

**Firm Brochure
(Part 2A & 2B of Form ADV)**

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This brochure provides information about our qualifications and business practices.

If you have any questions about the contents of this brochure, please contact us telephone or by email. 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. Registration does not imply a certain level of skill or training.

Additional information is also available on the internet at www.adviserinfo.sec.gov

Our searchable IARD/CRD number is 105607.

**DATE
June 25, 2012**

Item 2: Summary of Material Changes

Karel Capital, Inc. is switching from federal to state registration and has filed for registration with the Washington State Department of Financial Institutions and the California Department of Corporations;

In the future this Summary of Material Changes will discuss only the material changes since the last annual update of this Brochure.

Whenever you would like to receive a complete copy of our brochure, please contact us by telephone or by email.

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Item 4: Advisory Business

We are a portfolio management company. Portfolios are structured to address each client's investment objectives. Clients are interviewed and queried as to their financial goals. Additionally, the risk/reward parameters, under which they want their portfolios managed, are ascertained. Once the client's investment objectives and risk/reward tolerances are defined, a portfolio is then designed and implemented.

We emphasize a conservative asset allocation approach to portfolio management. This management style seeks first to preserve capital and second to enhance the return on investment. Portfolios consist of stocks, bonds, mutual funds, and related securities (i.e. warrants, options, and convertible securities). We seek to find equities whose values are not adequately reflected in market prices. Superior long-term performance is sought by identifying these "undervalued securities." Fixed income investments (taxable and/or tax-free) are selected according to investment grades, maturities, and cash flow. Portfolios of fixed income investments are often designed with staggered maturities.

Services also include frequent portfolio reviews and communication with clients. Accounts are managed on a discretionary basis as to purchase and sale of client assets. We do not hold any client cash or securities in its own account. All transactions are executed in the client's name only.

We provide investment advisory services to individual clients, as well as trusts, qualified retirement plan sponsors, and business entities.

For more on our investment philosophies, and the risks of our strategies and/or specific investments recommended, please refer to Item 8.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by you on an as-needed basis. Conflicts of interest will be disclosed to you in the unlikely event they should occur.

The initial meeting, which may be in person or by telephone, is free of charge and is considered an exploratory interview to determine how investment management may be beneficial to you.

Our Firm's History

We were founded in 1990.

Our Principal Owner

James F. Karel is the sole shareholder, President, and Chief Compliance Officer of the firm.

Assets Under Management

As of December 31, 2011, we manage approximately \$63,000,000 in assets on a discretionary basis.

Types of Advisory Services

Asset Management

We provide investment supervisory services, also known as asset management services.

Assets are invested primarily in stocks, bonds, mutual funds, and related securities (i.e. warrants, options, and convertible securities). Fixed income investments (taxable and/or tax-free) are selected according to investment grades, maturities, and cash flow. Portfolios of fixed income investments are often designed with staggered maturities.

Stocks and bonds will be purchased or sold through a brokerage account. The brokerage firm charges a fee for stock and bond trades. We do not receive any compensation, in any form, from fund companies.

We may, in providing services to clients, recommend the services of other managers and/or broker/dealers. Clients will receive a full disclosure of the relationship and costs, if any, involved. Clients must approve any such undertakings.

We do not invest in wrap fee programs or manage assets for any wrap fee accounts. We do not invest in Initial public offerings (IPOs).

Our Fees

We base our fees on a percentage of assets under management.

Assets Under Management	Annual Fee %
\$ 0 to 2,000,000	1.00%.
\$2,000,001 to 5,000,000.	0.75%
\$5,000,001 and above	Fees are negotiable

The minimum account size is \$500,000.

We, in our sole discretion, may waive our minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with you, etc.).

Investment management fees are billed quarterly, in arrears, meaning that we invoice you after the three-month billing period has ended. Payment in full is expected upon invoice presentation. Fees are usually deducted from an account designated by you to facilitate billing. You must consent in advance to direct debiting of your investment account.

We will send a statement to you showing the amount of the fee, the value of your assets upon which the fee was based, and the specific manner in which the fee was calculated, disclose to you that it is your responsibility to verify the accuracy of the fee calculation and that the custodian will not determine whether the fee is properly calculated, and send a bill to the custodian indicating only the amount of the fee to be paid by the custodian.

Management of Conflicts of Interest between Clients

Our relationship with you is non-exclusive; in other words, we provide investment advisory services to multiple clients. We seek to avoid situations in which one client's interest may conflict with the interest of another of our clients.

How Fees are Calculated

Billing amounts are based upon the value (market value or fair market value in the absence of market value) of the client's account(s) (including both securities and cash) at the end of the previous quarter (or, for new clients, upon a date agreed to by us and you). Valuations are derived from recognized and independent pricing sources, such as Charles Schwab & Co. Institutional, or other custodians.

Other Fees or Expenses Paid in Connection with Our Services

All fees paid to us for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. Mutual fund expenses are generally described in each fund's prospectus. These expenses will generally include a management fee, other fund expenses, and possibly a distribution fee. In addition, mutual funds incur transaction costs and addition, mutual funds incur transaction costs and opportunity costs, which are not disclosed in the fund's prospectus or Statement of Additional Information, but which may be estimated.

You will incur transaction fees or commissions in connection with trading of mutual funds, ETFs, individual stocks and bonds (and/or principal mark-ups and mark-downs for principal trades), which are charged by the custodian (brokerage firm holding safekeeping of your assets for safekeeping. Mutual fund transaction fees charged by our recommended custodian, Charles Schwab & Co. Institutional, or other custodians, generally vary from \$24 to \$50 for each purchase and sale transaction. The transaction costs for stock and bond trades vary. Accordingly, the client should review both the fees charged by the funds (including transaction and opportunity costs within funds which are not included in a fund's annual expense ratio), the transaction fees charged by the custodian, as well as the fees charged by us, to fully understand the total amount of fees and costs paid by you, in connection with any recommended transaction. For a discussion of our practice in recommending brokers (custodians) to you and negotiating brokerage fees on your behalf, please see Item 12.

You may also incur "account termination fees" upon the transfer of an account from one brokerage firm (custodian) to another. The range for these account termination fees is believed to range generally from \$0 to \$200 at present, but at times may be much higher. You should contact your custodians (brokerage firms, bank or trust company, etc.) to determine the amount of account termination fees which may be charged and deducted from your accounts for any existing accounts which may be transferred.

Comparable Services

We believe that the charges and fees offered are competitive with alternative programs available through other firms offering a similar range of services; however, lower fees for comparable services may be available from other sources.

Management of Conflicts of Interest Relating to the Fees We Receive, and Receipt of Percentage-Based Compensation.

Our clients pay us fees based upon a percentage of the assets we advise upon. This is a very common form of compensation for registered investment advisory firms and avoids the multiple inherent conflicts of interest associated with commission-based compensation (we do not accept commission-based compensation of any nature, nor do we accept 12b-1 fees). Asset-advised-upon percentage method of compensation can still at times lead to conflicts of interest between our firm and you as to the advice we provide. For example, conflicts of interest may arise relating to the following financial decisions in life: incur or pay down debt; gift funds to charities or to individuals; purchases of a (larger) home or cars or other non-investment assets; the purchase of a lifetime immediate annuity; personal expenditures; investment in private equity investments, and the amount of funds to place in non-managed cash reserve accounts. We have adopted internal policies to properly manage these and other potential conflicts of interest. Our goal is that our advice to you remains at all times in your best interests, disregarding any impact of the decision upon our firm.

Each time such a potential conflict may arise, we will give you notice of the conflict in that given situation if our advice regarding the proposed transaction would impact our compensation

Our Services are Tailored to Meet Your Needs and Investment Restrictions.

In general, our advisory services are tailored to meet your needs. Each investment portfolio is individually designed. As appropriate you will have a conference with us as needed.

Our Agreement with you may not be assigned without your consent.

Item 5: Fees and Compensation

Please refer to the discussion about our fees under Item 4.

Cancellation and Termination of Agreements

Our investment advisory contracts are cancelable with ten (10) days written notice by either party. Unearned fees, if any, will be pro-rated to the effective date of cancellation. You may cancel a new advisory agreement without penalty by providing written notice of such cancellation to us within five (5) business days of the date of signing the agreement. Termination of an agreement will not affect: (a) the validity of any action previously taken by us under the agreement; liabilities or obligations of the parties from transactions initiated before termination of the agreement; or your obligation to pay advisor fees (prorated through the date of termination). Upon the termination of the agreement, we will not possess any obligation to recommend or take any action with regard to the securities, cash, or other investments in your account.

Item 6: Performance Based Fees

Our fees are not based on a share of the capital gains or capital appreciation of managed securities.

Item 7: Types of Clients

We provide investment advice primarily to individuals and their families, including high net worth individuals, trusts, pension and profit sharing plans, and plan participants as well as business entities. The minimum account size is \$500,000.

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

Methods of Analysis

Security analysis methods include fundamental analysis, institutional reports, and technical analysis. Fundamental analysis utilizes items on a company's balance sheet and income statement. Various financial metrics, particularly ratios, are applied to items including sales, earnings and debt. Familiar ratios include price to earnings, price to sales, and debt to equity. Other measures examined are cash flows, dividend payouts and return on capital/equity. Additionally, fundamental analysis includes an ongoing review of a company's products and/or services relative to its competition.

The main sources of information include financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Other sources of information that we may use include the World Wide Web, etc.

Methods of Analysis; Sources of Information

Our security analysis is based upon a number of factors including those derived from securities rating services; general economic, market, and financial information; due diligence reviews; and specific investment analyses that clients may request. The main sources of information include commercially available investment information and evaluation services, financial newspapers and journals, academic white papers and periodicals. Prospectuses, statements of additional information, and other issuer-prepared information are also utilized.

Types of Investments

Portfolios consist of stocks, bonds, mutual funds, ETFs and related securities (i.e. options). We seek to find equities whose values are not adequately reflected in market prices. Superior long-term performance is sought by identifying these "undervalued securities." Fixed income investments (taxable and/or tax-free) are selected according to investment grades, maturities, and cash flow. Portfolios of fixed income investments are often designed with staggered maturities.

Risk of Loss, Generally

Investing in securities involves a risk of loss that you should be prepared to bear. The investment recommendations seek to limit risk through broad global diversification in equities (through broadly diversified stock mutual funds and/or separate account management programs) and investment in high quality fixed income securities or diversified bond funds.

Given the long-term nature of the expected equity premium (i.e., the additional expected return for investing in the overall stock market, relative to less "risky" U.S. Treasury bills), and the long-term nature of the expected value and small cap effects, our investment philosophy is best suited for investors who desire a buy and hold strategy for a substantial portion of their funds.

Even then, investing is inherently uncertain as to future returns. While both macroeconomic and microeconomic risks are evaluated, for purposes of weighing risks and returns and for the computation of the expected returns of various asset classes (for use in financial planning decision-making), we do not generally engage in market-timing activities. We believe the equity, value and small cap effects are highly likely to occur in the future, over long periods of time. However, there can be no assurance that these effects will occur over any given time period. While we seek to reduce non-compensated risks to which you may be exposed, other risks (including but not limited to the risk of a general stock market decline) may be assumed in order to seek to attain your longer-term financial goals and objectives; however, we cannot provide any guarantee that your goals and objectives will be achieved.

Risk of Loss, Certain Higher-Risk Securities

Certain securities recommended, such as U.S. small cap value and mid cap value stock mutual funds, U.S. small cap and micro-cap mutual funds, and similar pooled investment vehicles inside variable annuities, possess higher levels of volatility (as individual asset classes within a portfolio). We may employ these securities as part of an overall strategic asset allocation

for you, and when such is undertaken we possess a reasonable belief that the risk-return relationship for these securities will likely be beneficial you over the long term.

Cash Balances in Client Accounts

Cash in your investment accounts are typically swept into the bank or money market mutual fund accounts of the custodian (Charles Schwab). We discuss with you, during review conferences and at other times, upcoming cash flow needs and seeks to plan accordingly to meet those needs. While it is not the practice to encourage you to maintain a large amount of cash in your accounts, such may be undertaken at your request, to facilitate our billing of periodic fees, or for other reasons. Upon your request, cash balances will be maintained for temporary or short-term purposes.

Item 9: Disciplinary Information

We possess no legal or disciplinary events which are required to be disclosed.

Item 10: Other Financial Industry Activities and Affiliations

Financial Industry Activities

We are not involved in any other financial industry activities.

Affiliations

We utilize the services of third party firms for operations and back office support as well as compliance services. There are confidentiality agreements in place with these firms.

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

We seek to avoid material conflicts of interest. Accordingly, neither we nor its investment adviser representatives nor its team members receive any third party direct monetary compensation (i.e., commissions, 12b-1 fees, or other fees) from brokerage firms (custodians) or mutual fund companies.

However, some additional services and non-direct monetary or other forms of compensation are offered and provided to us as a result of its relationships with custodian(s) and/or providers of mutual fund products. For example, our investment advisors and employees may be invited to attend educational conferences and/or entertainment events sponsored by such brokerage firms or custodians or mutual fund companies. Other services may be provided as outlined below. We believe that the services and benefits actually provided to it by brokerage firms (custodians) and mutual fund providers do not materially affect the investment management recommendations made to you. However, in the interest of full disclosure of any potential conflicts of interest, we discuss the possible conflicts herein.

Although we believe that our business methodologies, ethics rules, and adopted policies are appropriate to eliminate, or at least minimize, potential material conflicts of interest, and to manage appropriate any material conflicts of interest that may remain, you should be aware that no set of rules can possibly anticipate or relieve all potential material conflicts of interest.

Our Code of Ethics

We have adopted a Code of Ethics, to which all investment advisor representatives and employees are bound to adhere. The key component of our Code of Ethics states:

We and its investment advisor representatives and employees shall always:

- Act in the best interests of each and every client;
- Act with integrity and dignity when dealing with clients, prospects, team members, and others;
- Strive to maintain and continually enhance our high degree of professional education regarding Modern Portfolio Theory, strategic asset allocation, and financial, tax, estate, and risk management planning; and
- Seek at all times to preserve our firm's independence and to maintain our complete objectivity with respect to our advisory services and each recommendation made to our clients.

We further adopted a detailed Code of Ethics expressing our commitment to ethical conduct, which is adopted by reference by us, and which is utilized to guide the personal conduct of our various team members. This detailed Code of Ethics describes our fiduciary duties and responsibilities to you and sets forth our practice of supervising the personal securities transactions of employees with prior or concurrent access to client trade information.

A copy of the Code of Ethics is available to you upon request.

Participation or Interest in Client Transactions and Personal Trading

Our Code of Ethics provides that individuals associated with our firm may buy or sell securities for their personal accounts identical or different than those recommended to you. However, it is the expressed policy of our firm that no person employed by the firm shall prefer his or her own interest to yours nor make personal investment decisions based on your investment decisions.

The Code of Ethics further includes our policy prohibiting the use of material non-public information and protecting the confidentiality of client information. We require that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. Any individual not in observance of the above may be subject to discipline.

Item 12: Brokerage Practices

Use of Brokerage Firms (Custodians), Generally

We utilize the services of Charles Schwab. The custodian provides our team members with access to institutional trading and custody services, which services are typically not available to retail investors. These services generally are available to independent investment advisors on an unsolicited basis and at no charge to them. However, not all independent investment advisors recommend their clients to utilize particular custodians.

Discussion of Benefits to Adviser, to us as to Custodians

The benefits provided by Charles Schwab include assistance with practice management and assistance with the management of client accounts, including but not limited to: (a) receipt of duplicate client confirmations; (b) receipt of electronic duplicate statements; (c) access to a trading desk serving investment adviser firm participants exclusively, and providing research, pricing information, and other market data; (d) access to the investment advisor portion of their web sites which includes practice management articles, compliance updates, and other financial planning related information and research materials (including, for example, rating reports on individual companies from Standard and Poor's or other sources); (e) access to other vendors (such as insurance or compliance providers, or providers of research or other materials) on a discounted fee basis through discounts arranged by the custodians; (f) permitting us to access an electronic communication network for client order entry and to access clients' account information and which may otherwise assist us with its back-office functions, including recordkeeping and client reporting; and (g) conferences at which advisors and employees of our firms may attend (with no registration fees) and receive education on issues such as practice management, marketing, investment theory, financial planning, business succession, regulatory compliance, and information technology.

Participation in the custodian's program also provides access to certain mutual funds which generally require significantly higher minimum initial investments or are generally available only to institutional investors.

The benefits received through participation in the custodian's programs may depend upon the amount of transactions directed to, or amount of assets placed in custody with Charles Schwab.

Generally, many of these services may be utilized to service all or a substantial number of our clients' accounts. Educational, research, or other services provided by custodians (i.e., Charles Schwab) or mutual fund companies may benefit all of our clients, or may benefit only some clients.

Our Recommendations of Brokerage Firms

You are permitted to direct us to utilize your desired brokers. However, if such brokers are utilized, we may not possess access to certain mutual funds and other investments that are generally available only to institutional investors or which would require a significantly

higher minimum initial investment, and commission rates paid or transaction fees paid may be higher than the fees negotiated by us.

While as a fiduciary, we endeavor to act in your best interests, our desire that you maintain much of your assets in accounts at Charles Schwab may be based in part on the benefit to our firms of the availability of some products and services (previously described) at no cost to us, or at reduced costs, and not solely on the nature, cost, or quality of custody and brokerage services provided by the brokers, and this may create a potential conflict of interest. You may, therefore, pay higher transaction fees, commissions (for individual stock and ETF trades), and principal mark-ups and mark-downs (relating to purchases and sales on a principal, as opposed to an agency, basis), than those charged by other discount brokers. However, we have negotiated fees with the custodian we recommend, and we have selected this custodian for their generally low fees relative to another large custodian. Also, please note that we prefer to recommend custodians whom possess significant size and financial resources, for purposes of enhanced safety of your funds. For all of these reasons, the lowest cost custodian for you may not be recommended to you by us.

Soft Dollars

We receive a discount for electronic transactions download services and software (SchwabLink) from Charles Schwab & Co., Inc. ("Schwab"), an independent and unaffiliated broker dealer. This service provides daily downloading of information about accounts held by Schwab for our clients and allows for more efficient execution of orders and access to certain research. Clients who do or do not select Schwab do not pay commissions higher than those which might have been obtained had such services or software not been obtained from Schwab. All of our clients benefit to the same extent from the services and software obtained from Schwab.

All client transactions through Schwab receive a twenty percent discount versus Schwab's normal commissions. In addition, all client transactions effected through electronic submission receive an additional ten percent discount.

We use Portfolio Center software for client portfolio reporting and management purchased from a subsidiary of Charles Schwab & Co., Inc. Clients who do or do not select Schwab do not pay commissions higher than those which might have been obtained had such services or software not been obtained from Schwab.

Order Aggregation

Whenever possible and appropriate per the affected client's investment guidelines, we will aggregate trades in order to obtain best execution, price, and lowest cost. All effected clients will pay them same average price per security and the same average cost. Subject to minimum transaction charges imposed by the broker/dealer.

Item 13: Review of Accounts

James F. Karel, President, regularly reviews assets held in accounts managed by us. Markets are monitored daily for asset performance while keeping investment risk to a minimum and maintaining consistency with individual client objectives.

Additional Portfolio Reviews are undertaken upon your request, such as when special cash needs arise or when additional cash or securities are added to the investment portfolio. We will respond to such requests within a reasonable period of time.

We may also undertake sales and purchases to effect tax loss harvesting.

Regular Reports

Clients receive written quarterly reports from us. Mr. Karel is available daily to clients to discuss their account(s).

Quarterly Reports from us of your investment portfolio, including a consolidated inventory of the investments upon which advice is provided to you. Such reports may also include a performance report of your portfolio. In addition, in January or February of each calendar year, you may be provided with a realized gains and loss report for any taxable accounts which are under management to aid your CPA/accountant/tax preparer in income tax preparation.

While we are hopeful that the information supplied by custodians and data aggregation services is reliable, we cannot guarantee its accuracy.

Monthly or Quarterly Statements Directly from Account Custodians are sent to you directly from the corresponding brokers, banks, mutual funds, partnership sponsors, and/or insurance companies which hold your investments. These statements reflect the assets in the custodian's custody, together with confirmations of each transaction executed in the account(s). For some custodians, you may elect to receive these statements by e-mail rather than U.S. mail.

You are strongly encouraged to compare our reposts with the monthly or quarterly statements you receive from custodians.

Item 14: Payment for Client Referrals

Incoming Referrals

We have been fortunate to receive many client referrals over the years. The referrals came from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. The firm does not compensate referring parties for these referrals.

Referrals Out

We do not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

Other Compensation

We do not receive any commissions or referral fees for any recommendations we make to other professionals.

Item 15: Custody

All assets are held at a qualified custodian, which means the custodians provide account statements directly to you at your address of record at least quarterly.

However, with your consent, we may be provided with the authority to seek deduction of our fees from your accounts; this process generally is more efficient for both you and us, and there may be tax benefits for you to this method when fees can be paid from certain non-tax-deferred accounts.

We will comply with all regulatory authority safekeeping requirements.

Item 16: Investment Discretion

We accept discretionary authority to manage securities accounts on your behalf. We have the authority to determine, without obtaining your specific consent, the securities to be bought or sold, and the amount of the securities to be bought or sold.

You approve the custodian to be used and the commission rates paid to the custodian. We do not receive any portion of the transaction fees or commissions paid by you to the custodian on certain trades.

You are strongly encouraged to compare our reposts with the monthly or quarterly statements you receive from custodians.

Item 17: Voting Client Securities

As a matter of firm policy and practice, we do not accept authority to vote proxies on your behalf. You retain the responsibility for receiving and voting proxies for any and all securities maintained in your portfolios. Generally, you will receive their proxies or other solicitations directly from the custodian or transfer agent. However, you may call or e-mail us with questions regarding a particular proxy or other solicitation, and we may provide advice to you regarding your voting of proxies or such solicitations, upon your request.

Item 18: Financial Information

We do not have any financial impairment that will preclude the firm from meeting contractual commitments to you.

A balance sheet is not required to be provided because we do not serve as a custodian for your funds or securities, and do not require prepayment of fees of more than \$500 and six months or more in advance.

Item 19: Requirements for State Registered Advisors

All principal executive officers and management persons are described in ADV Part 2 B attached.

We are not actively engaged in any other business.

We do not receive any performance based compensation.

No disclosure events have occurred.

Additional Information

Washington Disclosures

Karel Capital, Inc. will comply with the safekeeping requirements as set forth in WAC 460-24A-106.

California Disclosures

The California Code of Regulations (10 CCR Section 260.235.2) imposes two notice requirements upon financial advisers: (a.) lower cost comparable services may be available from others, and (b.) the possibility exists for a conflict of interest between your interests and ours. You are under no obligation to purchase advice or services from us.

All material conflicts of interest under CCR Section 260.238 (k) have been disclosed regarding the adviser, its representatives or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.

General Disclosure

All material conflicts of interest have been disclosed regarding the adviser, its representatives or any of its employees.

Business Continuity Plan

We have a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

We have a mutual agreement with ACC Investment Management, Inc. (a registered investment adviser) to provide services to each other's clients in the absence (e.g. vacations) of a principal.

Privacy Notice

We are committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us. The categories of nonpublic information that we collect from you may include information about your personal finances, information about your health to the extent that it is needed for the financial planning process, information about transactions between you and third parties, and information from consumer reporting agencies, e.g., credit reports. We use this information to help you meet your personal financial goals.

With your permission, we disclose limited information to attorneys, accountants, and mortgage lenders with whom you have established a relationship. You may opt out from our sharing information with these nonaffiliated third parties by notifying us at any time by telephone, mail, fax, email, or in person. With your permission, we share a limited amount of information about you with your brokerage firm in order to execute securities transactions on your behalf.

We maintain a secure office to ensure that your information is not placed at unreasonable risk. We employ a firewall barrier, secure data encryption techniques and authentication procedures in our computer environment.

We do not provide your personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our Company records and your personal records as permitted by law.

Personally identifiable information about you will be maintained while you are a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information will be destroyed.

We will notify you in advance if our privacy policy is expected to change. We are required by law to deliver our Privacy Policy to you annually, in writing.

Brochure Supplement (Part 2 B of Form ADV)

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jim@karelcapital.com**

The brochure supplements provide information about James F. Karel (CRD Number 861100) and Jan E. Karel (CRD Number 1440590) that supplements the Karel Capital, Inc. brochure. You should have received a copy of that brochure. Please contact us if you did not receive Karel Capital, Inc.'s brochure or if you have any questions about the contents of this supplement.

Additional information about James F. Karel and Jan E. Karel is available on the SEC's website at www.adviserinfo.sec.gov.

**DATE
June 25, 2012**

Education and Business Standards

We require that advisors in our employ have a bachelor's degree, further coursework demonstrating knowledge of investment management. Additionally, advisors must have work experience that demonstrates their aptitude for investment management.

James F. Karel

Item 2. Educational Background and Business Experience:

* Year of birth: 1953

* Institutions:

University of California – Berkeley, B.A. - Ancient History – 1976

California State University at San Francisco, M.Ed. – Educational Technology – 1978

Business Experience:

James F. Karel has been the President and Chairman of the Board of Directors since founding Karel Capital, Inc. in 1990. Mr. Karel determines the general investment advice given to clients and is responsible all trading activities in client accounts.

Item 3. Disciplinary Information

None

Item 4. Other Business Activities:

Mr. Karel serves as a board member for Mobius Science Center in Spokane. Mr. Karel spends about 4 hours per month on Mobius affairs; receives no compensation; and Mobius Science Center is not a client of Karel Capital, Inc.

Item 5. Additional Compensation:

None

Item 6. Supervision:

Mr. Karel is the President and Chief Compliance Officer. As such, he is responsible for all advice provided to clients.

Item 7. Requirements for State-Registered Advisers

Arbitration Claims: None

Self-Regulatory Organization or Administrative Proceeding: None

Bankruptcy Petition: None

Jan E. Karel

Item 2. Educational Background and Business Experience:

- * Year of birth: 1964
- * Institutions

University of Washington – Seattle, B.S – Marketing – 1986.

Business Experience:

Ms. Karel is the Vice President of Karel Capital, Inc. Ms. Karel performs investment research and serves on the Board of Directors. Karel Capital, Inc. 1997 – Present

Item 3. Disciplinary Information

None

Item 4. Other Business Activities:

None

Item 5. Additional Compensation:

None

Item 6. Supervision:

Ms. Karel is supervised by James F. Karel, President. He reviews Ms. Karel's work through frequent office interactions as well as remote interactions.

SUPERVISOR'S contact information:

PHONE: 509-838-9900

EMAIL: jim@karelcapital.com

Item 7. Requirements for State-Registered Advisers

Arbitration Claims: None

Self-Regulatory Organization or Administrative Proceeding: None

Bankruptcy Petition: None