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October 31, 2007

Board of Directors
Holiday Beech Villas Condominium Owners Association, Inc.
P.O. Box 353
Banner Elk North Carolina 28604

Re: Results from Agreed Upon Procedures Engagement

This letter confirms the completion of our engagement for agreed upon procedures for Holiday Beech Villas Condominium Owners Association, Inc. as detailed in our engagement letter of October 16, 2007. The performance of this engagement was based on samples taken for the year ended June 30, 2007 which was the scope of the engagement. Our limitations were also set out in the engagement letter.

I found that the documentation of the Company's system as emailed by Renee was as good as I have seen for a company of your size. It was very thorough and complete. I did however find a few items which I would like to bring to your attention which could be improved upon.

I recommend that any non routine invoices be reviewed by someone other than the check writer and approved for payment before the check is written. Currently the approval comes at the time of the check signature. Additionally, I recommend that approval, account distribution, date of payment and check number be written on each invoice before payment as indication of authorization for payment.

In reviewing the bank accounts I noted a rather large checking account balance which was not earning any interest. According to Renee the funds were from special assessments which have by now mostly been spent. The Company also maintains a savings account at Yadkin Valley Bank. I propose that you look into changing from a bank savings account to a brokerage money market account. All checks could be deposited directly into the account with a transfer made twice a month when checks are written, this would be more efficient money management. The money would earn a higher rate of interest for a longest period of time. The portion of the money market

which is somewhat permanent could be laddered with one third of the money going to a 3 month CD and one third to a 6 month CD.

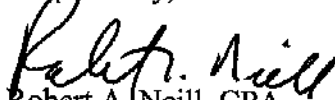
I recommend that the monthly statements for all accounts be opened initially by an officer of the Board and checks reviewed for payee, proper signatures, etc. along with bank transfers and other transactions before giving the statement to the bookkeeper for reconciliation. Any odd items or discrepancies should be noted with explanation requested from the bookkeeper. This would tighten the internal control.

I mentioned to Renee that gross payroll should be listed as an expense along with the Company portion of the payroll taxes. Currently the net is listed and the payroll tax deposits are line items. Additionally I mentioned to her that the use of W-9's filled out by subcontractors would assist in the production of 1099's at the end of the year as required by the IRS.

In conclusion, I believe that the Company has a good basic system which is well documented and satisfies the needs of the organization. With a few minor improvements it can become an even better system.

If anyone on the board has any further questions or discussion about this engagement please feel free to contact me.

Respectfully,


Robert A. Neill, CPA