**Exhibit 2 to Cost Proposal**

**1) Purpose and Context**

This narrative describes the assumptions, conditions, and constraints underlying the prices in our Cost Schedules and clarifies how those factors relate to the Respondent’s Technical Proposal. The intent is to make explicit the drivers that materially affect price—particularly the concentrated Year-1 effort to recreate existing SCORM modules and deploy a State-branded (white-labeled) LMS—so evaluators understand why costs are distributed as shown and what is (and is not) included in the base scope.

**2) Pricing Approach (High Level)**

Our pricing reflects two distinct phases:

* **Year 1 — Build/Modernize & Launch (front-loaded):** Major effort to (a) recreate or re-author existing courses into modern SCORM/xAPI packages, and (b) configure and brand the LMS for the State, including reporting, certificates, notifications, and baseline security/ops. This is the **heaviest lift** and is the primary driver of Year-1 labor.
* **Year 2 — Operate & Maintain (steady state):** Ongoing platform operations, routine updates, monitoring, reporting, and minor content fixes/improvements. Effort and cost are lower than Year 1 because the core build is complete and the environment is stable.

This distribution is a planning assumption only; it does not change unit rates. If the State accelerates or defers specific deliverables, total price remains tied to the contracted scope; only the timing of work may shift.

**3) Assumptions That Materially Impact Price**

**3.1 Course Recreation & Source Availability**

* **Recreation vs. migration.** We assume a meaningful portion of legacy content will require recreation rather than a simple import, either because source files are unavailable, outdated, or incompatible with current browsers/accessibility requirements. Recreation (storyboard → script → build → QA) is a key Year-1 cost driver.
* **Content alignment.** We assume the State will identify priority modules and provide timely feedback to keep recreation on schedule. Delayed reviews can shift timelines; they do not alter unit rates.

**3.2 Review & Approval Cadence**

* For scheduling, we assume reasonable review cycles at script and production stages (e.g., up to two rounds per stage). Additional rounds are accommodated where necessary; however, repeated re-work materially increases effort and may require change control if it expands beyond baseline scope.

**3.3 Platform Operations on in State-Owned AWS (Co-Managed)**

The LMS is deployed within the State’s AWS environment. The State owns and administers the AWS tenant/account, baseline security controls, and cloud billing. Our pricing covers the application layer operations and coordinated releases; it does not duplicate costs or responsibilities the State already carries at the infrastructure layer.

**Scope & responsibilities (assumed):**

* Access & roles. We use least-privilege, time-bound IAM roles/SSO granted by the State. The State retains control of IAM, VPC/network settings, security groups, and KMS keys.
* Environments & releases. Separate staging and production are maintained. We follow the State’s change control windows, document approvals, and promote only after UAT sign-off; rollback plans are maintained.
* Monitoring & maintenance. We monitor application health/errors and respond to alerts; the State’s cloud tooling (e.g., CloudWatch/CloudTrail/SIEM) remains authoritative. Routine updates/patches to the LMS application are applied on a scheduled cadence.
* Encryption & backups. TLS in transit and State-managed KMS at rest are assumed. Daily backups are stored in State-owned storage; we perform periodic restore checks in coordination with the State.
* Logging & incidents. Application logs and audit trails are retained per State policy and made available to State monitoring. Incidents follow State escalation and documentation procedures.

**Pricing assumptions (material to cost):**

* Our pricing includes labor for application operations, release coordination, routine app-layer security monitoring, and UAT support.
* AWS infrastructure charges (compute, storage, bandwidth) and State-mandated security tooling are borne by the State. If the State asks us to procure/manage those items, they will be handled via separate SOW and priced accordingly.
* If the State later prefers a vendor-managed hosting model, we can provide it; any price change would reflect added infrastructure and managed-service responsibilities only.

**3.4 Reporting & Data**

* Reports included. Baseline pricing includes the configured dashboards and monthly summary reporting described in the Technical Proposal, plus standard data export capabilities.
* Historical data loads. One-time import of active user data is assumed. Large-scale historical imports or complex data mapping beyond the baseline may require additional effort.

**3.5 Accessibility**

* We design and test new/recreated modules to meet WCAG-aligned accessibility practices (captions, alt text, tab order, transcripts). If third-party/legacy assets are not remediable to the same standard, we will propose practical alternates within scope; extensive remediation of third-party content is out of scope unless specifically added.

**3.6 Third-Party Licenses & Media**

* Authoring/asset tools. SCORM authoring and asset-creation tools used to produce the deliverables are included in our internal cost basis.
* Stock/voice/music. Where required, reasonable stock assets and voiceover are included for modules contemplated by the RFP. Any special/extended-use licenses beyond standard e-learning usage would be handled through change control if requested by the State.

**3.7 Travel**

* Work is scoped as remote. Travel is not to exceed (NTE) and only incurred with prior written approval under State policy. If no travel is requested, no travel costs are billed.

**3.8 Support Hours**

* Baseline includes business-hours support for administrators and standard learner inquiries. After-hours/24×7 support, if desired, can be added via separate SOW.

**3.9 Capacity & Performance**

* Pricing assumes user volumes consistent with the Technical Proposal’s capacity commitments. If actual usage materially exceeds those parameters (e.g., sustained concurrency far above planning assumptions), we will scale infrastructure accordingly; any pass-through infrastructure deltas would be discussed with the State in advance.

**4) Conditions & Constraints (Operational)**

* Change control. Any material changes to scope, sequence, or acceptance criteria will be documented and agreed in writing prior to execution.
* State dependencies. Timely review/approvals, subject-matter inputs, and any required access/integration credentials are necessary to maintain schedule.
* No conflict with RFP. Where the RFP prescribes stricter requirements, the RFP governs. These statements clarify pricing; they do not supersede RFP obligations.

**5) Items Explicitly Out of Scope (Priced Separately via SOW)**

To avoid ambiguity, the following are not included in the base price and will be delivered only upon mutual agreement in a separate Statement of Work (SOW) with pricing commensurate to the added effort:

* Additional trainings not contemplated by the RFP (new courses, major content expansions, or substantial re-theming beyond the baseline set).
* Mobile application design/build/distribution or other new platform features not specified in the Technical Proposal.
* Additional third-party audits or formal security certifications required by the State not included in the RFP requirements (e.g., SOC 2 audits, external penetration testing).
* Complex integrations beyond the baseline LMS configuration (e.g., custom HRIS/SSO/data warehouse builds not already described).
* Large-scale data migrations of historical records that require advanced mapping/cleansing beyond the one-time active user import.
* After-hours/24×7 support or dedicated on-site staffing.
* Extensive localization/translation beyond what is specified.

These optional enhancements will not delay or jeopardize delivery of the base scope; they can be scheduled and priced in parallel through a separate, State-approved SOW.

**6) Rationale for Year-1/Year-2 Cost Shape**

The Year-1 cost profile is higher because it includes the one-time efforts to recreate legacy modules to modern standards and complete white-label LMS configuration (branding, reports, certificate automations, notifications, and baseline security/ops). Year-2 costs reflect ongoing operations, routine updates, monitoring, and maintenance at a lower steady-state run-rate.

**7) Price Stability and Validity**

All unit rates and fixed fees on the Cost Schedules are based on the assumptions above and remain valid for contracting per the RFP timeline. If the State requests scope additions or materially different delivery conditions, we will provide written pricing for those items through change control or a separate SOW as appropriate.

**Summary.** The prices on the Cost Schedules are driven primarily by Year-1 course recreation and white-label LMS deployment, followed by steady-state operations in Year-2. Platform operations are delivered in AWS with ongoing security monitoring and routine updates. Items outside the RFP’s contemplated scope—such as additional trainings, a mobile app, or formal third-party security certifications—are intentionally excluded from base pricing and will be proposed under a separate SOW to preserve clarity, control, and fiscal discipline.