

FORM ADV**Uniform Application for Investment Adviser Registration****Part II - Page 1****~~OMB APPROVAL~~**

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Name of Investment Adviser: Sunset Financial Management Inc.						
Address:	(Number and Street)	(City)	(State)	(Zip Code)	Area Code:	Telephone Number:
1915 Avenida Alturas NE, Albuquerque, NM 87110					505-453-5703	

**This part of FORM ADV gives information about the investment adviser and its business for the use of clients.
The information has not been approved or verified by any government authority.**

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(Schedule A, B, C, D, and E are included with Part I of this Form, for the use of regulatory bodies, and are not distributed to clients.)

Potential persons who are to respond to the collection of information contained in this form
are not required to respond unless the form displays a currently valid OMB control number.

Applicant: **Sunset Financial Management Inc.**

SEC File Number:

801- 54950

Date:

4/7/2008

1. A. Advisory Services and Fees. (check the applicable boxes)

For each type of service provided, state the approximate % of total advisory billings from that service. (See instruction below.)

Applicant:

- | | | | |
|-------------------------------------|-----|--|------------|
| <input checked="" type="checkbox"/> | (1) | Provides investment supervisory services | _____ % |
| <input type="checkbox"/> | (2) | Manages investment advisory accounts not involving investment supervisory services..... | _____ % |
| <input type="checkbox"/> | (3) | Furnishes investment advice through consultations not included in either service described above... | _____ % |
| <input type="checkbox"/> | (4) | Issues periodicals about securities by subscription | _____ % |
| <input type="checkbox"/> | (5) | Issues special reports about securities not included in any service described above..... | _____ % |
| <input type="checkbox"/> | (6) | Issues, not as part of any service described above, any charts, graphs, formulas, or other devices which clients may use to evaluate securities..... | _____ % |
| <input checked="" type="checkbox"/> | (7) | On more than an occasional basis, furnishes advice to clients on matters not involving securities... | 50 _____ % |
| <input type="checkbox"/> | (8) | Provides a timing service | _____ % |
| <input type="checkbox"/> | (9) | Furnishes advice about securities in any manner not described above..... | _____ % |

(Percentages should be based on applicant's last fiscal year. If applicant has not completed its first fiscal year, provide estimates of advisory billings for that year and state that the percentages are estimates.)

B. Does applicant call any of the services it checked above financial planning or some similar term?

Yes	No
<input checked="" type="checkbox"/>	<input type="checkbox"/>

C. Applicant offers investment advisory services for: (check all that apply)

- | | |
|--|--|
| <input type="checkbox"/> (1) A percentage of assets under management | <input type="checkbox"/> (4) Subscription fees |
| <input type="checkbox"/> (2) Hourly charges | <input type="checkbox"/> (5) Commissions |
| <input checked="" type="checkbox"/> (3) Fixed fees (not including subscription fees) | <input type="checkbox"/> (6) Other |

D. For each checked box in A above, describe on Schedule F:

- the services provided, including the name of any publication or report issued by the adviser on a subscription basis or for a fee
- applicant's basic fee schedule, how fees are charged and whether its fees are negotiable
- when compensation is payable, and if compensation is payable before service is provided, how a client may get a refund or may terminate an investment advisory contract before its expiration date

2. Types of clients - Applicant generally provides investment advice to: (check those that apply)

- | | |
|--|---|
| <input checked="" type="checkbox"/> A. Individuals | <input type="checkbox"/> E Trusts, estates, or charitable organizations |
| <input type="checkbox"/> B. Banks or thrift institutions | <input type="checkbox"/> F. Corporations or business entities other than those listed above |
| <input type="checkbox"/> C. Investment companies | <input type="checkbox"/> G. Other (describe on Schedule F) |
| <input type="checkbox"/> D. Pension and profit sharing plans | |

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1)

3. Types of Investments. Applicant offers advice on the following: (check those that apply)

- | | |
|---|--|
| <input checked="" type="checkbox"/> A. Equity securities | <input checked="" type="checkbox"/> H. United States government securities |
| <input checked="" type="checkbox"/> (1) exchange-listed securities | <input type="checkbox"/> I. Options contracts on: |
| <input checked="" type="checkbox"/> (2) securities traded over-the-counter | <input type="checkbox"/> (1) securities |
| <input checked="" type="checkbox"/> (3) Foreign issuers | <input type="checkbox"/> (2) commodities |
| <input type="checkbox"/> B. Warrants | <input type="checkbox"/> J. Futures contracts on: |
| <input type="checkbox"/> C. Corporate debt securities (other than commercial paper) | <input type="checkbox"/> (1) tangibles |
| <input checked="" type="checkbox"/> D. Commercial paper | <input type="checkbox"/> (2) intangibles |
| <input checked="" type="checkbox"/> E. Certificates of deposit | <input type="checkbox"/> K. Interests in partnerships investing in: |
| <input checked="" type="checkbox"/> F. Municipal securities | <input type="checkbox"/> (1) real estate |
| <input type="checkbox"/> G. Investment company securities: | <input type="checkbox"/> (2) oil and gas interests |
| <input type="checkbox"/> (1) variable life insurance | <input type="checkbox"/> (3) other (explain on Schedule F) |
| <input checked="" type="checkbox"/> (2) variable annuities | <input type="checkbox"/> L. Other (explain on Schedule F) |
| <input checked="" type="checkbox"/> (3) mutual fund shares | |

4. Methods of Analysis, Sources of Information, and Investment Strategies.

A. Applicant's security analysis methods include: (check those that apply)

- | | |
|---|--|
| (1) <input type="checkbox"/> Charting | (4) <input type="checkbox"/> Cyclical |
| (2) <input checked="" type="checkbox"/> Fundamental | (5) <input type="checkbox"/> Other (explain on Schedule F) |
| (3) <input checked="" type="checkbox"/> Technical | |

B. The main sources of information applicant uses include: (check those that apply)

- | | |
|---|--|
| (1) <input checked="" type="checkbox"/> Financial newspapers and magazines | (5) <input type="checkbox"/> Timing services |
| (2) <input type="checkbox"/> Inspections of corporate activities | (6) <input checked="" type="checkbox"/> Annual reports, prospectuses, filings with the |
| (3) <input checked="" type="checkbox"/> Research materials prepared by others | Securities and Exchange Commission |
| (4) <input checked="" type="checkbox"/> Corporate rating services | (7) <input checked="" type="checkbox"/> Company press releases |
| | (8) <input type="checkbox"/> Other (explain on Schedule F) |

C. The investment strategies used to implement any investment advice given to clients include: (check those that apply)

- | | |
|--|--|
| (1) <input checked="" type="checkbox"/> Long term purchases
(securities held at least a year) | (5) <input type="checkbox"/> Margin transactions |
| (2) <input checked="" type="checkbox"/> Short term purchases
(securities sold within a year) | (6) <input type="checkbox"/> Option writing, including covered options,
uncovered options or spreading strategies |
| (3) <input type="checkbox"/> Trading (securities sold within 30 days) | (7) <input type="checkbox"/> Other (explain on Schedule F) |
| (4) <input type="checkbox"/> Short sales | |

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5. Education and Business Standards.

Are there any general standards of education or business experience that applicant requires of those involved in determining or giving investment advice to clients? ☒ Yes ☐ No

(If yes, please describe these standards on Schedule F)

6. Education and Business Background.

For:

- each member of the investment committee or group that determines general investment advice to be given to clients, or
- if the applicant has no investment committee or group, each individual who determines general investment advice clients (if more than five, respond only for their supervisors)
- each principal executive officer of applicant or each person with similar status or performing similar functions.

On Schedule F, give the:

- name
- year of birth
- formal education after high school
- business background for the preceding five years

7. Other Business Activities. (check those that apply)

- ☐ A. Applicant is actively engaged in a business other than giving investment advice.
- ☐ B. Applicant sells products or services other than investment advice to clients.
- ☐ C. The principal business of applicant or its principal executive officers involves something other than providing investment advice.

(For each checked box describe the other activities, including the time spent on them, on Schedule F.)

8. Other Financial Industry Activities or Affiliations. (check those that apply)

- ☐ A. Applicant is registered (or has an application pending) as a securities broker-dealer.
- ☐ B. Applicant is registered (or has an application pending) as a futures commission merchant, commodity pool operator or commodity trading adviser.
- ☐ C. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a:
- | | |
|--|--|
| <input type="checkbox"/> (1) broker-dealer | <input type="checkbox"/> (7) accounting firm |
| <input type="checkbox"/> (2) investment company | <input type="checkbox"/> (8) law firm |
| <input type="checkbox"/> (3) other investment adviser | <input type="checkbox"/> (9) insurance company or agency |
| <input type="checkbox"/> (4) financial planning firm | <input type="checkbox"/> (10) pension consultant |
| <input type="checkbox"/> (5) commodity pool operator, commodity trading adviser or futures commission merchant | <input type="checkbox"/> (11) real estate broker or dealer |
| <input type="checkbox"/> (6) banking or thrift institution | <input type="checkbox"/> (12) entity that creates or packages limited partnerships |

(For each checked box in C, on Schedule F identify the related person and describe the relationship and the arrangements.)

- D. Is applicant or a related person a general partner in any partnership in which clients are solicited to invest?.. ☐ Yes ☐ No

(If yes, describe on Schedule F the partnerships and what they invest in.)

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9. Participation or Interest in Client Transactions.

Applicant or a related person: (check those that apply)

- ☐ A. As principal, buys securities for itself from or sells securities it owns to any client.
- ☐ B. As broker or agent effects securities transactions for compensation for any client.
- ☐ C. As broker or agent for any person other than a client effects transactions in which client securities are sold to or bought from a brokerage customer.
- ☐ D. Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.
- ☒ E. Buys or sell for itself securities it also recommended to clients.

(For each box checked, describe on Schedule F when the applicant or a related person engages in these transactions and what restrictions, internal procedures, or disclosures are used for conflicts of interest in those transactions.)

Describe, on Schedule F, your code of ethics, and state that you will provide a copy of your code of ethics to any client or prospective client upon request.

- 10. Conditions for Managing Accounts.** Does the applicant provide investment advisory services, manage investment advisory accounts or hold itself out as providing financial planning or some similarly termed services *and* impose a minimum dollar value of assets or other condition for starting or maintaining an account?

Yes No
☒ ☐

(If yes, describe on Schedule F)

- 11. Review of Accounts.** If applicant provides investment supervisory services, manages investment advisory account, or holds itself out as providing financial planning or some similarly termed services:

- A. Describe below the reviews and reviewers of the accounts. **For reviews**, include their frequency, different levels, and triggering factors. **For reviewers**, include the number of reviewers, their titles and functions, instructions they receive from applicant on performing reviews, and number of accounts assigned each.

Each client account receives a customized asset allocation strategy which the firm's principal reviews annually. Each client account is balanced to target allocations and/or reviewed for buy-sell action on a regular and continuous basis.

- B. Describe below the nature and frequency of regular reports to clients on their accounts.

Clients are furnished quarterly reports providing descriptive information on portfolio positions. Annually, clients receive an in-depth review of their investment accounts including performance and gain/loss information for tax purposes. Clients also receive monthly reports from investment account custodians.

12. Investment or Brokerage Discretion.

A. Does applicant or any related person have authority to determine, without obtaining specific client consent, the:

- | | | |
|--|-------------------------------------|--------------------------|
| | Yes | No |
| (1) securities to be bought or sold? | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| (2) amount of securities to be bought or sold? | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| (3) broker or dealer to be used? | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| (4) commission rates paid? | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

B. Does applicant or a related person suggest brokers to clients? ☒ Yes ☐ No

For each yes answer to A describe on Schedule F any limitations on the authority. For each yes to A(3), A(4) or B, describe on Schedule F the factors considered in selecting brokers and determining the reasonableness of their commissions. If the value of products, research and services given to the applicant or a related person is a factor, describe:

- the products, research and services
- whether clients may pay commissions higher than those obtainable from other brokers in return for those products and services
- whether research is used to service all of applicant's accounts or just those accounts paying for it; and
- any procedures the applicant used during the last fiscal year to direct client transactions to a particular broker in return for product and research services received.

13. Additional Compensation.

Does the applicant or a related person have any arrangements, oral or in writing, where it:

- | | | |
|---|--------------------------|-------------------------------------|
| A. is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients? | Yes | No |
| | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| B. directly or indirectly compensates any person for client referrals? | Yes | No |
| | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

(For each yes, describe the arrangements on Schedule F.)

14. Balance Sheet. Applicant must provide a balance sheet for the most recent fiscal year on Schedule G if applicant:

- has custody of client funds or securities (unless applicant is registered or registering only with the Securities and Exchange Commission); or
- requires prepayment of more than \$500 in fees per client and 6 or more months in advance

Has applicant provided a Schedule G balance sheet?..... ☐ Yes ☒ No

**Schedule F of
FORM ADV
Continuation Sheet for Form ADV Part II**

Applicant:
Sunset Financial Management
Inc.

SEC File Number:

801- 54950

Date:

4/7/2008

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other Schedules)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Sunset Financial Management Inc.		IRS Empl. Ident. No.: 74-2831044
Item of Form (identify)	Answer	
1D	<p>Applicant provides a comprehensive financial management service, primarily to individuals. The service begins with an initial financial plan and is followed by continuous financial management, including investment management and ongoing financial and tax planning.</p> <p>The initial financial plan covers all of the areas typical to financial planning, as pertinent to each client, including planning for cash flow, taxes, risk management, estate planning, retirement or long-term planning and investment strategy. Ongoing services include discretionary investment management, annual financial planning updates, quarterly tax planning and providing financial advice as requested by the client. Discretionary investment management includes monitoring and adjusting portfolio allocations, selection of investments, and buy and sell execution.</p> <p>Applicant sometimes charges a separate, one-time flat fee for the initial financial planning. Upon completion of the financial plan, clients receive applicant's financial management service, wherein the recommendations of the plan are implemented and the clients' assets are monitored continuously. A \$500 deposit is required which is exhausted in the performance of initial financial planning services within three months. The remainder of the quoted fee is billed periodically as work is performed.</p> <p>A flat, annual retainer fee is negotiated annually for financial management services. This fee is billed quarterly in advance and is comprised of percentage-based charges for investment management and hourly-based charges for all planning work, but stated as a flat dollar amount. The percentage-based portion of the fee, for investment management, ranges from .35% to 1.0% of assets under management. The exact percentage is a function of portfolio size and investment strategy to be employed. Assets under management are initially determined based upon investment account statements dated within 90 days of the engagement. The hourly-based portion of the fee for planning work is calculated as \$150 an hour times the number of hours applicant believes it will spend on such work during an annual period. Fees are non-negotiable once agreed to. Applicant generally charges minimum retainer fees of \$5,000/year.</p> <p>Both applicant and client may terminate all work upon written notice to the other, as provided in applicant's client contract. Any unused portion of a fee paid in advance is refunded to the client in full, with no penalty.</p> <p>In addition to applicant's fee, clients who invest in mutual funds pay management fees assessed by the mutual fund company. Such expenses are collected from all investors in such funds.</p> <p>Clients are provided a copy of applicant's Form ADV Part II at least 48 hours prior to the signing of the client contract, or are given a full refund of any fees paid within five days of signing the contract if the ADV was provided at the time of signing and client desires to terminate the engagement.</p>	

(Complete amended pages in full, circle amended items and file with execution page (page 1).)

**Schedule F of
FORM ADV
Continuation Sheet for Form ADV Part II**

Applicant:
Sunset Financial Management
Inc.

SEC File Number:
801- 54950

Date:
4/7/2008

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other Schedules)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:

Sunset Financial Management Inc.

IRS Empl. Ident. No.:

74-2831044

Item of Form (identify)	Answer
1D	<p>Applicant's investment philosophy is that the asset allocation process is the primary determinant of successful portfolio performance, while security selection and market timing are secondary. Applicant establishes and maintains portfolios using certain asset classes, including cash and short term fixed income securities, intermediate- to long-term fixed income securities and/or high-yield or other special-opportunity fixed income securities, domestic equities (including large-cap, small-cap and real estate stocks), and foreign equities (including stocks of companies operating in developed countries as well as emerging markets).</p> <p>Applicant executes investments in these asset classes using either money market funds or individual securities (e.g., T-Bills or commercial paper) for cash positions, individual bonds (e.g., Treasuries, agencies, CMO's, term trusts, etc.) for short-term fixed income positions, and no-load or low-load mutual funds for high-yield fixed income securities and all equity positions. Mutual funds used may be either open-end or closed-end.</p> <p>In determining the investment strategy appropriate for a given client, risk tolerance, long-term financial requirements, and the client's tax profile are balanced and a portfolio of appropriate risk and return characteristics is proposed. At any time, as initiated by either the applicant or the client, the risk and return characteristics may be lowered or raised, as appropriate.</p>

(Complete amended pages in full, circle amended items and file with execution page (page 1).)

**Schedule F of
FORM ADV
Continuation Sheet for Form ADV Part II**

Applicant:
Sunset Financial Management
Inc.

SEC File Number:
801- 54950

Date:
4/7/2008

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other Schedules)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:

Sunset Financial Management Inc.

IRS Empl. Ident. No.:

74-2831044

Item of Form
(identify)

Answer

3L

Applicant may also provide investment advice concerning investment in public and private partnerships in equipment leasing, agricultural activities, research and development endeavors, real estate, and other investment activities.

Applicant may provide investment advice concerning other types of marketable investments such as gold, silver, etc. and other business activities in which a client is considering investing.

(Complete amended pages in full, circle amended items and file with execution page (page 1).)

**Schedule F of
FORM ADV
Continuation Sheet for Form ADV Part II**

Applicant:
Sunset Financial Management
Inc.

SEC File Number:
801- 54950

Date:
4/7/2008

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other Schedules)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:

Sunset Financial Management Inc.

IRS Empl. Ident. No.:

74-2831044

Item of Form
(identify)

Answer

5

At present, only Mr. Drucker gives investment advice to clients. It is the expectation of the firm that any future personnel giving investment advice will have at least an undergraduate degree and five years of experience in the financial services industry.

(Complete amended pages in full, circle amended items and file with execution page (page 1).)

**Schedule F of
FORM ADV
Continuation Sheet for Form ADV Part II**

Applicant:
Sunset Financial Management
Inc.

SEC File Number:
801- 54950

Date:
4/7/2008

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other Schedules)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:

Sunset Financial Management Inc.

IRS Empl. Ident. No.:

74-2831044

Item of Form (identify)	Answer
9E	Related persons occasionally purchase shares of mutual funds recommended to clients. Such purchases by either the client or the related person are immaterial to the total assets of the mutual fund and therefore preclude a conflict of interest. Clients' interests are always put first in the timing of any purchases of the same securities for the applicant's accounts. Applicant may buy simultaneously or after purchases made for clients.

(Complete amended pages in full, circle amended items and file with execution page (page 1)).

**Schedule F of
FORM ADV
Continuation Sheet for Form ADV Part II**

Applicant:

SEC File Number:

Date:

801- 54950

4/7/2008

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other Schedules)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:

IRS Empl. Ident. No.:

Item of Form (identify)	Answer
12A	<p>Clients give applicant discretionary, limited trading authority and applicant carries out all trades subject to that authority.</p> <p>Authority to determine which and amount of securities to be traded: applicant's clients provide it with a limited trading authority that allows it to place trades in the client's accounts without prior permission. The only time applicant may release funds from the client's account to a party other than the account holder is when the following conditions are met: 1) the client gives written permission to the custodian to deduct fees at the written direction of applicant, 2) client and custodian receive copies of the invoice simultaneously which shows the fee amount to be deducted and how the fee was figured, and 3) custodian's quarterly statement shows deduction of fee in listing of account's disbursements for the quarter. Applicant does not and will not have custody of client's funds or securities.</p> <p>The overall reasonableness of brokerage commissions paid will be determined by both the broker's commission schedule and by the advisor's estimate of reasonableness based upon advisor's experience with commissions charged for the expected volume of transactions.</p> <p>Unless otherwise appropriate, applicant will suggest Charles Schwab & Company, Inc., a discount broker, as sole custodian for client's assets. Applicant has negotiated significant commission discounts for clients over retail rates with Schwab. However, in some cases, an alternative custodian may be deemed more appropriate.</p> <p>On occasion, applicant may use a full-commission brokerage firm for a specific trade when the desired security is not otherwise available at Schwab (e.g., a specific bond issue).</p> <p>Applicant participates in Prime Broker, a Schwab program that allows applicant to purchase securities for client through another brokerage firm without requiring client to have an account at the brokerage firm. Client may pay a nominal fee per transaction for the Prime Broker service. Applicant obtains client approval to participate in Prime Broker.</p> <p>Applicant may batch client securities transactions for execution. This practice often results in a lower transaction cost for the client and can facilitate implementation of the client's investment plan. Applicant may include personal transactions in batch transactions.</p>

(Complete amended pages in full, circle amended items and file with execution page (page 1)).

**Schedule F of
FORM ADV
Continuation Sheet for Form ADV Part II**

Applicant:

SEC File Number:

Date:

801- 54950

4/7/2008

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other Schedules)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:

IRS Empl. Ident. No.:

Item of Form (identify)	Answer
10	Fees are constructed as explained above in Schedule F pertaining to Part II, Item 10. Different clients pay different fees as warranted by their circumstances. However, each client's fee is calculated according to consistently applied principles. Within this framework, the minimum annual retainer for new clients may be raised from time to time. It is contemplated that new clients to be served after the date of this ADV will be primarily those for whom a minimum annual retainer of \$5,000 is appropriate. Client is free to accept or reject this minimum based upon the perceived value of the services to be received, as explained in Schedule F, Part II, 10.

(Complete amended pages in full, circle amended items and file with execution page (page 1).)