

JMP Group Inc.
Form 10-Q
November 01, 2012

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, 2012 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)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

20-1450327
(I.R.S. Employer
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

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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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if a 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, 2012 was 22,649,943.

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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 free of charge 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.

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, 2012	December 31, 2011
Assets		
Cash and cash equivalents	\$59,690	\$70,363
Restricted cash and deposits (includes cash on deposit with clearing broker of \$150 and \$255 at September 30, 2012 and December 31, 2011, respectively)	63,461	48,440
Receivable from clearing broker	1,113	1,138
Investment banking fees receivable, net of allowance for doubtful accounts of zero at September 30, 2012 and December 31, 2011	9,254	2,539
Marketable securities owned, at fair value	14,482	24,309
Incentive fee receivable	477	2,097
Other investments (of which \$75,785 and \$51,517 are recorded at fair value at September 30, 2012 and December 31, 2011, respectively)	76,288	51,706
Loans held for sale	3,219	2,957
Small business loans, net of allowance for loan losses	24,645	7,477
Loans collateralizing asset-backed securities issued, net of allowance for loan losses	402,241	410,770
Interest receivable	1,575	1,358
Fixed assets, net	2,810	2,285
Deferred tax assets	16,650	26,221
Other assets	8,577	8,961
Total assets	\$684,482	\$660,621
Liabilities and Equity		
Liabilities:		
Marketable securities sold, but not yet purchased, at fair value	\$11,383	\$10,921
Accrued compensation	32,517	38,143
Asset-backed securities issued	406,461	381,556
Interest payable	647	651
Note payable	22,657	19,222
Deferred tax liability	12,736	23,214
Other liabilities	24,271	30,430
Total liabilities	510,672	504,137
Redeemable Non-controlling Interest	161	50
Commitments and Contingencies		
JMP Group Inc. Stockholders' Equity		
Common stock, \$0.001 par value, 100,000,000 shares authorized; 22,780,052 and 22,409,644 shares issued at September 30, 2012 and December 31, 2011,	23	22

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respectively; 22,705,994 and 21,947,353 shares outstanding at September 30, 2012 and December 31, 2011, respectively

Additional paid-in capital	126,632	132,944
Treasury stock, at cost, 74,058 and 462,291 shares at September 30, 2012 and December 31, 2011, respectively	(420)	(3,011)
Accumulated other comprehensive loss	(68)	(102)
Accumulated deficit	(5,376)	(148)
Total JMP Group Inc. stockholders' equity	120,791	129,705
Nonredeemable Non-controlling Interest	52,858	26,729
Total equity	173,649	156,434
Total liabilities and equity	\$684,482	\$660,621

See accompanying notes to consolidated financial statements.

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:

	September 30, 2012	December 31, 2011
Restricted cash	\$50,800	\$36,137
Loans held for sale	3,219	2,957
Loans collateralizing asset-backed securities issued, net of allowance for loan losses	402,241	410,770
Interest receivable	1,164	1,191
Deferred tax assets	4,367	8,567
Other assets	55	40
Total assets of consolidated VIE	\$461,846	\$459,662
Asset-backed securities issued	406,461	381,556
Interest payable	589	601
Deferred tax liability	11,761	21,791
Other liabilities	3,253	2,042
Total liabilities of consolidated VIE	\$422,064	\$405,990

The asset-backed securities issued ("ABS") 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.

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JMP Group Inc.

Consolidated Statements of Operations
(Unaudited)
(In thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Revenues				
Investment banking	\$12,218	\$10,048	\$38,010	\$40,332
Brokerage	5,371	6,898	16,275	19,370
Asset management fees	3,755	5,694	10,721	14,893
Principal transactions	(1,955)	(6,290)	12,309	(106)
Gain on sale and payoff of loans	204	1,373	2,643	14,981
Net dividend (expense) income	(2)	322	(25)	870
Other income	365	1,026	3,507	2,536
Non-interest revenues	19,956	19,071	83,440	92,876
Interest income				
Interest income	8,333	7,451	24,051	25,799
Interest expense	(10,087)	(9,024)	(29,573)	(26,460)
Net interest expense	(1,754)	(1,573)	(5,522)	(661)
Provision for loan losses				
Provision for loan losses	(71)	(123)	(1,812)	(477)
Total net revenues after provision for loan losses	18,131	17,375	76,106	91,738
Non-interest expenses				
Compensation and benefits	17,358	15,970	55,833	66,218
Administration	1,645	2,246	4,604	5,060
Brokerage, clearing and exchange fees	902	1,275	2,656	3,552
Travel and business development	746	1,107	2,435	2,568
Communications and technology	909	1,013	2,642	2,929
Occupancy	814	774	2,352	2,216
Professional fees	967	806	2,324	2,311
Depreciation	227	192	642	529
Impairment loss on purchased management contract	-	-	-	700
Other	67	105	282	343
Total non-interest expenses	23,635	23,488	73,770	86,426
Income (loss) before income tax expense	(5,504)	(6,113)	2,336	5,312
Income tax (benefit) expense	(894)	(1,410)	(1,547)	2,354
Net (loss) income	(4,610)	(4,703)	3,883	2,958
Less: Net (loss) income attributable to nonredeemable non-controlling interest	(2,934)	(3,080)	6,832	(475)
Net (loss) income attributable to JMP Group Inc.	\$(1,676)	\$(1,623)	\$(2,949)	\$3,433
Net (loss) income attributable to JMP Group Inc. per common share:				
Basic	\$(0.07)	\$(0.07)	\$(0.13)	\$0.15

Diluted	\$ (0.07)	\$ (0.07)	\$ (0.13)	\$ 0.15
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