

JMP Group Inc.
Form 10-Q
November 01, 2012

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, 2012 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
(State or Other Jurisdiction of
Incorporation or Organization)

20-1450327
(I.R.S. Employer
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

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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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if a 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 October 31, 2012 was 22,649,943.

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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)

	September 30, 2012	December 31, 2011
Assets		
Cash and cash equivalents	\$59,690	\$70,363
Restricted cash and deposits (includes cash on deposit with clearing broker of \$150 and \$255 at September 30, 2012 and December 31, 2011, respectively)	63,461	48,440
Receivable from clearing broker	1,113	1,138
Investment banking fees receivable, net of allowance for doubtful accounts of zero at September 30, 2012 and December 31, 2011	9,254	2,539
Marketable securities owned, at fair value	14,482	24,309
Incentive fee receivable	477	2,097
Other investments (of which \$75,785 and \$51,517 are recorded at fair value at September 30, 2012 and December 31, 2011, respectively)	76,288	51,706
Loans held for sale	3,219	2,957
Small business loans, net of allowance for loan losses	24,645	7,477
Loans collateralizing asset-backed securities issued, net of allowance for loan losses	402,241	410,770
Interest receivable	1,575	1,358
Fixed assets, net	2,810	2,285
Deferred tax assets	16,650	26,221
Other assets	8,577	8,961
Total assets	\$684,482	\$660,621
Liabilities and Equity		
Liabilities:		
Marketable securities sold, but not yet purchased, at fair value	\$11,383	\$10,921
Accrued compensation	32,517	38,143
Asset-backed securities issued	406,461	381,556
Interest payable	647	651
Note payable	22,657	19,222
Deferred tax liability	12,736	23,214
Other liabilities	24,271	30,430
Total liabilities	510,672	504,137
Redeemable Non-controlling Interest	161	50
Commitments and Contingencies		
JMP Group Inc. Stockholders' Equity		
Common stock, \$0.001 par value, 100,000,000 shares authorized; 22,780,052 and 22,409,644 shares issued at September 30, 2012 and December 31, 2011,	23	22

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respectively; 22,705,994 and 21,947,353 shares outstanding at September 30, 2012 and December 31, 2011, respectively

Additional paid-in capital	126,632	132,944
Treasury stock, at cost, 74,058 and 462,291 shares at September 30, 2012 and December 31, 2011, respectively	(420)	(3,011)
Accumulated other comprehensive loss	(68)	(102)
Accumulated deficit	(5,376)	(148)
Total JMP Group Inc. stockholders' equity	120,791	129,705
Nonredeemable Non-controlling Interest	52,858	26,729
Total equity	173,649	156,434
Total liabilities and equity	\$684,482	\$660,621

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

	September 30, 2012	December 31, 2011
Restricted cash	\$50,800	\$36,137
Loans held for sale	3,219	2,957
Loans collateralizing asset-backed securities issued, net of allowance for loan losses	402,241	410,770
Interest receivable	1,164	1,191
Deferred tax assets	4,367	8,567
Other assets	55	40
Total assets of consolidated VIE	\$461,846	\$459,662
Asset-backed securities issued	406,461	381,556
Interest payable	589	601
Deferred tax liability	11,761	21,791
Other liabilities	3,253	2,042
Total liabilities of consolidated VIE	\$422,064	\$405,990

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.

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JMP Group Inc.

Consolidated Statements of Operations
(Unaudited)
(In thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Revenues				
Investment banking	\$12,218	\$10,048	\$38,010	\$40,332
Brokerage	5,371	6,898	16,275	19,370
Asset management fees	3,755	5,694	10,721	14,893
Principal transactions	(1,955)	(6,290)	12,309	(106)
Gain on sale and payoff of loans	204	1,373	2,643	14,981
Net dividend (expense) income	(2)	322	(25)	870
Other income	365	1,026	3,507	2,536
Non-interest revenues	19,956	19,071	83,440	92,876
Interest income	8,333	7,451	24,051	25,799
Interest expense	(10,087)	(9,024)	(29,573)	(26,460)
Net interest expense	(1,754)	(1,573)	(5,522)	(661)
Provision for loan losses	(71)	(123)	(1,812)	(477)
Total net revenues after provision for loan losses	18,131	17,375	76,106	91,738
Non-interest expenses				
Compensation and benefits	17,358	15,970	55,833	66,218
Administration	1,645	2,246	4,604	5,060
Brokerage, clearing and exchange fees	902	1,275	2,656	3,552
Travel and business development	746	1,107	2,435	2,568
Communications and technology	909	1,013	2,642	2,929
Occupancy	814	774	2,352	2,216
Professional fees	967	806	2,324	2,311
Depreciation	227	192	642	529
Impairment loss on purchased management contract	-	-	-	700
Other	67	105	282	343
Total non-interest expenses	23,635	23,488	73,770	86,426
Income (loss) before income tax expense	(5,504)	(6,113)	2,336	5,312
Income tax (benefit) expense	(894)	(1,410)	(1,547)	2,354
Net (loss) income	(4,610)	(4,703)	3,883	2,958
Less: Net (loss) income attributable to nonredeemable non-controlling interest	(2,934)	(3,080)	6,832	(475)
Net (loss) income attributable to JMP Group Inc.	\$(1,676)	\$(1,623)	\$(2,949)	\$3,433
Net (loss) income attributable to JMP Group Inc. per common share:				
Basic	\$(0.07)	\$(0.07)	\$(0.13)	\$0.15

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Diluted	\$ (0.07)	\$ (0.07)	\$ (0.13)	\$ 0.15
Dividends declared per common share	\$0.035		\$0.03		\$0.10		\$0.075
Weighted average common shares outstanding:							
Basic	22,737		22,354		22,564		22,152
Diluted	22,830		22,493		22,977		22,634

See accompanying notes to consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net (loss) income	\$ (4,610)	\$ (4,703)	\$ 3,883	\$ 2,958
Other comprehensive income (loss)				
Unrealized gain (loss) on cash flow hedge, net of tax	14	(12)	34	(51)
Comprehensive (loss) income	(4,596)	(4,715)	3,917	2,907
Less: Comprehensive (loss) income attributable to non-controlling interest	(2,934)	(3,080)	6,832	(475)
Comprehensive (loss) income attributable to JMP Group Inc.	\$ (1,662)	\$ (1,635)	\$ (2,915)	\$ 3,382

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

JMP Group Inc. Stockholders' Equity

	Common Stock		Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Nonredeemable Non-controlling Interest	Total Equity
	Shares	Amount						
Balance, December 31, 2011	22,410	\$22	\$(3,011)	\$132,944	\$ (148)	\$ (102)	\$ 26,729	\$156,434
Net income (loss)	-	-	-	-	(2,949)	-	6,832	3,883
Additional paid-in capital - stock-based compensation	-	-	-	(9,319)	-	-	-	(9,319)
Cash dividends paid to shareholders	-	-	-	-	(2,279)	-	-	(2,279)
Purchases of shares of common stock for treasury	-	-	(4,839)	-	-	-	-	(4,839)
Reissuance of shares of common stock from treasury	-	-	7,430	267	-	-	-	7,697
Common stock issued	402	1	-	2,740	-	-	-	2,741
Retirement of shares	(32)	-	-	-	-	-	-	-
	-	-	-	-	-	-	(5,272)	(5,272)

Distributions to non-controlling interest holders									
Unrealized gain on cash flow hedge, net of tax	-	-	-	-	-	34	-	34	
Capital contributions from non-controlling interest holders (1)	-	-	-	-	-	-	24,569	24,569	
Balance, September 30, 2012	22,780	\$23	\$(420)	\$126,632	\$(5,376)	\$(68)	\$52,858	\$173,649	

(1) Excludes \$161 thousand attributable to redeemable non-controlling interest.

See accompanying notes to consolidated financial statements.

JMP Group Inc.

Consolidated Statements of Cash Flows
(Unaudited)
(In thousands)

	Nine Months Ended September 30,	
	2012	2011
Cash flows from operating activities:		
Net income	\$ 3,883	\$ 2,958
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Provision for loan losses	1,812	477
Accretion of deferred loan fees	(928)	(1,225)
Amortization of liquidity discount, net	21,631	14,880
Gain on sale and payoff of loans	(2,643)	(14,981)
Change in other investments:		
Fair value	(7,091)	553
Incentive fees reinvested in general partnership interests	(2,216)	(2,477)
Realized gain on other investments	(2,280)	(187)
Impairment loss on purchased management contract	-	700
Depreciation and amortization of fixed assets	642	529
Stock-based compensation expense	582	1,138
Deferred income taxes	(907)	(614)
Net change in operating assets and liabilities:		
(Increase) decrease in interest receivable	(217)	121
(Increase) decrease in receivables	(8,685)	1,186
Decrease (increase) in marketable securities	9,827	(1,033)
(Increase) decrease in restricted cash (excluding restricted cash reserved for lending activities), deposits and other assets	(22)	11,022
Increase in marketable securities sold, but not yet purchased	462	289
(Decrease) increase in interest payable	(4)	7
Decrease in accrued compensation and other liabilities	(11,195)	(5,115)
Net cash provided by operating activities	2,651	8,228
Cash flows from investing activities:		
Purchases of fixed assets	(1,167)	(1,268)
Purchases of other investments	(19,873)	(10,158)
Sales of other investments	10,478	4,643
Funding of loans collateralizing asset-backed securities issued	(122,542)	(220,991)
Funding of small business loans	(18,459)	(1,985)
Sale and payoff of loans collateralizing asset-backed securities issued	111,681	193,350
Principal receipts on loans collateralizing asset-backed securities issued	25,453	21,712
Principal receipts on loans held for investment	-	813
Net change in restricted cash reserved for lending activities	(14,615)	5,952
Net cash used in investing activities	(29,044)	(7,932)

See accompanying notes to consolidated financial statements.

JMP Group Inc.
Consolidated Statements of Cash Flows - (Continued)
(Unaudited)
(In thousands)

Cash flows from financing activities:

Proceeds from borrowing on line of credit, net of repayment	9,987	-
Repayment of note payable	(6,552)	(4,803)
Cash dividends paid to stockholders	(2,279)	(1,673)
Purchases of shares of common stock for treasury	(4,839)	(5,037)
Capital contributions of redeemable non-controlling interest holders	110	11
Capital contributions of nonredeemable non-controlling interest holders	24,565	9,254
Distributions to non-controlling interest shareholders	(5,272)	(1,107)
Excess tax benefit related to stock-based compensation	-	(335)
Net cash provided by (used in) financing activities	15,720	(3,690)
Net decrease in cash and cash equivalents	(10,673)	(3,394)
Cash and cash equivalents, beginning of period	70,363	71,114
Cash and cash equivalents, end of period	\$59,690	\$67,720

Supplemental disclosures of cash flow information:

Cash paid during the period for interest	\$4,669	\$4,009
Cash paid during the period for taxes	\$839	\$6,005

Non-cash investing and financing activities:

Issuance of shares of common stock from treasury related to vesting of restricted stock units and exercises of stock options	\$7,430	\$5,530
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See accompanying notes to consolidated financial statements.

JMP GROUP INC.

Notes to Consolidated Financial Statements
September 30, 2012
(Unaudited)

1. Organization and Description of Business

JMP Group Inc., together with its subsidiaries (collectively, the "Company"), is an independent investment banking and asset management firm headquartered in San Francisco, California. JMP Group Inc. completed its initial public offering ("IPO") on May 16, 2007, and also completed a corporate reorganization in connection with the IPO. The Company conducts its brokerage business through JMP Securities LLC ("JMP Securities"), its asset management business through Harvest Capital Strategies LLC ("HCS"), its corporate credit business through JMP Credit Corporation ("JMP Credit"), JMP Credit Advisors LLC ("JMPCA"), Harvest Capital Credit LLC ("HCC"), formed in the third quarter of 2011, and certain principal investments through JMP Capital LLC ("JMP Capital"). The above entities are wholly-owned subsidiaries, with the exception of HCC which is a partly-owned subsidiary. JMP Securities is a U.S. registered broker-dealer under the Exchange Act and is a member of the Financial Industry Regulatory Authority ("FINRA"). JMP Securities operates as an introducing broker and does not hold funds or securities for, or owe any money or securities to customers and does not carry accounts for customers. All customer transactions are cleared through another broker-dealer on a fully disclosed basis. HCS is a registered investment advisor under the Investment Advisers Act of 1940, as amended, and provides investment management services for sophisticated investors in investment partnerships and other entities managed by HCS. Effective April 7, 2009, through JMP Credit, the Company completed the acquisition of 100% of the membership interests of Cratos Capital Partners, LLC (which changed its name to JMP Credit Advisors LLC on July 12, 2010) and its subsidiaries, including Cratos Capital Management, LLC (collectively, "Cratos"), a manager of collateralized loan obligations ("CLO"), together with certain securities of Cratos CLO I, Ltd. ("Cratos CLO"). For further details regarding the ownership of Cratos CLO, see Note 2 - Summary of Significant Accounting Policies in the Company's annual report for year ended December 31, 2011 (the "2011 10-K").

2. Summary of Significant Accounting Policies

Basis of Presentation

These consolidated financial statements and related notes are unaudited and have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. These consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and notes thereto included in its 2011 10-K. These consolidated financial statements reflect all adjustments (consisting only of normal recurring adjustments) that are, in the opinion of management, necessary for the fair statement of the results for the interim periods. The results of operations for any interim period are not necessarily indicative of the results to be expected for a full year.

The consolidated accounts of the Company include the wholly-owned subsidiaries, JMP Securities, HCS, JMP Capital, JMP Credit, JMPCA, and the partly-owned subsidiaries Harvest Growth Capital LLC ("HGC") (effective April 1, 2010), Cratos CLO and HCC (effective August 18, 2011). All material intercompany accounts and transactions have been eliminated in consolidation. Non-controlling interest on the Consolidated Statements of Financial Condition at September 30, 2012 and December 31, 2011 relate to the interest of third parties in the partly-owned subsidiaries.

See Note 2 - Summary of Significant Accounting Policies in the Company's 2011 10-K for the Company's significant accounting policies.

3. Recent Accounting Pronouncements

Accounting Standards Update (“ASU”) 2011-05: Presentation of Other Comprehensive Income was issued to increase the prominence of other comprehensive income in financial statements, by eliminating the option to report other comprehensive income in the statement of changes in stockholder's equity. The standard requires comprehensive income to be reported in either a single statement that presents the components of net income, the components of other comprehensive income, and total comprehensive income, or in two consecutive statements. The standard also required separate line items on the income statement for reclassification adjustments of items out of accumulated other comprehensive income into net income. This standard was scheduled to be effective for periods starting after December 15, 2011. However, ASU 2011-12: Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income deferred the effective date of the requirement to present separate line items on the income statement for reclassification adjustments of items out of accumulated other comprehensive income into net income. The adoption of ASU 2011-05 resulted in the disclosure of other comprehensive income as a stand alone statement outside the statement of changes in stockholder's equity.

ASU 2011-04: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in GAAP and International Financial Reporting Standards (“IFRS”). The adoption of ASU 2011-04 gives fair value the same meaning between GAAP and IFRS, and improves consistency of disclosures relating to fair value. As a result of this standard, an entity is required to add more robust disclosures regarding the sensitivity of fair value measurements categorized within Level 3 of the fair value hierarchy. The standard is effective for interim periods beginning after December 15, 2011. The adoption of ASU 2011-04 resulted in additional disclosures within Note 4.

4. Fair Value Measurements

The following tables provide fair value information related to the Company's financial instruments at September 30, 2012 and December 31, 2011:

(In thousands)	Carrying Value	At September 30, 2012			Total
		Level 1	Level 2	Level 3	
Assets:					
Marketable securities owned	\$ 14,482	14,482	-	-	14,482
Other investments	75,785	1,424	29,229	45,132	75,785
Loans held for sale (1)	3,219	-	3,236	-	3,236
Small business loans, net of allowance for loan losses (2), (3)	24,645	-	5,915	19,812	25,727
Loans collateralizing asset-backed securities issued, net of allowance for loan losses (2), (4)	402,241	-	406,416	10,948	417,364
Long term receivable (5)	1,372	-	-	1,597	1,597
Total assets:	\$521,744	\$ 15,906	\$444,796	\$ 77,489	\$538,191
Liabilities:					
Marketable securities sold, but not yet purchased	\$ 11,383	\$ 11,383	\$-	\$-	\$ 11,383
Asset-backed securities issued (2)	406,461	-	397,805	-	397,805
Note payable (2)	22,657	-	22,657	-	22,657
Total liabilities:	\$440,501	\$ 11,383	\$420,462	\$-	\$431,845

(1) The Company carries the financial instrument at the lower of cost or market.

(2) The Company carries the financial instrument at cost.

(3) See Note 5 for valuation process and sensitivity of the fair value measurement to changes in unobservable inputs.

(4) See Note 6 for valuation process and sensitivity of the fair value measurement to changes in unobservable inputs.

(5) Long-term receivable represents the receivable purchased from Sanctuary Wealth Services LLC ("Sanctuary") on April 3, 2013 (see Investments at Cost in Note 4) and is included in Other Assets on the consolidated statement of financial condition.

(In thousands)	Carrying Value	At December 31, 2011			Total
		Level 1	Level 2	Level 3	
Assets:					
Marketable securities owned	\$24,309	\$24,309	\$-	\$-	\$24,309
Other investments	51,517	3,434	24,072	24,011	51,517
Loans held for sale (1)	2,957	-	2,979	-	2,979
Small business loans, net of allowance for loan losses (2), (3)	7,477	-	3,790	4,000	7,790
Loans collateralizing asset-backed securities issued, net of allowance for loan losses (2), (4)	410,770	-	405,386	14,769	420,155
Total assets:	\$497,030	\$27,743	\$436,227	\$42,780	\$506,750
Liabilities:					

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Marketable securities sold, but not yet purchased	\$10,921	\$10,921	\$-	\$-	\$10,921
Asset-backed securities issued (2)	381,556	-	375,902	-	375,902
Note payable (2)	19,222	-	19,222	-	19,222
Total liabilities:	\$411,699	\$10,921	\$395,124	\$-	\$406,045

(1) The Company carries the financial instrument at the lower of cost or market.

(2) The Company carries the financial instrument at cost.

(3) See Note 5 for valuation process and sensitivity of the fair value measurement to changes in unobservable inputs.

(4) See Note 6 for valuation process and sensitivity of the fair value measurement to changes in unobservable inputs.

Other Investments

The following tables provide information related to the Company's other investments held at fair value at September 30, 2012 and December 31, 2011:

(In thousands)	September 30, 2012			Total
	Level 1	Level 2	Level 3	
Other investments:				
General partner investment in hedge funds	\$-	\$28,479	\$-	\$28,479
General partner investment in funds of funds	-	-	105	105
Total general partner investment in funds	-	28,479	105	28,584
Limited partner investment in private equity fund	-	-	2,444	2,444
Warrants and other	-	-	669	669
Equity securities in HGC and JMP Capital	1,424	750	41,914	44,088
Total other investments	\$1,424	\$29,229	\$45,132	\$75,785

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(In thousands)

	December 31, 2011			Total
	Level 1	Level 2	Level 3	
Other investments:				
General partner investment in hedge funds	\$-	\$24,072	\$-	\$24,072
General partner investment in funds of funds	-	-	102	102
Total general partner investment in funds	-	24,072	102	24,174
Limited partner investment in private equity fund	-	-	2,585	2,585
Warrants and other	-	-	617	617
Equity securities in HGC and JMP Capital	3,426	-	20,707	24,133
Interest rate cap	8	-	-	8
Total other investments	\$3,434	\$24,072	\$24,011	\$51,517

The tables below provide a reconciliation of the beginning and ending balances for the assets held at fair value using significant unobservable inputs (Level 3) for the three months ended September 30, 2012 and 2011.

(In thousands)

	Balance as of June 30, 2012	Purchases	Sales	Total gains (losses) - realized and unrealized included in earnings (1)	Transfers out of Level 3	Balance as of September 30, 2012	Unrealized gains/(losses) included in earnings related to assets still held at reporting date
Limited partner investment in private equity fund	2,741	25	-	(322)	-	2,444	(322)
Warrants	782	-	-	(113)	-	669	(113)
Equity securities in HGC and JMP Capital	43,400	2,771	-	(3,957)	(300)	41,914	(3,957)
Total Level 3 assets	\$47,027	\$2,796	\$-	\$(4,391)	\$(300)	\$45,132	\$ (4,391)

(1) No Level 3 asset gains (losses) are included in other comprehensive income. All realized and unrealized gains (losses) related to Level 3 assets are included in earnings.

(In thousands)

	Balance as of June 30, 2011	Purchases	Sales	Total losses - realized and unrealized included in earnings (1)	Transfers in/(out) of Level 3	Balance as of September 30, 2011	Unrealized losses included in earnings related to assets still held at reporting date

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General partner investment in funds of funds	\$ 105	\$-	\$-	\$ (3)	\$-	\$ 102	\$(3)
Limited partner investment in private equity fund	3,184	32	-	(292)	-	2,924	(292)
Warrants	1,061	-	-	(623)	-	438	(623)
Equity securities in HGC and JMP Capital	17,200	-					