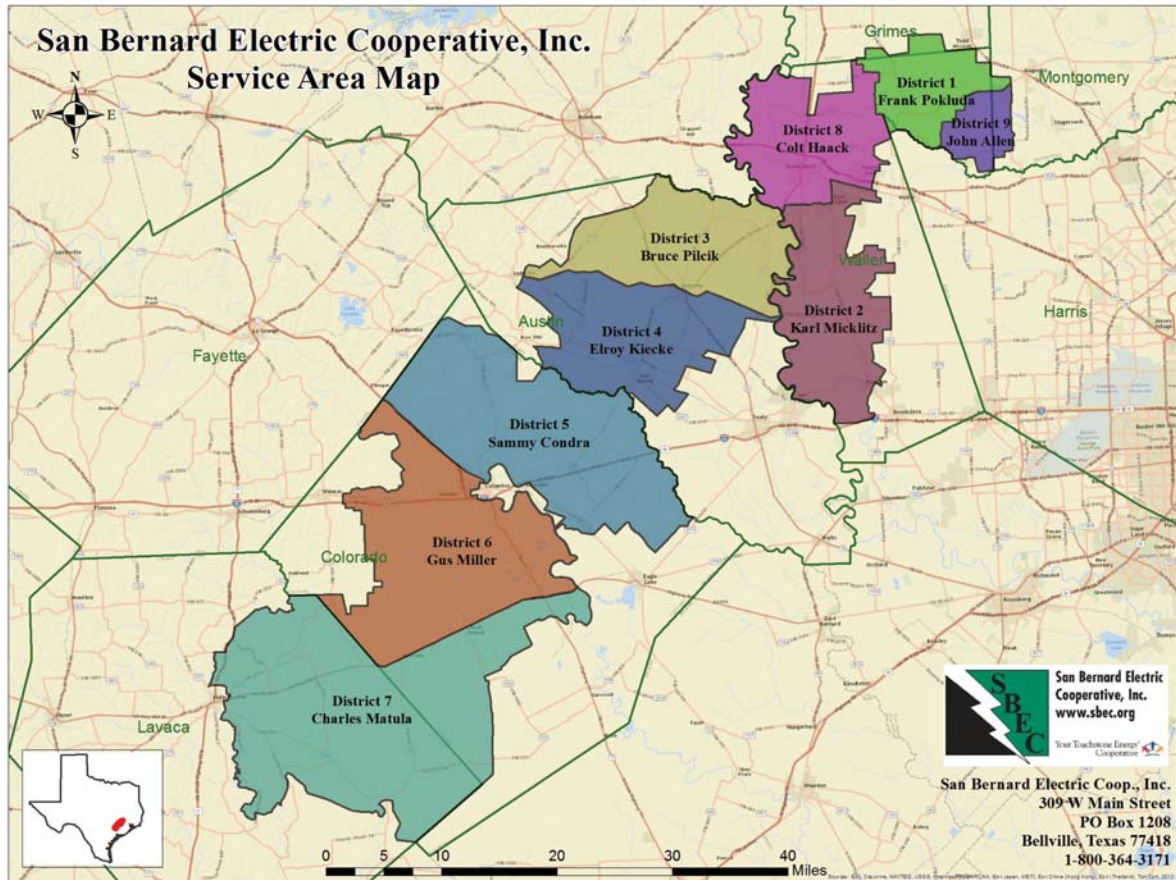


SAN BERNARD ELECTRIC COOPERATIVE
76TH ANNUAL MEETING

Saturday, May 21, 2016

Austin County Fair and Expo Center, Bellville



BRING THIS REGISTRATION CARD AND PRIZE TICKET WITH YOU.

SAN BERNARD ELECTRIC COOPERATIVE
76TH ANNUAL MEMBERSHIP MEETING

Saturday, May 21, 2016 • Austin County Fair and Expo Center, Bellville

Registration begins at 8:30 a.m. • Door prizes and election of directors

BRING THIS CARD WITH YOU TO THE MEETING—IT'S YOUR PRIZE TICKET!

OFFICIAL NOTICE OF ANNUAL MEMBERSHIP MEETING

San Bernard Electric Cooperative, Inc. • Bellville, Texas

To All Members:

Pursuant to the bylaws of San Bernard Electric Cooperative, the annual membership meeting will be held at the Austin County Fair Association Convention and Expo Center, 159 E., Bellville, on Saturday, May 21, 2016, to take action on the following:

1. Reports of directors, officers and committees.
2. Election of three (3) directors. In connection with the election of three (3) directors scheduled for this meeting, the following named members have been nominated by a Committee on Nominations appointed by the board of directors of the cooperative, pursuant to the bylaws:

BOARD DISTRICT 2

Karl Micklitz

38134 Klaus Road, Brookshire 77423

BOARD DISTRICT 4

Elroy Kiecke

16233 FM 1094, Bellville 77418

BOARD DISTRICT 6

Gus Miller

1908 Milam St., Columbus 78934

3. Hear comments and questions.

Every member is urged to attend the annual membership meeting.

Respectfully,

CHARLES MATULA

Secretary-Treasurer

San Bernard Electric Cooperative, Inc.

Dated this 15th Day of March 2016

ANNUAL MEETING PROGRAM

Saturday, May 21 • Austin County Fair Convention and Expo Center, Bellville

REGISTRATION OF MEMBERS 8:30 a.m.

Registration closes at 10 a.m.

BUSINESS MEETING 10 a.m.

Call to Order

Invocation

Reading of Notice of Meeting

Reading of Minutes of Previous Meeting

ELECTION OF DIRECTORS

Reports of Officers

Questions and Answers

Drawing for Attendance Prizes

BARBECUE MEAL 11:30 a.m.

One free ticket per member; additional tickets may be purchased.

SEE PAGES 22-23 INSIDE FOR MORE ANNUAL MEETING INFORMATION.

CHAIRMAN'S REPORT

2015 WAS ANOTHER BUSY YEAR FOR YOUR COOPERATIVE.

Many things demanded our focus, both from a board's perspective and the perspective of the cooperative's personnel, as well. Some will be ongoing while others are behind us.

All in all, I'm happy to report that your cooperative continues to be a strong, viable organization. We will continue to put our membership's well-being first and foremost as we continue moving forward to face the new opportunities and challenges that lie ahead.

Great strides were made on the new peaking plant at the Rock Island substation. I must commend the efforts of our partner team, Sky Global, and several of our employees who dedicated their efforts to make this plant a reality. I'm proud to say that the plant was completed well ahead of schedule. We look forward to having this asset as a major contribution with regards to our wholesale power portfolio.

Organizationally, SBEC is ranked very highly by our mem-

bership. This standing is based on the quarterly phone surveys done by an independent outside firm that conducts the survey and compiles the ensuing results. I'm happy to say that SBEC is rated as one of the highest co-ops in the nation.

As with most companies, the employees are the most crucial part of the organization. And, here at SBEC, we have a great collection of employees. Surveys consistently put these employees at the top of the charts. Being a service organization, I am extremely proud to have the employees that we have serving you on a daily basis.

Once again, the financial strength of SBEC allowed this board to retire approximately \$2 million of our capital credits and return that money to our members. The timing of this return has been overwhelmingly positive, based on our members' feedback.

On behalf of myself, the board members and the employees of San Bernard Electric Cooperative, I want to thank you, the member, for your continued support.

2016 NOMINEES FOR SBEC DIRECTORS

BOARD DISTRICT 2



Karl Micklitz is a retired state judge. He and his wife, Lucy, have lived since 1970 in the Pattison area, where he is a member of the Pattison Area Volunteer Fire Department. He has been a director of SBEC since 1980. Upon graduation from Texas A&M University in 1960, he attended law school and graduated from South Texas College of Law in 1965. He also served 30 years in the Army and the Texas National Guard, retiring with the rank of colonel in 1990. Micklitz, who was a paratrooper, is also a licensed pilot but does not fly anymore. He and his wife have four children, eight grandchildren and three great-grandchildren. They attend Sts. Peter and Paul Catholic Church in Bellville.

BOARD DISTRICT 4



Elroy E. Kiecke has been a director of San Bernard Electric for 19 years. He and his wife, Jeanette, are the parents of three sons, and have three daughters-in-law, seven grandchildren and two great-grandchildren.

After graduating from Blinn College, Kiecke served in the U.S. Air Force for four years. Upon an honorable discharge at the rank of staff sergeant, he entered Sam Houston State University, where he earned a master's degree. Kiecke was an educator for six years then worked in the insurance business for 35 years, retiring as president of the firm Lynn, Kiecke, Lackey.

He has served as a member, an officer or director of many organizations, including the Bellville Methodist Church, Bellville General Hospital, Industrial Foundation, Little League, election judge, Brenham State School and the old Austin County State Bank. He has been recognized with awards like the Lions Club "Citizen of the Year"

award, the Bellville Chamber of Commerce "Good Neighbor" award, Texas Lions Foundation Fellow Award and the Blinn College Ex-Student Association Outstanding Alumnus Award. He was honored by being selected grand marshal for the Austin County Fair Parade.

Kiecke said he appreciates the opportunity to serve with the co-op's other directors, the administrators and the employees, but most of all, he is cognizant of the responsibility he has in representing the interests of all SBEC members. "There are a total of 8,760 hours in a year, with an average of 8,757 hours that SBEC 'keeps the lights on for you,'" he said.

BOARD DISTRICT 6



Gus H. Miller Jr. has served on the San Bernard Electric Cooperative Board of Directors for 27 years and has been elected by his colleagues the chairman of the board since 2006. Miller was employed and was president for 20 years with First State Bank in Columbus. After he retired from the bank, Miller remained a member of its board of directors and serves on its loan committee.

Miller and his wife, Margaret, reside in Columbus and have a ranch southwest of the city limits. They have four children, seven grandchildren and one great-grandchild. Miller graduated from Columbus High School and attended the University of Texas in Austin. Miller served in the Army during World War II with the 97th Infantry Division in Europe and Japan.

He is a past president of the Columbus Rotary Club, the Columbus Chamber of Commerce, the Columbus Community Chest and the Columbus Cemetery Association. He is a member of the First United Methodist Church and has served as its treasurer for many years. He also is the chairman of the board for the Leon and Beatrice Obenhaus Grodhaus Foundation and a member of the Texas Farm Bureau.

OPERATING STATEMENT

As of December 31, 2015, and December 31, 2014

	2015	2014
REVENUES		
Sales of Electric Power	\$68,950,853	\$68,897,326
Other Electric Revenue	1,004,701	6,128,358
TOTAL REVENUES	\$69,955,554	\$75,025,684
EXPENSES		
Purchased Power	\$41,277,038	\$46,163,272
Operations and Maintenance	8,631,847	7,887,071
Administrative and General	5,490,798	5,872,433
Depreciation	6,740,895	6,430,234
Taxes	304,264	311,091
Interest	3,661,484	3,454,560
TOTAL EXPENSES	\$66,106,326	\$70,118,661
MARGINS		
Operating Margins	\$ 3,849,228	\$ 4,907,023
Nonoperating Margins	532,571	400,863
TOTAL MARGINS	\$ 4,381,799	\$ 5,307,886

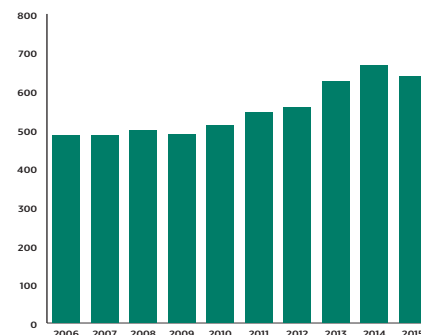
BALANCE SHEET

As of December 31, 2015, and December 31, 2014

	2015	2014
ASSETS		
Net Utility	\$162,564,774	\$158,615,609
Investments	4,628,852	4,752,557
Cash	716,810	1,259,699
Notes and Accounts Receivable	2,165,536	2,888,216
Materials and Supplies	3,672,577	3,433,380
Other Current and Accrued Assets	1,248,370	1,056,775
Deferred Charges	11,653,962	14,493,043
TOTAL ASSETS	\$186,650,881	\$186,499,279
EQUITY		
Memberships	\$ 66,310	\$ 68,905
Patronage Capital and Margins	78,212,477	76,488,375
TOTAL EQUITY	\$ 78,278,787	\$ 76,557,280
LIABILITIES		
Long-Term Debt	\$ 96,946,911	\$ 94,944,328
Accounts Payable	5,416,180	4,818,260
Other Current and Accrued Liabilities	4,385,795	8,142,178
Deferred Credits	1,623,208	2,037,233
TOTAL LIABILITIES	\$108,372,094	\$109,941,999
TOTAL LIABILITIES and EQUITY	\$186,650,881	\$186,499,279

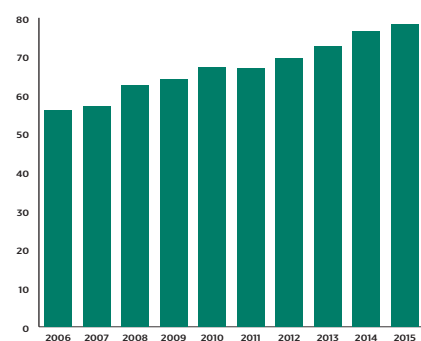
KWH SALES

(Millions, Past 10 Years)



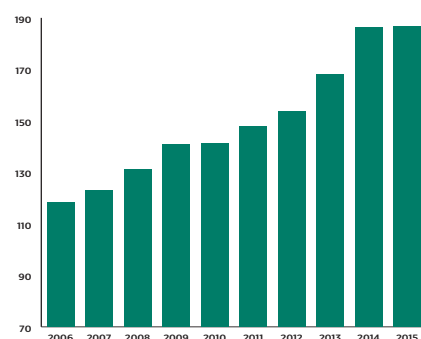
EQUITY

(Millions of Dollars, Past 10 Years)



ASSETS

(Millions of Dollars, Past 10 Years)



USES OF REVENUE

2015 Revenue Allocation

