

Part 2A of Form ADV

Firm Brochure

Scott & Selber, Inc.
Capital Management
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December 31, 2019

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

Currently, our Brochure may be requested by contacting Jack Selber at (713) 850-1717 or jack@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 and has been operating continuously since then as a closely-held corporation with no other outside investors. Current officers and board members are Jack Selber and Christopher McMillin.

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, 2019 Scott & Selber, Inc. managed \$447 million in discretionary assets.

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.

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

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 or transaction fees 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.

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 the 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 be given to client accounts at all times.

Scott & Selber, Inc. has adopted a written a 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 Jack I. Selber.

Item 12: Brokerage Practices

Scott & Selber, Inc.'s objective in selecting brokers or dealers and commission rates is the achievement of most favorable net results, which can be impacted by the price or "execution" as well as the commission. We generally seek to obtain the lowest commission rates possible and still achieve good execution of a trade. In attempting to obtain the best net results for our clients, we may take into account relevant factors including, but not limited to: the broker's facilities, reliability, financial stability and the apparent capability of the broker or dealer to complete the transactions satisfactorily through to clearance, confirmation and delivery; the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected and the efficiency of error resolution, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; special execution capabilities; clearance; settlement; reputation; on-line pricing; block trading and block positioning capabilities; willingness to execute related or unrelated difficult transactions in the future; order of call; on-line access to computerized data regarding clients' accounts; and the competitiveness of commission rates in comparison with other brokers satisfying Scott & Selber, Inc.'s other selection criteria. In recognition of the value, quality and availability of the above factors, Scott & Selber, Inc. may execute transactions with a broker-dealer for a higher commission than another broker-dealer would have charged if Scott & Selber, Inc. determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and/or research services provided by that particular broker-dealer. In determining the reasonableness of a commission, Scott & Selber, Inc. may view the value of the services provided either in terms of that particular transaction or the value of the services provided to Scott & Selber, Inc. as they relate to the overall responsibilities of Scott & Selber, Inc. as an investment adviser.

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.

Scott & Selber, Inc. executes a significant amount of its equity transactions through a particular broker and in turn the broker pays for a portion of the research services we use. This practice, called "soft dollar" trades, has the effect of Scott & Selber, Inc. receiving these products and services in exchange for the commissions generated from client account transactions.

In establishing this soft dollar relationship, disclosure of the following factors is warranted:

- (1) The research products and services obtained using soft dollars are a benefit to Scott & Selber because we would otherwise have to produce or pay for the research products and services.
- (2) Soft dollar arrangements may create an incentive to select or recommend a broker-dealer providing soft dollars above rather than seek the most favorable execution.
- (3) We believe that the research and products provided through are beneficial to and relevant for the investment management of all client accounts where trades with this broker are executed, however the

allocation of benefits do not align in the same proportion to the client's trades that generate the soft dollars.

- (4) Scott & Selber, Inc. believes that the commission rates with this particular broker are comparable to or lower than the commission rates available from other full-service or discount brokerage firms, and that execution of orders is both promptly and competently carried out. We believe that there is no conflict of interest in this arrangement. The broker in this case also provides custody of securities, delivery of investment documents (either paper or paperless), and a number of other reporting and service functions with no extra charge to the account holder.
- (5) Within the last year, Scott & Selber received soft dollars which contributed to its the use of a Bloomberg terminal and related subscriptions, access and support which was used to conduct securities research for Scott & Selber, Inc.'s advisory clients.

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. On a daily basis, 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.

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 any individuals or entities for the referral of advisory clients to the firm.

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.

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

Scott and Selber does not vote proxies for securities held in clients' accounts. Clients wishing to vote their own proxies may choose the option to receive all proxy materials.

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.