



U.S. Bank Financial/Revenue Proposal to Provide Purchasing Card Service

Good people. Great experience. Payments power.

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Presented to:

State of West Virginia

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Financial proposal

We are committed to providing competitive financial incentives to the State of West Virginia (the State). The following financial proposal details volume and speed of payment incentives. We offer you our one card and Virtual Pay program for a five-year contract term with the following incentives and fees based on the State's current volumes. If these assumptions are inaccurate, we reserve the right to revisit our offer.

Performance incentive offer

U.S. Bank will combine the spend volumes from all of the State's participating agencies and universities to determine the qualifying incentive opportunity. We offer the State the opportunity to earn a performance incentive based on net quarterly charge volume¹ and speed of payment (client held²). The incentive opportunity has two parts (performance and speed of payment) that, while calculated separately, are dependent upon each other. The State must qualify for both parts to receive a performance incentive. If a minimum incentive of \$3,500 is earned, the sum of the parts will be paid to you quarterly in U.S. dollars.

Standard volume incentive

We will calculate the net charge volume for your entire program quarterly and apply the result to the **standard volume incentive** matrix on the following page to determine the qualifying incentive opportunity. Discount interchange transactions will be included to determine the qualifying tier; however, the resulting percentage rate will be paid on standard transaction volume only. Transactions that qualify for discount interchange will be paid a separate rate.

Discount interchange volume incentive

Current discount interchange includes large ticket transactions, merchant-specific network negotiated rates with the card networks (e.g., Visa), transactions made in a foreign jurisdiction and merchant discounts for providing Level III data. We will calculate the discount interchange transaction volume for your program quarterly and apply the result to the **discount interchange volume incentive** matrix on the following page to determine the qualifying incentive opportunity. Please note that certain charge volume subject to discount interchange (referred to as Ultra-Low Network Negotiated Volume) is excluded from the discount interchange volume incentive.

Speed of payment incentive

We will calculate the speed of payment (client held) performance for your program quarterly. The State currently pays at 15 client held days, which equates to 31 file turn days. The result will be applied to the **speed of payment incentive** matrix on the following page to determine the qualifying incentive opportunity. The determined performance percentage from the matrix is multiplied by your total net annual charge volume (excluding the Ultra-Low Network Negotiated Volume) to determine your speed of payment incentive opportunity.

¹ Net quarterly charge volume means all charges set forth on the monthly billing statements furnished for all accounts, less cash advances, fees, fraudulent charges, chargebacks and amounts charged-off by U.S. Bank.

² Client Held Days are the number of days from the day U.S. Bank funds a charge transaction to the day payment for that transaction is posted, inclusive of the beginning and ending days, minus 15.

Standard Volume Incentive

Net Combined Charge Volume (Quarterly) (US Dollars)	Percentage
0	1.9000%
37,500,000	1.9700%
50,000,000	2.0400%
62,500,000	2.1100%
75,000,000	2.1800%
87,500,000	2.2500%
100,000,000	2.2800%
112,500,000	2.3100%
125,000,000	2.3300%
150,000,000	2.3500%
175,000,000	2.3600%
200,000,000	2.3700%
225,000,000	2.3800%
250,000,000	2.3900%
275,000,000	2.4000%
300,000,000	2.4100%

Client Held Days Payment Performance must be 45 or less

Credit Losses deducted from Rebate

Fraud Losses absorbed by Issuer

Rebate payment: Quarterly

Discount Interchange Volume Incentive

Discount Interchange (Quarterly) (US Dollars)	Percentage
Large Ticket	1.1000%
VPP/Network Negotiated	1.4000%
Other	1.4000%

Client Held Days Payment Performance must be 45 or less

Credit Losses deducted from Rebate

Fraud Losses absorbed by Issuer

Rebate payment: Quarterly

Excludes Ultra-Low Interchange Transactions from Rebate

"Other" includes Level III, FX and any other discounted rates that may be applied by the Network in the future

Speed of Payment Incentive

Client Held Days Payment Performance	Performance Percentage	Client Held Days Payment Performance	Performance Percentage	Client Held Days Payment Performance	Performance Percentage
45	-0.3000%	30	-0.1500%	15	0.0000%
44	-0.2900%	29	-0.1400%	14	0.0100%
43	-0.2800%	28	-0.1300%	13	0.0200%
42	-0.2700%	27	-0.1200%	12	0.0300%
41	-0.2600%	26	-0.1100%	11	0.0400%
40	-0.2500%	25	-0.1000%	10	0.0500%
39	-0.2400%	24	-0.0900%	9	0.0600%
38	-0.2300%	23	-0.0800%	8	0.0700%
37	-0.2200%	22	-0.0700%	7	0.0800%
36	-0.2100%	21	-0.0600%	6	0.0900%
35	-0.2000%	20	-0.0500%	5	0.1000%
34	-0.1900%	19	-0.0400%	4	0.1100%
33	-0.1800%	18	-0.0300%	3	0.1200%
32	-0.1700%	17	-0.0200%	2	0.1300%
31	-0.1600%	16	-0.0100%	1	0.1400%
				0	0.1500%

Sample incentive calculation

An incentive scenario can be calculated using the information provided in Attachment A: Financial Revenue Sheet.

Incentive example

	Year 1	Year 2	Year 3	Year 4	Year 5
Annual Spend Volume	\$415,579,509	\$457,137,459	\$502,851,206	\$553,136,327	\$608,449,959
Quarterly Spend Volume	\$103,894,877	\$114,284,365	\$125,712,802	\$138,284,082	\$152,112,490
Standard Rebate Incentive %	2.28%	2.31%	2.33%	2.33%	2.35%
Large Ticket Rebate Incentive %	1.1%	1.1%	1.1%	1.1%	1.1%
Other Discount Interchange Rebate Incentive %	1.4%	1.4%	1.4%	1.4%	1.4%
Speed of Pay Incentive % (assumes 15 client held days speed of payment)	0%	0%	0%	0%	0%
INCENTIVES					
Quarterly Standard Rebate Incentive	\$1,266,327	\$1,411,288	\$1,565,858	\$1,722,444	\$1,910,951
Quarterly Large Ticket Rebate Incentive	\$171,936	\$189,129	\$208,042	\$228,846	\$251,731
Quarterly Other Discount Interchange Rebate Incentive	\$424,284	\$466,713	\$513,384	\$564,723	621,195
Total Annual Rebate Incentive	\$7,450,187	\$8,268,520	\$9,149,135	\$10,064,048	\$11,135,507

- Excludes Ultra-Low Interchange Transactions from Rebate.
- "Other" includes Level III, FX and any other discounted rates that may be applied by the Network in the future.
- Incentives based on annual spend for illustrative purposes. Rebates paid quarterly based on a quarterly volume schedule.
- Speed of pay incentive based on 31 file turns days (which equates to 15 client held days)

Incentive over the initial five-year term of the contract

When combining the performance incentive and discount interchange program incentive, the State's potential incentive opportunity for your program would be **\$46,067,397** over the initial five-year term.

Additional strategic interchange options:

The State may also be interested in our flexible interchange (FI) and preferred supplier pricing (PSP) programs, which can be leveraged as strategic pricing tools to optimize virtual card acceptance through our U.S. Bank Virtual Pay program.

The following is a high-level overview of these programs. We would be happy to discuss these options in more detail if the State is interested and would be willing to provide separate rebate schedules for these programs upon request, either now or at any point during the term of this agreement.

FI rates with U.S. Bank Virtual Pay

Through the FI rate program, several interchange rates are offered to help you structure meaningful savings for your suppliers, powered by U.S. Bank Virtual Pay and supported by the Visa Commercial Choice Rate Manager program. This program will work with any acquirer, providing more options and flexibility for the State.

By leveraging FI rate strategies in tandem with a Virtual Pay program, the State's benefits include increased spend volume and improved program performance by increasing control and security, automating reconciliation and reducing ACH and check fraud. The State can enhance rebate opportunities to create additional working capital, including capturing rebates that were not available in the past. The FI rate program can also help to expand the scope of accepting suppliers and retain at-risk suppliers from leaving the program.

The suppliers benefit from faster payments compared to checks, a chance to earn preferred supplier status, an easier reconciliation process, lower fees for accepting credit card payments and no permanent contract for payment processing services.

Implementation requirements include:

- New Managing Accounts are needed for this program, including separate Managing Accounts and statements per rate. Available for Virtual Pay clients (both API and file integrations).

PSP program

U.S. Bank has worked with Elavon, our wholly owned merchant acquiring business, to develop a closed-loop network as a tool to attract and retain key suppliers for our customers. This program offers key suppliers processing fees that are similar to or lower than large-ticket rates. Lower acceptance costs can neutralize price objections and make virtual payment more attractive to strategically targeted suppliers.

We will work with the State to identify the suppliers that meet the profile for the PSP program. Once you agree to target these key suppliers, we will launch a supplier enablement campaign to enroll the key suppliers in Virtual Pay. All the transactions processed on the PSP program are completed through Straight-Through Processing, which automatically pushes the payment into the supplier's merchant account. This will eliminate the merchant's need for a supplier to ever handle the card, further reducing potential fraud or compliance concerns.

Implementation requirements include:

- New Managing Accounts are needed for this PSP program, including separate Managing Accounts and statements per PSP rate. Available for Virtual Pay clients (both API and file integrations).

If the State is interested in leveraging the FI or PSP programs to retain or attract key suppliers to virtual card acceptance in the future, U.S. Bank can offer separate rebate schedules for FI and/or PSP, which would be calculated and paid as separate rebates to the State.

Fees

Below are our fees for the State's program:

One Card	
Feature	Fee
General	
Annual Card Fee	No Fee
Interest Charges	No Fee
Central Travel System (CTS)	No Fee
Cash Advance Fee	2.5% (minimum \$2.00)
Foreign Transaction Fee (if applicable)	1% per transaction
Statements:	
<ul style="list-style-type: none"> • Electronic Statement • Paper Statement • Statement Copy 	<p>No Fee</p> <p>\$12.00 annually</p> <p>\$9.00 per additional statement</p>
Card Delivery Fees:	
<ul style="list-style-type: none"> • Standard Delivery • Expedited Delivery 	<p>No Fee</p> <p>\$20.00 per shipment</p>
Delinquency Fees: Assessed on the entire past due amount if full balance is not paid by the due date (and each statement thereafter)	Waived
Non-Sufficient Funds Fee	\$15.00 per occurrence
Convenience Checks:	
<ul style="list-style-type: none"> • Transaction Fee • Stop Payment Fee • Check Copy Fee • Returned Convenience Check Fee 	<p>2.5% (minimum \$2.00)</p> <p>\$15.00</p> <p>\$2.00</p> <p>\$15.00</p>
Benefits	
Cardholder Rewards Programs (optional):	
<ul style="list-style-type: none"> • FlexPerks® Annual Fee • Executive Card Annual Fee • Executive Platinum Card Annual Fee 	<p>\$80.00 per participant</p> <p>\$100.00 per account</p> <p>\$345.00 per account</p>
Travel Accident Insurance: \$250,000 coverage	No Fee
Auto Rental Insurance	No Fee
Visa Liability Insurance: \$100,000 coverage	No Fee
Lost Luggage Insurance: Maximum \$1,250; not to exceed common carrier reimbursement	No Fee

One Card	
Feature	Fee
Other	
Implementation and Training Cost	No Fee
Access Online	No Fee
Custom Financial Extract	Fee based upon scope of service
Electronic Attachments (receipt imaging) Annual Fee	\$3.00 per account
Single Sign On (SSO) and Cardholder Application Portal (CAP) Fees	
• SSO Implementation	Waived
• CAP Implementation	Waived
• SSO plus CAP Implementation	Waived
• SSO/CAP Support	Waived
Logo Setup Fee	Waived
Custom Card Design and Production	
• Less than 2,000 cards	Waived
• More than 2,000 cards	Waived

U.S. Bank Virtual Pay	
Feature	Fee
General	
Annual Card Fee	No Fee
Interest Charges	No Fee
Foreign Transaction Fee (if applicable)	1% per transaction
Statements:	
• Electronic Statement	No Fee
• Paper Statement	\$12.00 annually
• Statement Copy	\$9.00 per additional statement
Delinquency Fees: Assessed on the entire past due amount if full balance is not paid by the due date (and each statement thereafter)	Waived
Non-Sufficient Funds Fee	\$15.00
Other	
Implementation and Training Cost	No Fee
Access Online	No Fee
Custom Financial Extract	Fee based upon scope of service

Confidentiality and disclosures

We appreciate the opportunity to present a Financial Proposal for the State of West Virginia's one card and Virtual Pay program. If this proposal results in a contract award to U.S. Bank, we propose that the U.S. Bank Commercial Account Agreement continue to govern this relationship. Accordingly, please note that we do not agree to be bound by any terms and conditions proposed by State of West Virginia unless and until such terms are incorporated into a final written agreement between the parties. This proposal represents the basis for a proposed business relationship and is not a contract for services.

Pricing features herein are valid for 90 days and will be effective upon signing or rebate start date, whichever is later. All pricing elements, including incentives, are subject to final credit approval by U.S. Bank and are subject to change if credit is conditional upon collateral pledge, pre-payment or guarantor.

The documents provided in this proposal contain proprietary and confidential information of U.S. Bancorp and its affiliates and shall not be duplicated, used or disclosed, in whole or in part, for any purpose other than to evaluate this proposal. U.S. Bancorp, its affiliates and subsidiaries retain ownership of the information contained in these documents. Any disclosure, publication or dissemination of the information by the recipient is prohibited without the prior written consent of U.S. Bank. If this proposal is subject to disclosure under a Freedom of Information Act, Sunshine Act or other applicable law, we request that these documents be afforded protection from disclosure to the maximum extent permissible under law as proprietary and confidential information.

Finally, please note that U.S. Bank National Association offers commercial card payment products in its own name and on behalf of its correspondent bank partners under the assumed name of Elan Financial Services (Elan). Please be advised that Elan, at the request of one or more of its partner banks, may submit separate proposal.