

MARTINELLI DISCENZA INVESTMENT COUNSEL, INC.

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FIRM BROCHURE on Form ADV, Part 2A

This brochure provides information about the qualifications and business practices of Martinelli Discenza Investment Counsel, Inc. If you have any questions about the content of this brochure, please contact us by telephone at (413) 567-8411 or by e-mail at gary@martinellidiscenza.com. 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. The date of this brochure is March 21, 2012.

Additional information about Martinelli Discenza Investment Counsel, Inc. and its principals, Gary E. Martinelli and John M. Discenza, is also available on the SEC's website at www.adviserinfo.sec.gov.

Martinelli Discenza Investment Counsel Inc. is a registered investment adviser. Registration of an investment adviser does not imply a certain level of skill or training.

Item 2 - Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published "Amendments to Form ADV" which amends the disclosure document or "brochure" that all investment advisers provide to clients as required by SEC Rules (the "Amendments").

The Amendments required that the "Material Changes" item discuss only specific material changes that are made to the brochure following the date of the last annual update of the brochure and provide clients with a summary of such changes. The Amendments also require that we also reference the date of the last annual update of our brochure and provide clients with a new brochure as necessary based on changes or new information, at any time, without charge. Currently, our brochure may be requested by contacting us at (413) 567-8411 or downloaded from our website at www.martinellidiscenza.com.

The date of this brochure is March 21, 2012. The date of our previous annual update was March 29, 2011. There have been no material changes in the description of our business since March 29, 2011.

Table of Contents

Item 1.	Cover Page	i
Item 2.	Material Changes	ii
Item 3.	Table of Contents	iii
Item 4.	Advisory Business	1
Item 5.	Fees and Compensation	1
Item 6.	Performance - Based Fees and Side-By-Side Management	2
Item 7.	Types of Clients	2
Item 8.	Methods of Analysis, Investment Strategies and Risk of Loss	2
Item 9.	Disciplinary Information	3
Item 10.	Other Financial Industry Activities and Affiliations	4
Item 11.	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	5
Item 12.	Brokerage Practices	5
Item 13.	Review of Accounts	6
Item 14.	Client Referrals and Other Compensation	6
Item 15.	Custody	6
Item 16.	Investment Discretion	6
Item 17.	Voting Client Securities	7
Item 18.	Financial Information	7
Item 19.	Requirements for State-Registered Advisers	7

Item 4 - Advisory Business

Martinelli Discenza Investment Counsel, Inc. designs and manages investment portfolios for individual and families and their retirement plans, trusts and small business entities. We manage client accounts as "separate" accounts based upon the requirements of individual clients rather than as collective "pooled" accounts. Client accounts are managed on a "discretionary" basis, meaning that clients confer upon us the authority to make investment decisions with respect to their portfolios and to direct transactions in their accounts.

Our design of client portfolios is based upon information gathered concerning each client's assets and individual financial requirements at the time a client account is opened. This information is updated periodically.

Based upon the information clients provide and upon our perception of the best ways to achieve the clients objectives, we generally allocate client assets among various asset classes. These include fixed income securities and securities with equity characteristics (including, but not limited to common stock, preferred stock, real estate investment trusts, energy trusts and partnerships, and convertible bonds). We frequently build equity-oriented portfolios around a core of open-end investment company ("mutual fund") shares. Around this core, we invest client funds directly in equity and/or fixed income securities, as the situation requires.

For clients with a relatively small dollar amount allocated to fixed-income, we will generally invest in fixed-income securities indirectly through mutual fund (i.e., bond fund) shares. For clients with relative large dollar amounts allocated to fixed-income securities, we may invest directly in some fixed-income securities along with fixed-income mutual fund shares. Depending on market conditions at a point in time, we may address the objectives of income-oriented clients with preferred stocks, dividend-paying equities and royalty trusts.

Although the vast majority of the securities comprising the portfolios we manage consist of publicly-traded securities, in appropriate cases and only when clients are "accredited investors", we have incorporated non-publicly traded "hedge funds" and private limited partnership securities into client portfolios.

Clients may impose restrictions on our investing in certain securities (for instance, tobacco company shares) or types of securities (for instance, high yield bonds). No clients have ever done so.

Martinelli Discenza Investment Counsel, Inc. was incorporated in 1999 and commenced managing client portfolios in 2000. Gary E. Martinelli and John M. Discenza are the only stockholders, officers and directors of the firm.

As of December 31, 2011, Martinelli Discenza Investment Counsel, Inc. had assets under management of \$38,727,463, all of which are managed on a discretionary basis.

Item 5 - Fees and Compensation

Martinelli Discenza Investment Counsel, Inc. is a "fee only" investment adviser. We do not sell any financial service products or services (other than investment management services).

As compensation for our investment management services, we generally charge an annual fee equal to 0.9% of the net asset value of each client's account. Billing is done quarterly at the rate of 0.225% of the net asset value of each client's account (the "Quarterly Fee") at the end of each calendar quarter (with pro rata adjustments for periods of less than three months). In the case of substantial additions or withdrawals of capital during a billing period, we may, with the consent of

the client, increase or reduce the Quarterly Fee. Our fees are negotiable. In accordance with the investment management agreement we enter into with clients at the outset of our relationship, fees are deducted from client accounts shortly after the end of each calendar quarter.

Since compensation is payable after our services have been rendered, there is no procedure for client refunds. Either the client or we, as the investment manager, may terminate an investment management agreement by giving written notice to the other party. In case of termination, our fee will be pro-rated to the date of termination.

To the extent that mutual fund securities are included in a client portfolio, a client, in effect, pays two management fees. The first is paid directly to us for our ongoing investment management services. The second is paid indirectly in that each mutual fund pays its own investment adviser for the management of the portfolio of securities held by the mutual fund. We receive no so-called "12b-1 fees" from mutual funds and no portion of any fee paid by a mutual fund to its advisers. In selecting mutual fund shares to be included in client portfolios, we seek funds with expense ratios that are lower than industry averages.

For a discussion of brokerage and other transaction costs associated with client accounts, please see "Brokerage Practices" on page 5 of this Brochure.

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

The fees we charge are based upon the market value of assets in client accounts at the end of each calendar quarter. We do not currently charge fees based upon the performance of client portfolios, that is, fees based upon a share of the capital gain or capital appreciation of the assets of a client.

Item 7 - Types of Clients

Our clients are comprised of individuals and families and the vehicles through which they hold assets including IRA accounts, trusts, and closely-held business entities. We do not currently manage investment portfolios for investment companies or pension plans.

We generally seek to enter investment management agreements with clients involving a minimum of \$250,000. Clients may meet the minimum with a combination of accounts that can be effectively managed as one portfolio. Minimum account size is negotiable.

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

We perceive ourselves as "value" investors. As such, our goal is to attain superior long-term performance by acquiring securities of financially strong companies with understandable businesses run by capable management at market prices significantly below conservative estimates of their "intrinsic value." In this pursuit, we conduct our own evaluations of individual securities and also invest in comparatively low cost, "no-load" mutual funds whose investment managers evaluate securities with value criteria similar to ours.

We strive to consciously manage risk. Every investment opportunity carries associated risks. An early step in the investment process is identifying these risks to the extent possible. The next step is to take appropriate actions to reduce the impact of such risks through techniques products affording a measure of protection in down markets. None of our risk management strategies can or do eliminate all portfolio volatility or protect against all losses.

Our experience and that of the securities markets in general in 2008 was that in a liquidity crisis or a financial panic based upon other circumstances, the market prices of securities in various assets become highly correlated to the downside. In these circumstances, diversification and most other portfolio strategies offer little protection.

We are also "active" (rather than "passive" or "index") investors. Based upon fundamental research and price awareness, we select the securities we think will perform best within the context of a client's asset allocation. In contrast, a "passive" or "index" investor invests to match the proportion and performance of securities held in a specific index such as a "large cap" index or an international index.

Finally, we are "asset allocators." For most clients, balancing one's portfolio by allocating a portion to equity securities, an asset class that generally is more risky and potentially more rewarding than fixed-income securities (i.e., bonds), and allocating a portion to fixed-income or similar securities, is commonplace. Given the heightened volatility that has characterized securities market since 2007, pure preservation of capital has become a prime consideration for some clients. Each client, however, has his or her unique circumstances as well as an individual level of preparedness to assume risk. All of these considerations enter into our asset allocation recommendations.

Martinelli Discenza considers all asset classes when designing client portfolios including common stocks, preferred stocks, bonds, REITs, royalty trusts, limited partnerships and, not unimportantly, cash. Each client portfolio, however, is managed as an individual "separate account" (rather than as part of a pool of assets) and each has its own mix of securities from various asset classes.

Notwithstanding the individualization of accounts, however, our experience has been that client risk and reward appetites fall into one of four broad categories:

Capital Appreciation Portfolios

For clients with a longer-term perspective, usually those who are building assets for retirement or whose immediate financial requirements are met from another source such as salary or rental income, we commonly invest with a view to capital appreciation.

Capital appreciation portfolios are normally composed largely of equity securities, primarily common stocks and no-load equity mutual funds. Depending on investment conditions and client risk tolerance, there will be a component with a greater or smaller cash reserve and an allocation to bonds or no-load bond mutual funds.

Income-Oriented Portfolios

For clients with an immediate or near-term need to derive current income from their portfolios, usually retirees or clients who for other reasons may not be in the work force, we invest with a view to income-generation.

Income-oriented portfolios are normally comprised of Government and corporate bonds and no-load bond mutual funds, preferred stocks, royalty trusts, limited partnerships, and some cash. Given

today's low yields on interest bearing bonds, there is an increasing allocation to dividend-bearing common stocks, particularly those with a long history of increasing dividend payouts. In general, income-oriented portfolios are less volatile than capital appreciation portfolios.

Balanced Portfolios

For clients who stand in the middle and desire both capital appreciation and income, we implement a balanced portfolio which combines elements of our capital appreciation and income-oriented portfolios. The "balance" of the mix is not fixed. It is structured to meet individual client requirements and is tactically adjusted depending on market conditions (i.e., when bond prices are high and yields low, we will be inclined to emphasize more equities and fewer bonds).

Bedrock Portfolios

For clients whose concerns about principal preservation and protection of the purchasing power of their financial assets outweigh their need for capital appreciation or income (usually clients with a high level of investment assets), we offer a "bedrock portfolio." Focused neither on capital appreciation nor income, a bedrock portfolio is designed to minimize the impact of market volatility and to address concerns about deflation, inflation and the maintenance of "purchasing power." Since inflation and deflation usually call for diametrically opposite strategies, bedrock portfolios are subject to ongoing, sometimes significant adjustments. Although the bedrock portfolio employs many of the same securities included in our other portfolios, it also emphasizes risk and volatility reduction through ownership of instruments which afford a measure of protection in down markets.

For clients who are "qualified clients" as defined under SEC regulations, we may recommend investments in "hedge funds" and other private investment partnerships which manage risk through "absolute return" strategies involving the use of "derivative securities" such as options, and "hedging". In general a "qualified client" is a person with who is investing \$1,000,000 or more with a hedge fund or private investment partnership, or with a net worth, exclusive of such person's primary residence, of at least \$2,000,000.

Since all clients share concerns about capital preservation and the purchasing power of the dollar, the thinking on which bedrock portfolios are premised influences our construction of all portfolios even though the emphasis is different and some components of a bedrock portfolio are not available to all clients.

Item 9 - Disciplinary Information

Neither our firm nor either of our principals has been involved in any disciplinary proceedings.

Item 10 - Other Financial Industry Activities and Affiliates

Gary E. Martinelli and John M. Discenza, the executive officers and owners of Martinelli Discenza Investment Counsel, Inc., are also principals in Martinelli Discenza P.C., a law firm. Our investment management business and the law firm share premises and some personnel.

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

The relationship between Martinelli Discenza Investment Counsel, Inc., and its clients is a fiduciary relationship. A fiduciary relationship involves an obligation on our part to be honest, loyal and forthright, to make full and fair disclosure to our clients of material facts involving our business and our relationship with clients and to act in the best interest of our clients.

Martinelli Discenza Investment Counsel, Inc. has adopted a Code of Ethics and Insider Trading Policy and a Personal Trading Policy. We will provide a copy of our policies to any client or prospective client upon request.

We, as a firm, and our principals and employees may buy or sell for ourselves securities which we recommend to clients. To avoid conflicts of interest in this regard, it is our policy that neither the firm, nor any principal or employee may effect for itself, himself or herself or for his or her immediate family (i.e. spouse, minor children) (collectively "Covered Persons") any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of our clients, unless or until purchases or sales have first or contemporaneously been completed for clients or a decision has been made not to purchase the security on behalf of the client.

This procedure is subject to the following exceptions:

1. It is recognized that some securities being considered for purchase and sale on behalf of clients trade in sufficiently broad markets to permit transactions to be completed without any appreciable impact on the markets for the securities. Under these circumstances, exceptions may be made to the policies stated above. Records of these trades, including the reasons for the exceptions, will be maintained with our records in the manner set forth above; and
2. Open-end mutual funds and/or the investment subdivisions which may comprise a variable insurance product are purchased or redeemed at a fixed net asset value price per share specific to the date of purchase or redemption. As such, transactions in mutual funds and/or variable insurance products by Covered Persons are not likely to have an impact on the prices of the fund shares in which clients invest, and are not likely to have an impact on the prices of the fund shares in which clients invest, and are therefore not prohibited by our policy.

In accordance with Section 204A of the Investment Advisers Act of 1940, we also maintain and enforce written policies reasonably designed to prevent the misuse of material non-public information by our firm or any person associated with us.

Item 12 - Brokerage Practices

We recommend that our clients establish securities accounts at Charles Schwab Co., Inc., ("Schwab"), a large account brokerage firm with which we maintain a computer interface. Schwab make available a wide variety of "no-load" mutual funds through its Mutual Fund One Source (although certain no-load funds acquired through Schwab, i.e. Vanguard funds, involve "transaction fees"). We do not obtain a significant amount of "research" from Schwab and do not pay commissions higher than those otherwise attainable in return for research.

We recommend Schwab because of (a) its Mutual Fund One Source service, (b) its discounted commissions, (c) its overall financial strength, (d) its ability to execute a broad range of transactions in the bond, stock and mutual fund markets, (e) its capacity to make information concerning client accounts electronically available to us, and (f) its capacity through Schwab Institutional to offer support services to independent investment advisory firms such as ours.

We do not receive any "soft dollar" benefits from Schwab.

When purchasing or selling securities for clients accounts, we will often "bunch" or "aggregate" transactions, meaning we buy or sell the same security for multiple client accounts in a coordinated manner and at the same time. Although this practice does not result in any cost-savings upon the execution of a trade, it permits execution in a timely and equitable manner, i.e. multiple clients buy or sell at the same price or approximately the same price per share. Our purpose in aggregating is to assure that no client or account is favored over another.

Item 13 - Review of Accounts

We monitor portfolio investments on a continuous basis. Gary E. Martinelli reviews the composition and performance of each individual client account at least once every month.

As custodian for our client's securities, Schwab furnishes each client with a monthly account statement shortly after the end of each calendar month. In addition, following the close of each calendar quarter, we furnish each client with a quarterly letter commenting on the performance of the account, macro-economic factors affecting the account and developments within some of the client portfolio companies. Along with our quarterly letter, we furnish clients with a written portfolio statement, portfolio performance summaries for the quarter and the year-to-date, quarterly and year-to-date position performance summaries and quarterly transaction ledger reports.

Item 14 - Client Referrals and Other Compensation

Our firm does not compensate third parties for client referrals.

Item 15 - Custody

In general, our clients' securities are held in the custody of Schwab. As noted, Schwab furnishes clients with monthly account statements. We encourage clients to carefully review Schwab's statements and the quarterly statements we furnish and to compare these statements.

Item 16 - Investment Discretion

We manage our client accounts on a "discretionary" basis, meaning that clients confer authority upon us to make investment decisions with respect to their portfolios and to direct transactions in their accounts. At the time of an account opening, clients enter into an investment supervisory agreement with us authorizing us to make investment direction and to direct transactions on their behalf. This grant of authority is confirmed in the documentation opening a brokerage account subject to our direction at Schwab.

Item 17 - Voting Client Securities

We do not accept authority to vote client securities.

Our clients will receive proxy statements and other solicitation materials directly from the issuers of portfolio securities or through Schwab. Clients are welcome to call Gary E. Martinelli with questions about any particular proxy solicitation.

Item 18 - Financial Information

Not applicable.

Item 19 - Requirements for State-Registered Advisers

Our principal executive officers, their titles and years of birth are:

<u>Name</u>	<u>Title</u>	<u>Year of Birth</u>
Gary E. Martinelli	Chairman, CEO, Chief Investment Officer and Chief Compliance Officer	1943
John M. Discenza	President, COO, Chief Financial Planning Officer	1956

Mr. Martinelli is a 1965 graduate of Williams College (Bachelor of Arts) and a 1968 graduate of Cornell Law School (Juris Doctor). Mr. Martinelli has been a business lawyer since 1969 having practiced with the Wall Street firm of Burke & Burke from 1969 to 1974, with Ryan & White, P.C. in Springfield, Massachusetts from 1974 to 1990 and with Martinelli Discenza P.C. (and its predecessor, Gary E. Martinelli & Associates, P.C.) since 1991. He is Chairman of Martinelli Discenza P.C. and specializes in securities law, investment management law, corporate law and real estate development law. From 1986 to 1994, he was a director of Computer Associates International, Inc., a New York Stock Exchange-listed software company (now called CA, Inc.) and from 1981 to 1994 was responsible, as outside counsel, for all securities law matters of Computer Associates International, Inc. From 1994 to 2009 he was the Publisher/Editor of The Investment Adviser's Counsel, a quarterly newsletter covering legal and regulatory developments affecting investment advisers with a national subscribership. He is also active as a real estate investor/developer.

Mr. Martinelli is also Chairman of the Executive Committee, Corporate Secretary and a director of Convenient Cards, Inc., a company which markets and manages prepaid card programs. The securities of Convenient Cards, Inc. are not publicly traded.

Mr. Martinelli co-founded Martinelli Discenza Investment Counsel, Inc. in 1999 and has been its Chairman, CEO and Chief Investment Officer since inception.

Mr. Discenza is a 1978 graduate of Boston College (Bachelor of Arts), a 1981 graduate of Suffolk University Law School (Juris Doctor) and a 1982 graduate of University of Miami Law School (Master of Laws in Estate Planning). Mr. Discenza has specialized in estate planning and estate administration law since 1982, with Ryan & White, P.C. in Springfield, Massachusetts from 1982 through 1990 and with Martinelli Discenza P.C. (and its predecessor, John M. Discenza & Associates, P.C. and its predecessor sole proprietorship) since 1991. He is President of Martinelli Discenza P.C. Mr. Discenza is a Fellow of the American College of Trust and Estate Counsel and a frequent lecturer on estate planning matters with Massachusetts Continuing Legal Education, Inc. In connection with these lectures, Mr. Discenza has been a contributing author of numerous professional education publications.

Mr. Discenza co-founded Martinelli Discenza Investment Counsel, Inc. in 1999 and has been the President and Chief Financial Planning Officer since inception.

The disciplinary history, if any, of our firm and its representatives may be obtained from the Massachusetts Division of Securities by calling (617) 727-3548.

Mr. Martinelli devotes the majority of his professional time to our investment management business and the remainder to the practice of law and his other business interests. Mr. Discenza devotes the majority of his professional time to the practice of law and a comparatively small portion of his professional time to our investment management business.

The estate planning, retirement planning, and long-term care planning services rendered (and separately charged for) by Martinelli Discenza P.C. complement our investment supervisory services.