

**From:** Rafael Maestu  
**To:** Rebecca Stewart  
**Date:** Tuesday - September 25, 2007 3:09 PM  
**Subject:** Re: Ability to Pay Question

>>> Rafael Maestu 9/25/2007 11:14:55 AM >>>  
Rebecca,

Sorry I did not get back to you earlier. I am looking at the documents. It is more difficult to develop an estimate without the IRS Form 1120 S. A quick look at their balance sheet shows that they have retained earnings for \$2.7 million and although during the first half of this year they suffered a negative income of -\$142,954 they appear to have sufficient assets to be able to pay a penalty of \$12,000 without causing a long term financial hardship. Although the provided balance sheet only shows the situation of the company at a point in time we must look at the long term financial hardship and the ability of the company to stay in business. The penalty amount is 4.25% of total semi-annual expenses and if needed to be financed at current market rates of 6.5% it would only add \$780 a year or 0.15% of total annual expenses.

I believe that the penalty would not compromise the financial structure of the company and that the company should be able to raise the financing necessary to complete the full payment amount of \$12,000. I estimate that Terra Vac Corporation has a high probability to afford a \$12,000 penalty.

I should be able to provide a more detailed analysis if the company provides with the IRS form 1120S for the last five years. We would also need the profit and loss financial statements for complete years (not half years) for the last 5 years.

Thanks

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