

JMP Group Inc.  
Form 10-Q  
November 03, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2011 OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-33448

**JMP Group Inc.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or Other Jurisdiction of

**20-1450327**  
(I.R.S. Employer

**Incorporation or Organization)**

**Identification No.)**

**600 Montgomery Street, Suite 1100, San Francisco, California 94111**

(Address of principal executive offices)

**Registrant's telephone number: (415) 835-8900**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares of the Registrant's common stock, par value \$0.001 per share, outstanding as of October 31, 2011 was 22,059,644.

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**AVAILABLE INFORMATION**

JMP Group Inc. is required to file current, annual and quarterly reports, proxy statements and other information required by the Securities Exchange Act of 1934, as amended (the Exchange Act), with the Securities and Exchange Commission (the SEC). You may read and copy any document JMP Group Inc. files with the SEC at the SEC's Public Reference Room located at 100 F Street, N.E., Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an internet website at <http://www.sec.gov>, from which interested persons can electronically access JMP Group Inc.'s SEC filings.

JMP Group Inc. provides its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, Forms 3, 4 and 5 filed by or on behalf of directors, executive officers and certain large stockholders, and any amendments to those documents filed or furnished pursuant to the Exchange Act on the Investor Relations section of its website located at <http://www.jmpg.com>. These filings will become available as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC.

JMP Group Inc. also makes available, in the Investor Relations section of its website and will provide print copies to stockholders upon request, (i) its corporate governance guidelines, (ii) its code of business conduct and ethics, and (iii) the charters of the audit, compensation, and corporate governance and nominating committees of its board of directors. These documents, as well as the information on the website of JMP Group Inc., are not intended to be part of this quarterly report.

**Table of Contents****PART I. FINANCIAL INFORMATION****ITEM 1. Financial Statements****JMP Group Inc.****Consolidated Statements of Financial Condition****(Unaudited)****(Dollars in thousands, except per share data)**

	September 30, 2011	December 31, 2010
<b>Assets</b>		
Cash and cash equivalents	\$ 67,720	\$ 71,114
Restricted cash and deposits (includes cash on deposit with clearing broker of \$255 at September 30, 2011 and December 31, 2010)	31,829	47,718
Receivable from clearing broker	2,009	1,331
Investment banking fees receivable, net of allowance for doubtful accounts of zero at September 30, 2011 and December 31, 2010	5,452	9,764
Marketable securities owned, at fair value	24,781	23,748
Incentive fee receivable	3,066	763
Other investments (of which \$47,696 and \$38,672 at fair value at September 30, 2011 and December 31, 2010, respectively)	47,927	38,702
Loans held for sale	2,943	0
Loans held for investment, net of allowance for loan losses	0	813
Small business loans, net of allowance for loan losses	1,953	0
Loans collateralizing asset-backed securities issued, net of allowance for loan losses	427,028	400,763
Interest receivable	1,042	1,163
Fixed assets, net	2,220	1,481
Deferred tax assets	24,279	32,507
Other assets	4,713	7,998
<b>Total assets</b>	<b>\$ 646,962</b>	<b>\$ 637,865</b>
<b>Liabilities and Equity</b>		
<b>Liabilities:</b>		
Marketable securities sold, but not yet purchased, at fair value	\$ 10,958	\$ 10,669
Accrued compensation	32,988	37,424
Asset-backed securities issued	373,719	351,322
Interest payable	577	570
Note payable	21,406	26,209
Deferred tax liability	26,329	36,176
Other liabilities	33,392	33,443
<b>Total liabilities</b>	<b>499,369</b>	<b>495,813</b>
Redeemable Noncontrolling Interest	11	0
<b>Commitments and Contingencies</b>		
<b>JMP Group Inc. Stockholders' Equity</b>		
Common stock, \$0.001 par value, 100,000,000 shares authorized; 22,409,644 and 22,069,741 shares issued at September 30, 2011 and December 31, 2010, respectively; 22,146,713 and 21,737,367 shares outstanding at September 30, 2011 and December 31,	22	22

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2010, respectively		
Additional paid-in capital	123,801	128,151
Treasury stock, at cost, 262,931 and 332,374 shares at September 30, 2011 and December 31, 2010, respectively	(1,717)	(2,210)
Accumulated other comprehensive loss	(114)	(63)
Retained earnings	6,456	4,696
Total JMP Group Inc. stockholders' equity	128,448	130,596
Nonredeemable Noncontrolling Interest	19,134	11,456
Total equity	147,582	142,052
Total liabilities and equity	\$ 646,962	\$ 637,865

See accompanying notes to consolidated financial statements.

**Table of Contents****JMP Group Inc.****Consolidated Statements of Financial Condition - (Continued)****(Unaudited)****(Dollars in thousands, except per share data)**

Assets and liabilities of consolidated variable interest entities ( VIE ) included in total assets and total liabilities above:

	<b>September 30, 2011</b>	<b>December 31, 2010</b>
Restricted cash	\$ 17,934	\$ 23,821
Loans held for sale	2,943	0
Loans collateralizing asset-backed securities issued, net of allowance for loan losses	427,028	400,763
Interest receivable	1,029	1,162
Deferred tax assets	8,901	15,685
Other assets	74	41
<b>Total assets of consolidated VIE</b>	<b>\$ 457,909</b>	<b>\$ 441,472</b>
Asset-backed securities issued	373,719	351,322
Interest payable	538	545
Deferred tax liability	24,984	34,110
Other liabilities	1,658	379
<b>Total liabilities of consolidated VIE</b>	<b>\$ 400,899</b>	<b>\$ 386,356</b>

The asset-backed securities issued by the VIE are limited recourse obligations payable solely from cash flows of the loans collateralizing them and related collection and payment accounts pledged as security. Accordingly, only the assets of the VIE can be used to settle the obligations of the VIE.

See accompanying notes to consolidated financial statements.

**Table of Contents****JMP Group Inc.****Consolidated Statements of Operations****(Unaudited)****(In thousands, except per share data)**

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>Revenues</b>				
Investment banking	\$ 10,048	\$ 12,332	\$ 40,332	\$ 28,436
Brokerage	6,898	5,895	19,370	21,255
Asset management fees	5,694	3,283	14,893	9,316
Principal transactions	(6,290)	1,055	(106)	2,887
Gain on sale and payoff of loans	1,373	6,990	14,981	26,231
Net dividend income	322	357	870	1,472
Other income	1,026	292	2,536	1,095
<b>Non-interest revenues</b>	<b>19,071</b>	<b>30,204</b>	<b>92,876</b>	<b>90,692</b>
<b>Interest income</b>	<b>7,451</b>	<b>11,502</b>	<b>25,799</b>	<b>36,083</b>
<b>Interest expense</b>	<b>(9,024)</b>	<b>(8,539)</b>	<b>(26,460)</b>	<b>(25,089)</b>
<b>Net interest (expense) income</b>	<b>(1,573)</b>	<b>2,963</b>	<b>(661)</b>	<b>10,994</b>
<b>Provision for loan losses</b>	<b>(123)</b>	<b>(509)</b>	<b>(477)</b>	<b>(964)</b>
<b>Total net revenues after provision for loan losses</b>	<b>17,375</b>	<b>32,658</b>	<b>91,738</b>	<b>100,722</b>
<b>Non-interest expenses</b>				
Compensation and benefits	15,970	19,361	66,218	65,474
Administration	2,246	1,328	5,060	4,324
Brokerage, clearing and exchange fees	1,275	1,177	3,552	3,752
Travel and business development	1,107	711	2,568	2,632
Communications and technology	1,013	990	2,929	3,136
Occupancy	774	672	2,216	1,994
Professional fees	806	818	2,311	2,606
Depreciation	192	158	529	495
Impairment loss on purchased management contract	0	2,750	700	2,750
Other	105	137	343	