

JMP Group Inc.
Form 10-Q
August 01, 2013

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 June 30, 2013 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 **20-1450327**
(State or Other Jurisdiction of (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

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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 July 31, 2013
was 22,002,803

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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)**

	June 30, 2013	December 31, 2012
Assets		
Cash and cash equivalents	\$53,330	\$ 67,075
Restricted cash and deposits (includes cash on deposit with clearing broker of \$150 at both June 30, 2013 and December 31, 2012)	167,019	69,813
Receivable from clearing broker	1,848	1,117
Investment banking fees receivable, net of allowance for doubtful accounts of zero at June 30, 2013 and December 31, 2012	13,654	5,148
Marketable securities owned, at fair value	17,715	14,347
Incentive fee receivable	1,061	2,945
Other investments (of which \$156,403 and \$80,945 are recorded at fair value at June 30, 2013 and December 31, 2012, respectively)	156,557	81,161
Loans held for sale	6,779	3,134
Small business loans	-	38,934
Loans collateralizing asset-backed securities issued, net of allowance for loan losses	633,353	401,003
Interest receivable	1,152	1,229
Fixed assets, net	2,412	2,663
Deferred tax assets	9,472	13,087
Other assets	16,877	8,206
Total assets	\$1,081,229	\$ 709,862
Liabilities and Equity		
Liabilities:		
Marketable securities sold, but not yet purchased, at fair value	\$11,876	\$ 11,567
Accrued compensation	25,778	20,256
Asset-backed securities issued	742,709	415,456
Interest payable	2,563	588
Note payable	19,368	10,486

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Line of credit	-	28,227
Bond payable	46,000	-
Deferred tax liability	3,706	9,775
Other liabilities	22,513	26,203
Total liabilities	874,513	522,558
Redeemable Non-controlling Interest	-	161
Commitments and Contingencies		
JMP Group Inc. Stockholders' Equity		
Common stock, \$0.001 par value, 100,000,000 shares authorized; 22,780,052 shares issued at both June 30, 2013 and December 31, 2012; 22,138,483 and 22,591,649 shares outstanding at June 30, 2013 and December 31, 2012	23	23
Additional paid-in capital	130,279	128,318
Treasury stock, at cost, 641,569 and 188,403 shares at June 30, 2013 and December 31, 2012, respectively	(3,973)	(1,007)
Accumulated other comprehensive loss	(27)	(55)
Accumulated deficit	(5,182)	(408)
Total JMP Group Inc. stockholders' equity	121,120	126,871
Nonredeemable Non-controlling Interest	85,596	60,272
Total equity	206,716	187,143
Total liabilities and equity	\$1,081,229	\$ 709,862

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 ("VIEs") included in total assets and total liabilities above:

	June 30, 2013	December 31, 2012
Cash and cash equivalents	\$ 183	\$ -
Restricted cash	154,939	56,968
Loans held for sale	6,779	3,134
Loans collateralizing asset-backed securities issued, net of allowance for loan losses	633,353	401,003
Interest receivable	1,400	1,062
Incentive fees receivable	495	-
Deferred tax assets	3,061	3,387
Other assets	3,183	32
Total assets of consolidated VIE	\$ 803,393	\$ 465,586
Asset-backed securities issued	742,709	415,456
Note payable	2,500	-
Interest payable	1,759	542
Deferred tax liability	2,709	8,437
Other liabilities	4,915	3,573
Total liabilities of consolidated VIE	\$ 754,592	\$ 428,008

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.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenues				
Investment banking	\$21,057	\$9,133	\$33,164	\$25,792
Brokerage	6,980	5,412	12,174	10,904
Asset management fees	3,527	3,492	10,278	6,966
Principal transactions	2,292	7,780	4,209	14,264
Gain on sale and payoff of loans and mark-to-market of loans	336	1,405	1,425	2,452
Net dividend expense	55	(9)	47	(23)
Other income	26	2,407	314	3,142
Non-interest revenues	34,273	29,620	61,611	63,497
Interest income	7,711	8,260	15,869	15,718
Interest expense	(10,105)	(9,878)	(21,404)	(19,486)
Net interest expense	(2,394)	(1,618)	(5,535)	(3,768)
Provision for loan losses	(975)	(1,107)	(1,924)	(1,200)
Total net revenues after provision for loan losses	30,904	26,895	54,152	58,529
Non-interest expenses				
Compensation and benefits	24,776	16,704	44,381	38,475
Administration	4,005	1,709	5,336	2,959
Brokerage, clearing and exchange fees	1,025	858	1,912	1,754
Travel and business development	1,039	987	1,997	1,689
Communications and technology	832	825	1,685	1,733
Occupancy	808	721	1,612	1,538
Professional fees	812	718	1,836	1,357
Depreciation	238	217	464	415
Other	224	(51)	307	215
Total non-interest expenses	33,759	22,688	59,530	50,135
(Loss) income before income tax expense	(2,855)	4,207	(5,378)	8,394
Income tax benefit	(644)	(920)	(1,456)	(539)
Net (loss) income	(2,211)	5,127	(3,922)	8,933
Less: Net (loss) income attributable to nonredeemable non-controlling interest	(776)	6,765	(768)	10,197

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Loss attributable to JMP Group Inc.	\$ (1,435)	\$ (1,638)	\$ (3,154)	\$ (1,264)
Net loss attributable to JMP Group Inc. per common share:				
Basic	\$ (0.06)	\$ (0.07)	\$ (0.14)	\$ (0.06)
Diluted	\$ (0.06)	\$ (0.07)	\$ (0.14)	\$ (0.06)
Dividends declared per common share	\$ 0.035	\$ 0.035	\$ 0.070	\$ 0.065
Weighted average common shares outstanding:				
Basic	22,199	22,772	22,402	22,476
Diluted	22,199	22,772	22,402	22,476

See accompanying notes to consolidated financial statements.

JMP Group Inc.**Consolidated Statements of Comprehensive Income****(Unaudited)****(In thousands)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net (loss) income	\$(2,211)	\$5,127	\$(3,922)	\$8,933
Other comprehensive income (loss)				
Unrealized gain on cash flow hedge, net of tax	14	8	28	20
Comprehensive (loss) income	(2,197)	5,135	(3,894)	8,953
Less: Comprehensive (loss)/income attributable to non-controlling interest	(776)	6,765	(768)	10,197
Comprehensive (loss) income attributable to JMP Group Inc.	\$(1,421)	\$(1,630)	\$(3,126)	\$(1,244)

JMP Group Inc.**Consolidated Statement of Changes in Equity****(Unaudited)****(In thousands)**

	JMP Group Inc. Stockholders' Equity							
	Common Stock	Treasury	Additional Paid-In	Accumulated Deficit	Accumulated Other Comprehensive Loss	Nonredeemable Non-controlling Interest	Total Equity	
	Shares	Amount	Stock	Capital	Deficit	Loss	Interest	Total Equity
Balance, December 31, 2012	22,780	\$ 23	\$(1,007)	\$ 128,318	\$ (408)	\$ (55)	\$ 60,272	\$ 187,143

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Net loss	-	-	-	-	(3,154)	-	(768)	(3,922)
Additional paid-in capital - stock-based compensation	-	-	-	1,887	-	-	-	1,887
Dividends and dividend equivalents declared on common stock and restricted stock units	-	-	-	-	(1,620)	-	-	(1,620)
Purchases of shares of common stock for treasury	-	 						