



CHARTER OF THE AUDIT COMMITTEE OF EQUITY RESIDENTIAL

**Adopted September 18, 1998, and
last amended as of December 9, 2004**

Purpose

The purpose of the Audit Committee (the "Committee") of the Board of Trustees of Equity Residential (the "Company"), through regular or special meetings with management, the internal auditors and the Company's independent auditors, shall be to assist Board oversight of: (1) the integrity of the financial statements of the Company, (2) the Company's compliance with legal and regulatory requirements, (3) the independent auditors' qualifications and independence and (4) the performance of the Company's internal audit function and independent auditors. In doing so, the Committee will contribute to maintaining open communication among the trustees, the independent auditors, the internal auditors, and the senior financial management of the Company.

The Committee shall also review and approve the Audit Committee Report to shareholders, which is prepared by management, as required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement.

Membership

The Committee shall be comprised of at least three trustees who shall be appointed by the Board on recommendation of the Corporate Governance Committee. The members of the Committee shall meet the independence, experience and financial expertise requirements of the New York Stock Exchange, the Securities Exchange Act of 1934 (the "Exchange Act"), as amended by the Sarbanes-Oxley Act of 2002, and the rules and regulations promulgated thereunder by the Securities and Exchange Commission. Trustee's fees (including additional amounts paid to chairs, members of committees of the Board and to the lead trustee) are the only compensation a member of the Committee may receive from the Company.

No trustee may serve as a member of the Committee if he or she serves on the audit committee of more than two other public companies, unless the Board determines that such simultaneous service would not impair the ability of such individual to effectively serve on the Committee. Any such determination must be disclosed in the Company's annual proxy statement.

Meetings

The Committee shall meet as often as it determines is necessary or appropriate, but not less frequently than quarterly. In the event of a tie vote on any issue, the Chair's vote shall decide the issue. The Committee shall meet periodically with management, the internal auditors and the independent auditors in separate executive sessions. The Committee may require any officer or employee of the Company or the Company's outside counsel or independent auditors to attend a meeting of the Committee or to meet with any members of, or consultants to, the

Committee. Trustees who are not members of the Committee are welcome to attend and participate in the Committee's deliberations unless otherwise specified by the Chair.

Authority and Responsibilities

The Committee shall have the sole authority to appoint or replace the independent auditors. The Committee shall be directly responsible for the compensation, retention, evaluation and oversight of the work of the independent auditors (including resolution of disagreements between management and the independent auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. The independent auditors shall report directly to the Committee.

The Committee shall pre-approve all services (audit services and permitted non-audit services), including the fees and terms thereof, to be performed for the Company by its independent auditors, or adopt pre-approval policies and procedures as to particular services to be performed, subject in each such case to the de minimus exceptions for non-audit services described in the Exchange Act which are approved by the Committee prior to the completion of the audit. The Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant pre-approvals of audit and permitted non-audit services, provided that the decision of such subcommittee to grant pre-approvals shall be presented to the full Committee at its next scheduled meeting.

The Committee shall have authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisors to advise the Committee as it deems necessary to carry out its duties. The Company shall provide for appropriate funding, as determined by the Committee, for payment of professional services of any advisors employed by the Committee and for payment of compensation to the independent auditors for the purpose of rendering or issuing an audit report or performing other audit, review or attest services for the Company, and for ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

The Committee shall make regular reports to the Board. The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Committee shall annually review the Committee's own performance.

In carrying out its responsibilities, the Committee believes that its agendas, reviews and procedures should be flexible in order to adapt to changing conditions and to ensure that the Company's corporate accounting and reporting practices are in accordance with requirements and of high quality. In performing its functions, the Committee shall undertake those tasks and responsibilities that, in its judgment, would most effectively contribute to and implement the purposes of the Committee. The following functions are some of the common recurring activities of the Committee in carrying out its oversight responsibility.

I. Financial Statement and Disclosure Matters

- a. Review and discuss with management and the independent auditors the annual audited financial statements, including disclosures made in management's discussion and analysis, and recommend to the Board whether the audited financial statements should be included in the Company's Form 10-K.

- b. Review and discuss with management and the independent auditors the quarterly financial statements prior to the filing of its Form 10-Q, including the results of the independent auditors' review of the quarterly financial statements.
- c. Discuss with management the type and presentation of information to be included in the Company's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information. Such discussions may be general (consisting of discussing the types of information to be disclosed and the types of presentations to be made).
- d. Discuss with management and the independent auditors significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls and any special steps adopted in light of material control deficiencies.
- e. Review disclosures, if any, made to the Committee by the Company's CEO and CFO during their certification process for the Form 10-K and Form 10-Q about significant deficiencies in the design and operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.
- f. Review and discuss quarterly reports from the independent auditors on:
 - (i) All critical accounting policies and practices to be used.
 - (ii) Alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors.
 - (iii) Other written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences.
- g. Review and discuss with the independent auditors the matters required by *Statement on Auditing Standards No. 61 (Communication with Audit Committees)* relating to the quality of the accounting principles adopted by the Company and the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.
- h. Review with the independent auditors any problems or difficulties the independent auditors may have encountered and any management letter provided by the independent auditors and the Company's response to that letter. Such review should include:
 - (i) any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information;
 - (ii) any changes required in the planned scope of the internal audit; and
 - (iii) the internal audit department's responsibilities and staffing.

- i. Discuss with management and the independent auditors the effect of regulatory and accounting initiatives as well as any unconsolidated investments of the Company.
- j. Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.

II. Oversight of the Company's Relationship with the Independent Auditors

- a. Review and discuss with the independent auditors the scope of the proposed audit for the current year, the audit procedures to be utilized and, at the conclusion thereof, review such audit, including any comments or recommendations of the independent auditors (and any reports of the independent auditors with respect to interim periods), and the actual fees and expenses to be paid to the independent auditors for both audit and non-audit services.
- b. Ensure that the independent auditors submit to the Committee on a periodic basis written statements regarding their independence and delineating all relationships between the independent auditors and the Company, including the written disclosures required by *Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees)*, and actively engage in a dialogue with the independent auditors with respect to such statements and any disclosed relationships or services that may impact the objectivity and independence of the independent auditors and, if so determined by the Committee, recommend that the Board take appropriate action to satisfy itself of the independence of the independent auditors.
- c. Obtain and review a report from the independent auditors at least annually regarding (a) the independent auditors' internal quality-control procedures, (b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, (c) steps taken to deal with any such issues, and (d) all relationships between the independent auditors and the Company. Evaluate the qualifications, performance and independence of the independent auditors, including considering whether the auditors' quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditors' independence and taking into account the opinions of management and internal auditors. The Committee shall present its conclusions with respect to the independent auditors to the Board.
- d. Review and evaluate the lead partner of the independent auditor team.
- e. Ensure the rotation of the lead audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit at least as frequently as required by law.
- f. Recommend to the Board policies for the Company's hiring of employees or former employees of the independent auditors who participated in any capacity in the audit of the Company.
- g. Confirm that the independent auditors do not provide personal financial services or tax advice to the Company's Executive Officers.

III. Oversight of the Company's Internal Audit Function

- a. Review the appointment and replacement of the senior internal auditing executive.
- b. Ensure that the senior internal auditing executive has a direct reporting line to and free access for communications with the Chair of the Audit Committee.
- c. Review and discuss with management, the independent auditors and the head of the internal audit department the adequacy of the Company's internal audit function (including the internal audit department's responsibilities, independence, budget and staffing), the proposed audit plans, and coordination of internal audit's work with that of the independent auditors. The internal audit department's responsibilities shall include providing management and the Audit Committee with ongoing assessments of the Company's risk management processes and system of internal control.
- d. Review from time to time the results of internal audits and special issues brought to the Committee's attention by the internal auditors and management's responses.
- e. Discuss annually with the senior management of the Company the performance and compensation of the senior internal auditing executive.

IV. Compliance Oversight Responsibilities

- a. Review the Company's policies relating to the avoidance of conflicts of interest and review related party transactions as well as policies and procedures with respect to Executive Officers' expense accounts and perquisites, including the use of corporate assets. The Committee shall consider the results of any review of these policies and procedures by the Company's independent auditors.
- b. Ensure that responsibility for dissemination and monitoring of adherence to the Company's Code of Ethics is assigned.
- c. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- d. Meet periodically (at least as often as required by law) with the Chief Financial Officer, the senior internal auditing executive and the independent auditors in separate executive sessions in furtherance of the Committee's purposes. Also provide the opportunity from time to time for the internal and independent auditors to meet with the members of the Committee without members of management present. In these meetings and any other such meetings, the Committee shall invite comment about the Company's financial, accounting and auditing personnel, the cooperation the independent auditors receive during the course of the audit and any other matters about which such person(s) believe should be brought to the Committee's attention.
- e. Invite and hear from time to time a report from the General Counsel on legal issues and actions involving the Company and any material reports or inquiries received from

regulators or governmental agencies that may have a material impact on the financial statements or the Company's compliance policies and practices.

- f. Investigate any matter within the scope of the Committee's duties which is brought to its attention if, in the Committee's judgment, such matter warrants investigation.
- g. Ensure that minutes of the Committee are kept and retained as records of the Company.