

JMP Group Inc.
Form 10-Q
May 09, 2008
Table of Contents

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 March 31, 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 reporting company)

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 April 30, 2008 was 20,404,575.

Table of Contents

TABLE OF CONTENTS

	Page Number
<u>Available Information</u>	3
PART I. <u>FINANCIAL INFORMATION</u>	4
Item 1. <u>Financial Statements - JMP Group Inc.</u>	4
<u>Consolidated Statements of Financial Condition - March 31, 2008 (Unaudited) and December 31, 2007</u>	4
<u>Consolidated Statements of Net Income - For the Three Months Ended March 31, 2008 and 2007 (Unaudited)</u>	5
<u>Consolidated Statement of Changes in Shareholders' Equity - For the Three Months Ended March 31, 2008 (Unaudited)</u>	6
<u>Consolidated Statements of Cash Flows - For the Three Months Ended March 31, 2008 and 2007 (Unaudited)</u>	7
<u>Notes to Consolidated Financial Statements (Unaudited)</u>	8
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	23
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	34
Item 4. <u>Controls and Procedures</u>	34
PART II. <u>OTHER INFORMATION</u>	35
Item 1. <u>Legal Proceedings</u>	35
Item 1A. <u>Risk Factors</u>	35
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	35
Item 3. <u>Defaults Upon Senior Securities</u>	35
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	35
Item 5. <u>Other Information</u>	35
Item 6. <u>Exhibits</u>	35
<u>SIGNATURES</u>	36
<u>EXHIBIT INDEX</u>	37

Table of Contents

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, (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**

	March 31, 2008 (Unaudited)	December 31, 2007
	Successor	
Assets		
Cash and cash equivalents	\$ 68,233,291	\$ 99,127,043
Restricted cash and deposits (includes cash on deposit with clearing broker of \$255,336 at March 31, 2008 and December 31, 2007)	13,867,940	12,038,511
Receivable from clearing broker	2,120,787	1,475,626
Investment banking fees receivable, net of allowance for doubtful accounts of \$86,857 at March 31, 2008 and \$156,004 at December 31, 2007	1,900,358	5,848,754
Marketable securities owned, at fair value	23,678,823	24,220,761
Other investments	47,734,851	27,557,542
Loan receivable	855,763	1,177,763
Fixed assets, net	1,720,450	1,857,444
Deferred tax assets	4,682,742	2,626,227
Other assets	3,558,725	8,781,592
Total assets	\$ 168,353,730	\$ 184,711,263
Liabilities and Shareholders' Equity		
Liabilities		
Marketable securities sold, but not yet purchased, at fair value	\$ 12,784,681	\$ 10,954,013
Securities sold under agreements to repurchase	7,864,000	9,135,000
Note payable	4,480,850	
Accrued compensation	4,125,065	28,154,889
Other liabilities	7,497,623	6,261,842
Total liabilities	36,752,219	54,505,744
Minority interest	15,151,731	14,604,692
Commitments and contingencies		
Shareholders' Equity		
Common stock, \$0.001 par value, 100,000,000 shares authorized; 22,044,541 issued at March 31, 2008 and December 31, 2007	22,045	22,045
Additional paid-in capital	123,081,435	121,001,922
Treasury stock (at cost, 1,544,066 shares at March 31, 2008 and 1,418,061 shares at December 31, 2007)	(11,767,354)	(10,884,218)
Retained earnings	5,113,654	5,461,078
Total shareholders' equity	116,449,780	115,600,827
Total liabilities and shareholders' equity	\$ 168,353,730	\$ 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****(Unaudited)**

	Three Months Ended March 31,	
	2008	2007
	Successor	Predecessor
Revenues		
Investment banking	\$ 8,106,516	\$ 11,493,259
Brokerage	8,141,844	8,631,567
Asset management fees	2,741,773	888,038
Principal transactions	(1,379,881)	(68,214)
Interest and dividends	1,592,414	770,892
Other income	548,915	198,075
Total revenues	19,751,581	21,913,617
Expenses		
Compensation and benefits	12,589,219	12,830,903
Income allocation and accretion Redeemable Class A member interests		3,049,535
Administration	1,281,049	1,004,870
Brokerage, clearing and exchange fees	1,373,326	1,138,647
Travel and business development	928,756	696,986
Communications and technology	994,455	941,400
Occupancy	469,563	466,391
Professional fees	1,179,569	225,416
Depreciation	265,958	356,517
Interest and dividend expense	215,644	504,178
Other	(8,753)	(261,985)
Total expenses	19,288,786	20,952,858
Income before income tax benefit and minority interest	462,795	960,759
Income tax benefit	(159,574)	
Minority interest	(56,431)	135,478
Net income	\$ 678,800	\$ 825,281
Net income per common share:		
Basic	\$ 0.03	
Diluted	\$ 0.03	
Weighted average common shares outstanding:		
Basic	20,545,926	
Diluted	20,838,929	
Net income per unit - Class A common interests:		
Basic		\$ 0.18
Diluted		\$ 0.17
Weighted average units outstanding - Class A common interests:		
Basic		2,381,410
Diluted		2,440,524
Net income per unit - Class B common interests:		
Basic		\$ 0.18
Diluted		\$ 0.17

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Weighted average units outstanding - Class B common interests:

Basic	2,300,000
Diluted	2,357,093

See accompanying notes to consolidated financial statements.

Table of Contents**JMP GROUP INC.****Consolidated Statement of Changes in Shareholders Equity****(Unaudited)**

	Shareholders Equity					Total Equity
	Common Stock Shares	Common Stock Amount	Common Treasury Stock Amount	Additional Paid-In Capital	Retained Earnings	
Successor:						
Balance, December 31, 2007	22,044,541	\$ 22,045	\$ (10,884,218)	\$ 121,001,922	\$ 5,461,078	\$ 115,600,827
Net income					678,800	678,800
Additional paid-in capital - stock-based compensation				2,079,513		2,079,513
Cash dividends declared to shareholders					(1,026,224)	(1,026,224)
Purchases of shares of common stock for treasury			(883,136)			(883,136)
Balance, March 31, 2008	22,044,541	\$ 22,045	\$ (11,767,354)	\$ 123,081,435	\$ 5,113,654	\$ 116,449,780

See accompanying notes to consolidated financial statements.

Table of Contents**JMP Group Inc.****Consolidated Statements of Cash Flows****(Unaudited)**

	Three Months Ended March 31,	
	2008	2007
	Successor	Predecessor
Cash flows from operating activities:		
Net income	\$ 678,800	\$ 825,281
Adjustments to reconcile net income to net cash used in operating activities:		
Provision for doubtful accounts	(8,753)	(261,985)
Change in other investments fair value	560,979	(367,077)
Change in other investments incentive fees reinvested in general partnership interests	(1,197,335)	(226,954)
Depreciation and amortization of fixed assets	265,958	356,517
Minority interest	(56,431)	135,478
Stock-based compensation expense	2,079,513	562,289
Deferred income tax benefit	(2,056,515)	
Net change in operating assets and liabilities:		
Decrease in receivables	3,311,988	3,823,767
Decrease (increase) in marketable securities	541,938	(655,881)
Decrease (increase) in restricted cash, deposits and other assets	3,058,166	(1,077,319)
Increase in marketable securities sold, but not yet purchased	1,830,668	533,078
Decrease in securities sold under agreements to repurchase	(1,271,000)	
Decrease in accrued compensation and other liabilities	(23,820,267)	(16,272,831)
Decrease in Redeemable Class A member interests		(627,382)
Net cash used in operating activities	(16,082,291)	(13,253,019)
Cash flows from investing activities:		
Purchases of fixed assets	(128,964)	(21,349)
Purchases of other investments	(19,540,953)	(700,000)
Sales of other investments		251,696
Repayment of loan receivable	322,000	
Repayment of note receivable	335,272	
Net cash used in investing activities	(19,012,645)	(469,653)
Cash flows from financing activities:		
Increase in note payable	4,480,850	