

JMP Group Inc.
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November 03, 2014
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934

Filed by the Registrant

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Check the appropriate box:

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- Definitive Proxy Statement
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JMP Group Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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Proxy Statement/Prospectus

Restructuring Proposal—Your Vote Is Important

Dear JMP Group Inc. Stockholder:

The directors and officers of JMP Group Inc. join me in extending to you a cordial invitation to attend a special meeting of our stockholders on December 1, 2014, at 11:00 a.m., local time, at our corporate headquarters at 600 Montgomery Street, Suite 1100, San Francisco, CA. Enclosed you will find the notice of meeting, proxy statement/prospectus and proxy card.

I am pleased to report that the JMP Group Inc. board of directors has approved a restructuring plan to cause JMP Group Inc., currently a publicly-traded Delaware corporation, to become a subsidiary of a recently formed Delaware limited liability company that will become publicly-traded as a result of the transactions described herein. We refer to this restructuring plan and certain related transactions as the Reorganization Transaction. The recently formed Delaware limited liability company that will become publicly traded is intended to be a pass-through entity for U.S. federal income tax purposes and will maintain the existence of JMP Group Inc. as a subsidiary.

The Reorganization Transaction will be implemented through a series of steps including, among other things, the merger of JMP Merger Corp., a recently formed Delaware corporation and indirect wholly-owned subsidiary of ours, with and into JMP Group Inc., pursuant to an agreement and plan of merger, or the “merger agreement.” In the merger, each share of JMP Group Inc. common stock you own will be converted and exchanged into one share representing a limited liability company interest in JMP Group LLC. The number of JMP Group LLC shares you will own following the merger will be the same as the number of JMP Group Inc. shares you own immediately prior to the merger, and your relative economic ownership in the company will remain unchanged.

Following the merger, JMP Group LLC will hold, through its subsidiaries, including JMP Group Inc., the assets currently held by JMP Group Inc. We expect that JMP Group LLC will issue approximately 20,551,582 shares in the merger, based on the number of outstanding shares of JMP Group Inc. common stock as of October 28, 2014. We will apply to have the shares of JMP Group LLC listed on the New York Stock Exchange under the symbol “JMP.”

At the special meeting, JMP Group Inc. will ask you to approve the merger under the agreement and plan of merger among JMP Group Inc., JMP Merger Corp. and JMP Group LLC.

The JMP Group Inc. board of directors has determined that becoming a subsidiary of a limited liability company, and completing the other transactions described in this proxy statement/prospectus, is advisable and in the best interests of JMP Group Inc. and its stockholders. The JMP Group Inc. board of directors believes that the Reorganization Transaction is beneficial because, among other things, conversion to a limited liability company structure will enable it to be classified as a partnership for federal tax purposes. JMP Group Inc. stockholder approval is not required for the Reorganization Transaction other than the merger, and you are only being asked to vote on the adoption of the agreement and plan of merger.

We cannot complete the merger and the Reorganization Transaction unless the holders of at least a majority of the issued and outstanding shares of JMP Group Inc. common stock entitled to cast votes on the merger vote in favor of the merger. **Your board of directors has approved the merger agreement, the merger and the Reorganization Transaction and determined that the merger agreement, the merger and the Reorganization Transaction are advisable and in the best interests of JMP Group Inc. and its stockholders and recommends that you vote “FOR” the approval of the merger.**

It is very important that your shares be represented at the special meeting, whether or not you plan to attend personally. Therefore, you should complete and sign the enclosed proxy card and return it as soon as possible in the enclosed postage-paid envelope. This will ensure that your shares are represented at the special meeting.

This proxy statement/prospectus provides you with detailed information about the merger, the Reorganization Transaction and the special meeting. **We encourage you to read carefully this entire proxy statement/prospectus, including all its annexes, and we especially encourage you to read the sections entitled “Risk Factors” and “Material U.S. Federal Income Tax Considerations” of this proxy statement/prospectus.**

Sincerely,

Joseph A. Jolson
Chairman and Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the securities or passed upon the accuracy or adequacy of the disclosures contained in this proxy statement/prospectus. Any representation to the contrary is a criminal offense.

This proxy statement/prospectus is dated October 31, 2014, and is being first mailed to stockholders on or about October 31, 2014.

JMP Group Inc.
600 Montgomery Street, Suite 1100
San Francisco, CA 94111

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON DECEMBER 1, 2014

NOTICE IS HEREBY GIVEN that a special meeting of JMP Group Inc. will be held at our corporate headquarters at 600 Montgomery Street, Suite 1100, San Francisco, CA 94111 on December 1, 2014 at 11:00 a.m., local time, unless postponed or adjourned to a later date. This special meeting will be held to consider and vote on the following matters:

(1) a proposal to approve the merger under the agreement and plan of merger dated August 20, 2014 among JMP Group Inc., JMP Merger Corp., a recently formed Delaware corporation, and JMP Group LLC, a recently formed Delaware limited liability company; and

(2) to transact any other business that is properly brought before the special meeting or at any adjournments or postponements thereof.

The proposed merger is being undertaken in connection with our restructuring plan to cause JMP Group Inc. to become a subsidiary of a Delaware limited liability company. JMP Group Inc. reserves the right to cancel or defer the merger at any time and for any reason, even if stockholders of JMP Group Inc. vote to approve the merger and the other conditions to the completion of the merger are satisfied or waived.

The JMP Group Inc. board of directors has approved the merger agreement, the merger and the Reorganization Transaction and determined that the merger agreement, the merger and the Reorganization Transaction are advisable and in the best interests of JMP Group Inc. and its stockholders and recommends

that JMP Group Inc. stockholders vote “FOR” the proposal to approve the merger.

To ensure that your shares are represented at the special meeting, please complete, sign and date the enclosed proxy card and mail it promptly in the enclosed, postage-paid envelope. Any executed but unmarked proxy cards will be voted “FOR” the proposal to approve the merger. Stockholders may revoke their proxy in the manner described in the accompanying proxy statement/prospectus before it has been voted at the special meeting. If your broker holds your shares of JMP Group Inc. common stock in street name, you must either direct your broker on how to vote your shares or obtain a proxy from your broker to vote in person at the special meeting. Please check the voting form used by your broker for information on how to submit your instructions.

WE CANNOT COMPLETE THE MERGER AND THE REORGANIZATION TRANSACTION UNLESS THE MERGER IS APPROVED BY THE AFFIRMATIVE VOTE OF A MAJORITY OF THE OUTSTANDING SHARES OF JMP GROUP INC. COMMON STOCK ENTITLED TO VOTE ON THE MERGER.

Details concerning those matters to come before the special meeting are set forth in the accompanying proxy statement/prospectus for your inspection.

Our board of directors has fixed the close of business on October 28, 2014 as the record date for the determination of stockholders entitled to vote at the special meeting or any meetings held upon adjournment or postponement of the special meeting. Only the holders of record of JMP Group Inc. common stock as of the close of business on October 28, 2014 are entitled to notice of and to vote at the special meeting and any adjournment or postponement thereof.

Stockholders are cordially invited to attend the special meeting in person. The presence at the special meeting, in person or by proxy, of the stockholders entitled to cast a majority of all the votes entitled to be cast at the special meeting shall constitute a quorum. Abstentions and broker non-votes (*i.e.*, votes not cast by a broker or other record holder in “street-name” or nominee name who has returned a properly executed proxy solely because such record holder does not have discretionary authority to vote on the matter), if any, will be counted toward the presence of a quorum.

Your vote is important, no matter how many or how few shares you own. With respect to the proposal to approve the merger, failure to vote will have the same effect as voting against the merger.

By Order of the Board of Directors,

Scott Solomon
Secretary

October 31, 2014
San Francisco, California

ADDITIONAL INFORMATION

This document, which is sometimes referred to as this proxy statement/prospectus, constitutes a proxy statement of JMP Group Inc. with respect to the solicitation of proxies by JMP Group Inc. for the special meeting described within and a prospectus of JMP Group LLC for the shares representing limited liability company interests in JMP Group LLC to be issued in the merger. As permitted under the rules of the Securities and Exchange Commission, or the SEC, this proxy statement/prospectus incorporates important business and financial information about us that is contained in documents filed with the SEC that are not included in or delivered with this proxy statement/prospectus. You may obtain copies of these documents, without charge, from the web site maintained by the SEC at <http://www.sec.gov>, as well as other sources. See “Where You Can Find Additional Information” beginning on page 70, for additional information on documents incorporated by reference in this document. You may also obtain copies of these documents, without charge, from JMP Group Inc. by writing or calling:

JMP Group Inc.
600 Montgomery Street, Suite 1100
San Francisco, California 94111
Attention: Investor Relations
(415) 835-8900

To receive timely delivery of requested documents in advance of the special meeting, you should make your request no later than November 19, 2014.

VOTING

JMP Group Inc. stockholders of record as of the close of business on the record date for the special meeting may submit their proxies by completing the enclosed proxy card, signing and dating the proxy card and returning the proxy card in the enclosed, postage-paid envelope.

If your shares are held in the name of a broker, bank or other nominee, then you are not the stockholder of record and you must obtain a proxy, executed in your favor, from the record holder. Please note that stockholders who hold their shares in “street-name” (*i.e.*, through a bank, broker or other nominee) may also be able to provide voting instructions to their street name holders by telephone or via the Internet by following the instructions provided by such nominee. The votes entitled to be cast by the holders of shares of JMP Group Inc. common stock represented by properly authorized proxies will be cast at the special meeting as indicated or, if no instruction is given, in favor of the merger. Additionally, the votes entitled to be cast by the holders of such shares will be cast in the discretion of the proxy holder on any other matter that may come before the special meeting. Also, please note that if the holder of record of

your shares is a broker, bank or other nominee, and you wish to vote in person at the special meeting, you must provide a legal proxy from the broker, bank or other nominee authorizing you to vote the shares.

ABOUT THIS DOCUMENT

This proxy statement/prospectus forms a part of a registration statement on Form S-4 (Registration No. 333-198264) filed by JMP Group LLC with the SEC. It constitutes a prospectus of JMP Group LLC under the Securities Act of 1933, as amended, and the rules thereunder (referred to as the “Securities Act”), with respect to the JMP Group LLC shares representing limited liability company interests in JMP Group LLC to be issued to holders of JMP Group Inc. common stock in the merger. It also constitutes a proxy statement under Section 14(a) of the Exchange Act and a notice of special meeting and action to be taken with respect to the JMP Group Inc. special meeting of stockholders at which JMP Group Inc. stockholders will consider and vote on the proposal to adopt the merger agreement and to approve the transactions contemplated by the merger agreement, including the merger.

You should rely only on the information contained in or incorporated by reference into this document. No one has been authorized to provide you with information that is different from that contained in or incorporated by reference into this document. This document is dated October 31 2014. You should not assume that the information contained in this document is accurate as of any date other than the date hereof. You should not assume that the information contained in any document incorporated by reference herein is accurate as of any date other than the date of such document. Any statement contained in a document incorporated or deemed to be incorporated by reference into this document will be deemed to be modified or superseded to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference into this document modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this document. Neither the mailing of this document to the stockholders of JMP Group Inc., nor the taking of any actions contemplated hereby by JMP Group Inc. or JMP Group LLC at any time will create any implication to the contrary.

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Annex A—Merger Agreement

Annex B—Form of LLC Agreement

Annex C – Section 262 of the Delaware General Corporation Law

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE REORGANIZATION TRANSACTION

The questions and answers below highlight only selected information from this proxy statement/prospectus. They do not contain all of the information that may be important to you. JMP Group Inc.'s board of directors is soliciting proxies from its stockholders to vote at the special meeting of JMP Group Inc.'s stockholders, to be held on December 1, 2014 at 11:00 a.m., local time, at our corporate headquarters at 600 Montgomery Street, Suite 1100, San Francisco, CA 94111. You should read carefully the entire proxy statement/prospectus, including the Annexes, and the additional documents incorporated by reference into this proxy statement/prospectus, to fully understand the matters to be acted upon and the voting procedures for JMP Group Inc.'s special meeting. For a list of documents incorporated by reference into this document and information on how to obtain them, see the sections titled "Where You Can Find More Information"

Q: Why am I receiving this proxy statement/prospectus?

The JMP Group Inc. board of directors has approved a restructuring plan to convert from a publicly-traded Delaware corporation to a publicly-traded Delaware limited liability company. We refer to this restructuring plan and certain related transactions as the Reorganization Transaction. The Reorganization Transaction will be implemented through a series of steps including, among other things, the merger of JMP Merger Corp., a recently formed Delaware corporation and indirect wholly-owned subsidiary of ours, with and into JMP Group Inc. In the A: merger, each share of JMP Group Inc. common stock you own will be converted and exchanged into one share representing a limited liability company interest in JMP Group LLC. JMP Group Inc. is seeking stockholder approval necessary to approve the merger at the special meeting. This document is a proxy statement because it is being used by the board of directors of JMP Group Inc. to solicit proxies to approve the merger. It is a prospectus because JMP Group LLC is offering shares in exchange for shares of JMP Group Inc. common stock if the merger is completed.

Q: What is the purpose of the merger and the Reorganization Transaction?

A: The merger is intended to change JMP Group Inc.'s form of organization from a corporation to a limited liability company that would be taxed as a partnership, and not as a corporation, for U.S. federal income tax purposes. The Reorganization Transaction would allow JMP to operate in a more tax efficient manner compared to its current structure. If the Reorganization Transaction is completed, it is expected that JMP will be able to execute its current business strategy in a manner that will minimize entity-level taxation on its net investment income. In order to be treated as a partnership, JMP Group LLC must satisfy the qualifying income exception, which will require that at least 90% of its gross income each taxable year consist of interest, dividends, capital gains and other types of "qualifying income." We believe that the Reorganization Transaction will enable JMP Group LLC to satisfy the qualifying income exception. Under the limited liability company structure, provided that the qualifying income exception is met, you generally will have the advantages of single-layer taxation with respect to qualifying income, and you generally will benefit from the flow-through tax treatment of long-term capital gains. Further, our dividend payout ratio could increase materially, depending on the mix of earnings between our operating platforms that would remain subject to corporate income taxes and our net investment earnings that would not be subject to entity-level taxation. Based on our current business mix adjusted for the Reorganization Transaction, we believe that the dividend payout ratio could increase to a range of 50% to 70% of operating earnings from the most recent

30% to 35% targeted level.

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Q: What will be the tax treatment for JMP Group LLC in the limited liability company structure and how will I be affected as a holder of JMP Group LLC common shares?

JMP Group LLC will be subject to different requirements with respect to its tax status in a limited liability company structure than JMP Group Inc. currently is subject to with respect to its corporate tax status, and, provided that the qualifying income exception is met, you will be treated as owning an interest in a pass-through entity, rather than stock in a corporation, for U.S. federal income tax purposes. As a result, you generally will be required to take into account your proportionate share of JMP Group LLC's items of income, gain, loss, deduction and credit on a current basis, without regard to whether you receive a corresponding cash distribution.

A: We currently anticipate that JMP Group LLC aggregate annual distributions paid to shareholders will be no less than historical dividends paid by JMP Group Inc., which were approximately 30% to 35% of operating earnings, and after the Reorganization Transaction we expect our distribution payment rate to be between 50% and 70% of JMP Group LLC's operating earnings. All future distributions will depend on a number of factors, including our financial performance, and must be approved by, and remain subject to the sole discretion of, our board of directors. You are urged to read the section titled "Material U.S. Federal Income Tax Considerations" beginning on page 52 and "Distribution Policy" beginning on page 39 and to consult your tax advisor regarding the U.S. federal, state and local and foreign tax consequences of the Reorganization Transaction and a continuing investment in our shares.

Q: What will I receive in connection with the merger and the Reorganization Transaction?

A: If the merger is completed, each of your currently owned shares of JMP Group Inc. common stock will be converted and exchanged into one share representing a limited liability company interest in JMP Group LLC.

Q: When do you expect to complete the Reorganization Transaction?

We expect to the Reorganization Transaction to be effective on January 1, 2015. Although JMP Group Inc.'s board of directors has approved the merger, the completion of the merger is subject to a number of conditions, and there is no assurance that all of the conditions to closing will be met and that the merger will be completed. However, A: JMP Group Inc. reserves the right to cancel or defer the merger at any time and for any reason, even if its stockholders vote to approve the merger and the other conditions to the completion of the merger are satisfied or waived. In addition, we may elect to consummate the merger prior to January 1, 2015.

Q: How will being a JMP Group LLC shareholder be different from being a JMP Group Inc. stockholder?

After the merger, you will own the same number and series of shares of JMP Group LLC common shares that you owned of JMP Group Inc. common stock immediately prior to the merger. You will own shares representing limited liability company interests in JMP Group LLC, and your rights will be governed by the Delaware Limited Liability Company Act, or LLC Act, and the Amended and Restated Limited Liability Company Agreement of JMP Group LLC, or the LLC Agreement.

Upon the merger, the governing documents of JMP Group LLC, and all of the rights and obligations of the directors and officers of JMP Group LLC, will be substantially similar to those of JMP Group Inc. prior to the merger and your rights as a shareholder of JMP Group LLC will be substantially similar to your rights as a stockholder of JMP Group Inc., including rights as to voting and distributions, except as described in “Description of JMP Group LLC Common Shares” and “Comparison of Rights of Holders of JMP Group Inc. Common Stock and Holders of JMP Group LLC Common Shares.”

Further, as a result of JMP Group LLC’s limited liability company structure after the merger, provided that the qualifying income exception is met, you will be treated as owning an interest in a pass-through entity, rather than stock in a corporation, for U.S. federal income tax purposes. See “Material U.S. Federal Income Tax Considerations” beginning on page 52 and “Distribution Policy” beginning on page 39.

Q: Will the operations, businesses, management or capital of JMP Group Inc. change as a result of the merger?

No. After the merger, JMP Group LLC will be managed by a board of directors with the same directors, and have the same officers and management personnel, as that of JMP Group Inc. prior to the merger. The merger will result in no substantive changes in the operations, business, management, or total assets of the company. JMP Group LLC will have the same authorized capital and the same amount of outstanding equity interests as JMP Group Inc. and there will be no change in the proportionate ownership interests in JMP Group LLC after the merger as in JMP Group Inc. prior to the merger (in each case, other than as a result of any JMP Group Inc. common stock subject to validly perfected appraisal rights (see “The Merger—Appraisal Rights in connection with the Merger”)).

Q: What other material transactions are being contemplated as part of the Reorganization Transaction?

As part of the Reorganization Transaction, we intend that JMP Group Inc. will sell certain investment income producing assets, including: (i) JMP Capital LLC, (ii) limited partnership interests in funds that are managed by Harvest Capital Strategies LLC (“HCS”), (iii) and notes issued by CLOs managed by JMP Credit Advisors LLC (“JMPCA”), to JMP Investment Holdings LLC, a wholly-owned subsidiary of JMP Group LLC. In addition, JMP Group Inc. will remain the issuer and primary obligor of its \$46 million principal amount of 8.00% Senior Notes due 2023 (the “2013 Senior Notes”) and \$48.3 million principal amount of 7.25% Senior Notes due 2021 (the “2014 Senior Notes,” together with the 2013 Senior Notes, the “Senior Notes”). We have finalized a Third Supplemental Indenture with U.S. Bank NA, as trustee, pursuant to which JMP Group LLC and JMP Investment Holdings LLC will deliver a full and unconditional guarantee on the Senior Notes and certain other provisions of the Senior Notes (such as covenants) will be amended to comport with our new corporate structure. The effectiveness of the Third Supplemental Indenture will be contingent upon the consummation of the Merger.

Q: What am I being asked to vote on at the special meeting?

A: You are being asked to vote to approve the merger.

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Q: Who can vote at the special meeting and what vote is required to approve the merger?

Holdings of record of JMP Group Inc. common stock at the close of business on October 28, 2014 may vote at the special meeting. The approval of the merger by JMP Group Inc. stockholders requires the affirmative vote of the holders of a majority of the issued and outstanding shares of JMP Group Inc.'s common stock entitled to cast votes on the merger. As of October 28, 2014, the record date for the special meeting, there were 20,551,582 shares of common stock of JMP Group Inc. outstanding and entitled to vote. Votes may be cast for or against or may abstain. For more information about voting at the special meeting and the vote required to approve the merger, see "Voting and Proxies; Information About the Special Meeting."

Q: How does the board of directors of JMP Group Inc. recommend I vote on the proposals?

A: Your board of directors believes that the merger is advisable and in the best interests of JMP Group Inc. and its stockholders and recommends that you vote "**FOR**" the approval of the merger.

Q: When and where is the special meeting?

A: The special meeting will take place on December 1, 2014 at 11:00 a.m., local time, at our corporate headquarters at 600 Montgomery Street, Suite 1100, San Francisco, CA 94111.

Q: Can I attend the special meeting and vote my shares in person?

Yes. All stockholders of record on October 28, 2014 are invited to attend the special meeting. If your shares are held through a broker, bank or other nominee, then you are not the stockholder of record and you must obtain a proxy, executed in your favor, from the record holder.

Q: How will my proxy be voted?

If you complete, sign, date and return your proxy card(s), your proxy will be voted in accordance with your instructions.

A:

If you submit your proxy but do not indicate how you want to vote, your shares will be voted "FOR" the proposal to approve the merger and in the discretion of the proxy holder on any other matters that are properly brought before the special meeting, or any adjournment or postponement thereof.

Q: