not receive any fees or other compensation for their service as Company directors.

Although the non-employee director compensation year commences on the date of the annual meeting of shareholders and ends on the next annual meeting date (May to May), the cash payments and stock awards listed in the table below represent cash payments and stock awards for calendar year 2008 service only in compliance with the disclosure requirements for this table.

Director Compensation Table

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(2)	Option Award (\$)	Change in Pension Value and Non-Equity Nonqualified Incentive Compensation Earnings			All Other Compensation (\$)(5)	Total (\$)
				Plan Compensation (\$)	Deferred Compensation (\$)	Nonqualified Incentive Compensation (\$)		
Michael I. Sovern	\$ 169,337 (1)	\$ 44,966 (3)	0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 214,303
Michael Blakenham	\$ 35,230	\$ 44,966 (4)	0	\$ 0	\$ 0	\$ 0	\$ 12,863	\$ 93,065
Duke of Devonshire	\$ 32,112	\$ 44,966 (4)	0	\$ 0	\$ 0	\$ 0	\$ 133,406 (6)	\$ 210,484
Allen Questrom	\$ 47,534	\$ 44,966 (4)	0	\$ 0	\$ 0	\$ 0	\$ 3,492	\$ 95,996
Donald M. Stewart	\$ 49,034	\$ 44,966 (4)	0	\$ 0	\$ 0	\$ 0	\$ 5,870	\$ 99,870
Robert S. Taubman	\$ 53,784	\$ 44,966 (4)	0	\$ 0	\$ 0	\$ 0	\$ 9,703	\$ 108,453
Dennis M. Weibling	\$ 58,534	\$ 44,966 (4)	0	\$ 0	\$ 0	\$ 0	\$ 1,790	\$ 105,290
Diana Taylor	\$ 50,534	\$ 44,966 (4)	0	\$ 0	\$ 0	\$ 0	\$ 1,132	\$ 96,632
John Angelo	\$ 46,034	\$ 44,966 (4)	0	\$ 0	\$ 0	\$ 0	\$ 1,132	\$ 92,132

(1) In addition to meeting fees, Mr.

Sovern also received payment for serving as Chairman of the Board under an arrangement that was modified during 2008. For a further description of his compensation package and the changes made during 2008, see

Non-Employee Director Cash Compensation below and Certain Relationships and Related Party Transactions Specific Relationships and Related Party Transactions below.

- (2) Consists of awards in the form of shares of common stock or Deferred Stock Units pursuant to the Company's 1998 Stock Compensation Plan for Non-Employee Directors, as amended and restated (the Directors Plan). Calculated using the Closing Share Price on the business day immediately preceding the date of grant.
- (3) For 2008, Mr. Sovern elected to receive stock instead of cash in an amount equal to the stock paid to other non-employee directors under the Directors Plan. During 2008, Mr.

Sovern's compensation package was modified to permit him to participate in the Directors Plan. For a further description of his compensation package, see Non-Employee Director Cash Compensation below and Certain Relationships and Related Party Transactions Specific Relationships and Related Party Transactions below.

- (4) These amounts represent Deferred Stock Units earned during 2008 by each director.
- (5) Except as otherwise noted, these amounts consist of dividend equivalent rights earned on Deferred Stock Units during 2008.
- (6) This amount includes a \$120,543 fee for providing consulting services to the Company. See Certain Transactions and Relationships below.

Non-Employee Director Equity Compensation

Under the Directors Plan, the Company issues \$45,000 in shares of common stock annually to each non-employee director, to be paid quarterly based on the closing price per share on the business day immediately preceding the regular quarterly issuance date. A director may elect to defer all or a portion of this common stock payment and receive Deferred Stock Units that accrue dividend equivalents in the form of additional Deferred Stock Units. Upon a director's termination of Board service, the Deferred Stock Units held by the director will be settled on a one-for-one basis in shares of common stock.

Non-Employee Director Cash Compensation

Other than Mr. Sovern, each non-employee director receives a \$25,000 annual cash payment, payable quarterly, and a per meeting fee of \$1,500 for Board and Board Committee meetings attended. In addition, the Company pays an annual fee of \$12,500 to the Chairman of the Audit Committee and an annual fee of \$7,500 to the Chairman of the Compensation Committee.

Non-Employee Director Deferral of Compensation

Each non-employee director is eligible to defer up to 100% of director cash compensation in accordance with the terms of the Company's Deferred Compensation Plan. Unlike Company employees, non-employee directors are not eligible to receive matching or profit-sharing allocations from the Company with respect to their deferred compensation.

Director Stock Ownership and Holding Policy

In order to increase the alignment of non-employee director interests with shareholder interests, in February 2007, the Board of Directors of Sotheby's adopted policies with respect to stock ownership by non-employee directors. The Board believes that this approach is consistent with good corporate governance principles as it demonstrates the willingness of directors to allow a portion of their compensation to be at risk as evidence of their commitment to the Company's long term success.

1. Non-employee directors are required to own shares of Sotheby's common stock or Deferred Stock Units, as defined in the Directors Plan, having a fair market value equal to at least \$125,000, which is five times the current annual cash payment made to non-employee directors, other than Mr. Sovern.
2. To the extent that any existing non-employee director does not meet this ownership requirement as of the February 27, 2007 effective date, such director is permitted a period of up to five years to meet this ownership requirement. Any non-employee director first elected to the Board of Directors after this policy's effective date will be permitted a period of up to five years to meet this ownership requirement.
3. To the extent that a non-employee director received shares of common stock under the Directors Plan, that director may neither sell nor otherwise transfer any such shares until the earlier of: (i) the expiration of a period of three years from the date of the issuance of those shares to that director, and (ii) the date on which the director terminates his or her service on the Board.

REPORT OF THE COMPENSATION COMMITTEE

The Compensation Committee of the Board of Directors of Sotheby's has reviewed and discussed the Compensation Discussion and Analysis appearing in the Proxy Statement section titled "Compensation of Executive Officers" with management. Based on this review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

This report is respectfully submitted by the Compensation Committee.

Robert S. Taubman (Chairman)

John M. Angelo

Donald M. Stewart

REPORT OF THE AUDIT COMMITTEE

The audit committee of the Board of Directors of the Company is composed of four independent directors, each of whom meets the criteria for independence under applicable rules of the Securities and Exchange Commission (SEC) and the New York Stock Exchange, and operates under a written charter adopted by the Board of Directors. As set forth in its charter, which is available through the following hyperlink, <http://www.sothebys.com/about/investorrelation/corpGovernance.html>, the Audit Committee (among other responsibilities) oversees the Company's financial reporting process on behalf of the Board of Directors. The Company's management is primarily responsible for the Company's internal controls and for preparing the Company's financial statements contained in the Company's public reports. The Company's independent registered public accounting firm, Deloitte & Touche LLP, is responsible for expressing opinions on the Company's consolidated financial statements and on the effectiveness of the Company's internal control over financial reporting in accordance with the Standards of the Public Company Accounting Oversight Board.

The Audit Committee has reviewed and discussed with each of management and Deloitte & Touche LLP, as appropriate, the Company's audited consolidated financial statements, the effectiveness of the Company's internal control over financial reporting and, finally, Deloitte & Touche LLP's opinions on, respectively, the Company's audited consolidated financial statements and the effectiveness of the Company's internal control over financial reporting. In addition, the Audit Committee has discussed with Deloitte & Touche LLP the matters required to be discussed by Statement on Auditing Standards No. 61, Communications with Audit Committees. The Audit Committee has received the written disclosures and the letter from Deloitte & Touche LLP required by applicable requirements of the Public Company Accounting Oversight Board and has discussed Deloitte & Touche LLP's independence with that firm. The Audit Committee has concluded that Deloitte & Touche is independent from both the Company and management within the meaning of applicable requirements of the SEC and the Public Company Accounting Oversight Board.

Based on the foregoing considerations, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements for the fiscal year ended December 31, 2008 be included in the Company's 2008 Annual Report for filing with the SEC.

This report is respectfully submitted by the Audit Committee of the Board of Directors.

Dennis M. Weibling (Chairman)
Michael Blakenham
Allen Questrom
Diana L. Taylor

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company's executive officers and directors, and persons who own more than ten percent of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership of equity securities with the SEC. Officers, directors, and greater than ten percent shareholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms that they file.

Based solely upon a review of Forms 3 and Forms 4 furnished to the Company pursuant to Rule 16a-3 under the Exchange Act during the Company's most recent fiscal year, and Forms 5 with respect to the Company's most recent fiscal year, the Company believes that all such forms required to be filed pursuant to Section 16(a) were timely filed as necessary, by the executive officers, directors and security holders required to file same during the fiscal year ended December 31, 2008, except that as a result of administrative error, the Form 3 with respect to Patrick van Maris van Dijk was inadvertently filed five days late on August 12, 2008; a Form 4 for William F. Ruprecht with respect to the tax withholding of 8,626 shares of Common Stock by the Company as a result of the vesting of shares of Restricted Stock was inadvertently filed one day late on April 2, 2008; and two Form 4s for John M. Angelo with respect to his open market purchase of 5,000 shares of Common Stock and 4,000 shares of Common Stock were inadvertently filed one day and two days late on March 7, 2008 and March 14, 2008, respectively.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Specific Relationships and Related Party Transactions

Through February 2008, the Company paid Mr. Sovern an annual fee of \$310,000 for his eighth year of service as Chairman of the Board and as a director of the Company. The cash amount was payable in equal monthly installments. Commencing in February 2008, the Company began to pay Mr. Sovern in the same manner as all other directors. Like the other outside directors, Mr. Sovern receives an annual cash fee, stock or Deferred Stock Units under the Directors Plan, and Board and committee attendance fees. In addition, he is paid \$75,000 annually for his service as Chairman of the Board. See Compensation of Directors.

The Duke of Devonshire, the Deputy Chairman of the Company, provides consulting services to the Company and is paid £65,000 per year for such services, which equaled \$120,543 for 2008. A subsidiary of the Company paid Chatsworth House Trust, of which the Duke of Devonshire is a director, approximately £171,000 (\$317,120) to conduct an exhibition at Chatsworth in 2008. During 2008, a Company subsidiary paid Lismore Castle Arts, of which the Duke is a 49% partner, a facility fee of 5,000 Euros (\$6,849) for auction promotional activities at Lismore Castle, Ireland.

From time to time, officers, directors and principal shareholders of the Company and members of their immediate families purchase or sell property through the Company at public auction or in private transactions in the ordinary course of business. In addition, the Company may engage in various business transactions in the ordinary course of business with and make charitable contributions to museums and other arts organizations for which Company directors serve as trustees or directors.

Related Party Transactions Policy

Formal Policy

Effective February 2008, the Board adopted the Sotheby's Related Party Transactions Policy. This policy does not supersede the Company's obligations under Delaware law and its Code of Business Conduct and Ethics described below, but is intended to supplement those obligations. The Board has delegated the power to administer, enforce and modify this policy to its Nominating and Corporate Governance Committee. This policy requires that the committee approve or ratify Company transactions in which a related party or 5% or greater Company shareholder has a material

direct or indirect financial interest.

Any executive officer or director who learns of a potential or existing related party transaction must report it to the Company's Worldwide General Counsel or his designee, who will determine whether the transaction should be referred to the Nominating and Corporate Governance Committee

for action. For pre-approval of transactions only, the committee Chairman is authorized to act for the committee between its regularly scheduled meetings. In reviewing a transaction, the committee (or its Chairman) will consider the following, among other possible factors:

The entire
fairness of the
transaction to
the Company

The magnitude
of the benefit
for the related
party

The feasibility
of alternative
transactions

How the
benefits to the
related party
compare to
similar
transactions
conducted at
arms -length by
the Company

The potential
disqualification
of a director or
director
nominee from
being deemed
independent
under NYSE
rules and
applicable legal
or other
requirements

Related Party Transactions under Delaware Law

As a Delaware corporation, Sotheby's is required to adhere to Section 144 of the Delaware General Corporation Law concerning transactions of a Delaware corporation with its directors and officers. The law provides that related party transactions are not void or voidable if:

The material
facts
regarding the

interested party's relationship to or interest in the transaction are known or disclosed to the board or relevant committee or shareholders and, acting in good faith (i) a majority of disinterested directors (even if less than a quorum) of the board or relevant committee approve the transaction, or (ii) the shareholders entitled to vote on the matter approve the transaction; or

The transaction is fair to the corporation when authorized, approved or ratified by the board, relevant committee or shareholders.

Sotheby's Code of Business Conduct and Ethics

Sotheby's Code of Business Conduct and Ethics requires that all Company employees, including executive officers, must report potential conflicts of interest to the Company's Worldwide Director of Compliance. The Board of Directors also reviews related party transactions in the context of making annual independence determinations

regarding directors. The Company obtains information to assist the Board in these determinations in part pursuant to Directors and Officers Questionnaires completed annually by all directors, director nominees and executive officers.

PROPOSAL 2 RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Deloitte & Touche LLP has been the independent registered public accounting firm for the Company since 1983. The Audit Committee of the Board of Directors has selected Deloitte & Touche LLP as the independent registered public accounting firm for 2009. Although shareholder approval of the appointment is not required by law and is not binding on the Audit Committee, the Committee will take the appointment of Deloitte & Touche LLP under advisement if such appointment is not approved by the affirmative vote of a majority of the votes cast at the Meeting.

The Company expects that representatives of Deloitte & Touche LLP will be present at the Meeting and will be afforded an opportunity to make a statement if they desire to do so. The Company also expects such representatives of Deloitte & Touche LLP to be available at that time to respond to appropriate questions addressed to the officer presiding at the Meeting.

Independent Registered Public Accounting Firm s Fees

The following table summarizes the aggregate fees billed to Sotheby s by Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (collectively, the Deloitte Entities) for the years ended December 31, 2008 and 2007:

	2008	2007
Audit Fees (a)	\$ 3,950,332	\$ 3,216,441
Audit-Related Fees (b)	89,891	182,653
Tax Fees (c)	290,361	377,095
All Other Fees		
Total	\$ 4,330,584	\$ 3,776,189

- (a) Fees for
audit
services
billed in
2008 and
2007
included
fees
related
to:

The annual audit
of the
Company s
consolidated
financial
statements
(including
Sarbanes-Oxley
Act, Section 404
attestation);

Financial
reporting
consultations;

Statutory and
regulatory
audits;

Reviews of the
Company's
quarterly
financial
statements; and

Attestation
services and
financial
reporting
consultations
related to debt
securities issued
by the Company
in 2008.

- (b) Fees for
audit-related
services
billed in
2008 and
2007 related
to:

Financial
accounting
and reporting
consultations;

Employee
benefit plan
audits; and

An
agreed-upon
procedures
audit in 2008.

- (c) Fees for tax
services
billed in
2008 and
2007
related to
tax
compliance
and tax
planning
and advice
consisting

of:

Fees for tax compliance services totaling \$213,468 and \$318,034 incurred in 2008 and 2007, respectively.

Tax compliance services are services rendered based upon facts already in existence or transactions that have already occurred to document and compute amounts to be included in tax filings and consisted of: federal, state and local income tax return assistance; assistance with tax return filings in certain foreign jurisdictions; value added tax; and assistance with domestic and foreign tax audits and appeals.

Fees for tax planning and advice services totaling \$76,893 and \$59,061 incurred in 2008 and 2007, respectively. Tax planning and advice are services rendered with respect to proposed transactions or that alter a transaction to achieve a tax compliant result. Such services consisted of: tax advice related to new foreign ventures and transfer pricing, as well as tax advice for certain executives.

	2008	2007
Ratio of Tax Planning and Advice Fees and All Other Fees to Audit Fees, Audit-Related Fees and Tax Compliance Fees	0.02:1	0.02:1

In considering the nature of the services provided by the Deloitte Entities, the Audit Committee determined that such services are compatible with the provision of independent audit services. The Audit Committee discussed these services with the independent auditor and Company management to determine that they are permitted under the rules and regulations concerning auditor independence promulgated by the SEC to implement the Sarbanes-Oxley Act of 2002, as well as the American Institute of Certified Public Accountants.

The Audit Committee has established a policy requiring the pre-approval of all audit and non-audit services provided to the Company by the Deloitte Entities. The policy provides for pre-approval of audit, audit related and tax services specified by the Audit Committee. The Audit Committee may delegate to one or more of its members authority to pre-approve permitted services, consisting of audit services, audit related services and tax services. Any pre-approval decision made by such designated member(s) shall be reported to the Audit Committee at its next regularly scheduled

meeting.

Board Recommendation

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM RATIFICATION PROPOSAL.

OTHER INFORMATION

Shareholder Proposals

Any shareholder proposal intended to be included in the Proxy Statement for the annual meeting to be held in 2010 must be received by the Secretary of the Company at 1334 York Avenue, New York, New York 10021 by the close of business on November 23, 2009. If the date of such meeting is changed by more than 30 days from the date such meeting is scheduled to be held, the proposal must be received by the Company at a reasonable time before the solicitation of proxies for such meeting is made. Proposals should be sent to the attention of the Secretary. A person may submit only one proposal for inclusion in the proxy materials, and under certain circumstances enumerated in the Securities and Exchange Commission's rules relating to the solicitation of proxies, the Company may be entitled to omit the proposal and any statement in support thereof (which in the aggregate may not exceed 500 words in length) from its proxy statement and form of proxy.

Proxy Solicitation Details

The Company is paying the costs of this proxy solicitation. After the proxy solicitation materials become available via the Internet to shareholders, proxies may be solicited by directors, officers and employees of the Company and its subsidiaries personally, by telephone or otherwise. Such persons will not receive any fees or other compensation for such solicitation. The Company has retained Morrow & Co. for a fee of \$5,000 and expense reimbursement to assist in proxy solicitation activities. In addition, the Company will reimburse brokers, custodians, nominees and other persons holding shares for others for their reasonable expenses in sending proxy materials to the beneficial owners of such shares and in obtaining their proxies.

SUPPLEMENTAL FINANCIAL INFORMATION

Use of Non-GAAP Financial Measures in CD&A

GAAP refers to generally accepted accounting principles in the United States of America. Included in the CD&A in this Proxy Statement are financial measures presented in accordance with GAAP and also on a non-GAAP basis.

EBITDA

EBITDA, as presented in the CD&A, is a supplemental measure of the Company's performance that is not required by, or presented in accordance with, GAAP. EBITDA is not a measure of the Company's financial performance under GAAP and should not be considered as an alternative to net income or any other performance measure derived in accordance with GAAP or as an alternative to cash flows from operating activities as a measure of the Company's liquidity.

The Company defines EBITDA as net income, excluding income tax expense (benefit), net interest expense and depreciation and amortization expense. The Company cautions users of its financial statements that amounts presented in accordance with its definition of EBITDA may not be comparable to similar measures disclosed by other companies, because not all companies and analysts calculate EBITDA in the same manner. Management believes that EBITDA provides an important supplemental measure of the Company's performance and believes that it is a measure frequently used by securities analysts, investors and other interested parties in the evaluation of the Company. Management also utilizes EBITDA in analyzing the Company's performance. A reconciliation of EBITDA to net

income in accordance with GAAP is presented in the Overview sections of the Company's Annual Report on Form 10-K for the period ended December 31, 2008.

The Board of Directors recommends a vote FOR Proposals 1 and 2. If no direction is given, the shares will be voted FOR Proposals 1 and 2. Such shares will be voted in the proxies discretion upon any other business that may properly come before the meeting.

Please mark your votes as indicated in this example **X**

	FOR all nominees listed below (except as marked to the contrary)	WITHHOLD AUTHORITY to vote for all nominees listed below	*EXCEPTIONS		FOR	AGAINST	ABSTAIN
1. Election of Directors	0	0	0		0	0	0
2. Ratification of the appointment of Deloitte & Touche LLP as independent auditors for 2009.					0	0	0

Election by holders of common stock of the following individuals as directors

- | | |
|---------------------------|---------------------------|
| 01 John M. Angelo | 07 Donald M. Stewart |
| 02 Michael Blakenham | 08 Robert S. Taubman |
| 03 The Duke of Devonshire | 09 Diana L. Taylor |
| 04 Allen Questrom | 10 Dennis M. Weibling and |
| 05 William F. Ruprecht | 11 Robin G. Woodhead |
| 06 Michael I. Sovern | |

PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED POSTAGE-PAID ENVELOPE.

(INSTRUCTIONS: To withhold authority to vote for any individual nominee, mark the Exceptions box and write that nominee's name in the space provided below.)

*Exceptions

Mark Here for Address Change or Comments **SEE REVERSE**

Signature

Signature

Date

Please sign exactly as name appears hereon and date. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee, or guardian, please give full title as such. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership, please sign in full partnership name by authorized person.

p FOLD AND DETACH HERE p

WE ENCOURAGE YOU TO TAKE ADVANTAGE OF INTERNET OR TELEPHONE VOTING, BOTH ARE AVAILABLE 24 HOURS A DAY, 7 DAYS A WEEK.

Internet and telephone voting is available through 11:59 PM Eastern Time the day prior to annual meeting day.

Sotheby's

INTERNET

<http://www.proxyvoting.com/bid>

Use the Internet to vote your proxy.
Have your proxy card in hand when you
access the web site.

OR

TELEPHONE

1-866-540-5760

Use any touch-tone telephone to vote your proxy.
Have your proxy card in hand when you call.

If you vote your proxy by Internet or by telephone,
you do NOT need to mail back your proxy card.

To vote by mail, mark, sign and date your proxy
card and return it in the enclosed postage-paid
envelope.

**Your Internet or telephone vote authorizes the
named proxies to vote your shares in the
same manner as if you marked, signed and
returned your proxy card.**

**Important notice regarding the Internet
availability of proxy materials for the
shareholder meeting to be held on May 7,
2009.**

The Proxy Statement and other proxy materials
are available at:

<http://investor.shareholder.com/bid/proxy.cfm>

SOTHEBY S

COMMON STOCK PROXY

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS FOR THE ANNUAL MEETING OF SHAREHOLDERS - MAY 7, 2009

The undersigned hereby appoints each of MICHAEL I. SOVERN, WILLIAM F. RUPRECHT and WILLIAM S. SHERIDAN attorneys, with full power of substitution, to represent the undersigned at the annual meeting of shareholders of Sotheby's, on Thursday, May 7, 2009, at the office of Sotheby's, 1334 York Avenue, New York, New York, at 11:00 a.m., local time, and at any adjournment or postponement thereof, and to vote at such meeting the shares of common stock that the undersigned would be entitled to vote if personally present in accordance with the following instructions and to vote in their judgment upon all other matters that may properly come before the meeting and any adjournment or postponement thereof.

If at least one of the above named Proxies shall be present in person or by substitution at such meeting or at any adjournment or postponement thereof, said Proxy or Proxies, as the case may be, so present and voting, either in person or by substitution, shall exercise all of the powers hereby given. The undersigned hereby revokes any proxy heretofore given to vote at such meeting.

(Continued and to be SIGNED and dated on the reverse side.)

Address Change/Comments
(Mark the corresponding box on the reverse side)

BNY MELLON SHAREOWNER SERVICES
P.O. BOX 3550
SOUTH HACKENSACK, NJ 07606-9250

p **FOLD AND DETACH HERE** p

Dear Shareholders of Sotheby's:

Whether or not you expect to attend the Annual Meeting, please complete and return promptly the attached proxy card in the accompanying envelope, which requires no postage if mailed in the United States. As a shareholder, please remember that your vote is important to us. We look forward to hearing from you.

For Certain Sotheby's Employees Who Are Retirement Savings Plan Participants: The attached proxy card covers all shares for which you have the right to give voting instructions to Vanguard Fiduciary Trust Company, Trustee of the Company's Retirement Savings Plan (the Plan). The attached proxy card, when properly executed, will be voted as directed as long as the proxy card is received by Mellon Investor Services no later than May 1, 2009. If no direction is given to the Trustee by such date, the Trustee will vote your shares held in the Plan in the same proportion as votes received from other participants in the Plan.

You can now access your Sotheby's account online.

Access your Sotheby's shareholder/stockholder account online via Investor ServiceDirect® (ISD).

The transfer agent for Sotheby's, now makes it easy and convenient to get current information on your shareholder account.

Edgar Filing: SOTHEBYS - Form DEF 14A

View account status	View payment history for dividends
View certificate history	Make address changes
View book-entry information	Obtain a duplicate 1099 tax form
	Establish/change your PIN

Visit us on the web at <http://www.bnymellon.com/shareowner/isd>

***For Technical Assistance Call 1-877-978-7778 between 9am-7pm
Monday-Friday Eastern Time***

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