



California Council for Interior Design Certification

November 27, 2001

Dear Fellow Certified Interior Designers:

As you are aware, CCIDC is California's only interior design certification organization. Recent developments in the California legislature, however, require changes to CCIDC's operation as California's only interior design certification organization. California lawmakers amended Section 5800 of the California Business and Professions Code (the "B&PC"), effective into law January 1, 2002. These amendments provide that CCIDC must qualify as a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code (the "IRC") in order to continue operating as an interior design certification organization.

CCIDC is presently tax-exempt under Section 501 (c)(6) of the IRC, which allows CCIDC to lobby for the benefit of Certified Interior Designers ("CID's"). The primary reason California imposed this new requirement on CCIDC was to restrict it from engaging in lobbying, as tax-exempt organizations under Section 501 (c)(3) are not permitted to engage in such activities.

As such, CCIDC and its CID's are presented with a challenging task that must be completed before the compliance deadline of September 1, 2002. This task includes creating a new non-profit corporation qualified as a tax exempt organization under Section 501 (c)(3), transferring the interests of CID's to a new non-profit corporation, and taking other necessary actions toward the continued growth and success of CCIDC.

The first step in this process is for the CCIDC Directors to call a Special Meeting of the CID's to approve the dissolution of CCIDC and the transfer of the interests of the CID's to the new non-profit corporation. This Special Meeting will be convened on January 26, 2002 and a Notice of Special Meeting is enclosed along with the time and location.

ATTENDANCE IS NOT NECESSARY IF YOU SIGN AND FAX THE PROXY BACK TO CCIDC AT (760) 761-4736

CCIDC has enclosed a Proxy that authorizes the Directors of CCIDC to vote on each CID's behalf at this special meeting. Please review the Proxy. It gives the Directors the right to vote on your behalf for matters to be heard at the Special Meeting. Please sign the enclosed self-addressed, self-stamped Proxy postcard and mail it back to CCIDC at your earliest convenience. CCIDC must receive sufficient Proxies in order to approve the proposed actions at the Special Meeting on January 26, 2002. *Please do not delay in this matter.*

Please be advised that CCIDC's failure to obtain the necessary authorization from the CID's in this matter will result in disqualification of CCIDC as an interior design certification organization, and all CID's loss of certifications issued by CCIDC effective September 1, 2002.

Please feel free contact CCIDC with any questions, or comments, regarding this matter.

Very truly yours,

Patsy Zakian-Greenough, CID
CCIDC President

NOTICE OF SPECIAL MEETING OF CERTIFIED INTERIOR DESIGNERS

To: All CID's of the California Council for Interior Design Certification, a California non-profit corporation (the "Company").

Notice is hereby given that a Special Meeting of the CID's of the Company will be held on the date and at the location indicated below for the following purposes:

Date: January 26, 2002, 9:00 a.m.

Location: Marriott Costa Mesa Suites • 500 Anton Boulevard • Costa Mesa, CA 92626 • (714) 957-1100

The purpose of this Special Meeting is to approve, or disapprove, the Directors taking the following actions: (a) creating a new non-profit corporation qualified as a tax exempt organization under Section 501 (c)(3) of the IRC and as a qualified interior design organization under Section 5800 et. seq. of the California Business and Professions Code; (b) transferring the interests of the CID's and the assets of the Company to the newly formed non-profit corporation; (c) dissolving the Company after the above referenced transfers to the new non-profit corporation are complete; and (d) taking any and all other action necessary related and attendant to the goals, purposes, and intents of the Company outlined above.

By order of the Board of Directors of the Company • Dated: November 27, 2001

Lynda Gould, CID
Secretary

SEE REVERSE FOR WRITTEN PROXY TO VOTING OF MEMBERSHIP INTEREST

WRITTEN PROXY TO VOTING OF MEMBERSHIP INTEREST

This written Proxy (the "Proxy") is made and entered into on the date indicated on the enclosed Proxy postcard by the Certified Interior Designer of the California Council for Interior Design Certification, a California non-profit corporation (the "Company"), whose name is indicated also on the enclosed Proxy postcard, with reference to the following facts:

Recitals

Whereas, recent amendments by the California legislature to Section 5800 et. seq. of the California Business and Professions Code, effective January 1, 2002, require that the Company qualify as a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code (the "IRC") in order for the Company to qualify as an interior design organization pursuant to Section 5800(b) of the California Business and Professions Code. IRC Section 501 (c)(3) exempt organizations are not allowed to engage in lobbying activities without losing their federal tax-exempt status.

Whereas, the Company desires to take any, and all, necessary steps to comply with recent changes in California law. The Company is exempt from state taxation under applicable state laws, and is presently exempt from federal taxation under Section 501 (c)(6) of the IRC. IRC Section 501 (c)(6) exempt organizations are permitted to engage in lobbying activities without losing their federal tax-exempt status.

Whereas, the Company must comply with the new provisions of Section 5800 et. seq. by September 1, 2002.

Whereas, the Directors of the Company desire to create a new non-profit corporation tax exempt under Section 501 (c)(3), transfer the interests in the Company held by all Certified Interior Designers ("CID's") of the Company to the new non-profit corporation, dissolve the Company, and take any other action necessary for the Company to transition into the newly formed non-profit corporation.

Whereas, this proposed action requires approval of the CID's. However, the number of CID's has dramatically increased since the Company's inception, so much so that the Company believes that it is unlikely that enough CID's will attend the Special Meeting of the CID's scheduled for January 26, 2002, thereby resulting in costly delays and possibly preventing the Directors and Officers from taking action that is in the best interests of the Company and the CID's.

NOW, THEREFORE, the Directors of the Company seek the approval from the CID's to vote and act on behalf of the CID's on these issues when the Special Meeting is called January 26, 2002.

Proxy

1. **Incorporation of Recitals.** The above-referenced Recitals are incorporated into this Proxy by this reference.

2. **Term of Proxy.** The term of this Proxy shall be valid for the period necessary to accomplish any and all necessary outlined in this Proxy. In accordance with the Bylaws, however, in no event shall the term of this Proxy exceed three (3) years, or unless such Proxy is revoked as outlined in the Bylaws.



BALLOT

California Council for Interior Design Certification

3. Proxy. The undersigned Certified Interior Designer authorizes the Directors of the Company to vote his, or her, best interest in the Company approving those actions outlined in this Proxy at the Special Meeting if the CID's convened to approve such matters:

- (a) Authorize the Directors to create a new non-profit corporation qualified as a tax-exempt organization under Section 501 (c)(3) of the IRC and as a qualified interior design organization pursuant to Section 5800 et. seq. of the California Business and Professions Code;
- (b) Transfer the interest of the CID's in the Company to the newly formed non-profit corporation;
- (c) Dissolve the Company after the above referenced transfers to the new non-profit corporation are complete, and;
- (d) Take any and all other action necessary, related and attendant to the goals, purposes, and intents of the Company outlined in this Proxy.

4. Authorization. By checking the "For" box below, the undersigned Certified Interior Designer hereby consents and authorizes the Directors to vote his or her interest in the Company in a manner consistent with the terms of the Proxy.

PLEASE CHECK ONE BOX ONLY:

FOR

AGAINST

ABSTAIN

THE INTEREST REPRESENTED BY THIS PROXY SHALL BE VOTED IN ACCORDANCE WITH THE SPECIFICATIONS MADE ABOVE. A PROXY MARKED "ABSTAIN" SHALL NOT BE VOTED EITHER FOR OR AGAINST THE MATTERS OUTLINED IN THIS PROXY. ALL CID'S FURTHER RESERVE THE RIGHT TO ATTEND THE SPECIAL MEETING OF THE CID'S HEARING THIS MATTER, WHETHER OR NOT THEY HAVE SUBMITTED A PROXY.

IN WITNESS WHEREOF, the undersigned Certified Interior Designer has executed this Proxy on the date indicated below in the state of California.

Certified Interior Designer Signature: _____

Date: _____

Print Name: _____

Certification Number (optional): _____

DEADLINE FOR REPLY BY FAX: JANUARY 21, 2002. PLEASE DO NOT DELAY!

Please cast your vote and then FAX this ballot to CCIDC at 760.761.4736