

JMP Group Inc.
Form 10-K
March 12, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2014

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: 001-302350

JMP Group LLC

(Exact name of registrant as specified in its charter)

Commission File Number: 001-33448

JMP Group Inc.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	Delaware (State or other jurisdiction of incorporation or organization)
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47-1632931

20-1450327

(I.R.S. Employer

(I.R.S. Employer

Identification No.)

Identification No.)

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

(Address of principal executive offices)

(415) 835-8900

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class

Name of Each Exchange on Which Registered

Shares representing limited liability company interests in JMP Group LLC

New York Stock Exchange

JMP Group Inc. 7.25% Senior Notes due 2021

New York Stock Exchange

JMP Group Inc. 8.00% Senior Notes due 2023

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 Company	Accelerated Filer	Non-Accelerated Filer	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 Act). Yes No

This combined form 10-K is separately filed by (i) JMP Group LLC and (ii) JMP Group Inc. JMP Group Inc. meets the conditions set forth in general instruction I(1) (a) and (b) of Form 10-K and is, therefore, filing this form with the reduced disclosure format permitted by such instruction. The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant on the last business day of the registrant’s most recently completed second fiscal quarter, based upon the closing sale price of the registrant’s common stock on June 30, 2014 as reported on The New York Stock Exchange was \$102,369,461.

JMP Group LLC shares representing limited liability company interests outstanding as of February 28, 2015: 21,216,258.

JMP Group Inc. shares of common stock outstanding as of February 28, 2015: 100.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s definitive proxy statement to be delivered to shareholders in connection with the 2015 annual meeting of shareholders to be held in June 2015 are incorporated by reference in this Form 10-K. Such proxy statement will be filed with the U.S. Securities and Exchange Commission (the “SEC”) within 120 days of the registrant’s fiscal year ended December 31, 2014.

EXPLANATORY NOTE

On January 1, 2015, JMP Group Inc. completed its merger with and into JMP Group LLC, a Delaware limited liability company, with JMP Group LLC as the surviving entity (the “Reorganization Transaction”) pursuant to the Agreement and Plan of Merger, dated as of August 20, 2014 by and among JMP Group Inc., JMP Group LLC and JMP Merger Corp. (the “Merger Agreement”). Entry into the Merger Agreement was previously announced by JMP Group Inc. on its current report on Form 8-K filed with the SEC on August 20, 2014. JMP Group LLC had not commenced operations and had no assets or liabilities as of December 31, 2014.

JMP Group LLC filed a current report on Form 8-K on January 2, 2015 (the “January Form 8-K”) for the purpose of establishing JMP Group LLC as the successor issuer pursuant to Rule 12g-3(a) under the Securities Exchange Act of

1934, as amended (the “Exchange Act”), and to disclose certain related matters, including the consummation of the Reorganization Transaction. Pursuant to Rule 12g-3(a) under the Exchange Act and in accordance with the filing of the January Form 8-K, the shares representing limited liability company interests in JMP Group LLC, as the successor issuer to JMP Group Inc., were deemed registered under Section 12(b) of the Exchange Act. References to JMP Group Inc. in this Annual Report on Form 10-K that include any period at and after the effectiveness of the Reorganization Transaction shall be deemed to refer to JMP Group LLC. For more information concerning the effects of the Reorganization Transaction and the succession of JMP Group LLC to JMP Group Inc. upon its effectiveness, please see the January Form 8-K.

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EX-31.2: CERTIFICATION

EX-32.1: CERTIFICATION

EX-32.2: CERTIFICATION

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We make forward-looking statements, as defined by the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, in this Form 10-K that are subject to risks and uncertainties. When we use the words “could,” “will likely result,” “if,” “in the event,” “may,” “might,” “should,” “shall,” “will,” “believe,” “expect,” “anticipate,” “plan,” “predict,” “project,” “intend,” “estimate,” “goal,” “objective,” “continue,” or the negatives of these terms and other similar expressions, we intend to identify forward-looking statements. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, results of operations, plans and objectives. They also include statements concerning anticipated revenues, income or loss, capital expenditures, distributions, capital structure or other financial terms. The statements we make regarding the following subject matters are forward-looking by their nature:

- the opportunity to grow our investment banking and sales and trading businesses because of the prevalent demand for our services in our four target industries;
- the opportunity to increase our representation of corporate clients as buyers and to grow our mergers and acquisitions and strategic advisory businesses;
- our belief that market conditions in the specialty financial services and real estate industries may work to our advantage if we are able to leverage our expertise to gain new business;
- the performance of our investment banking and sales and trading businesses because of declining demand for our services or a decline in the market for securities of companies in our four target industries;
- the possibility of generating stable or growing investment banking revenues due to our ability to engage in multiple types of transactions;
- our ability to succeed as a strategic advisor due to our ability to structure and execute complex transactions;
- the growth of our mergers and acquisitions and other strategic advisory business derived from our positions as a lead manager or senior co-manager of public and private securities offerings;
- our plans to continue to provide our equity research and sales and trading products and services to small and middle-market companies to benefit institutional investors;
- the characteristics of the asset management business, including its comparatively high margins, the recurring nature of its fee-based revenues, and its dependence on intellectual capital and our belief that this makes the asset

management business less susceptible to competitive threats from larger financial institutions;

- a heightened demand for alternative asset management products and services;
- our ability to increase assets under management and develop new asset management products;
- our plans to generate principal investing opportunities from our investment banking and asset management relationships;
- our ability to attract, incentivize and retain top professionals and to retain valuable relationships with our clients;
- plans to grow our businesses both through internal expansion and through strategic investments, acquisitions, or joint ventures;
- our expectations regarding the impact of the trend toward alternative trading systems and downward pricing pressure in the sales and trading business on trading commissions and spreads;
- the nature of the competition faced in the investment banking and financial services industries and our expectations regarding trends and changes with respect to competing entities;
- our belief that continued future growth will require implementation of enhanced communications and information systems and the training of personnel or the hiring of an outsourced provider to operate such systems;
- the impact of changes in interest rates on the value of interest-bearing assets in which we invest;
- our plans for the use of the principal restricted cash at JMP Credit Corporation (“JMP Credit”) to buy additional loans or pay down collateralized loan obligation (“CLO”) notes;
- that the past performance of our funds are not indicative of our future performance;
- the emergence of investment opportunities that offer attractive risk-adjustment returns on our investable assets;
 - our ability to take advantage of market opportunities as they arise in 2015 based on the strength of our capital position and the low level of leverage that we have traditionally employed in our business model;

- our ability to satisfy our funding needs with existing internal and external financial sources;
- the ability of our funds to raise capital in the long and short term;
- our ability to depend on follow-on offerings, PIPEs and registered direct offerings to generate corporate finance revenues;
- our ability to realize revenues through gain on sale and payoff of loans and gain on repurchase of asset-backed securities;
- our ability to avoid restrictions imposed by the Investment Company Act of 1940 (the “Investment Company Act”);;
- that we do not anticipate any tax adjustments that will result in a material adverse affect on the our financial condition;
- the impact of bonus compensation payments to our employees on our cash position;
- the potential for unfunded commitments to expire and their impact on future cash requirements;
- the impact of additional rulemaking by the SEC with respect to soft dollar practices on our brokerage or asset management business;
- our expectations regarding the likelihood of increased scrutiny of financial services firms from regulators;
- the impact of recent pronouncements by the Financial Accounting Standards Board (the “FASB”) on our financial position or operations;
- the impact of existing claims and currently known threats against us on our business or financial condition;
- our intention to declare distributions on our shares, our ability to do so without borrowing funds and our expected distribution rate; and
- that we believe that our available liquidity and current level of equity capital will be adequate to meet our liquidity and regulatory capital requirements for the next twelve months.

The forward-looking statements are based on our beliefs, assumptions and expectations of future performance, taking into account the information currently available to us. These forward-looking statements may include projections of our future financial performance based on our growth strategies and anticipated trends in our business. These statements are only predictions based upon our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. In particular, you should consider the numerous risks provided under Item 1A—“Risk Factors” in this Form 10-K, including but not limited to the following factors:

- the impact of multiple book runners, co-managers and multiple financial advisors on our revenues;
 - our ability to remain competitive against larger investment banks that provide commercial financing;
 - the impact of conditions in the global financial markets, such as the level and volatility of interest rates, investor sentiment, the availability and the cost of credit, the U.S. mortgage market, the U.S. real estate market, volatile energy prices, consumer confidence, unemployment, and geopolitical issues on our business and revenues;
 - the potential for volatility and weakness in the equity markets to adversely impact our sales and trading business, investment banking business, and ability to manage exposure to market risks;
- the impact of worsening market conditions on our ability to serve as underwriter or placement agent;
- the potential for uncertainty related to creditworthiness, volatility in the equity markets, and diminished access to financing to impact our merger, acquisition and advisory services;
- our expectations regarding the effect of a market downturn on transaction volume, and therefore, our revenues;
- the impact of securities related write-downs on our securities trading revenues;

- the impact of the inability of companies to repay their borrowings on our principal investments;
 - our expectations regarding the impact of bankruptcies on our investment banking revenues;
- the impact of a market downturn on management fees;
- the potential for market declines to lead to an increase in litigation and arbitration claims;
- our ability to pursue business opportunities in an environment of increased legislative or regulatory initiatives;
- the potential effect of governmental fiscal and monetary policy to have a negative impact on our business;
- the impact of any deterioration in the business environment of our target sectors on our revenues;
- our expectation that the ability to recruit and retain professionals impacts our reputation, business, results of operations and financial condition;
- the impact of larger firms on our ability to grow our business;