



Illinois Department of Transportation

Office of Finance and Administration
2300 South Dirksen Parkway/Springfield, Illinois/62764

Exhibit BB

September 20, 1988

Subject: Design Operations
Consultant Services
Bonus Guideline

All Illinois Pre-qualified Consultants

Gentlemen:

We have received several inquiries recently concerning the Department's guidelines for determining whether bonuses are a distribution of profits. Following is the general guideline that we use in making this determination.

"For owners of closely held corporations, partners, sole proprietors, or members of their immediate families, a determination must be made that compensation in the form of bonuses is reasonable for personal services rendered rather than being a distribution of profit. Distribution of profits is not an allowable cost under Federal Acquisition Regulation 31.205-6(b)(2)(i) attached.

"Our present guideline is to disallow as a distribution of the profits that portion of bonuses to owners that exceeds the largest percentage bonus paid to a non-owner.

"Our guideline considers owners of less than 5% of corporations having a direct labor base of \$2.5 million or less to be non-owners for purposes of this determination providing that collectively, these shareholders own less than 50% of the outstanding stock".

Very truly yours,

Donald L. Wolaver
Chief, Bureau of Design

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