

EQUITY RESIDENTIAL
Form DEF 14A
April 16, 2007

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 (Amendment No.)

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement Soliciting Material Under Rule 14a-12
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials

EQUITY RESIDENTIAL

(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):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

Fee paid previously with preliminary materials:

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which

the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or

schedule and the date of its filing.

1) Amount previously paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

NOTICE OF 2007 ANNUAL MEETING OF SHAREHOLDERS

Dear Shareholder:

You are cordially invited to attend Equity Residential's 2007 Annual Meeting of Shareholders. This year's meeting will be held on Thursday, May 24, 2007, at 1:00 p.m., at One North Franklin Street, Third Floor, Chicago, Illinois, at which time shareholders of record at the close of business on March 30, 2007, will be asked to:

- (1) elect all trustees to a one-year term;
- (2) ratify our selection of Ernst & Young LLP as our independent auditor for 2007;
- (3) vote on a shareholder proposal requesting that Equity Residential adopt a majority vote standard for the election of trustees; and
- (4) consider any other business properly brought before the meeting.

Your vote is very important. Whether or not you attend the meeting in person, I urge you to promptly vote your proxy as soon as possible by the Internet, by telephone or by mail using the enclosed postage-paid reply envelope. If you decide to attend the meeting and vote in person, you will, of course, have that opportunity.

Thank you for your continued support of Equity Residential.

Sincerely,

Yasmina Duwe
First Vice President, Associate General Counsel
and Secretary

Two North Riverside Plaza
Chicago, Illinois 60606
April 16, 2007

TABLE OF CONTENTS

	<u>Page</u>
About the Annual Meeting	2

Contacting the Board or Lead Trustee	4
Shareholder Proposals for the 2008 Annual Meeting	4
2006 Annual Report	4
Governance of the Company	4
<u>Proposal 1</u> □ Election of Trustees	9
<u>Proposal 2</u> □ Ratification of Selection of Independent Auditor	11
<u>Proposal 3</u> □ Shareholder Proposal Regarding Majority Voting	13
Board Statement Opposing Shareholder Proposal	14
Common Share and OP Unit Ownership of Trustees and Executive Officers	16
Share Ownership of Principal Shareholders	18
Compensation Discussion and Analysis	19
Compensation Committee Report	27
Executive Compensation	28
Equity Compensation Plan Information	40
Audit Committee Report	41
Certain Relationships and Related Transactions	42
Other Matters	42

EQUITY RESIDENTIAL
Two North Riverside Plaza
Chicago, Illinois 60606

PROXY STATEMENT

This Proxy Statement contains information related to the Annual Meeting of Equity Residential (□Equity Residential□ or the □Company□), which will be held on Thursday, May 24, 2007, at 1:00 p.m., at One North Franklin Street, Third Floor, Chicago, Illinois.

ABOUT THE ANNUAL MEETING

What is the Purpose of the Annual Meeting?

At the Annual Meeting, shareholders will vote on the following proposals:

- 1 Proposal 1 the election of all trustees to a one-year term;
- 1 Proposal 2 the ratification of the Company's selection of Ernst & Young LLP (Ernst & Young) as its independent auditor for the fiscal year ending December 31, 2007; and
- 1 Proposal 3 the shareholder proposal requesting that the Company adopt a majority vote standard for the election of

We sent you these proxy materials because our Board of Trustees (the "Board") is requesting that you allow your common shares to be represented at the meeting by the proxies named in the enclosed proxy card (or, if you receive this document electronically, the accompanying proxy instructions). This Proxy Statement contains information that we are required to provide you under the rules of the Securities and Exchange Commission ("SEC") and that is designed to assist you in voting your shares. On or about April 16, 2007, we began mailing these proxy materials to all shareholders of record at the close of business on March 30, 2007. Equity Residential has hired MacKenzie Partners, Inc. to assist in distributing and soliciting proxies and will pay approximately \$10,000 plus expenses for these services. We will, upon request, reimburse brokers, banks and other nominees for their reasonable expenses in sending proxy material to their principals and obtaining their proxies. We also expect that some of our employees may solicit our common shareholders personally and by telephone. None of these employees will receive any additional or special compensation for doing this.

Who Is Entitled to Vote?

You will be entitled to vote your shares on each of the proposals if you held your shares as of the close of business on March 30, 2007 (the "Record Date"). Each of the shares outstanding on that date is entitled to one vote on the proposals. As of the record date, a total of 291,992,100 common shares were outstanding and entitled to vote.

2

What Is Required to Hold the Meeting?

The presence at the meeting in person or by proxy of the holders of a majority of the common shares outstanding on the Record Date will constitute a quorum permitting business to be conducted at the meeting. If you have returned valid proxy instructions (in writing, by phone or by Internet) or attend the meeting and vote in person, your shares will be counted for purposes of determining whether there is a quorum, even if you abstain from voting on any or all matters introduced at the meeting.

How Do I Vote?

Your vote is important. Shareholders can vote in person at the Annual Meeting or by proxy. Most shareholders have a choice of voting by Internet, using a toll-free telephone number or completing a proxy card and mailing it in the postage-paid envelope provided. Please refer to your proxy card or the information forwarded by your bank, broker or other nominee to see which options are available to you. If you vote by Internet or telephone, you do **NOT** need to return your proxy card.

If you vote by proxy, the individuals named on the proxy card as representatives will vote your shares in the manner you indicate. You may specify whether your shares should be voted for all, some or none of the nominees for trustee and whether your shares should be voted for or against the other proposals.

What Are the Board's Recommendations?

If no instructions are indicated on your valid proxy, the representatives holding proxies will vote in accordance with the recommendations of the Board. The Board recommends a vote:

- 1 **Proposal 1: FOR** the election of each of the nominees for trustee;
- 1 **Proposal 2: FOR** the ratification of the selection of Ernst & Young as the Company's independent auditor; and

1 **Proposal 3: AGAINST** the shareholder proposal regarding majority voting for the election of trustees.

With respect to any other matter that properly comes before the meeting or any adjournment or postponement thereof, the representatives holding proxies will vote as recommended by the Board, or if no recommendation is given, in their own discretion.

Can I Revoke or Change My Proxy?

Yes, you may change or revoke your proxy at any time before the meeting by timely delivery of a properly executed, later-dated proxy (including an Internet or phone vote) or by voting in person at the Annual Meeting. The powers of the proxy holders will be suspended if you attend the meeting in person and so request, but attendance at the meeting will not by itself revoke a previously granted proxy.

3

How Can I Manage the Number of Annual Reports I Receive?

Our 2006 Annual Report and financial statements have been mailed to shareholders with this Proxy Statement. If you share an address with any of our other shareholders, your household might receive only one copy of these documents. To request individual copies for each shareholder in your household, please contact Equity Residential □ Investor Relations, at Two North Riverside Plaza, Suite 400, Chicago, Illinois 60606 (toll-free number: 1-888-879-6356). To ask that only one set of the documents be mailed to your household, please contact your bank, broker or other nominee or, if you are a shareholder of record, please call our transfer agent, Computershare Trust Company, N.A., toll-free at 1-800-733-5001.

CONTACTING THE BOARD OR LEAD TRUSTEE

The Board welcomes your questions and comments. If you would like to communicate with our Board or our Lead Trustee, or if you have a concern related to the Company□s business ethics or conduct, financial statements, accounting practices or internal controls, you may submit your correspondence to Equity Residential, Two North Riverside Plaza, Suite 400, Chicago, Illinois 60606, Attn: Secretary. All communications will be forwarded to our Lead Trustee.

SHAREHOLDER PROPOSALS FOR THE 2008 ANNUAL MEETING

To be considered for inclusion in next year□s proxy statement, shareholder proposals must be received at our principal executive offices no earlier than the close of business on November 16, 2007 and no later than the close of business on December 18, 2007. Proposals should be mailed to Equity Residential at Two North Riverside Plaza, Suite 400, Chicago, Illinois 60606, Attn: Secretary.

2006 ANNUAL REPORT

Shareholders are concurrently being furnished with a copy of Equity Residential□s 2006 Annual Report and its audited financial statements at December 31, 2006. Additional copies of our Annual Report, financial statements and Form 10-K for the year ended December 31, 2006, as filed with the SEC, may be obtained without charge by contacting Equity Residential - Investor Relations, at Two North Riverside Plaza, Suite 400, Chicago, Illinois 60606.

GOVERNANCE OF THE COMPANY

Board of Trustees

Our business and affairs are managed under the direction of the Board of Trustees, which presently consists of twelve members. Members of the Board are kept informed of the Company□s business through discussions with the Chairman, the Chief Executive Officer and other officers, by reviewing materials provided to them and by participating in meetings of the Board and its committees. Board members have complete access to the Company□s management team and the independent auditor.

The Board and each of the key committees (Audit, Compensation and Corporate Governance) also have authority to retain, at the Company's expense, outside counsel, consultants or other advisors in the performance of their duties. The Company's Guidelines on Governance require that a majority of the trustees be independent within the meaning of the New York Stock Exchange (NYSE) listing standards.

Charters for the Audit, Compensation and Corporate Governance Committees and the Company's Guidelines on Governance and Code of Ethics and Business Conduct may be viewed on the Company's

4

website at www.equityresidential.com under the Investor Relations section. In addition, the Company will mail copies of the Committee charters, the Guidelines on Governance and the Code of Ethics and Business Conduct to shareholders upon their written request to Equity Residential at Two North Riverside Plaza, Suite 400, Chicago, Illinois 60606, Attn: Secretary.

Corporate Governance

The Company is dedicated to establishing and maintaining the highest standards of corporate governance. The Board has implemented many corporate governance measures over the past several years designed to serve the interests of our shareholders and further align the interests of trustees and management with those of our shareholders.

Lead Trustee. The Company's Lead Trustee is Sheli Z. Rosenberg who, as an independent trustee, acts in a lead capacity to coordinate the other independent trustees, consults with the CEO on Board agendas, chairs the executive sessions of the non-management trustees and performs such other functions as the Board may direct. Ms. Rosenberg has been a trustee of the Company since our initial public offering in 1993 and brings to her role as Lead Trustee over thirty-five years of experience as an attorney and board member of public companies in an array of businesses.

Executive Sessions. Pursuant to the Company's Guidelines on Governance, the non-management trustees meet in separate executive sessions at least three times a year and as otherwise determined by the Lead Trustee. The non-management trustees held four executive sessions in 2006.

Assessment of Board Performance and Board Processes. The Trustees and Corporate Governance Committee annually assess the performance of the full Board, individual Board members, Board committees and Board processes based on input from all of the Trustees.

Code of Ethics and Business Conduct. The Board has adopted a Code of Ethics and Business Conduct that applies to all trustees, the Company's chief executive officer, chief financial officer and chief accounting officer and all other officers and employees. The purpose of the Code of Ethics and Business Conduct is to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; to promote full, fair, accurate, timely and understandable disclosure in periodic reports required to be filed by the Company; and to promote compliance with all applicable rules and regulations that apply to the Company and its officers, employees and trustees. The Audit Committee has responsibility for reviewing the Company's policies relating to the avoidance of conflicts of interests and reviewing any proposed related party transactions.

Succession Planning. In the event the Chairman of the Board and/or the CEO are unable to serve, (i) the Lead Trustee shall automatically be appointed to serve as the interim successor to the Chairman, (ii) the Chairman shall automatically be appointed to serve as the interim successor to the CEO and (iii) the Chair of the Compensation Committee of the Board will promptly call a meeting of the Committee to initiate the process for the selection of a permanent replacement for either or both positions, as necessary. The Company also has added succession plans for management positions throughout the organization.

Board Resignation Policy. In March 2007, the Board amended its Guidelines on Governance to adopt resignation policies for any Trustee nominee who receives a greater number of votes (withheld) from his or her election than votes (for) his or her election (a majority withheld). Although Trustees will continue to be elected by a plurality vote standard, the new resignation policies require that in any uncontested election, any Trustee

nominee who receives a majority withheld vote must promptly

5

tender his or her resignation to the Board. The Board would then decide within 90 days following certification of the shareholder vote, through a process managed by the Corporate Governance Committee and excluding the nominee in question, whether to accept or reject the tendered resignation, or whether other action is recommended. The Board would promptly disclose its decision and rationale in a Form 8-K furnished to the SEC.

Share Ownership Guidelines. In keeping with its belief that tying the financial interests of senior officers and trustees of the Company to those of the shareholders will result in enhanced shareholder value, the Board has established ownership guidelines for the trustees and senior officers of the Company. These guidelines provide that within three years of joining the Company or a promotion, the following officers should own shares equal to the following respective multiple of their annual base salary: Chief Executive Officer 5x; Chief Operating Officer 4x; Corporate Executive Vice Presidents 3x; Property Management Executive Vice Presidents 2x; and Senior Vice Presidents 1x. All trustees are expected to own, within three years of joining the Board, at least \$250,000 in Company shares or limited partnership interests (OP Units) in ERP Operating Limited Partnership (the Operating Partnership), of which the Company is the general partner. OP units are exchangeable on a one-for-one basis into the Company's common shares. We recognize, of course, many officers and trustees will have much larger ownership stakes in the Company and view this as desirable.

Section 16(a) Beneficial Ownership Reporting Compliance. Section 16(a) of the Exchange Act requires our trustees, executive officers and beneficial owners of more than 10% of the Company's outstanding common shares to file reports of ownership and changes in ownership with the SEC. We believe that no such person failed to file any such report or to report any transaction on a timely basis during 2006, other than one late filing reflecting a sale of 10,000 common shares by Alan W. George.

Meetings and Committees of the Board of Trustees

Meetings. During 2006, the Board held ten meetings, with an average attendance of 93%. No Trustee attended fewer than 75% of the meetings of the Board. Nine Trustees attended the 2006 Annual Meeting of Shareholders. Board members are expected to attend all meetings of the Board and committees of which they are members as further described in the Company's Guidelines on Governance. The Board has standing Audit, Compensation and Corporate Governance Committees, which are comprised entirely of Trustees who are independent within the meaning of the NYSE listing standards. The Company also has an Executive Committee.

Audit Committee. The current members of the Audit Committee are Charles L. Atwood (Chair), Stephen O. Evans, James D. Harper, Jr., John E. Neal and B. Joseph White. The Audit Committee is comprised entirely of trustees who meet the independence and financial literacy requirements of the NYSE listing standards. In addition, the Board has determined that Mr. Atwood qualifies as an "audit committee financial expert" as defined by SEC rules. During 2006, the Audit Committee was comprised of Mr. Atwood (Chair), Messrs. Harper, Knox, Neal and White and Desiree G. Rogers (who served on the Audit Committee until December 2006). The Audit Committee's responsibilities include providing assistance to the Board in fulfilling its responsibilities with respect to oversight of the integrity of the Company's financial statements, compliance with legal and regulatory requirements, the independent auditor's qualifications, performance and independence and the performance of the Company's internal audit function. In accordance with its charter, the Audit Committee has sole authority to appoint and replace the independent auditor, which reports directly to the Committee; approve the engagement fees of the independent auditor; and pre-approve the audit services and any permitted non-audit services provided to the Company. In addition, the Audit Committee reviews the scope of audits as well as the annual audit plan, evaluates matters relating to the audit and internal controls of the Company and reviews and approves all material related party transactions. The Audit Committee holds separate executive sessions,

6

outside the presence of senior management, with the Company's independent auditor and the Company's senior internal audit officer. During 2006, no member of the Audit Committee served on more than two other public company audit committees. The Audit Committee held twelve meetings in 2006, with an average attendance of 94%.

Compensation Committee. The current members of the Compensation Committee are John W. Alexander (Chair), James D. Harper, Jr., Boone A. Knox, Desiree G. Rogers and Sheli Z. Rosenberg. The Compensation Committee is comprised entirely of Trustees who meet the independence requirements of the NYSE listing standards, and no member of the Committee is a past or present officer or employee of the Company. The Compensation Committee's responsibilities include establishing the Company's general compensation philosophy, overseeing the Company's compensation programs and practices, including incentive and equity-based compensation plans, reviewing and approving executive compensation plans in light of corporate goals and objectives, evaluating the performance of the CEO in light of these criteria and recommending the CEO's compensation level based on such evaluation, evaluating the performance of the other executive officers before approving their salaries, bonus and incentive and equity compensation, reviewing and making recommendations concerning proposals by management regarding compensation, bonuses, employment agreements, loans to non-executive employees and other benefits and policies regarding such matters for employees of the Company and overseeing the Company's executive succession and management development plans. The Compensation Committee held seven meetings in 2006, with attendance of 100%.

Corporate Governance Committee. The current members of the Corporate Governance Committee are Stephen O. Evans (Chair), John W. Alexander, Desiree G. Rogers, Sheli Z. Rosenberg and B. Joseph White. The Corporate Governance Committee's duties include establishing criteria for recommending candidates for election or reelection to the Board and its committees, considering issues and making recommendations concerning the size, composition, organization and effectiveness of the Board, establishing and overseeing procedures for annual assessment of Board and trustee performance, evaluating issues of corporate governance and making recommendations to the Board regarding the Company's governance policies and practices, including its Guidelines on Governance and Code of Ethics and Business Conduct. The Corporate Governance Committee identifies individuals qualified to become Board members and will also consider nominees for Trustee suggested by shareholders in written submissions to the Company's Secretary as further described in "Trustee Nomination Procedures" below. The Corporate Governance Committee held three meetings in 2006, with attendance of 100%.

Executive Committee. The current members of the Executive Committee are Samuel Zell (Chair), David J. Neithercut, Stephen O. Evans and Boone A. Knox. The Executive Committee has the authority within certain parameters to approve proposals to acquire, develop, dispose of and finance investments for the Company. The Executive Committee held nine meetings in 2006, with average attendance of 91%.

Trustee Nomination Procedures

Trustee Qualifications. The Company's Guidelines on Governance set forth the Board's policies for the desired attributes of trustees and the Board as a whole. The Board will seek to ensure that a substantial majority of its members are independent within the NYSE listing standards. Each member of the Board must possess the individual qualities of integrity and accountability, informed judgment, financial literacy, high performance standards and must be committed to representing the long-term interests of the Company and the shareholders. The Board values diversity, in its broadest sense, reflecting, but not limited to, profession, geography, gender, ethnicity, skills and experience. The Guidelines on Governance include a policy that Trustees retire at the age of 72, to which the Board may make exceptions for trustees who continue to be qualified to serve on the Board.

7

Identifying and Evaluating Nominees. The Corporate Governance Committee regularly assesses the appropriate number of trustees comprising the Board, and whether any vacancies on the Board are expected due to retirement or otherwise. The Corporate Governance Committee may consider those factors it deems appropriate in evaluating trustee candidates including judgment, skill, diversity, strength of character, experience with businesses and organizations comparable in size or scope to the Company, experience and skill relative to other Board members, and specialized knowledge or experience. The Corporate Governance Committee considers candidates for the Board from current Board members, shareholders, professional search firms or other persons.

Shareholder Nominees. The Corporate Governance Committee will consider properly submitted shareholder nominees for election to the Board and will apply the same evaluation criteria in considering such nominees as it would to persons nominated under any other circumstance. Such nominations may be made by a shareholder entitled to vote who delivers written notice in accordance with the Company's Bylaws to Equity Residential at Two North Riverside Plaza, Suite 400, Chicago, Illinois 60606, Attn: Secretary. You may obtain a copy of the full text

Edgar Filing: EQUITY RESIDENTIAL - Form DEF 14A

of the Bylaw provision regarding shareholder nominations by writing to the Secretary of the Company at the above address.

Biographical Information

Set forth below are biographies of each of the executive officers as of April 1, 2007. Biographies of the Trustees are set forth below in Proposal 1.

Executive Officers

David J. Neithercut, Chief Executive Officer, President and a Trustee of the Company. See biographical information in Proposal 1.

Gerald A. Spector, Chief Operating Officer, Executive Vice President and a Trustee of the Company. See biographical information in Proposal 1.

Donna Brandin, 50, has been Executive Vice President and Chief Financial Officer of the Company since August 2004. Ms. Brandin was Senior Vice President and Treasurer of Cardinal Health, Inc. from June 2000 until August 2004.

Alan W. George, 49, has been Executive Vice President and Chief Investment Officer of the Company since January 2002.

John Powers, 59, has been Executive Vice President □ Human Resources since December 2005. Mr. Powers was Senior Vice President □ Human Resources from October 2000 to December 2005.

David Santee, 48, has been Executive Vice President □ Operations of the Company since January 2007. Mr. Santee was Executive Vice President of the Company's Eastern Division from November 1996 to December 2006.

Gregory H. Smith, 56, has been Executive Vice President □ Portfolio Management of the Company since January 2004. Mr. Smith was President □ Central Division of the Company from April 1999 to December 2003.

Bruce C. Strohm, 52, has been Executive Vice President and General Counsel of the Company since March 1995 and was Secretary of the Company from November 1995 to December 2006.

8

Mark N. Tennison, 46, has been Executive Vice President □ Development of the Company since March 2004. Mr. Tennison was Senior Vice President and Chief Operating Officer of Pritzker Residential, a private multi-family investment and operating company, from October 1997 through March 2003.

Frederick C. Tuomi, 52, has been President □ Property Management of the Company since March 2005. Mr. Tuomi has been Executive Vice President of the Company since January 1994 and served as President □ Western Division from April 1999 to March 2005.

PROPOSAL 1

ELECTION OF TRUSTEES

Independence of Trustees

Pursuant to the Company's Guidelines on Governance, which require that a majority of our Trustees be independent within the meaning of the NYSE listing standards, the Board undertook a review of the independence of Trustees nominated for election at the upcoming annual meeting. As a result of this review, which included consideration of transactions and relationships, if any, during the prior year between each

Trustee or any member of his or her immediate family and the Company, the Board affirmatively determined that all the Trustees nominated for election at the Annual Meeting are independent of the Company and its management within the meaning of the NYSE listing standards, with the exception of its Chairman, Mr. Zell, and its two employee trustees, Mr. Neithercut and Mr. Spector.

General Information about the Nominees

Our Declaration of Trust currently provides for the annual election of all trustees. All the nominees are presently trustees and each has consented to be named in this Proxy Statement and to serve if elected.

Biographical Information

Set forth below are biographies of each of our Trustees as of April 1, 2007.

Incumbent Trustee Retiring

James D. Harper, Jr., 73, is retiring after serving as a Trustee of the Company since its formation in 1993. Mr. Harper is the President of JDH Realty Co., a real estate development and investment company, and is the principal partner in AH Development, S.E., a special limited partnership formed to develop over 400 acres of land in Puerto Rico. He was also a trustee of Equity Office Properties Trust (□EOP□) until its sale in February 2007.

Incumbent Trustees Nominated for Re-Election

John W. Alexander, 60, has been a Trustee of the Company since May 1993 and is the President of Mallard Creek Capital Partners, Inc., an investment company with interests in real estate, development entities and operating companies. He is also a partner of Meringoff Equities, a real estate investment and development company.

9

Charles L. Atwood, 58, has been a Trustee of the Company since July 2003. Mr. Atwood is Vice Chairman of the Board of Directors of Harrah's Entertainment, Inc. Mr. Atwood served as Harrah's Chief Financial Officer from 2001 to 2006.

Stephen O. Evans, 61, has been a Trustee of the Company since the merger of Evans Withycombe Residential, Inc., for which he served as Chairman and Chief Executive Officer, into the Company in December 1997. Mr. Evans is President of Evans Realty Associates, a real estate investment company and serves as a director of Biltmore Bank of Arizona.

Boone A. Knox, 70, has been a Trustee of the Company since the merger of Merry Land & Investment Company, Inc., of which he served as Chairman, into the Company in October 1998. Mr. Knox is the Managing Partner of Knox, Ltd.

John E. Neal, 57, has been a Trustee of the Company since July 1, 2006. Mr. Neal is a partner of Linden LLC, a private equity firm, and serves as a trustee of the Calamos Mutual Funds. Mr. Neal led Bank One's real estate lending and corporate banking businesses until the company was merged with JP Morgan Chase. Prior to Bank One, Mr. Neal led the real estate lending businesses at Kemper Financial Services and Continental Bank.

David J. Neithercut, 51, has been a Trustee and Chief Executive Officer of the Company since January 1, 2006 and President of the Company since May 2005. He was Executive Vice President □ Corporate Strategy of the Company since January 2004. Mr. Neithercut was Executive Vice President and Chief Financial Officer of the Company from February 1995 to August 2004. Mr. Neithercut is on the Board of Governors of NAREIT and the Executive Committee of the National Multifamily Housing Council. Mr. Neithercut is also a member of the Urban Land Institute.

Edgar Filing: EQUITY RESIDENTIAL - Form DEF 14A

Desiree G. Rogers, 47, has been a Trustee of the Company since October 2003. Ms. Rogers is the President of Peoples Gas and North Shore Gas, which are regulated utility subsidiaries of Integrys Corporation.

Sheli Z. Rosenberg, 65, has been a Trustee of the Company since March 1993 and Lead Trustee since December 2002. Ms. Rosenberg is the co-founder and President of Northwestern University's Center for Executive Women at the Kellogg School of Management. She was Vice Chairman of Equity Group Investments, L.L.C. (EGI), a private investment company, from January 2000 to March 2003. Ms. Rosenberg is a director of Equity LifeStyle Properties, Inc. (ELS), Ventas, Inc., CVS Corporation and Avis Budget. Ms. Rosenberg was also a trustee of EOP until its sale in February 2007.

Gerald A. Spector, 60, has been a Trustee and Executive Vice President of the Company since March 1993 and Chief Operating Officer of the Company since February 1995.

B. Joseph White, 59, has been a Trustee of the Company since May 1993. Mr. White has been President of the University of Illinois since February 2005. Mr. White was a professor at the University of Michigan Business School from 1987 through 2004, served as the Dean of the Business School from 1991 to 2001 and served as Interim President of the University of Michigan in 2002. In February 2003, Mr. White took a leave of absence from his faculty appointment at the University of Michigan Business School to serve as Managing Director of Fred Alger Management Company, a New York investment firm until September 2003. Mr. White is a director of Kelly Services, Inc.

Samuel Zell, 65, has been Chairman of the Board of the Company since March 1993. Mr. Zell is the Chairman and President of EGI. Mr. Zell is also Chairman of the Board of ELS, Capital Trust, Inc.,

10

Anixter International Inc. and Covanta Holding Corporation. Mr. Zell was also Chairman of the Board of EOP until its sale in February 2007.

Vote Required

A plurality of the votes cast in person or by proxy at the meeting is required for the election of trustees. This means that the eleven nominees who receive the most votes will be elected. Abstentions and broker non-votes will have no effect on the outcome of the election of trustees. Although we know of no reason why any nominee would not be able to serve, if any nominee should become unavailable for election, the persons named as proxies will vote your common shares to approve the election of any substitute nominee proposed by the Board. Although Trustees are elected by a plurality of the votes cast, any nominee for Trustee who receives a greater number of votes "withheld" from his or her election than votes "for" his or her election will be required under the terms of our Guidelines on Governance to tender his or her resignation for the consideration of the Board. See "Corporate Governance" above.

Board Recommendations

The Board recommends that you vote "FOR" each of the eleven nominees for a one-year term.

PROPOSAL 2

RATIFICATION OF SELECTION OF INDEPENDENT AUDITOR

The Audit Committee has selected Ernst & Young as the independent auditor to perform the audit of our financial statements and our internal control over financial reporting for 2007. The Board recommends that the shareholders ratify the Company's selection of Ernst & Young as our independent auditor. Although shareholder action on this matter is not required, the Board believes it is good corporate practice to seek shareholder ratification of its selection. If the selection is not ratified, the Audit Committee will consider whether it is appropriate (without obligation) to select another public accounting firm.

Edgar Filing: EQUITY RESIDENTIAL - Form DEF 14A

Representatives of Ernst & Young are expected to be available at the Annual Meeting. These representatives will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Fees

Fees billed to the Company by Ernst & Young for the years ended December 31, 2006 and 2005 were as follows:

Type of Fees:	2006	2005	% Change
Audit fees ⁽¹⁾	\$ 1,565,872	\$ 1,461,826	7.1%
Audit-related fees ⁽²⁾	606,826	435,111	39.5%
Subtotal	2,172,698	1,896,937	14.5%
Tax compliance/preparation fees ⁽³⁾	535,974	563,000	(4.8%)
Tax consulting fees ⁽⁴⁾	142,437	133,309	6.8%
Subtotal	678,411	696,309	(2.6%)
All other fees	-	-	-
Total Fees	\$ 2,851,109	\$ 2,593,246	9.9%

11

- (1) Audit fees are incurred for the review and audit of the Company's and the Operating Partnership's annual financial statements and internal control over financial reporting included in their respective Annual Reports on Form 10-K, the review of the Company's and the Operating Partnership's interim financial statements included in their respective Quarterly Reports on Form 10-Q, and for comfort and consent letters related to SEC registration statements and public offerings of registered securities. Audit fees include \$595,000 in 2006 and \$620,000 in 2005 related to the Company's and the Operating Partnership's Sarbanes-Oxley audits of internal control over financial reporting.
- (2) Fees for audit-related services include consultations regarding the Company's internal control documentation and testing, lender and/or statutory required partnership audits, services associated with asset acquisitions requiring SEC 3-14 audits and legally required employee benefit plan audits.
- (3) Tax compliance and preparation fees are incurred for the preparation of tax returns for the Company, the Operating Partnership and numerous subsidiaries, claims for refunds and tax payment compliance.
- (4) Tax consulting fees relate primarily to tax planning advice incident to acquisitions, dispositions, financings and taxable REIT subsidiaries.

Pre-Approval Policy

The Company's Audit Committee has reviewed and approved the Company's engagement of Ernst & Young as its independent auditor, and the incurrence of all of the fees described above, for 2006 and 2005 and has selected Ernst & Young as independent auditor for 2007, subject to review and approval of the final terms of its engagement as such and its audit fees. The Audit Committee has also adopted a Pre-Approval Policy for Audit and Non-Audit Services (the "Pre-Approval Policy") for all other services Ernst & Young may perform for the Company in 2007. The Pre-Approval Policy details with specificity the services that are authorized within each of the above-described categories of services and provides for aggregate maximum dollar amounts for such

pre-approved services. Any additional services not described or otherwise exceeding the maximum dollar amounts prescribed by the Pre-Approval Policy for 2007 will require the further advance review and approval of the Audit Committee. The Audit Committee has delegated the authority to grant any such additional required approval to its Chairman between meetings of the Committee, provided that the Chairman reports the details of the exercise of any such delegated authority at the next meeting of the Committee.

Vote Required

The affirmative vote of holders of a majority of the votes cast in person or by proxy at the meeting is required to ratify the selection of Ernst & Young. Abstentions and broker non-votes will have no effect on the outcome of the vote. If Proposal 2 does not pass, the selection of the independent auditor will be reconsidered by the Audit Committee and the Board. Because it is difficult and not cost effective to make any change in the independent auditor so far into the year, the appointment of Ernst & Young would probably be continued for 2007 unless the Audit Committee or the Board finds additional good reasons for making an immediate change.

12

Board Recommendation

The Board recommends that you vote FOR the ratification of the selection of Ernst & Young as the Company's independent auditor for 2007.

PROPOSAL 3

SHAREHOLDER PROPOSAL TO IMPLEMENT A MAJORITY VOTING STANDARD FOR THE ELECTION OF TRUSTEES

The New England Carpenters Pension Fund, beneficial owner of 6,500 of the Company's common shares, has submitted the following proposal:

Resolved: That the shareholders of Equity Residential (Company) hereby request that the Board of Trustees initiate the appropriate process to amend the Company's governance documents (charter or bylaws) to provide that trustee nominees shall be elected by the affirmative vote of the majority of votes cast at an annual meeting of shareholders, with a plurality vote standard retained for contested trustee elections, that is, when the number of trustee nominees exceeds the number of board seats.

Supporting Statement: In order to provide shareholders a meaningful role in trustee elections, our Company's trustee election vote standard should be changed to a majority vote standard. A majority vote standard would require that a nominee receive a majority of the vote cast in order to be elected. The standard is particularly well-suited for the vast majority of director elections in which only board nominated candidates are on the ballot. We believe that a majority vote standard in board elections would establish a challenging vote standard for board nominees and improve the performance of individual trustees and entire boards. Our Company presently uses a plurality vote standard in all trustee elections. Under the plurality vote standard, a nominee for the board can be elected with as little as a single affirmative vote, even if a substantial majority of the votes cast are withheld from the nominee.

In response to strong shareholder support for a majority vote standard in director elections, an increasing number of companies, including Intel, Dell, Motorola, Texas Instruments, Wal-Mart, Safeway, Home Depot, Gannett, Marathon Oil, and Supervalu, have adopted a majority vote standard in company by-laws. Additionally, these companies have adopted director resignation policies in their bylaws or corporate governance policies to address post-election issues related to the status of director nominees that fail to win election. Other companies have responded only partially to the call for change by simply adopting post-election director resignation policies that set procedures for addressing the status of director nominees that receive more withhold votes than for votes. At the time of the submission of this proposal, our Company and its Board had not taken either action.

We believe that critical first step in establishing a meaningful majority vote policy is the adoption of a majority vote standard in Company governance documents. Our Company needs to join the growing list of companies that have taken this action. With a majority vote standard in place, the board can then consider action

on developing post election procedures to address the status of trustees that fail to win election. A combination of a majority vote standard and post-election trustee resignation policy would establish a meaningful right for shareholders to elect trustees, while reserving for the board an important post-election role in determining the continued status of an unelected trustee. We feel that this combination of the majority vote standard with a post-election policy represents a true majority vote standard.

BOARD STATEMENT OPPOSING SHAREHOLDER PROPOSAL

After careful consideration, your Board and its Corporate Governance Committee, consisting entirely of independent trustees, believe that the above-described proposal to change the voting standard for Equity Residential trustees would not serve the best interests of the Company and its shareholders.

Accordingly, the Board recommends a vote AGAINST adoption of this proposal for the following reasons:

Opposing Statement: The Company believes that adherence to sound corporate governance policies and practices is important in ensuring that it is governed and managed to high standards of responsibility, ethics and integrity and in the best interests of shareholders. The Company also believes that shareholders should have a meaningful role in the trustee election process. As an alternative to the above-described proposal, earlier this year the Board amended the Company's Guidelines on Governance to give shareholders influence in the trustee election process similar to majority voting while avoiding the legal problems inherent in majority voting under current Maryland law.

In accordance with Maryland law and our Bylaws, our trustees are elected by a plurality standard, meaning that the nominees who receive the most affirmative votes are elected. Plurality voting, which the proposal seeks to replace, was developed many years ago as a reform to eliminate the possibility of failed elections, where no nominee or slate of nominees was able to achieve a majority. The rules governing plurality voting are well understood and have served the Company well for years. In fact, in no instance has plurality voting prevented our shareholders from either electing the trustees they wanted to elect or otherwise expressing their dissatisfaction with any particular trustee or the Board as a whole, and it also avoids the possibility and consequences of a failed election. For the reasons described more fully below, the Board believes it would not be in the best interests of our shareholders to change the method by which trustees are elected at this time.

First, our new Guidelines on Governance give real meaning to a majority withhold vote while avoiding the unintended consequences noted above. In an uncontested election, any nominee for Trustee who receives a greater number of votes withheld from his or her election than votes for his or her election is required to promptly tender his or her resignation to the Board for consideration. The Corporate Governance Committee will make a recommendation to the Board as to whether to accept or reject the tendered resignation, or whether other action is recommended, taking into account any factors or other information they consider appropriate and relevant, including the circumstances that led to the majority withheld vote, if known. The Board will act on the tendered resignation within 90 days after the vote is certified. The affected trustee cannot participate in the Corporate Governance Committee's recommendation or Board action. However, in the event that each nominee for Trustee receives a majority withheld vote, the Corporate Governance Committee shall make a final determination as to whether the Company shall accept any or all resignations, including those resignations from the members of the Corporate Governance Committee. The Company will promptly disclose the Board's decision in a Form 8-K furnished to the Securities and Exchange Commission promptly after the decision and rationale as to whether to accept the resignation (or the reason(s) for rejecting the resignation, if applicable) in a Form 8-K furnished to the SEC. The revised Guidelines on Governance are available in the Investor Information section of our website at www.equityresidential.com.

Second, this proposal is not necessary to achieve sound corporate governance at the Company as our Trustees have consistently received broad shareholder support, typically well over ninety percent of the votes cast. This proposal would have had no effect whatsoever on any Board election to date. Our shareholders have been highly successful in electing responsible, objective Trustees who have consistently protected the best interests of the shareholders.

Finally, the majority vote system suggested by the proponent is simple in concept, but in practice raises complications under current Maryland law. A "failed election" — an uncontested election where a trustee nominee does not achieve a majority of the votes cast — could create a variety of outcomes that would either frustrate the goal of providing shareholders a greater voice or cause unintended adverse consequences for the Company, including the following:

- board vacancies jeopardizing the Company's ability to comply with the trustee independence requirements of the Securities and Exchange Commission and the New York Stock Exchange;
- losing seasoned individuals or those with the expertise necessary to satisfy other SEC requirements and NYSE listing standards (e.g., Chairman, CEO, the requisite "audit committee financial expert"), which could result in a destabilization of the Board; or
- giving undue influence to special-interest voters who use their votes to forward their particular agenda.

The Board has demonstrated that it is accountable to the shareholders, as evidenced by its prior actions, including the declassification of the Board to provide for the annual election of trustees in 2003, eliminating a potential anti-takeover defense in its Declaration of Trust in 2004, and most recently, by adopting guidelines that give shareholders a more meaningful role in electing trustees. The Board believes that at this time, these trustee resignation policies are the most appropriate way to address the primary concerns raised by the proposal.

Vote Required

The affirmative vote of a majority of all the votes cast in person or by proxy at the meeting is necessary to approve this proposal. Abstentions and broker non-votes will not be counted as votes cast and will have no effect on the result of the vote, although they will count towards the presence of a quorum. Shareholder approval of this proposal would not result in a change to our Bylaws because this is only a recommendation to the Board of Trustees.

Board Recommendation

The Board recommends that you vote "AGAINST" the adoption of this shareholder proposal.

15

COMMON SHARE AND OP UNIT OWNERSHIP OF TRUSTEES AND EXECUTIVE OFFICERS

The following table sets forth information, as of March 1, 2007, concerning the beneficial ownership of the Company's common shares and OP units by each trustee, its Chief Executive Officer, Chief Financial Officer, the other three most highly compensated executive officers at December 31, 2006, and the trustees and all executive officers as a group.

Named Executive Officers	Number of	Options	Percentage of All	
	Common Shares/OP Units ⁽¹⁾	Exercisable Within 60 Days	Common Shares ⁽¹⁾	Common Shares and OP Units ⁽¹⁾
David J. Neithercut	318,240 ⁽²⁾	728,808	*	*
Gerald A. Spector	818,032 ⁽³⁾	840,337 ⁽³⁾	*	*
Alan W. George	180,502 ⁽⁴⁾	271,987	*	*
Frederick C. Tuomi	195,515	286,990	*	*
Donna Brandin	15,468	7,109	*	*

Edgar Filing: EQUITY RESIDENTIAL - Form DEF 14A

Trustees				
Samuel Zell	7,447,305(5)	2,817,247	3.40%	3.25%
David J. Neithercut (see above)	--	--	--	--
Gerald A. Spector (see above)	--	--	--	--
John W. Alexander	82,555	80,997	*	*
Charles L. Atwood	16,532	18,665	*	*
Stephen O. Evans	1,294,321(6)	3,063	*	*
James D. Harper, Jr.	41,083	74,162	*	*
Boone A. Knox	3,395,843(7)	54,159	1.17%	1.10%
John E. Neal	4,799	1,330	*	*
Desiree G. Rogers	11,151	7,706	*	*
Sheli Z. Rosenberg	304,858(8)	74,159	*	*
B. Joseph White	43,406	54,159	*	*
Trustees and Executive Officers as a Group (20 persons)				
	14,679,277	5,868,765	6.72%	6.44%

* Less than 1%.

(1) On March 1, 2007, a total of 294,049,633 common shares, including restricted share awards, and 19,311,285 limited partners' OP units were outstanding. OP Units are exchangeable on a one-for-one basis into the Company's common shares. Except as otherwise noted, each person has sole voting and investment power over the shares listed. 3,725,636 of Mr. Zell's shares/OP Units were pledged and 81,681 of Mr. Spector's shares were on deposit in a margin account as of February 2007.

(2) Includes 2,874 common shares beneficially owned by a partnership, of which Mr. Neithercut is general partner.

16

(3) Includes 108,349 common shares beneficially owned by Mr. Spector's spouse, and 6,946 common shares beneficially owned by Mr. Spector as custodian for his minor children, as to all of which Mr. Spector disclaims beneficial ownership. Also includes 25,015 common shares and 125,631 options beneficially owned by the Spector Family Dynasty Trust, of which Mr. Spector is the sole trustee and as such may be deemed the beneficial owner thereof.

(4) Includes 500 shares owned in joint tenancy by Mr. George and his spouse.

(5) Includes 4,863,502 OP Units; 600 common shares beneficially owned by Mr. Zell's spouse; 60,000 common shares beneficially owned by a family foundation of which Mr. Zell is a director; and 1,232,762 common shares and 4,462,828 OP Units in which Mr. Zell has a pecuniary interest but does not have voting or dispositive power. Mr. Zell disclaims beneficial ownership of such 1,232,762 common shares and 4,462,828 OP Units, which are held by trusts for the benefit of Mr. Zell and his family, except to the extent of his pecuniary interest therein.

(6) Includes 130,000 common shares and 35,554 OP Units beneficially owned by certain entities managed or controlled by Mr. Evans and

1,103,224 OP Units beneficially owned by limited partnerships (collectively, the "EW LPs"), of which Mr. Evans serves as a general partner. Mr. Evans disclaims beneficial ownership in such common shares and OP Units owned by the EW LPs except to the extent of his pecuniary interest therein.

- (7) Includes 2,690,564 common shares beneficially owned by certain entities managed or controlled by Mr. Knox. Mr. Knox disclaims beneficial ownership of such common shares, except to the extent of his pecuniary interest therein. Also includes 6,228 common shares beneficially owned by Mr. Knox's spouse and 848 common shares beneficially owned by Mr. Knox, not individually, but as custodian for his niece and nephew, as to all of which Mr. Knox disclaims beneficial ownership. Also includes 359,678 common shares beneficially owned by a foundation, of which Mr. Knox is the trustee. Mr. Knox disclaims beneficial ownership of the common shares owned by such foundation. Also includes 144,298 common shares, over which Mr. Knox has investment authority, beneficially owned by his sister-in-law. Mr. Knox disclaims beneficial ownership of these common shares.
- (8) Includes 68,025 common shares beneficially owned by Ms. Rosenberg's spouse, as to which Ms. Rosenberg disclaims beneficial ownership, and 3,056 OP Units.

17

SHARE OWNERSHIP OF PRINCIPAL SHAREHOLDERS

This table sets forth information with respect to persons who are known to own more than 5% of the Company's 293,551,633 outstanding common shares as of December 31, 2006.

Name and Address of Beneficial Owner	Number of Common Shares Beneficially Owned	Percentage of Common Shares
FMR Corp. ⁽¹⁾ 82 Devonshire Street Boston, MA 02109	27,140,829	9.2%
The Vanguard Group, Inc. ⁽²⁾ 100 Vanguard Blvd. Malvern, PA 19355	17,450,265	5.9%
Barclays Global Investors, N.A. and affiliates ⁽³⁾ 45 Fremont Street San Francisco, CA 94105	16,384,903	5.6%
Capital Research and Management Company ⁽⁴⁾ 333 South Hope Street Los Angeles, CA 90071	15,088,200	5.1%

- (1) FMR Corp.'s Schedule 13-G filed on February 14, 2007, states that as of December 31, 2006, it has sole power to vote 2,099,210 common shares and has the sole power to dispose of 27,140,829 common shares, as a result of its subsidiaries acting as an investment advisor to various funds.

- (2) The Vanguard Group, Inc.'s Schedule 13-G filed on February 14, 2007, states that as of December 31, 2006, it has sole power to vote 321,762 common shares and has the sole power to dispose of 17,450,265 common shares.
- (3) The Schedule 13-G filed by Barclays Global Investors, NA and affiliates ("BGI") on January 23, 2007, states that as of December 31, 2006, BGI has sole power to vote 15,033,418 common shares and has the sole power to dispose of 16,384,903 common shares which are held in trust accounts for the economic benefit of the beneficiaries of those accounts.
- (4) Capital Research and Management Company's Schedule 13-G filed on February 12, 2007, states that as of December 31, 2006, it has sole power to vote 3,750,500 common shares and has the sole power to dispose of 15,088,200 common shares as a result of acting as investment advisor to various investment companies.

18

COMPENSATION DISCUSSION AND ANALYSIS

The Company's Mission and Vision

As an S&P 500 company focused on the acquisition, development and management of high quality apartment properties in top U.S. growth markets, the Company has developed these statements of its mission and vision:

Mission: To Be America's Choice for Apartment Living by being uncompromising in delivering on our commitments to our customers, employees and shareholders.

Vision: We will enhance our position as a leader in the apartment industry by leveraging our size and scale in four critical ways:

- Investing or "recycling" capital investments in apartment communities located in strategically targeted markets, to maximize our total return on an enterprise level.
- Meeting the needs of our customers by offering a wide array of product choices and a commitment to service.
- Engaging, retaining and attracting the best people by providing them with the education, resources and opportunities to succeed.
- Sharing resources, customers and best practices in property management and across the enterprise.

Compensation Philosophy

To achieve this mission and vision — including engaging, retaining and attracting the best people in the industry — the Company developed the Equity Residential Compensation Philosophy. This Philosophy represents the Company's commitment to employees concerning their compensation and calls for compensation programs and structures that are:

- **Competitive and market based.** The Company maintains a competitive position on total compensation in the marketplace to engage employees, retain high performers and attract the best apartment industry talent
- **Performance driven.** The Company offers incentive compensation plans with opportunities for the highest performers to earn the highest rewards on a total compensation basis.
- **Fair and internally equitable.** The Company's salary structure and incentive compensation plans are designed to compensate every employee fairly compared to other Company employees, both in the same job and in other jobs.

- **Consistent and flexible.** The Company's compensation programs apply the same principles for all employees, taking into account employee and company performance levels, documented variations in local markets, and differences in job structures.
- **Easy to understand and administer.** The Company sets salary ranges based on reliable, location-specific data, adjusting ranges periodically for changes in the marketplace. Managers are given the tools and information they need to make sound compensation decisions that are consistent with this philosophy. Managers are held accountable for good compensation decisions.

- **Openly communicated.** The Company regularly and openly communicates with its employees to explain how positions are evaluated and how they compare to others in the industry and the Company. Managers are given the information and education they need to be experts on this philosophy, as well as our compensation program and structure. Managers are held accountable for communicating the compensation program, expectations and decisions to their employees.

Performance Management

The Company's compensation program rewards executives and employees based on their contributions to our success. The Company's performance management program links compensation to both individual and Company results for approximately 1,600 corporate and property-level executives, managers, and supervisors. The program rates participants' annual achievement against both financial goals and non-financial performance objectives. In addition to aligning pay with performance, the program is designed to make the Company's performance expectations clear to employees and to measure and reward performance consistently throughout the organization. Under the program, supervisors and managers prepare an annual performance assessment for each participant.

Assessment of Company Performance. Each year, the Company establishes a set of Company goals and department goals for senior executives to align their goals with the Company's. These include financial goals as well as objectives that move the Company forward in terms of our Mission and Vision and our commitments to shareholders, customers and employees. In December 2005, our Chief Executive Officer and President, Mr. Neithercut, reviewed the 2006 Company and department goals with the Compensation Committee, and summarized the Company's goals for the Board of Trustees. Management reviewed progress on the goals and objectives with the Compensation Committee periodically in 2006. Also, the goals and objectives were posted on the Company's intranet for access by all employees.

At 2006 year-end, Mr. Neithercut presented an assessment of Company performance against the Company's