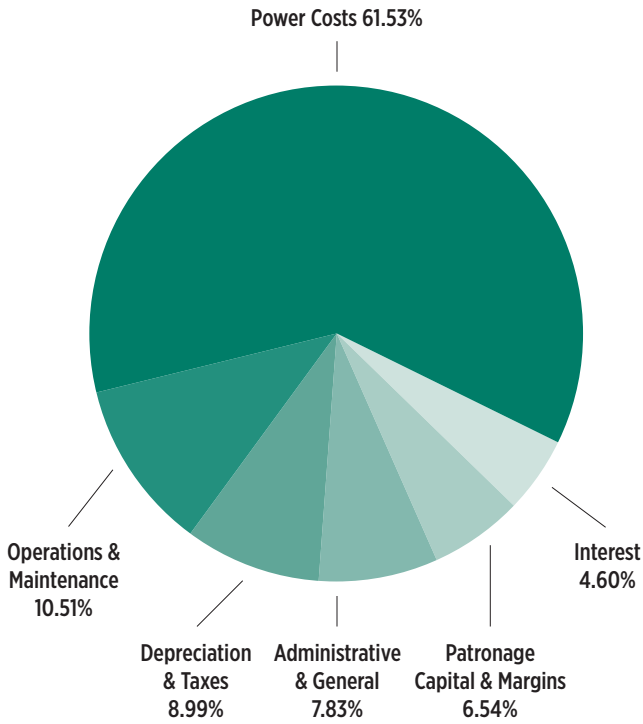


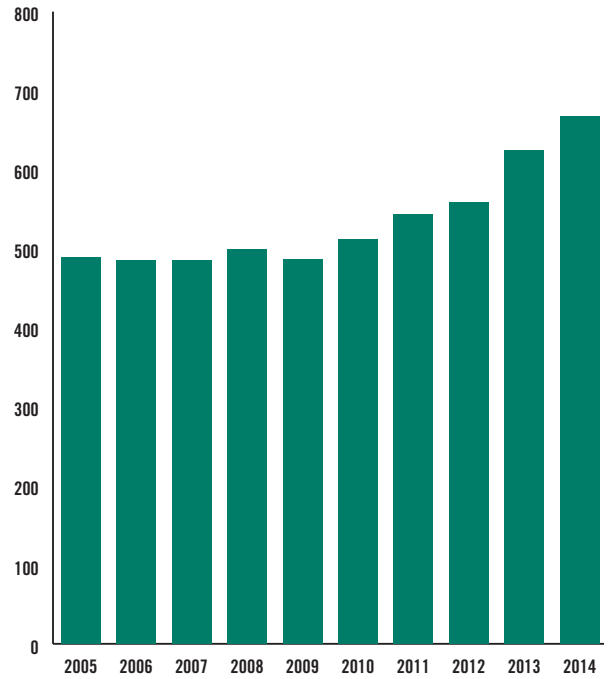
USES OF REVENUE

2014 Revenue Allocation



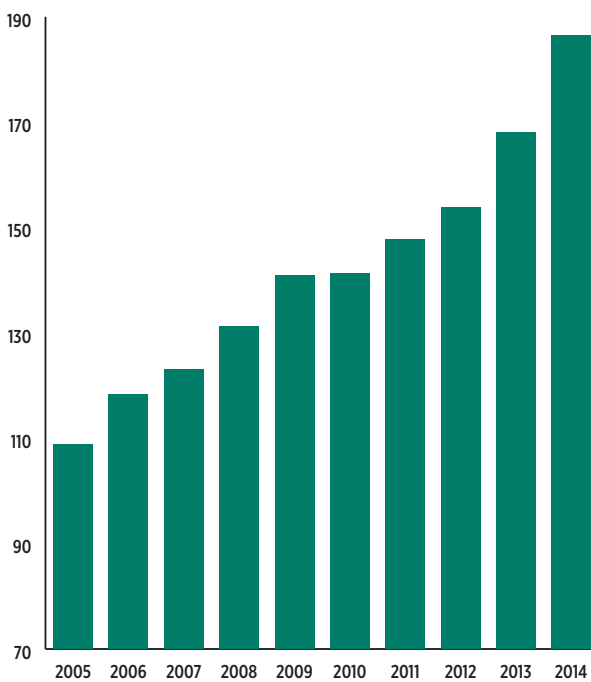
KWH SALES

(Millions, Past 10 Years)



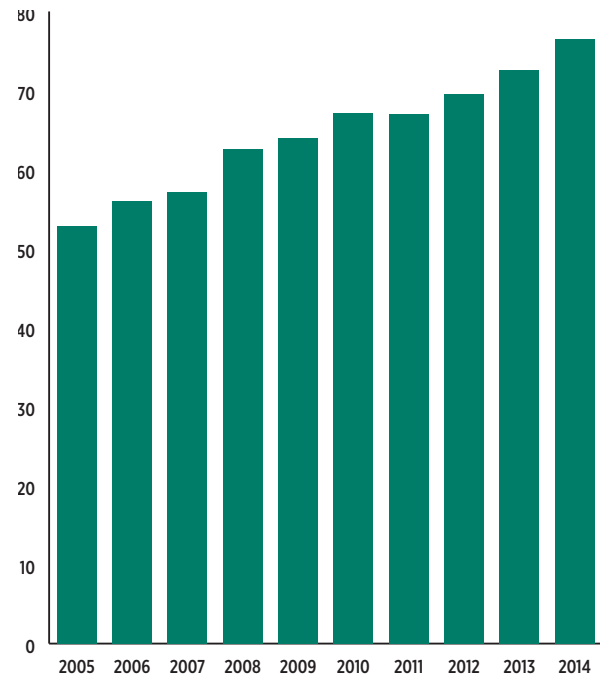
ASSETS

(Millions of Dollars, Past 10 Years)



EQUITY

(Millions of Dollars, Past 10 Years)



OPERATING STATEMENT

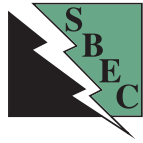
2014 and 2013

	2014	2013
REVENUES		
Sales of Electric Power	\$68,897,326	\$61,365,991
Other Electric Revenue.....	6,128,358	874,923
TOTAL REVENUES	\$75,025,684	\$62,240,914
EXPENSES		
Purchased Power	\$46,163,272	\$35,195,381
Operations and Maintenance.....	7,887,071	8,322,813
Administrative and General	5,872,433	5,768,294
Depreciation	6,430,234	5,988,148
Taxes.....	311,091	265,791
Interest.....	3,454,560	3,008,903
TOTAL EXPENSES.....	\$70,118,661	\$58,549,330
MARGINS		
Operating Margins	\$ 4,907,023	\$ 3,691,584
Nonoperating Margins	400,863	609,304
TOTAL MARGINS	\$ 5,307,886	\$ 4,300,888

BALANCE SHEET

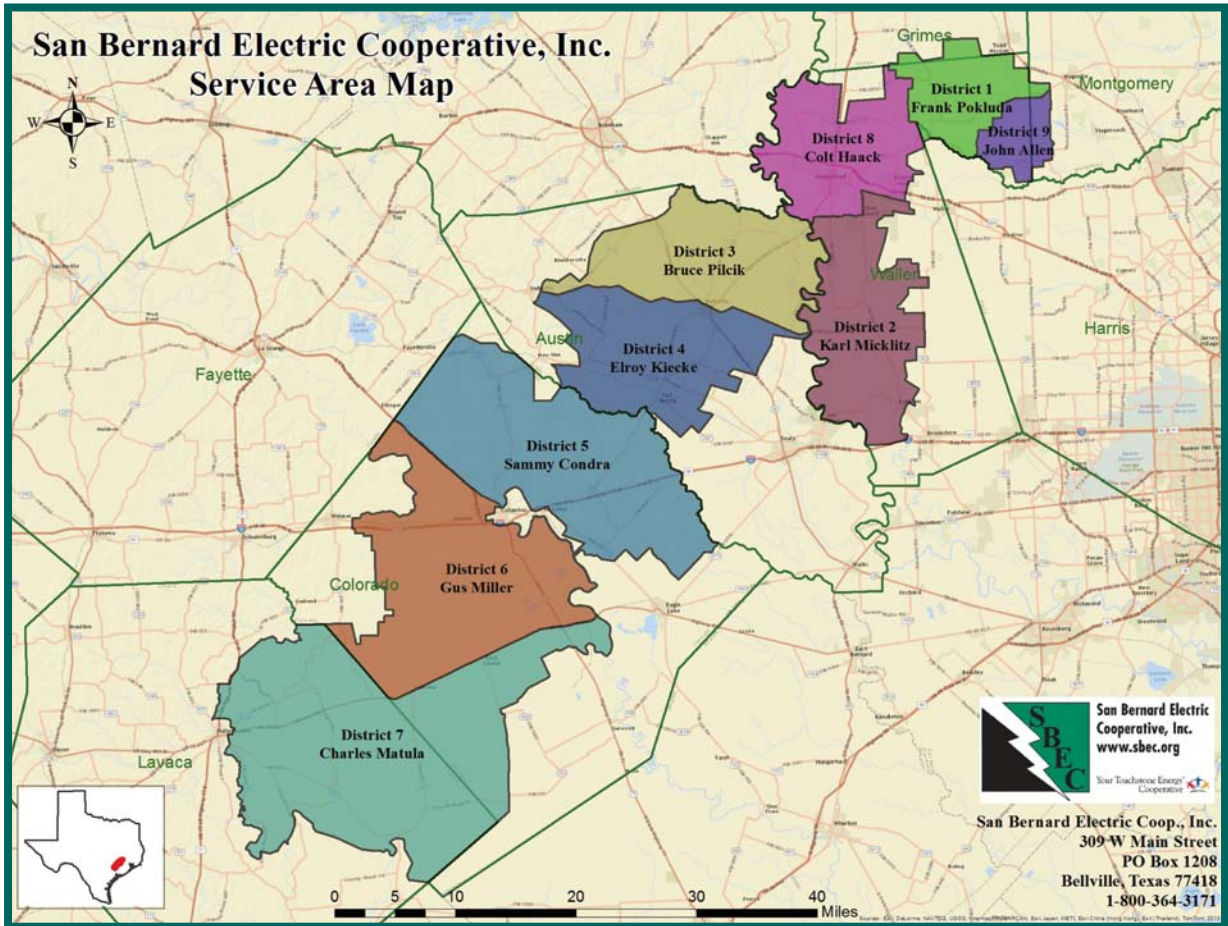
As of December 31, 2014, and December 31, 2013

	2014	2013
ASSETS		
Net Utility.....	\$158,615,609	\$150,482,893
Investments.....	4,752,557	4,996,724
Cash.....	1,259,699	1,044,626
Notes and Accounts Receivable.....	2,888,216	3,014,298
Materials and Supplies	3,433,380	3,414,949
Other Current and Accrued Assets	1,056,775	1,419,895
Deferred Charges.....	14,493,043	3,701,072
TOTAL ASSETS	\$186,499,279	\$168,074,457
EQUITY		
Memberships.....	\$ 68,905	\$ 71,425
Patronage Capital and Margins	76,488,375	72,510,911
TOTAL EQUITY.....	\$ 76,557,280	\$ 72,582,336
LIABILITIES		
Long-Term Debt	\$ 94,944,328	\$ 80,109,375
Accounts Payable.....	4,818,260	7,963,372
Other Current and Accrued Liabilities.....	8,142,178	5,158,499
Deferred Credits	2,037,233	2,260,875
TOTAL LIABILITIES.....	\$109,941,999	\$ 95,492,121
TOTAL LIABILITIES and EQUITY.....	\$186,499,279	\$168,074,457



SAN BERNARD
ELECTRIC COOPERATIVE, INC.

76 YEARS OF SERVICE



2014 ANNUAL REPORT

AND OFFICIAL NOTICE OF ANNUAL MEETING

May 16, 2015 • Austin County Fair Convention and Expo Center • Bellville, Texas

CHAIRMAN'S REPORT

When we turn back the page to review 2014, all I can think of is how historic the year had been. First and foremost, your cooperative, San Bernard Electric Cooperative, celebrated its 75th year of existence.

We have come a long way from trying to get people to become members to start this cooperative and begging folks to use what is now an unconscious luxury. Seriously, when was the last time you walked into a darkened room, flipped a light switch and thought about the marvel we call electricity? How many times have you said, "Boy, I wish I could go back to washing clothes by hand so I can hang them on the clothesline to dry? Or, I'm so glad that I get to put a block of ice into the refrigerator, or I get to chop that wood by hand so we'll have heat tonight?"

Electricity is a commodity that we all expect to be there when we want it, and San Bernard EC has been serving its membership for more than 75 years.

For the first time since I have served on the board (more than 26 years), SBEC redivided board district boundary lines so that we could ensure a more balanced representation of our membership. Without you, this cooperative would not be needed. It is my responsibility to see that this board is here to represent each of you in equal fashion. And to that extent, John Allen was elected to serve as the very first board member from the new District 9 created in 2014.

We said goodbye to a longtime friend and colleague with the passing of former director and past president of this board, Roy Cook. Roy served his board district with honor and enthusiasm for more than 35 years. He helped mold this cooperative into what it has become today. And, by the results of our telephone surveys that we conduct throughout the year, our membership thinks highly of their cooperative.

Although we strive to make everyone happy, we know that is virtually impossible—but I take pride in the fact that SBEC has scored an average of about 90 on our Customer Satisfaction Survey. When compared to other Touchstone cooperatives, we exceed the national average of approximately 85. It is the example set forth by Roy Cook and the others before him that we follow today, keeping the membership in mind in every effort we make for this cooperative.

Our legal ordeal with the Lower Colorado River Authority was finally resolved last spring. Both sides agreed to a solution outside of the court system. With that, we officially severed ties with an organization that supplied this cooperative with its electricity needs for more than 70 years. It was a bitter ending to a long-term partnership, but it was a move that we thought we really needed to make. It should be noted that we continue to have business dealings with the LCRA in the purchasing of our wholesale power, and we still think of the LCRA as a viable and trusted partner for our communications and transmission-related operations.

No lingering animosity is harbored by this board, and the move allows us to seek several solutions to provide our membership with electricity to meet its growing needs. One of the

solutions that this board decided on this year was to team up with Sky Global Partners. Together we will construct and operate a small gas "peaking generation" station within our territory. We needed peaking generation to replace what the LCRA was supplying prior to our leaving them, and Sky Global brought forth a solution, affording SBEC an opportunity to eventually have some ownership.

The business case that Sky Global brought forth, along with our need for this portion to complete our energy portfolio, will ensure that our membership's electricity needs will be met not only now but also well into the future.

San Bernard EC's board and management team discuss our wholesale power needs at every board meeting. We strive to bring our membership electric rates that are secure and stable. We are fully aware that more than two-thirds of your total electric bill goes toward the generation and transmission of electricity. We continually strive to reduce these costs whenever possible without subjecting our membership to sudden marketplace shifts. When it's all said and done, the representatives on this board pays the same electric rates as you do. Unlike investor-owned companies, we are members of this cooperative. We are not out to make huge profits for investors. We are trying to protect you from unnecessarily high rates.

Once again, this cooperative finished the year in good financial shape, enabling us to return almost \$1 million in general capital credit retirements. We have been able to return this money to our membership by the dedicated direction of your board of directors working diligently with this cooperative's management team. Together we will continue to strive to provide you affordable, reliable electricity.

ANNUAL MEETING PROGRAM

Saturday, May 16

Austin County Fair Convention and Expo Center, Bellville

REGISTRATION OF MEMBERS 8:30 a.m.

Registration closes at 10:00 a.m.

BUSINESS MEETING 10:00 a.m.

Call to Order
Invocation
Reading of Notice of Meeting
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.

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, Inc., the Annual Membership Meeting will be held at the Austin County Fair Convention and Expo Center, Highway 159 E., Bellville, Texas, Saturday, May 16, 2015, 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 3

Bruce Pilcik

3003 Pilcik Road, Industry 78944

BOARD DISTRICT 5

Sammy Condra

2824 FM 949 N., Cat Spring 78933

BOARD DISTRICT 7

Charles Matula

240 CR 129, Hallettsville 77964

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 17th Day of March 2015

SUMMARY OF COOPERATIVE BYLAWS

Pertaining to Membership, Annual Meetings, Board Representation, Nomination and Election Procedures

MEMBERSHIP: Any natural person, firm, association, corporation, business trust, partnership, Federal agency, State or political subdivision thereof, or any body politic (each hereinafter referred to as person or applicant) shall be eligible to become a member of and at one or more premises owned or directly occupied or used by the member, to receive electric service from SAN BERNARD ELECTRIC COOPERATIVE, INC. (hereinafter called the Cooperative). No person shall hold more than one membership in the Cooperative.

ANNUAL MEETING: For the purposes of electing directors, hearing and passing upon reports covering the previous fiscal year, and transacting such other business as may properly come before

the meeting, the annual meeting of the members shall be held on the third Saturday of the month of May each year, at such place in one of the counties in Texas within which the Cooperative serves, and beginning at such hour, as the Board of Directors shall from year to year fix. ... Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) days nor more than thirty (30) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary. ... If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at the member's address as it appears on the records of the Cooperative. ... At all meetings of the members, all questions shall be decided by a majority of the members voting thereon, except as otherwise provided by law or by the Cooperative's Articles of Incorporation or these Bylaws. Members may not cumulate their votes.

DIRECTORS: The business and affairs of the Cooperative shall be managed by a Board of nine (9) Directors. The Board shall exercise all of the powers of the Cooperative except such as are by law or by the Cooperative's Articles of Incorporation or By-laws conferred upon or reserved to the members. No person shall be eligible to become or remain a director of the Cooperative who is a close relative of an incumbent director or of an employee of the Cooperative, or is not a member in good standing of the Cooperative and receiving service therefrom in the district that he/she is elected to represent. No person shall be eligible to become or remain a director of, or to hold any other position of trust in, the Cooperative who is not at least twenty-one (21) years of age or is in any way employed by or financially interested in a competing enterprise, or a business selling electric energy or supplies to the Cooperative, or a business primarily engaged in selling electrical or plumbing appliances, fixtures or supplies to, among others, the members of the Cooperative. At each annual meeting of the members, directors shall be elected by secret written ballot by the members. ...

NOMINATIONS: It shall be the duty of the Board of Directors to appoint not less than eighty (80) days, nor more than one-hundred thirty (130) days before the date of an annual meeting of the members, a committee of nominations for each district from which a director is to be elected consisting of three members and two alternates, all of whom shall be members in good standing of the Cooperative and shall reside within the district.

Each committee shall nominate at least one but not more than two members from their respective districts and shall prepare and post at the principal office of the Cooperative at least thirty (30) days before the meeting a list of nominations for each directorship up for election. Any fifty or more members acting together may make other nominations by petition not less than thirty (30) days prior to the meeting and the Secretary shall post such nominations at the same place where the list of nominations made by the committee is posted. Any member making a nomination by petition shall be a member in good standing of the Cooperative and shall reside within the district for which the nomination is made. Each member shall mark the ballot and deposit same for counting by the credentials and election committee. The candidate from each district from which a director is to be elected receiving the majority of votes of those members at this meeting who cast ballots shall be declared elected as director. The credentials and election committee shall report the results thereof before the meeting adjourns.

Complete copies of the cooperative's bylaws are available from the headquarters upon request.

2015 NOMINEES FOR SBEC DIRECTORS

BOARD DISTRICT 3



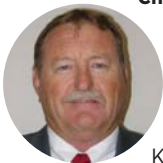
Bruce Pilcik has lived in the Industry community for his entire life. He is a building contractor and rancher. Upon graduation from Bellville High School, he continued his education at Blinn College and received a Bachelor of Science in animal science from Sam Houston State University. He is a member of Immaculate Conception Catholic Church, where he is a Eucharistic minister, and a member of the Knights of Columbus. Pilcik serves on the SBEC Board of Directors and would like to continue to represent the members of District 3. His main concern is how to provide the most reliable services at the most reasonable prices for the San Bernard Electric Cooperative members.

BOARD DISTRICT 5



Sammy Condra has been a resident of Bernardo for 33 years. He is the owner of Condra Communications, located in Columbus. Condra graduated from the Institute of Electronics Science at Texas A&M University in 1978. He has worked in the utility business both before and after graduation and brings this lifelong experience to the board of directors. Condra is a member of St. Roch Catholic Church, the Bernardo VFD and the St. Roch Knights of Columbus Council.

BOARD DISTRICT 7



Charles Matula is a Hallettsville native and has been a San Bernard EC director for the past 14 years. After graduating from Sacred Heart High School, he continued his education at Texas A&I University (now Texas A&M University-Kingsville), where he received his Bachelor of Science. Matula is a member of the Sacred Heart Catholic Church in Hallettsville, and has volunteered as a football coach for Sacred Heart High School for the past 30 years. He will use his experience in the oil and gas industry to help SBEC continue to deliver reliable, affordable and safe electrical service in today's ever-changing economic environment. He would like to continue to serve as a director of SBEC to help maintain SBEC's consistent and reliable system that provides stability for its members.

IMPORTANT NOTICE

This is your official notice that the Annual Membership Meeting of San Bernard Electric Cooperative, Inc., will be held May 16, 2015, at the Austin County Fair Association Convention and Expo Center, Highway 159 E. in Bellville, at 10 a.m.

BOARD OF DIRECTORS

San Bernard Electric Cooperative, Inc.



FRANK POKLUDA
BOARD DISTRICT 1



KARL MICKLITZ
BOARD DISTRICT 2
2nd Vice Chairman



BRUCE PILCIK
BOARD DISTRICT 3
1st Vice Chairman



ELROY KIECKE
BOARD DISTRICT 4
Asst. Secretary-Treasurer



SAMMY CONDRA
BOARD DISTRICT 5



GUS MILLER
BOARD DISTRICT 6
Chairman



CHARLES MATULA
BOARD DISTRICT 7
Secretary-Treasurer



COLT HAACK
BOARD DISTRICT 8



JOHN ALLEN
BOARD DISTRICT 9



BILLY MARRICLE
PRESIDENT/GENERAL MANAGER