

JMP Group Inc.
Form 10-Q
November 04, 2008
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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, 2008

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 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

Smaller reporting company

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, 2008 was 19,805,230.

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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, with the Securities and Exchange Commission. 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>, 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 and will provide print copies to shareholders 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**

	September 30, 2008 Unaudited	December 31, 2007 Successor
Assets		
Cash and cash equivalents	\$ 49,950,808	\$ 99,127,043
Restricted cash and deposits (includes cash on deposit with clearing broker of \$255,336 at September 30, 2008 and December 31, 2007)	9,221,218	12,038,511
Receivable from clearing broker	3,378,178	1,475,626
Investment banking fees receivable, net of allowance for doubtful accounts of \$99,513 and \$156,004 at September 30, 2008 and December 31, 2007	220,182	5,848,754
Marketable securities owned, at fair value	24,232,354	24,220,761
Other investments	43,636,962	27,557,542
Loans receivable, net	8,140,395	1,177,763
Fixed assets, net	1,355,366	1,857,444
Deferred tax assets	9,547,842	2,626,227
Other assets	6,252,351	8,781,592
Total assets	\$ 155,935,656	\$ 184,711,263
Liabilities and Shareholders' Equity		
Liabilities:		
Marketable securities sold, but not yet purchased, at fair value	\$ 8,096,859	\$ 10,954,013
Securities sold under agreements to repurchase		9,135,000
Note payable	8,680,850	
Accrued compensation	12,915,987	28,154,889
Other liabilities	4,446,251	6,261,842
Total liabilities	34,139,947	54,505,744
Minority interest	11,479,024	14,604,692
Commitments and contingencies		
Shareholders' Equity		
Common stock, \$0.001 par value, 100,000,000 shares authorized; 22,069,741 and 22,044,541 shares issued at September 30, 2008 and December 31, 2007	22,070	22,045
Additional paid-in capital	127,546,889	121,001,922
Treasury stock (at cost, 2,135,911 shares at September 30, 2008 and 1,418,061 shares at December 31, 2007)	(15,645,622)	(10,884,218)
Retained earnings (deficit)	(1,606,652)	5,461,078
Total shareholders' equity	110,316,685	115,600,827
Total liabilities and shareholders' equity	\$ 155,935,656	\$ 184,711,263

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See accompanying notes to consolidated financial statements.

Table of Contents**JMP Group Inc.****Consolidated Statements of Net Income (Loss)****(Unaudited)**

	Nine Months Ended September 30, 2007				
	Three Months Ended September 2008 Successor	Three Months Ended September 2007 Successor	Nine Months Ended September 2008 Successor	January 1, 2007 through May 15, 2007 Predecessor	May 16, 2007 through September 30, 2007 Successor
Revenues					
Investment banking	\$ 4,879,365	\$ 9,400,830	\$ 23,818,776	\$ 16,054,815	\$ 16,862,878
Brokerage	9,573,885	8,173,592	26,432,955	12,986,710	12,243,487
Asset management fees	2,292,014	941,800	6,364,634	1,218,467	1,502,018
Principal transactions	(2,726,160)	854,574	(4,788,734)	541,251	684,980
Interest and dividends	1,612,779	1,529,623	4,461,689	1,244,663	2,222,794
Other income	214,191	107,457	922,683	326,105	147,456
Total revenues	15,846,074	21,007,876	57,212,003	32,372,011	33,663,613
Expenses					
Compensation and benefits	17,724,046	13,027,380	44,147,847	18,393,339	24,772,727
Income allocation and accretion					
Redeemable Class A member interests				117,418,274	
Administration	1,257,487	1,248,940	4,610,307	1,770,553	2,128,853
Brokerage, clearing and exchange fees	1,389,384	1,289,525	3,859,357	1,689,174	1,896,307
Travel and business development	845,706	621,822	2,800,676	1,197,440	1,016,178
Communications and technology	912,043	970,488	2,911,598	1,389,647	1,458,413
Occupancy	478,316	472,758	1,426,135	699,774	706,035
Professional fees	636,005	551,897	2,512,950	375,969	1,173,906
Depreciation	239,909	268,640	760,797	525,734	421,805
Interest and dividend expense	121,565	110,850	439,251	683,114	170,156
Loan loss provision	427,882		427,882		
Other	53,030		40,580	(241,082)	120,904
Total expenses	24,085,373	18,562,300	63,937,380	143,901,936	33,865,284
(Loss) income before minority interest and income tax (benefit) expense	(8,239,299)	2,445,576	(6,725,377)	(111,529,925)	(201,671)
Minority interest	(369,208)	303,721	(214,658)	167,388	229,258
Income tax (benefit) expense	(2,971,386)	1,006,408	(2,485,284)		(4,332,431)
Net (loss) income	\$ (4,898,705)	\$ 1,135,447	\$ (4,025,435)	\$ (111,697,313)	\$ 3,901,502
Net (loss) income per common share:					
Basic	\$ (0.24)	\$ 0.05	\$ (0.20)		\$ 0.18
Diluted	\$ (0.24)	\$ 0.05	\$ (0.20)		\$ 0.18
Weighted average common shares outstanding:					
Basic	20,035,637	22,029,098	20,317,627		22,027,845
Diluted	20,035,637	22,029,098	20,317,627		22,084,839
Net (loss) per unit-Class A common interests:					
Basic				\$ (23.84)	
Diluted				\$ (23.84)	
				2,384,881	

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Weighted average units outstanding - Class A common interests - basic and diluted	
Net (loss) per unit - Class B common interests:	
Basic	\$ (23.84)
Diluted	\$ (23.84)
Weighted average units outstanding - Class B common interests - basic and diluted	
	2,300,000

See accompanying notes to consolidated financial statements.

Table of Contents**JMP Group Inc.****Consolidated Statement of Changes in Shareholders Equity****(Unaudited)**

	Shareholders Equity					
	Common Stock		Common Treasury Stock Amount	Additional Paid-In Capital	Retained Earnings (Deficit)	Total Equity
	Shares	Amount				
Successor:						
Balance, December 31, 2007	22,044,541	\$ 22,045	\$ (10,884,218)	\$ 121,001,922	\$ 5,461,078	\$ 115,600,827
Net loss					(4,025,435)	(4,025,435)
Additional paid-in capital stock-based compensation	25,200	25		6,588,407		6,588,432
Cash dividends paid to shareholders						