

Approximate Values of Discount Rates Used in Technology and License Negotiations

Characterization of Risk	Approximate RAHR
Risk-free , such as building a duplicate plant to make more of a currently made and sold product in response to presently high demand	Approximates the corporate rate of borrowing, which is in the range of 8% to 18%
Very low risk , such as incremental improvements with a well-understood technology into making a making a product presently made and sold in response to existing demand	15% to 20%; discernibly above the corporation's goals for return on investment to its shareholders
Low risk , such as making a product with new features using well-understood technology into a presently served and understood customer segment with evidence of demand for such features	20% to 30%
Moderate risk , such as making a new product using well-understood technology to a customer segment presently served by other products made by the corporation and with evidence of demand for such a new product	25% to 35%
High risk , such as making a new product using a not well-understood technology and marketing it to an existing segment or a well-understood technology to a new market segment	30% to 40%
Very high risk , such as making a new product with new technology to a new segment	35% to 45%
Extremely high risk (a.k.a. "wildcatting"), such as creating a startup company to go into the business of making a product not presently sold or even known to exist using unproven technologies	50% to 70% or higher