

Part 2A of Form ADV

Firm Brochure

Scott & Selber, Inc.
Capital Management
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Houston, TX 77057
713-850-1717
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This Brochure provides information about the qualifications and business practices of Scott & Selber, Inc. If you have any questions about the contents of this Brochure, please contact us at 713-850-1717. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Scott & Selber, Inc. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Scott & Selber, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2: Material Changes

There have not been any material changes listed below since the firm's last amendment in March of 2023.

Currently, our Brochure may be requested by contacting Christopher T. McMillin at 713-850-1717 or toby@scottandselber.com.

Additional information about Scott & Selber, Inc. is also available via the SEC's web site www.adviserinfo.sec.gov. The SEC's web site also provides information about any persons affiliated with Scott & Selber, Inc. who are registered, or are required to be registered, as investment adviser representatives of Scott & Selber, Inc.

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Item 4: Advisory Business

Scott & Selber, Inc. was founded in 1987 by Curtis Scott and Jack Selber. Scott & Selber, Inc. is owned by Christopher T. McMillin, and he serves as the President and Chief Compliance Officer.

Scott & Selber, Inc. manages financial assets normally on a discretionary basis. We do not offer financial planning services, nor do we sell or distribute any products. As of December 31, 2023, Scott & Selber, Inc. managed \$513,905,445 in assets, \$498,417,736 discretionary and \$15,487,709 non-discretionary.

We are not affiliated with, related to or partially owned by any other investment firms or organizations. We do not serve as custodian for client assets, nor do we serve as a trustee for any client account. We only invest in publicly traded securities which may include common stocks, exchange-traded funds, preferred stocks, convertible stocks and bonds, taxable and tax-exempt bonds, asset-backed bonds and mutual funds.

Each client has a separate account and will have a specific allocation range of equities and fixed income securities, which in some cases may be all equities or all fixed income. Generally, the lower the risk level desired by a client, the lower the exposure to equities as an asset class.

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. Under this special rule's provisions, we must: a.) Meet a professional standard of care when making investment recommendations (give prudent advice); b.) Never put our financial interests ahead of yours when making recommendations (give loyal advice); c.) Avoid misleading statements about conflicts of interest, fees, and investments; d.) Follow policies and procedures designed to ensure that we give advice that is in your best interest; e.) Charge no more than is reasonable for our services; and f.) Give you basic information about conflicts of interest.

Item 5: Fees and Compensation

Scott & Selber, Inc. manages financial assets on a discretionary basis. The fee schedule applied to the active supervision of assets under management is on an annual basis, payable quarterly in advance, and is based on a percentage of the fair market value of those assets:

0.90% on the first \$1,000,000
0.70% on the next \$1,000,000
0.50% on the next \$8,000,000
0.40% on amounts above \$10,000,000
Minimum fee \$9,000

Related accounts can be aggregated or grouped by households to establish the amount of assets under management of which fees will be based. The definition of household for billing purposes is generally relation by blood or

marriage, family members living under the same roof and/or hierarchy (grandparents, parents, children, grandchildren).

While the general policy of Scott & Selber, Inc. is to adhere to the fee schedules, such fees are subject to adjustment or negotiation in light of special circumstances, such as an account with only fixed income investments, reduced level of record keeping, the combination of more than one related accounts, or any other special or unusual situation which may arise.

Our investment contract does not specify a definite term of our employment, and thus a client may terminate our services at any time. Any fee paid in advance will be promptly refunded on a pro-rata basis. A client may elect to pay our fees directly or authorize to have them deducted from their account.

In addition, clients will also pay any commissions, transaction fees, or other fees, as applicable, charged by the custodian of the account. Brokerage practices are discussed in more detail in Item 12.

Scott & Selber, Inc. will generally utilize an interest-bearing money market fund for cash balances. In addition, it is possible that one or more mutual funds may be used on occasion for specialized investment purposes. In both cases described above, a client will be subject to a management fee charged by the fund manager in addition to the fees charged by Scott & Selber, Inc. Scott & Selber, Inc. shall not receive any portion of these fees.

Item 6: Performance-Based Fees and Side-By-Side Management

Scott & Selber, Inc. does not have any performance-based accounts (fees which are based on a share of capital gains on or capital appreciation of the assets of a client).

Item 7: Types of Clients

Scott & Selber, Inc. provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, charitable institutions, foundations, and endowments.

The suggested minimum account size to establish a relationship is \$500,000 in assets under management.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

Equities: Scott & Selber, Inc. relies on fundamental research for the basis of security selection. We subscribe to several research services for which we pay. We do not use client account commissions to pay for or in exchange for any research from any brokerage firms or third-party research firms other than Charles Schwab, which is

discussed in Section 12. We have developed an internal model which is used as the basis for buy and sell decisions. This model incorporates a variety of factors which include fundamental ratings, earnings and dividend growth, financial health and relative performance. In addition, we use economic cycle analysis as a part of our portfolio management decisions.

Scott & Selber, Inc. generally uses a model portfolio approach for its client equity investments and is based on the research and analysis described above. While there may be some exceptions based on specific client circumstances or requests, client equity accounts generally will be invested in this model portfolio.

This model portfolio has the risk of the general equity markets, including periods of extreme volatility and calendar years where the returns could be negative and involves risk of loss that clients should be prepared to bear. The number of transactions may be very high, and clients should be prepared to expect this. A convenient option which minimizes the burden of excessive paper documents is the option of electronic delivery of broker confirmations and statements.

Fixed Income: Scott & Selber, Inc. uses a variety of methods to select individual fixed income securities. These include the shape of the yield curve, Federal Reserve policy and credit ratings provided by various well-known rating agencies. The risk of this style of investing includes interest rate risk as well as credit risk.

Item 9: Disciplinary Information

Scott & Selber, Inc. has no information applicable to this item.

Item 10: Other Financial Industry Activities and Affiliations

Scott & Selber, Inc. is not involved in other business activities or other financial industry activities or affiliations. Scott & Selber, Inc. does not receive any additional compensation other than fees paid by Scott & Selber, Inc.'s clients.

Item 11: Code of Ethics, Participation or Interests in Client Transactions and Personal Trading

It is possible that employees of Scott & Selber, Inc. or related persons may hold securities or have a beneficial interest in securities that are recommended to clients or are purchased in client accounts. Any such activity where an employee has a material or significant interest in securities is strictly prohibited. Any recommendations

regarding securities where an employee has any beneficial interest must be approved in advance to assure that objectivity, fairness and priority to client accounts are being maintained.

Employees of Scott & Selber, Inc. and related persons may buy or sell securities that are recommended, bought or sold for clients. In such cases, explicit care will be given to ensure that priority is given to client accounts at all times.

Scott & Selber, Inc. has adopted a written Code of Ethics which is available upon request. It requires adherence by all employees to specific standards of business conduct and covers rules for trading and holding of personal securities, fiduciary responsibilities, misuse of non-public information and the acceptance or giving of improper gifts. Each employee has acknowledged in writing the acceptance and agreement of the code.

Scott & Selber, Inc. has adopted a Code of Ethics for all supervised persons of the firm describing its standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Scott & Selber, Inc. must acknowledge the terms of the Code of Ethics annually, or as amended.

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Scott & Selber, Inc. will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Employee trading is reviewed at least quarterly by the firm's Chief Compliance Officer under the Code of Ethics, and to reasonably prevent conflicts of interest between Scott & Selber, Inc. and its clients.

Scott & Selber, Inc.'s clients or prospective clients may request a copy of the firm's Code of Ethics by contacting us at the number listed on the front of this brochure.

Item 12: Brokerage Practices

Brokerage and Custodian Selection

We recommend that our clients use Charles Schwab & Co., Inc. (Schwab), a FINRA-registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we/you instruct them to. While we recommend that you use Schwab as a custodian/broker, you will decide whether to do so and open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you.

In addition, Scott & Selber, Inc. has a "trade away" arrangement with one or more firms whereby securities are purchased or sold at other broker dealers then delivered to the custodian firm. When trades are made in this fashion, the custodian broker applies a small charge for providing this service.

We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, these:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear and settle trades (buy and sell securities for your account)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- the breadth of investment products made available (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)
- availability of investment research and tools that assist us in making investment decisions
- quality of services
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength, and stability of the provider
- their prior service to us and our other clients
- availability of other products and services that benefit us, as discussed below (see “Products and Services Available to Us from Schwab”)

Your Brokerage and Custody Costs

For your accounts that Charles Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by revenue earned on certain trades that it executes or that settle into your Schwab account. Most trades (for example, purchases or sells of stocks, mutual funds and ETFs) may not incur Schwab commissions or transaction fees. Schwab is also compensated by earning interest on the uninvested cash in your account in Schwab's Cash Features Program. Your accounts at Schwab benefit because the overall costs you pay are lower than they would be otherwise. We have determined that having Schwab execute most trades is consistent with our duty to seek the "best execution" of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors.

Products and Services Available to Us from Schwab

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts while others help us manage and grow our business. Schwab's support services are generally available on an unsolicited basis (we do not have to request them) and at no charge to us as long as we keep our clients' assets in accounts at Schwab. Here is a more detailed description of Schwab's support services:

Services that Benefit You

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

Services that May Not Directly Benefit You

Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of our fees from our clients' accounts; and
- assist with back-office functions, recordkeeping, and client reporting.

Services that Generally Benefit Only Us

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- educational conferences and events
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants, and insurance providers.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel.

Our Interest in Schwab's Services

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We do not have to pay for Schwab's services so long as we keep client assets in accounts at Schwab. This may give us an incentive to recommend that you maintain your account with Schwab based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. It is primarily supported by the scope, quality and price of Schwab's services (based on the factors discussed above) and not Schwab's services that benefit only us.

Benefits Received from Schwab

Schwab will provide the following: i) services to support the transition and opening of accounts to and from Scott & Selber, Inc., and ii) technology, marketing, research, and compliance-related expenses. Scott & Selber, Inc. has no obligation to deal with any broker or group of brokers in executing transactions in portfolio securities.

In some cases, orders to buy or sell securities are “bunched” in order to take advantage of lower transaction costs based on the larger size of the combined order. This will only occur for clients using the same custodian, and where the securities purchased or sold are appropriate for each client account being included in the bunching order. Bunching does not take place unless the above conditions are met. The shares are allocated on a pro-rata basis when the order is not completed as entered. Additionally, the unit cost of each share is determined on an average cost basis so that each client account receives equal treatment.

These bunched transactions are most often executed at the broker with whom Scott & Selber, Inc. has a soft dollar arrangement. These trades are done at commission rates which are equal to or lower than those available from other full-service or discount brokers.

A client may direct that Scott & Selber, Inc. execute all transactions for his account through a particular broker. In some instances where a broker directed by the client is used, the commissions may be higher than those available to clients of Scott & Selber, Inc. through negotiated rates with other brokers and clients who direct the use of a particular broker will not receive the benefit of bunched trades.

Scott & Selber, Inc. may implement “cross transactions” in which a client purchases a security from another unrelated client's account. In all cases an executing broker is used to execute these cross transactions. The executing broker typically charges a nominal fee to cover the cost of generating the confirmations on each side of the cross trade. Scott & Selber, Inc. engages in cross trades only when it deems the transactions to be mutually beneficial to both the buying and selling parties and neither party is disfavored. Price levels for cross trades are determined in consultation with the executing broker who may rely on a variety of methods in order to estimate fair value of the security. These methods include but are not limited to soliciting bids from other brokers, reviewing recent trades of the security if any, or examining recent market transactions of securities having similar characteristics. Neither Scott & Selber nor any related party receives any compensation in connection with a “cross” transaction.

Item 13: Review of Accounts

Through a variety of electronic information systems, Scott & Selber is able to monitor the portfolios of investment advisory clients. Scott & Selber follows the real-time market performance of the model equity portfolio, which is described in Section 8. Events which could trigger a more detailed account review include any dramatic economic or financial circumstances, or any other occurrence which might affect client assets. Valuations and cash flows for the fixed-income portion of client accounts are updated on a daily basis. Accounts are reviewed at least on a quarterly basis by Christopher T. McMillin, CCO. Other conditions that may trigger a review are changes in economic conditions and financial markets, new investment information, and changes in a client's financial or personal situation.

Reports are furnished as requested by the client, but never less than quarterly written reports. Such reports will give the fair market value of the assets under management and will also show the specific holdings along with cost, market value, estimated income, sector diversification and other pertinent data.

Item 14: Client Referrals and Other Compensation

Scott and Selber, Inc. does not compensate and is not compensated for referrals.

Item 15: Custody

Under SEC guidelines, we are technically deemed to have custody of a client's assets if that client has authorized the custodian broker to deduct our advisory fees directly from your account. However, the broker maintains actual physical custody as the "Custodian" and Scott & Selber, Inc. has no access to or possession of any client assets. A surprise examination is not required because we have written authorization from each client to deduct advisory fees from the account held with the qualified custodian and each time a fee is directly deducted from a client account, we send the qualified custodian a notification, invoice or statement of the amount of the fee to be deducted from the client's account.

Clients will receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Scott & Selber, Inc. urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our standard practice is to reconcile our internal account records with the custodian account statements on a monthly basis.

Item 16: Investment Discretion

Scott & Selber, Inc. usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the tax status and asset allocation guideline for each particular client account. Before we assume discretionary authority, we must receive a document signed by the client granting the power to issue investment instructions to the custodian broker or other broker on behalf of the client.

Certain clients give Scott & Selber, Inc. authority to arrange investment changes in their portfolios without their prior approval. In some cases, this authority is subject to limitation as to types of transactions (e.g., sales; purchases of certain types of securities; and transactions within certain size limits) or as to situations in which it can be exercised (e.g., unavailability of client). An implicit limitation in all cases is each client's investment policy in the light of the client's needs and circumstances.

Item 17: Voting Client Securities

Unless otherwise informed by the client, it is the policy of Scott & Selber, Inc. to vote proxies on behalf of clients. Custodians are directed to forward all shareholder-related materials to the Adviser. The Adviser strives to vote proxies in the best interest of its clients. Clients wishing to vote their own proxies may choose the option to receive all proxy materials.

When you give us authority to vote proxies for securities held in your account, we do not assume the role of an active shareholder. Rather, if we are dissatisfied with the performance of a particular company, we will generally reduce or terminate our position in the company rather than attempt to force management changes through shareholder activism.

Nevertheless, our goal and intent is to vote all proxies in our clients' best interests. For practical purposes, unless we make an affirmative decision to the contrary, when we vote a proxy as the Board of Directors of a company recommends, it means we agree with the Board that voting in such manner is in the interests of our clients as shareholders of the company for the reasons stated by the Board. However, if we believe that voting as the Board of Directors recommends would not be in a client's best interests, then we must vote against the Board's recommendation.

We will vote against the Board of Directors recommendation if the Board recommends an action that could dilute or otherwise diminish the value of your position. This may occur if we are unable to liquidate the affected securities without incurring a loss that would not otherwise have been recognized absent management's proposal. This may also occur if the action would cause the securities held to lose value, rights or privileges and there are no comparable replacement investments readily available on the market. Note that we may vote in a manner that could diminish the value of your position in the short term if we believe it will increase this value in the long-term and we are holding the security in your portfolio for the long-term.

Item 18: Financial Information

Scott & Selber, Inc. has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding. Scott & Selber does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, therefore have no material additional financial disclosures to make.