EXHIBIT E

Application for SDP Review in a PUD

Dismissal of Utility Service and Annexation Concern

An unfortunate aspect of any application, such as the New Lodge and Expanded Conference Facilities, involves the introduction of misleading information and unfounded theories by those with specific agendas adverse to the application in an attempt to create concern and fear. One issue that has recently been introduced into the Application discourse that falls into this classification is related to utility service to the New Lodge and Expanded Conference Facilities and the notion that the City of Palm Coast would seek involuntary annexation of the Hammock. The email below reflects the undue concern introduced by an antagonist:

From: CAN WE AFFORD A NEW HOTEL <willourpropertytaxesincrease@gmail.com>
Date: September 25, 2014 at 10:08:39 AM EDT
To: WillOurPropertyTaxesIncrease@gmail.com
Subject: Can We Afford the Proposed Hammock Beach Hotel Project
THE SALAMANDER PROPOSED HOTEL PROJECT COULD RAISE OUR PROPERTY TAXES BY 25%

In an article in the current issue of The Ocean Breeze(Fall 2014, page 6 "Dunes CDD Water Cooler Corner"), written by Gary Crahan, who is a member of the DCDD Board of Supervisors, he said that DCDD informed Salamander in May, 2014 that DCDD did not have the capacity to provide water to the proposed 200 room hotel.

If the Hotel project results in either Salamander using The City of Palm Coast's water or causes DCDD to be unable to meet our future requirements as our community is built out, and a resulting need to use The City of Palm Coast's water, the quid pro quo of The City of Palm Coast would likely be annexation of our community (Hammock Beach, Hammock Dunes, Ocean Hammock and Yacht Harbor).

Since 2000 The City of Palm Coast has attempted to annex a number of properties in exchange for tapping into its supply of potable water. In or around 2005 The City of Palm Coast, Flagler County and Flagler Beach fought "water wars" over this issue. In 2010 The City of Palm Coast started efforts to annex Palm Coast Plantation (off Colbert Lane and in Flagler County, but not in the city) and in settlement of a lawsuit by Palm Coast Plantation finally agreed a few months ago to not proceed with annexation at this time, but did not agree to hold off forever. In the Mediation agreement The City of Palm Coast included a number of recitals pointing to special facts involved in its agreement to not pursue annexation of Palm Coast Plantation. Last week The City of Palm Coast reached an agreement with Flagler County to resolve its efforts to require annexation of the Flagler County Airport in exchange for providing potable water to the proposed National Guard facility there.

Annexation would have its "benefits" and costs to all of us. As to the benefits, I can only point out that, as part of its efforts to annex Palm Coast Plantation, Palm Coast City Manager Jim Landon stated at a meeting of the Palm Coast Plantation Homeowners Association that "I have nothing to offer but higher taxes with annexation." So much for the benefits.

As to the property tax increase should be we be annexed, the City of Palm Coast's property tax rate is currently $4.25 per $1,000 of assessed value – this is more than 25% of our total property tax in Flagler county, and would have to be paid in addition to our current property tax. So, by way of example, our tax increase would be:
On a property valued at $1,000,000 - $4,250 per year
On a property valued at $500,000 - $2,125 per year
On a property valued at $300,000 - $1,275 per year

> We are a potential cash cow for the City of Palm Coast. A huge property base to tax, and no additional services to provide. Do we want to risk an annual 25% property tax increase to have a hotel built on our golf course property, or is this the final straw?
>
> Please forward this email to your friends and contacts in Hammock Beach, Hammock Dunes, Ocean Hammock and Yacht Harbor.

We are disappointed with the unnecessary sensationalism and twisted fantasy associated with the above email. We want to take the opportunity to squarely and fully address the false premise and inaccuracy of the content of the email.

As expressed and explained in our Application, Salamander met with Dick Ryan, District Manager of the Dunes Community Development District, in May 2014 to discuss the New Lodge conceptual plan and the District's service. Mr. Ryan confirmed, based on his understanding of the preliminarily New Lodge program, the District has adequate physical potable water, wastewater, and reclaimed water capacity to provide the nominal increase in service demands associated with the New Lodge and Expanded Conference Facilities.

The District's wastewater and reclaimed water permits will not require modification to accommodate service to the New Lodge; whereas the District's consumptive use permit will require administrative modification to allocate uses associated with the additional potable water demand associated with the New Lodge. That is, the District's physical facilities are capable of providing the requested service, but the District's regulatory permit does not, at this time, include the projection of service demand associated with the New Lodge. In no way does this cast any doubt on the ability to modify the permit or incorporate the service demand into the permitted volumes. It is merely a function of how the St. Johns Water Management District (SJRWMD) structures consumptive use permits and allocates uses. Because the SJRWMD issues annual allocations of use in five year increments based on a utilities' anticipated service demands, it is common that a utility may need to modify the permit to adjust its projected demands and consumptive uses.

Virtually every utility in the state, including those in the jurisdiction of the SJRWMD, have much greater potential service demand and latent use potential than authorized by a consumptive use permit. As areas are developed and new service applications are submitted, a utility will update its projections of use, which may require no permitting or physical facility capacity changes, or it may involve only a paper change in capacity via revision to permit allocations, or it may involve both a permit revision as well as increasing the physical capacity of the utility's treatment, storage, or supply facilities. In the case of the New Lodge and Expanded Conference Facilities, it appears that the application will necessitate only a paper change in permitted capacity.

The District has provided exemplary service to the property owners within the District and has been an excellent steward of water resources. In fact, the regulatory agency responsible for permitting consumptive uses awarded the District financial grants toward the reverse osmosis system as an alternative water supply system which aided in the design and construction of the potable water facility.

The District's use of the upper Floridan aquifer minimizes the need for higher quality water resources and protects other natural resources, such as wetlands, from potentiometric drawdown related to wells systems. The abundance of the upper Floridan aquifer, together with the location of the District's wellfield, and the long history of good stewardship demonstrated by the District, provides the District opportunity to increase their use to serve additional demands within the District without the threat or fear of influencing other permitted users or causing environmental impacts. Therefore, Salamander considers the consumptive use permit modification mentioned previously as primarily ministerial in nature, as the system's capability is not in question or even a concern. While the St. Johns River Water Management District (SJRWMD) must review and authorize the permit revision, the factors considered by the SJRWMD in this respect give us confidence that the nominal amount of essential service use associated with the New Lodge and Expanded Conference Facilities will result in approval of the request.

The District is the rightful utility provider for the residents and property owners within the District and has established the District area as its potable water and wastewater service boundary. LRA has submitted a formal request to the District to enter into a service agreement that will provide for payment of capacity fees, processing of the modification of the consumptive use permit, and address other service matters. The District has used service agreements as a useful and effective tool to manage service to developments within the District. A service agreement precedes an application for service, which is typically submitted in conjunction with a Florida Department of Environmental Protection application for new potable water or wastewater facilities (mains, service connections, sewers, etc.) or a building permit application to Flagler County for new improvements (e.g. New Lodge). An application for service is anticipated in early 2015, after the County's consideration of the Site Development Plan Review, and the subsequent advancement of the building design necessary to apply for a building permit.

To our knowledge, the City of Palm Coast has not attempted to annex the Hammock, nor has the City expressed any desire to incorporate the District's service area into the City's utility franchise area. Furthermore, the City has not offered, and LRA and Salamander have not requested, any service to the New Lodge, neither would any discussion be relevant. LRA and Salamander are not desirous, nor has there been any interest or consideration, in pursuing annexation of any property on the barrier island into the City. Any suggestion to the contrary would seem to be intended to create fear mongering associated with the potential threat from the City of Palm Coast regarding annexation. The claim made in the subject email is completely unfounded and without basis.