

JMP Group Inc.  
Form 10-Q  
June 21, 2007  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

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(Mark One)

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

For the quarterly period ended March 31, 2007

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

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**JMP Group Inc.**

(Exact name of registrant as specified in its charter)

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Delaware  
(State or Other Jurisdiction)

of Incorporation or Organization)

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

(Address of principal executive offices)

20-1450327  
(I.R.S. Employer

Identification No.)

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

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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 is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer

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 June 21, 2007 was 22,025,341.

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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 (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. will make available free of charge through its internet site <http://www.jmpg.com>, via a link to the SEC's internet site at <http://www.sec.gov>, 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. 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, its (i) 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. You will need to have Adobe Reader software installed on your computer to view these documents, which are in PDF format. These documents, as well as the information on the website of JMP Group Inc., are not a part of this quarterly report.

**Table of Contents****PART I. FINANCIAL INFORMATION****ITEM 1. Financial Statements****JMP GROUP LLC AND SUBSIDIARIES****Consolidated Statements of Financial Condition****March 31, 2007 and December 31, 2006**

	<b>March 31, 2007</b>	<b>December 31, 2006</b>	
	<b>(unaudited)</b>		
<b>Assets</b>			
Cash and cash equivalents	\$ 38,180,141	\$	52,328,804
Restricted cash and deposits (includes cash on deposit with clearing broker of \$255,336 at March 31, 2007 and December 31, 2006 ) (Note 12)	9,258,945		8,894,303
Receivable from clearing broker	1,884,472		1,519,623
Investment banking fees receivable, net of allowance for doubtful accounts of \$23,730 and \$294,905, respectively	4,035,629		7,962,260
Marketable securities owned, at market value (Note 4)	12,605,068		11,949,187
Other investments (Note 4)	16,286,858		15,244,523
Fixed assets, net (Note 5)	2,290,234		2,625,402
Other assets	3,887,578		3,174,901
Total assets	\$ 88,428,925	\$	103,699,003
		<b>Pro Forma</b>	
		<b>March 31,</b>	
		<b>2007</b>	
		<b>(unaudited)</b>	
		<b>(Note 20)</b>	
<b>Liabilities and Members Equity</b>			
<b>Liabilities</b>			
Marketable securities sold, but not yet purchased, at market value	\$ 8,013,967	\$ 8,013,967	\$ 7,480,889
Accrued compensation	7,465,270	7,465,270	26,446,917
Other liabilities	7,074,973	7,074,973	4,366,157
Distribution payable	14,400,000		
Redeemable Class A member interests (Note 7)	11,885,218	11,885,218	12,913,769
Total liabilities	48,839,428	34,439,428	51,207,732
<b>Commitments and contingencies (Note 12 and 15)</b>			
Minority interest	6,095,733	6,095,733	5,739,459
<b>Members Equity (Note 9)</b>			
Class A common interests	12,263,020	12,263,020	11,861,848
Class B common interests	31,650,177	31,650,177	31,650,177
Additional paid in capital stock options	810,124	810,124	268,635
(Distributions in excess of accumulated earnings)/Retained earnings	(11,229,557)	3,170,443	2,971,152
Total members equity	33,493,764	47,893,764	46,751,812

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Total liabilities and members equity	\$ 88,428,925	\$ 88,428,925	\$ 103,699,003
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See accompanying notes to consolidated financial statements.

**Table of Contents****JMP GROUP LLC AND SUBSIDIARIES****Consolidated Statements of Income****Three Months ended March 31, 2007 and 2006****(Dollars except share and per share data)**

	<b>Three Months Ended March 31,</b>	
	<b>2007 (unaudited)</b>	<b>2006 (unaudited)</b>
<b>Revenues</b>		
Investment banking	\$ 11,493,259	\$ 10,386,450
Brokerage	8,631,567	6,887,174
Asset management fees	888,038	889,571
Principal transactions	(68,214)	125,210
Interest and dividends	770,892	460,930
Other income	198,075	24,698
<b>Total revenues</b>	<b>21,913,617</b>	<b>18,774,033</b>
<b>Expenses</b>		
Compensation and benefits	12,830,903	11,399,755
Income allocation and accretion    Redeemable Class A member interests	3,049,535	1,832,132
Administration	1,000,298	1,273,473
Brokerage, clearing and exchange fees	1,138,647	910,581
Travel and business development	696,986	736,366
Communications and technology	941,400	801,423
Occupancy	466,391	446,776
Professional fees	225,416	200,662
Depreciation	356,517	420,168
Interest and dividend expense	504,178	341,260
Other	(257,413)	(702)
<b>Total expenses</b>	<b>20,952,858</b>	<b>18,361,894</b>
Income before minority interest	960,759	412,139
Minority interest	135,478	
<b>Net income attributable to Class A and Class B common interests</b>	<b>\$ 825,281</b>	<b>\$ 412,139</b>
<b>Net income per unit-Class A common interests</b>		
Basic	\$ 0.18	\$ 0.11
Diluted	\$ 0.17	\$ 0.11
<b>Weighted average units outstanding-Class A common interests</b>		
Basic	2,381,410	1,430,846
Diluted	2,440,524	1,430,846
<b>Net income per unit-Class B common interests</b>		
Basic	\$ 0.18	\$ 0.11
Diluted	\$ 0.17	\$ 0.11
<b>Weighted average units outstanding-Class B common interests</b>		
Basic	2,300,000	2,300,000
Diluted	2,357,093	2,300,000

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### **Pro Forma Consolidated Statement of Income Information C-Corp (unaudited) (Note 20):**

Total revenues	\$ 21,913,617
Pro forma total expenses	18,946,415
Minority interest	135,478
Pro forma income before tax	2,831,724
Pro forma taxes (42.0% assumed tax rate)	(1,189,324)
Pro forma net income	\$ 1,642,400
Basic net income per share:	
Pro forma	\$ 0.11
Pro forma as adjusted	\$ 0.10
Pro forma weighted average shares of common stock outstanding:	
Pro forma	14,800,035
Pro forma as adjusted	16,331,532

See accompanying notes to consolidated financial statements.

**Table of Contents****JMP GROUP LLC AND SUBSIDIARIES****Consolidated Statements of Cash Flows****Three Months ended March 31, 2007 and 2006**

	<b>Three Months Ended March 31,</b>	
	<b>2007</b>	<b>2006</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Cash flows from operating activities</b>		
Net income attributable to Class A and Class B common interests	\$ 825,281	\$ 412,139
Adjustments to reconcile net income to net cash used in operating activities		
Provision for doubtful accounts	(261,985)	849
Change in fair value of other investments	(594,031)	(785,761)
Depreciation and amortization of fixed assets	356,517	420,168
Minority interest	135,478	
Stock based compensation expense	562,289	21,278
Net change in operating assets and liabilities		
Decrease / (increase) in receivables	3,823,767	(2,012,835)
Increase in marketable securities	(655,881)	(1,552,033)
Increase in restricted cash, deposits and other assets	(1,077,319)	(1,054,680)
Increase in marketable securities sold, but not yet purchased	533,078	291,242
Decrease in accrued compensation and other liabilities	(16,272,831)	(22,219,574)
Decrease in Redeemable Class A member interests	(627,382)	(1,984,058)
Net cash used in operating activities	(13,253,019)	(28,463,265)
<b>Cash flows from investing activities</b>		
Purchases of fixed assets	(21,349)	(217,401)
Purchases of other investments	(700,000)	(990,558)
Sales of other investments	251,696	3,085,577
Net cash (used in) provided by investing activities	(469,653)	1,877,618
<b>Cash flows from financing activities</b>		
Distributions paid to Class A and Class B common interests	(625,991)	(1,666,619)
Capital contributions of minority interest members	200,000	
Net cash used in financing activities	(425,991)	(1,666,619)
Net decrease in cash and cash equivalents	(14,148,663)	(28,252,266)
Cash and cash equivalents, beginning of period	52,328,804	61,724,672
Cash and cash equivalents, end of period	\$ 38,180,141	\$ 33,472,406
<b>Supplemental disclosures of cash flow information</b>		
Cash paid during the period for interest	\$ 487,063	\$ 339,951
<b>Noncash financing activities</b>		
Issuance of Class A common interests	401,172	
Issuance of JMPRT common stock	20,800	
See accompanying notes to consolidated financial statements.		



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**JMP GROUP LLC AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2007**

**(unaudited)**

**1. Organization and Description of Business**

JMP Group LLC, a Delaware limited liability company (the Company), was formed on April 12, 1999. The Company's original name, Jolson Merchant Partners LLC, was changed to Jolson Merchant Partners Group LLC, effective January 1, 2000, and in June 2004, it was changed to JMP Group LLC. As of March 31, 2007, the Company operated pursuant to its Third Amended and Restated Limited Liability Company Operating Agreement dated as of August 18, 2004, as amended (the Operating Agreement).

The Company has historically conducted its business through a multi-member limited liability company. Effective May 16, 2007, the Company, in connection with the initial public offering of JMP Group Inc., effected an exchange of all the outstanding membership interests of the Company for shares of common stock of JMP Holdings Inc., a Delaware corporation. JMP Holdings Inc. changed its name to JMP Group Inc. As a result of the exchange, the Company became JMP Group Inc.'s wholly-owned subsidiary and JMP Group Inc. completed its initial public offering on May 16, 2007. This reorganization is described in greater detail in the Registration Statement on Form S-1 (File No. 333-140689) filed with the Securities and Exchange Commission (SEC) in connection with the initial public offering.

The Company conducts its brokerage business through its wholly owned subsidiary, JMP Securities LLC (JMP Securities) and its asset management business through its wholly owned subsidiary, JMP Asset Management LLC (JMPAM). JMP Securities is a U.S. registered broker-dealer under the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers, Inc. JMP Securities operates as an introducing broker and does not hold funds or securities for, or owe any money or securities to customers, and does not carry accounts for customers. All customer transactions are cleared through another broker-dealer on a fully disclosed basis. JMPAM is a registered investment advisor under the Inv