NATIONAL RETAIL PROPERTIES, INC.
Form 4
August 06, 2009

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL	
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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
MACNAB CRAIG

(Last) (First) (Middle)

450 S. ORANGE AVENUE, SUITE 900

(Street)

ORLANDO, FL 32801

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
NATIONAL RETAIL PROPERTIES, INC. [NNN]

3. Date of Earliest Transaction (Month/Day/Year)
08/05/2009

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Chief Executive Officer

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	08/05/2009	08/05/2009	S		30,000	D	$ 21.0869	388,785	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
MACNAB CRAIG 450 S. ORANGE AVENUE SUITE 900 ORLANDO, FL 32801	X		Chief Executive Officer	

Signatures

/s/ Craig Macnab	08/06/2009
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. FONT-FAMILY: Times New Roman, Times, serif; WIDTH: 1%; VERTICAL-ALIGN: bottom; MARGIN-LEFT: 0pt; BACKGROUND-COLOR: #cceeff" noWrap> 4,345

Software

644 580

Less: accumulated depreciation

(10,780) (9,850)

Total fixed assets, net

$2,233 $2,092

Depreciation expense was $0.9 million for the years ended December 31, 2014, 2013 and 2012.

7. Debt

Bond Payable

In January 2013, the Company raised approximately $46.0 million from the sale of 8.00% Senior Notes (the “2013 Senior Notes”). In January 2014, the Company raised an additional approximate amount of $48.3 million from the sale of 7.25% Senior Notes (the “2014 Senior Notes”). The 2013 Senior Notes will mature on January 15, 2023 and may be redeemed in whole or in part at any time or from time to time at the Company’s option on or after January 15, 2016, at a redemption price equal to the principal amount redeemed plus accrued and unpaid interest. The notes bear interest at a rate of 8.00% per year, payable quarterly on January 15, April 15, July 15 and October 15 of each year. The 2014 Senior Notes will mature on January 15, 2021, and may be redeemed in whole or in part at any time or from time to time at the Company’s option on or after January 15, 2017, at a redemption price equal to the principal amount redeemed plus accrued and unpaid interest. The notes bear interest at a rate of 7.25% per year, payable quarterly on January 15, April 15, July 15 and October 15 of each year, and began April 15, 2014.

The 2013 Senior Notes and 2014 Senior Notes (collectively, the “Senior Notes”) were issued pursuant to indentures with U.S. Bank National Association, as trustee. The indentures contain a minimum liquidity covenant that obligates the Company to maintain liquidity of at least an amount equal to the lesser of (i) the aggregate amount due on the next eight scheduled quarterly interest payments on the Senior Notes, or (ii) the aggregate amount due on all remaining scheduled quarterly interest payments on the Senior Notes until the maturity of the Senior Notes. The indenture also contains customary event of default and cure provisions. If an uncured default occurs and is continuing, the Trustee or the holders of at least 25% in principal amount of the Senior Notes may declare the Senior Notes immediately due and payable.

The Senior Notes will be the Company’s general unsecured senior obligations, will rank equally with all existing and future senior unsecured indebtedness and will be senior to any other indebtedness expressly made subordinate to the notes. The notes will be effectively subordinated to all of the existing and future secured indebtedness (to the extent of the value of the assets securing such indebtedness) and structurally subordinated to all existing and future liabilities of our subsidiaries, including trade payables.

The Company incurred $1.7 million of debt issuance costs, which were capitalized and included in Other Assets in both 2013 and 2014. These issuance costs are amortized over the estimated life of the bond. As of December 31, 2013 and 2014, the Company held $1.6 million and $2.9 million of unamortized debt issuance costs.

CLO III Warehouse Credit Facility

On December 11, 2013, CLO III closed on a $100.0 million warehouse credit agreement with BNP Paribas. As the Company consolidates CLO III, the warehouse credit facility was presented on the financial statements. However, in event of default, there was limited recourse to the Company. CLO III pays BNP Paribas an administrative agent fee of $25 thousand per year, in addition to interest at a rate per annum equal to LIBOR plus 1.40%, payable quarterly. The Company incurred $0.9 million interest expense related to this warehouse credit facility for the year ended December 31, 2014. The Company’s outstanding balance on this warehouse credit facility was zero as of December 31, 2013. On September 30, 2014, with the Company’s completion of the $370.5 million CLO III transaction, the warehouse credit facility was terminated.

Note Payable and Lines of Credit

As of December 31, 2014, the Company held revolving lines of credit related to JMP Holdings LLC (formerly known as JMP Group LLC), JMP Securities and HGC II.

The Company’s Credit Agreement (the “Credit Agreement”), dated as of August 3, 2006, was entered by and between JMP Group LLC and the Lender, and was subsequently amended. Prior to April 30, 2014, the Credit Agreement provided a line of credit of up to $30.0 million to the extent the aggregate outstanding balance of all facilities did not exceed $58.5 million. The unused portion of the line incurred an unused facility fee at the rate of 0.25% per annum, paid quarterly. The line of credit was available through April 30, 2014. On April 30, 2014, the Company entered into an amendment to its Credit Agreement (the “Amendment”) between JMP Holding LLC and CNB. The Amendment provides a $25.0 million line of credit with a revolving period of two years. At the end of these two years, any outstanding amounts convert to a term loan. This term loan will be repaid in equal quarterly installments over the following three years. Proceeds for this line of credit will be used to make financial investments, for working capital purposes, for general corporate purposes, as well as a $5.0 million sublimit to issue letters of credit. The Company’s outstanding balance on this line of credit was zero as of both December 31, 2014 and 2013.

Pursuant to the Credit Agreement, on April 25, 2013, JMP Group drew $15.0 million on a term loan. This term loan was to be repaid in quarterly installments of $1.2 million beginning March 31, 2014, with a final payment of approximately $1.3 million on December 31, 2016. The outstanding balance on this term loan was $15.0 million as of December 31, 2013. The Company paid the balance of the term loan in the first quarter of 2014.

JMP Securities holds a revolving line of credit with CNB to be used for regulatory capital purposes during its securities underwriting activities. The unused portion of the line bears interest at the rate of 0.25% per annum, paid monthly. Pursuant to the Amendment, the prior $15.0 million line of credit held at JMP Securities, which was scheduled to mature May 6, 2014, was increased to $20.0 million and renewed for one year. On May 6, 2015, any existing outstanding amount will convert to a loan maturing the following year. The remaining terms of this line of credit are consistent with those of the prior line of credit. There was no borrowing on this line of credit as of December 31, 2014 or December 31, 2013.

On November 22, 2013, HGC II entered into a line of credit of $3.0 million with CNB. Draws on the line bear interest at the rate of prime plus 0.5% per annum, paid quarterly. The line of credit will be available through December 1, 2015 or fifteen days prior to the expiration of the commitment period of HGC II unless renewed. Proceeds from this line of credit are used to purchase investments, prior to capital calls from HGC II investors. The Company’s outstanding balance on this line of credit was zero and $2.9 million as of December 31, 2014 and December 31, 2013, respectively.

The Credit Agreement contains financial and other covenants, including, but not limited to, limitations on debt, liens and investments, as well as the maintenance of certain financial covenants. A violation of any one of these covenants could result in a default under the Credit Agreement, which would permit CNB to terminate our note and require the immediate repayment of any outstanding principal and interest. At December 31, 2014, the Company was in compliance with the loan covenants. The term loans are collateralized by a pledge of the Company’s assets, including its interests in each of JMP Securities and HCS.

8. Asset-backed Securities Issued

CLO I

On May 17, 2007, CLO I completed a $500.0 million aggregate principal amount of notes (the "Notes") on-balance sheet debt securitization and obtained $455.0 million of third-party financing. The Notes will be repaid from the cash flows generated by the loan portfolio owned by CLO I. The Notes were issued in six separate classes as set forth in the table below. The Company owns approximately 94.0% of the unsecured subordinated notes and $13.8 million of Class C, D and E notes ($2.0 million of Class C, $4.1 million of Class D and $7.7 million of Class E notes). These unsecured subordinated notes and the Class C, D and E notes owned by the Company are eliminated upon consolidation of JMP Credit, and therefore, are not reflected on the Company's consolidated statement of financial condition at December 31, 2014 and 2013.

(In millions)	**As of December 31, 2014**				
	Notes Originally Issued	**Outstanding Principal Balance**	**Net Outstanding Balance**	**Interest Rate Spread to LIBOR**	**Ratings (Moody's /S&P) (1)**
Class A Senior Secured Floating Rate Revolving Notes due 2021	$326.0	$ 244.9	$ 244.9	0.26%- 0.29%	Aaa/AAA
Class B Senior Secured Floating Rate Notes due 2021	30.0	30.0	30.0	0.50%	Aaa/AAA
Class C Senior Secured Deferrable Floating Rate Notes due 2021	35.0	35.0	35.0	1.10%	Aaa/AA+
Class D Secured Deferrable Floating Rate Notes due 2021	34.0	34.0	34.0	2.40%	A1/A-
Class E Secured Deferrable Floating Rate Notes due 2021	30.0	30.0	30.0	5.00%	Ba1/BB
Total secured notes sold to investors	$455.0	$ 373.9	$ 373.9		
Unsecured subordinated notes due 2021	45.0	45.0	45.0		
Total notes for the CLO I offering	$500.0	$ 418.9	$ 418.9		
Consolidation elimination	N/A	(58.8)	(58.8)		
Total asset-backed securities issued	N/A	$ 360.1	$ 360.1		

(1) These ratings are unaudited and were the current ratings as of December 31, 2014 and are subject to change from time to time.

(In millions)	**As of December 31, 2013**		
	Notes	**Interest Rate**	**Ratings**

	Original Issued	Outstanding Principal Balance	Net Outstanding Balance	Spread to LIBOR	(Moody's /S&P) (1)
Class A Senior Secured Floating Rate Revolving Notes due 2021	$326.0	$ 289.0	$ 289.0	0.26% - 0.29%	Aaa/AAA
Class B Senior Secured Floating Rate Notes due 2021	30.0	30.0	30.0	0.50%	Aaa/AAA
Class C Senior Secured Deferrable Floating Rate Notes due 2021	35.0	35.0	35.0	1.10%	Aaa/AA+
Class D Secured Deferrable Floating Rate Notes due 2021	34.0	34.0	34.0	2.40%	A1/A-
Class E Secured Deferrable Floating Rate Notes due 2021	30.0	30.0	30.0	5.00%	Ba1/BB
Total secured notes sold to investors	$455.0	$ 418.0	$ 418.0		
Unsecured subordinated notes due 2021	45.0	45.0	45.0		
Total notes for the CLO I offering	$500.0	$ 463.0	$ 463.0		
Consolidation elimination	N/A	(58.7)	(58.7)		
Total asset-backed securities issued	N/A	$ 404.3	$ 404.3		

(1) These ratings are unaudited and were the current ratings as of December 31, 2013 and are subject to change from time to time.

The secured notes and subordinated notes are limited recourse obligations payable solely from cash flows of the CLO I loan portfolio and related collection and payment accounts pledged as security. Payment on the Class A-1 notes rank equal, or pari-passu, in right of payment with payments on the Class A-2 notes and payment on the Class A-1 and Class A-2 notes rank senior in right of payment to the other secured notes and the subordinated notes. Payment on the Class B, Class C, Class D and Class E notes generally rank subordinate in right of payment to any other class of notes which has an earlier alphabetical designation. The subordinated notes are subordinated in right of payment to all other classes of notes and do not accrue interest. Interest on the secured notes is payable quarterly at a per annum rate equal to LIBOR plus the applicable spread set forth in the table above. Payment of interest on the Class C, Class D and Class E notes is payable only to the extent proceeds are available under the applicable payment priority provisions. To the extent proceeds are not so available, interest on the Class C, Class D and Class E notes will be deferred. As of December 31, 2014 and 2013, all interest on the secured notes was current. The secured notes are secured by the CLO loan portfolio and the funds on deposit in various related collection and payment accounts. The terms of the debt securitization subject the loans included in the CLO loan portfolio to a number of collateral quality, portfolio profile, interest coverage and overcollateralization tests.

The reinvestment period for CLO I ended in May 2013, and all scheduled principal payments from the borrowers are applied to paying down the most senior (AAA) CLO notes. The Company is still permitted to reinvest unscheduled principal payments, which includes most loan payoffs. However, in order to reinvest these proceeds, CLO I is required to maintain or improve its weighted average life covenant, the replacement collateral is required to have the same or better Moody’s and S&P ratings as the loan that prepaid, and the maturity date cannot be later than that of the loan that prepaid. These restrictions make reinvestment increasingly difficult as time lapses, which will result in the CLO being paid down more rapidly. CLO I paid down $44.1 million and $26.7 million in the years ended December 31, 2014 and 2013, respectively.

The Notes recorded upon the closing of CLO I in April 2009 reflect an issuance discount. The activity in the note principal and liquidity discount for the years ended December 31, 2014 and 2013 comprised the following:

(In thousands)	**Year Ended December 31, 2014**			**Year Ended December 31, 2013**		
	Principal	**Liquidity Discount**	**Net**	**Principal**	**Liquidity Discount**	**Net**
Balance at beginning of period	$404,280	$ -	$404,280	$431,003	$(15,548)	$415,455
Repayments	(44,141)	-	(44,141)	(26,723)	-	(26,723)
Amortization of discount	-	-	-	-	15,548	15,548
Balance at end of period	$360,139	$ -	$360,139	$404,280	$ -	$404,280

CLO II

On April 30, 2013, CLO II completed a $343.8 million securitization with $320.0 million in aggregate principal amount of notes (the “Secured Notes”) and $23.8 million in unsecured subordinated notes. The Secured Notes offered in this proposed transaction were issued in multiple tranches and are rated by Standard & Poor's Ratings Services and, in respect of certain tranches, Moody's Investors Service, Inc. The Secured Notes will be repaid from the cash flows generated by the loan portfolio owned by CLO II. The Company owned approximately 72.8% of the unsecured subordinated notes at December 31, 2013. In the first quarter of 2014, the Company repurchased $6.0 million of the unsecured subordinated notes from CLO II non-controlling interests, increasing the Company’s ownership from 72.8% to 98.0%. These unsecured subordinated notes are eliminated upon consolidation of JMP Credit, and therefore, are not reflected on the Company’s consolidated statement of financial condition at December 31, 2014.

(In millions)	**As of December 31, 2014**					
	Notes Originally Issued	**Outstanding Principal Balance**	**Issuance Discount**	**Net Outstanding Balance**	**Interest Rate Spread to LIBOR**	**Ratings (Moody's/S&P) (1)**
Class X Senior Secured Floating Rate Notes due 2016	$3.8	$ 2.3	$ -	$ 2.3	1.00 %	Aaa/AAA
Class A Senior Secured Floating Rate Notes due 2023	217.6	217.6	(0.7)	216.9	1.18 %	Aaa/AAA
Class B Senior Secured Floating Rate Notes due 2023	34.0	34.0	(0.2)	33.8	1.75 %	NR/AA
Class C Senior Secured Deferred Floating Rate Notes due 2023	17.0	17.0	(0.5)	16.5	2.75 %	NR/A
Class D Senior Secured Deferred Floating Rate Notes due 2023	18.7	18.7	(1.4)	17.3	3.85 %	NR/BBB
	18.7	18.7	(2.3)	16.4	5.25 %	NR/BB

Class E Senior Secured Deferred Floating Rate Notes due 2023						
Class F Senior Secured Deferred Floating Rate Notes due 2023	10.2	10.2	(1.9)	8.3	5.75 %	NR/B
Total secured notes sold to investors	$320.0	$ 318.5	$ (7.0)	$ 311.5		
Unsecured subordinated notes due 2023	23.8	23.8	(0.3)	23.5		
Total notes for the CLO II offering	$343.8	$ 342.3	$ (7.3)	$ 335.0		
Consolidation elimination	N/A	(23.8)	0.3	(23.5)		
Total CLO II asset-backed securities issued	N/A	$ 318.5	$ (7.0)	$ 311.5		

(1) These ratings are unaudited and were the current ratings as of December 31, 2014 and are subject to change from time to time.

(In millions)	**As of December 31, 2013**					
	Notes Originally Issued	**Outstanding Principal Balance**	**Issuance Discount**	**Net Outstanding Balance**	**Interest Rate Spread to LIBOR**	**Ratings (Moody's/S&P) (1)**
Class X Senior Secured Floating Rate Notes due 2016	$3.8	$ 3.8	$ -	$ 3.8	1.00 %	Aaa/AAA
Class A Senior Secured Floating Rate Notes due 2023	217.6	217.6	(0.8)	216.8	1.18 %	Aaa/AAA
Class B Senior Secured Floating Rate Notes due 2023	34.0	34.0	(0.3)	33.7	1.75 %	NR/AA
Class C Senior Secured Deferred Floating Rate Notes due 2023	17.0	17.0	(0.6)	16.4	2.75 %	NR/A
Class D Senior Secured Deferred Floating Rate Notes due 2023	18.7	18.7	(1.6)	17.1	3.85 %	NR/BBB
Class E Senior Secured Deferred Floating Rate Notes due 2023	18.7	18.7	(2.5)	16.2	5.25 %	NR/BB
Class F Senior Secured Deferred Floating Rate Notes due 2023	10.2	10.2	(2.1)	8.1	5.75 %	NR/B
Total secured notes sold to investors	$320.0	$ 320.0	$ (7.9)	$ 312.1		
	23.8	23.8	(0.3)	23.5		

Unsecured subordinated notes due 2023				
Total notes for the CLO II offering	$343.8	$ 343.8	$ (8.2)	$ 335.6
Consolidation elimination	N/A	(23.8)	0.3	(23.5)
Total CLO II asset-backed securities issued	N/A	$ 320.0	$ (7.9)	$ 312.1

(1) These ratings are unaudited and were the current ratings as of December 31, 2013 and are subject to change from time to time.

103

The secured notes and subordinated notes are limited recourse obligations payable solely from cash flows of the CLO II loan portfolio and related collection and payment accounts pledged as security. Payment on the Class X notes rank equal, or pari-passu, in right of payment with payments on the Class A notes and payment on the Class X and Class A notes rank senior in right of payment to the other secured notes and the subordinated notes. Payment on the Class B, Class C, Class D, Class E and Class F notes generally rank subordinate in right of payment to any other class of notes which has an earlier alphabetical designation. The subordinated notes are subordinated in right of payment to all other classes of notes and will not accrue interest. Interest on the secured notes was payable quarterly commencing October 2013 at a per annum rate equal to LIBOR plus the applicable spread set forth in the table above. Payment of interest on the Class C, Class D, Class E and Class F notes is payable only to the extent proceeds are available under the applicable payment priority provisions. To the extent proceeds are not so available, interest on the Class C, Class D, Class E and Class F notes will be deferred. The secured notes are secured by the CLO II loan portfolio and the funds on deposit in various related collection and payment accounts. The terms of the debt securitization subject the loans included in the CLO II loan portfolio to a number of collateral quality, portfolio profile, interest coverage and overcollateralization tests.

The Notes recorded upon the issuance of CLO II in April 2013 at fair value reflect an issuance discount. The activity in the note principal and issuance discount for the years ended December 31, 2014 and 2013, respectively, comprised the following:

(In thousands)	**Year Ended December 31, 2014**			**Year Ended December 31, 2013**		
	Principal	**Issuance Discount**	**Net**	**Principal**	**Issuance Discount**	**Net**
Balance at beginning of period	$320,000	$ (7,857)	$312,143	$-	$ -	$-
CLO II issuance	-	-	-	320,000	(8,437)	311,563
Repayments	(1,520)	-	(1,520)	-	-	-
Amortization of discount	-	918	918	-	580	580
Balance at end of period	$318,480	$ (6,939)	$311,541	$320,000	$ (7,857)	$312,143

CLO III

On December 11, 2013 CLO III closed on a $100.0 million warehouse credit agreement with BNP Paribas. CLO III is a special purpose vehicle whose debt is secured by a diversified portfolio of broadly syndicated leveraged loans. As of December 31, 2013, CLO III was not funded. On September 30, 2014, CLO III completed a $370.5 million securitization, comprised of $332.1 million aggregate principal amount of notes (the “Secured Notes”) and $38.4 million of unsecured notes. The Secured Notes offered in this proposed transaction were issued in multiple tranches and are rated by Moody's Investors Service, Inc. and, in respect of certain tranches, Fitch. The Secured Notes will be repaid from the cash flows generated by the loan portfolio owned by CLO III. The Company owned approximately 13.5% of the unsecured subordinated notes at December 31, 2014. These unsecured subordinated notes are eliminated upon consolidation of JMP Credit, and therefore, are not reflected on the Company’s consolidated statement of financial condition at December 31, 2014.

(In millions)	As of December 31, 2014					
	Notes Originally Issued	**Outstanding Principal Balance**	**Issuance Discount**	**Net Outstanding Balance**	**Interest Rate Spread to LIBOR**	**Ratings (Moody's/Fitch)**
Class A Senior Secured Floating Rate Notes due 2025	$228.0	$ 228.0	$ (0.8)	$ 227.2	1.53 %	Aaa/AAA
Class B Senior Secured Floating Rate Notes due 2025	41.7	41.7	(1.1)	40.6	2.05 %	Aa2/NR
Class C Senior Secured Deferred Floating Rate Notes due 2025	22.5	22.5	(0.8)	21.7	2.90 %	A2/NR
Class D Senior Secured Deferred Floating Rate Notes due 2025	21.6	21.6	-	21.6	5.10 %	Baa3/NR
Class E Senior Secured Deferred Floating Rate Notes due 2025	18.3	18.3	-	18.3	7.35 %	Ba3/NR
Total secured notes sold to investors	$332.1	$ 332.1	$ (2.7)	$ 329.4		
Unsecured subordinated notes due 2025	38.4	38.4	(4.5)	33.9		
Total notes for the CLO III offering	$370.5	$ 370.5	$ (7.2)	$ 363.3		
Consolidation elimination	N/A	(38.4)	4.5	(33.9)		
Total CLO III asset-backed securities issued	N/A	$ 332.1	$ (2.7)	$ 329.4		

The secured notes and subordinated notes are limited recourse obligations payable solely from cash flows of the CLO III loan portfolio and related collection and payment accounts pledged as security. Payment on Class A notes rank senior in right of payment to the other secured notes and the subordinated notes. Payment on the Class B, Class C, Class D and Class E notes generally rank subordinate in right of payment to any other class of notes which has an earlier alphabetical designation. The subordinated notes are subordinated in right of payment to all other classes of notes and will not accrue interest. Interest on the secured notes is payable quarterly commencing April 2015 at a per annum rate equal to LIBOR plus the applicable spread set forth in the table above. Payment of interest on the Class C, Class D and Class E notes is payable only to the extent proceeds are available under the applicable payment priority provisions. To the extent proceeds are not so available, interest on the Class C, Class D and Class E notes will be deferred. The secured notes are secured by the CLO III loan portfolio and the funds on deposit in various related collection and payment accounts. The terms of the debt securitization subject the loans included in the CLO III loan portfolio to a number of collateral quality, portfolio profile, interest coverage and overcollateralization tests.

The Notes recorded at fair value upon the issuance of CLO III in September 2014 include a discount to par value. The activity in the note principal and purchase discount for the year ended December 31, 2014 comprised the following:

(In thousands)	**Year Ended December 31, 2014**		
	Principal	**Issuance Discount**	**Net**
Balance at beginning of period	$-	$ -	$-
CLO III issuance	332,100	(2,761)	329,339
Amortization of discount	-	118	118
Balance at end of period	$332,100	$ (2,643)	$329,457

Interest on Asset Backed Securities Issued

Total interest expenses related to the asset-backed securities issued for the year ended December 31, 2014 and 2013 were $15.4 million and $25.6 million, respectively, which was comprised of a cash coupon of $13.8 million and $9.2 million and liquidity and issuance discount amortization of $1.5 million and $16.4 million, respectively. As of December 31, 2014 and 2013, accrued interest payable on the Notes were $4.0 million and $1.9 million, respectively.

Fair Value of Asset Backed Securities Issued

The Company determined the fair value of the secured notes of the asset-backed securities issued to be $992.6 million and $711.0 million as of December 31, 2014 and 2013, respectively, based upon pricing from published market research for equivalent-rated CLO notes. Based on the fair value methodology, the Company has identified the asset-backed securities issued as Level 2 liabilities.

9. Stockholders’ Equity

Common Stock

The Company’s board of directors declared a quarterly cash dividend of $0.045, $0.050, $0.060, and $0.070 per share of common stock in March, April, July, and October 2014, respectively. Those dividends were paid in April, May, August and November 2014 for the fourth quarter of 2013, the first, second and third quarter of 2014, respectively.

Stock Repurchase Program

On March 5, 2013, the Company’s board of directors authorized the repurchase of 1.3 million shares, and extended the authorization of the repurchase of all previously authorized shares for repurchases through December 31, 2014. On October 6, 2014, the board of directors authorized the repurchase of up to 0.7 million additional shares of the company's outstanding common stock. Subsequently, on October 30, 2014, the board of directors increased the Company’s share repurchase authorization to 1.0 million shares through December 31, 2015.

During the years ended December 31, 2014 and 2013, the Company repurchased 1,777,276 shares and 890,376 shares, respectively, of the Company’s common stock at an average price of $6.58 per share and $6.50 per share, respectively, for an aggregate purchase price of $11.7 million and $5.8 million, respectively. Of the total shares repurchased during the years ended December 31, 2014 and 2013, 445,601 shares and 40,835 shares, respectively, were deemed to have been repurchased in connection with employee stock plans, whereby the Company’s shares were issued on a net basis to employees for the payment of applicable statutory withholding taxes and therefore such withheld shares are deemed to be purchased by the Company. 356,728 of the shares repurchased in 2013 were repurchased from certain JMPCA employees at a discount to market price in conjunction with their use of said proceeds as a long term capital commitment to CLO II. 135,680 of the shares repurchased during the year ended December 31, 2013 were repurchased from an employee. The remaining shares were purchased on the open market.

As of December 31, 2014, 584,028 shares remain available to be repurchased under the repurchase program.

The timing and amount of any future open market stock repurchases will be determined by JMP management based on its evaluation of market conditions, the relative attractiveness of other capital deployment activities, regulatory considerations and other factors. Any open market stock repurchase activities will be conducted in compliance with the safe harbor provisions of Rule 10b-18 of the Securities Exchange Act of 1934, as amended, or in privately negotiated transactions. Repurchases of common stock may also be made under an effective Rule 10b5-1 plan which permits common stock to be repurchased when the Company may otherwise be prohibited from doing so under insider trading laws. This repurchase program may be suspended or discontinued at any time.

10. Stock-Based Compensation

On March 26, 2007, the board of directors adopted the JMP Group Inc. 2007 Equity Incentive Plan (“JMP Group 2007 Plan”), which was approved by the stockholders on April 12, 2007. The board reauthorized this plan and it was approved by our stockholders on June 6, 2011. JMP Group Inc. authorized the issuance of 4,000,000 shares of its common stock under this Plan. This amount is increased by any shares JMP Group Inc. purchases on the open market, or through any share repurchase or share exchange program, as well as any shares that may be returned to the JMP Group 2007 Plan or the JMP Group LLC 2004 Equity Incentive Plan (“JMP Group 2004 Plan”) as a result of forfeiture, termination or expiration of awards; not to exceed a maximum aggregate number of shares of 2,960,000 shares under the JMP Group 2004 Plan. The Company will issue shares upon exercises or vesting from authorized but unissued shares or from treasury stock.

105

Stock Options

The following table summarizes the stock option activity for the years ended December 31, 2014, 2013 and 2012:

	Year Ended December 31, 2014 Shares Subject to Option	2014 Weighted Average Exercise Price	2013 Shares Subject to Option	2013 Weighted Average Exercise Price	2012 Shares Subject to Option	2012 Weighted Average Exercise Price
Balance, beginning of year	2,370,290	$ 7.54	1,608,890	$ 11.12	1,704,665	$ 11.20
Granted	1,525,000	6.84	1,600,000	6.23	-	-
Forfeited	(200,000)	6.45	(50,000)	6.24	-	-
Expired	(103,600)	10.00	(788,600)	12.29	(95,775)	12.43
Balance, end of period	3,591,690	$ 7.23	2,370,290	$ 7.54	1,608,890	$ 11.12
Options exercisable at end of period	716,690	$ 10.00	820,290	$ 10.00	1,608,890	$ 11.12

The following table summarizes the stock options outstanding as well as stock options vested and exercisable as of December 31, 2014 and 2013:

	December 31, 2014 Options Outstanding				Options Vested and Exercisable			
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Aggregate Intrinsic Value	Number Exercisable	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Aggregate Intrinsic Value
$6.05 - $10.00	3,591,690	3.80	$ 7.23	$ 3,112,100	716,690	0.97	$ 10.00	-

	December 31, 2013 Options Outstanding				Options Vested and Exercisable			
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual	Weighted Average Exercise Price	Aggregate Intrinsic Value	Number Exercisable	Weighted Average Remaining Contractual	Weighted Average Exercise Price	Aggregate Intrinsic Value

		Life in Years				Life in Years		
$6.05-$10.00	2,370,290	6.61	$ 7.54	$1,812,250	820,290	1.86	$ 10.00	-

The Company recognizes stock-based compensation expense for stock options over the vesting period using the accelerated attribution method when they are subject to graded vesting and on a straight-line basis when they are subject to cliff vesting. The Company recognized compensation expense related to stock options of $1.9 million, $0.9 million and zero for the years ended December 31, 2014, 2013 and 2012.

As of December 31, 2014, there was $3.2 million unrecognized compensation expense related to stock options. As of December 31, 2013, there was $2.3 million unrecognized compensation expense related to stock options.

There were no stock options exercised during the years ended December 31, 2014, 2013 and 2012. As a result, the Company did not recognize any current income tax benefits from exercise of stock options during these periods.

The Company uses Black-Scholes option-pricing model or other quantitative models to calculate the fair value of option awards.

In February 2013, the Company granted stock options to purchase approximately 1.6 million shares of the Company's common stock to certain employees for long-term incentive purposes. The options have an exercise price ranging from $6.05 to $6.24 per share, an exercise period of 5.9 years and a Company performance-based condition as well as a three-year requisite service period. The fair value of these options was determined using a quantitative model using the following assumptions: expected life of 5.9 years, risk-free interest rate of 1.08%, dividend yield of 2.2% and volatility of 50.0%. The risk-free rate was interpolated from the U.S. constant maturity treasuries for a term corresponding to the maturity of the option. The volatility was calculated from the historical weekly stock prices of the Company as of the grant date for a term corresponding to the maturity of the option. The dividend yield was calculated as the sum of the last twelve-month dividends over the stock price as of the grant date.

In the first quarter of 2014, the Company granted stock options to purchase approximately 1.5 million shares of the Company's common stock to certain employees and directors for long-term incentive purposes. The options have an exercise price ranging from $6.79 to $7.33 per share, an exercise period of 5.8 years and a Company performance-based condition as well as a three-year requisite service period. The fair value of these options was determined using a quantitative model using the following assumptions: expected life of 5.8 years, risk-free interest rate ranging from 1.92% to 2.02%, dividend yield ranging from 2.41% to 2.64% and volatility ranging from 41.41% to 43.15%. The risk-free rate was interpolated from the U.S. constant maturity treasuries for a term corresponding to the maturity of the option. The volatility was calculated from the historical weekly stock prices of the Company as of the grant date for a term corresponding to the maturity of the option. The dividend yield was calculated as the sum of the last twelve-month dividends over the stock price as of the grant date. No additional stock options were granted in 2014.

106

Restricted Stock Units and Restricted Shares

In February 2012, the Company granted 910,000 RSUs to certain employees for long term incentive purposes. These units have Company performance-based condition and a three-year requisite service period and will vest when both conditions are met. The fair value of these RSUs was determined based on the closing price of the Company's stock on the grant date, discounted for dividends not received during the vesting period using assumed dividend rate of $0.035 per quarter and risk-free interest rate of 0.35%. In the fourth quarter of 2012, the vesting of these RSUs became probable based on the Company's operating results for the year 2012, and the Company recognized $1.8 million of compensation expense for such RSUs in the quarter. The remaining compensation expense related to these RSUs was recognized over the remaining vesting period of two years.

On February 11, 2013, the Company granted approximately 560,000 RSUs to certain employees for long-term incentive purposes. In addition, approximately 110,000 and 446,000 RSUs were granted in 2013 to certain employees as deferred compensation and as hiring bonuses, respectively. These RSUs have requisite service periods of two to three years and receive cash dividend equivalents during the vesting periods. The fair value of these RSUs was determined based on the closing price of the Company's stock on the grant date without any discount.

In the first quarter of 2014, the Company granted approximately 428,000 restricted stock units ("RSUs") to certain employees as deferred compensation. In addition, approximately 334,000 and 67,000 RSUs were granted in the first quarter of 2014 to certain employees for long-term incentive purposes and as hiring bonuses, respectively. These RSUs have requisite service periods of two to three years and receive cash dividend equivalents during the vesting periods. The fair value of these RSUs was determined based on the closing price of the Company's stock on the grant date without any discount. Approximately 48,000 RSUs were granted in the first quarter of 2014 to Company directors. These RSUs have requisite service periods of two to three years. The fair value of these RSUs was determined based on the closing price of the Company's stock on the grant date, discounted for dividends not received during the vesting period. Approximately 55,000 RSUs were granted in the third quarter of 2014 to new hires. The fair value of these RSUs was determined based on the closing price of the Company's stock on the grant date, discounted for dividends not received during the vesting period.

The following table summarizes the RSU activity for the years ended December 31, 2014, 2013 and 2012:

Year Ended December 31,					
2014		**2013**		**2012**	
Restricted Stock Units	**Weighted Average Grant Date Fair Value**	**Restricted Stock Units**	**Weighted Average Grant Date Fair Value**	**Restricted Stock Units**	**Weighted Average Grant Date Fair Value**

Balance, beginning of year	1,881,149	$ 6.70	1,020,382	$ 7.27	1,634,268	$ 7.42
Granted	931,456	6.93	1,115,505	6.22	952,597	7.29
Vested	(1,178,337)	7.16	(118,173)	6.73	(1,456,540)	7.00
Forfeited	(140,417)	6.51	(136,565)	7.01	(109,943)	6.89
Balance, end of period	1,493,851	$ 6.50	1,881,149	$ 6.70	1,020,382	$ 7.27

The aggregate fair value of RSUs vested during the years ended December 31, 2014, 2013 and 2012 were $8.9 million, $0.8 million and $10.2 million, respectively. The income tax benefits realized from the vested RSUs were $3.4 million, $0.3 million, and $3.7 million, respectively.

The Company recognizes compensation expense for RSUs over the vesting period using the accelerated attribution method when they are subject to graded vesting and on a straight-line basis when they are subject to cliff vesting. For the years ended December 31, 2014, 2013 and 2012, the Company recorded compensation expense related to RSUs of $7.5 million, $4.4 million and $2.5 million, respectively. For the year ended December 31, 2012, the compensation expense related to RSUs awarded included $1.8 million recognized on the probable vesting of the performance-based RSUs granted in February 2012, described above.

For the years ended December 31, 2014, 2013 and 2012, the Company recognized income tax benefits of $3.7 million, $2.1 million and $0.9 million, respectively, related to the compensation expense recognized for RSUs and stock options. As of December 31, 2014 and 2013, there was $4.8 million and $6.5 million, respectively, of unrecognized compensation expense related to RSUs expected to be recognized over a weighted average period of 1.34 years and 1.51 years, respectively.

The Company pays cash dividend equivalents on certain unvested RSUs. Dividend equivalents paid on RSUs are generally charged to retained earnings. Dividend equivalents paid on RSUs expected to be forfeited are included in compensation expense. The Company accounts for the tax benefit related to dividend equivalents paid on RSUs as an increase on additional paid-in capital.

11. Net Income per Share of Common Stock

Basic net income per share for the Company is calculated by dividing net income by the weighted average number of common shares outstanding for the reporting period. Diluted net income (loss) per share is calculated by adjusting the weighted average number of outstanding shares to reflect the potential dilutive impact as if all potentially dilutive stock options or RSUs were exercised or converted under the treasury stock method. However, for periods that the Company has a net loss the effect of outstanding stock options or RSUs is anti-dilutive and, accordingly, is excluded from the calculation of diluted loss per share.

107

Explanation of Responses:

The computations of basic and diluted net income per share and basic and diluted net income per unit for the years ended December 31, 2014, 2013 and 2012 are shown in the table below:

(In thousands, except per share data)	**Year Ended December 31,**		
	2014	**2013**	**2012**
Numerator:			
Net income attributable to JMP Group, Inc	$13,352	$3,628	$2,757
Denominator:			
Basic weighted average shares outstanding	21,481	22,158	22,582
Effect of potential dilutive securities:			
Restricted stock units and stock options	2,061	1,159	324
Diluted weighted average shares outstanding	23,542	23,317	22,906
Net income per share			
Basic	$0.59	$0.16	$0.12
Diluted	$0.57	$0.16	$0.12

In the table above, unvested RSUs that have non-forfeitable dividend equivalent rights are treated as a separate class of securities in calculated net income (loss) per share. The impact of applying this methodology was a reduction in basic net income per share of $0.03 for 2014, less than $0.01 for 2013 and zero for 2012.

Stock options to purchase 2,217,434, 2,794,534 and 1,642,841 shares of common stock for the years ended December 31, 2014, 2013 and 2012, respectively, were anti-dilutive and, therefore, were not included in the computation of diluted weighted-average common shares outstanding.

Stock options to purchase 1,333,658, 1,412,192 and zero shares of common stock for the years ended December 31, 2014, 2013 and 2012, respectively, had a Company performance-based condition and were not included in the computation of diluted weighted-average common shares outstanding because such performance-based condition has not been met.

Restricted stock units for 45,420, 75,255 and zero shares of common stock for the years ended December 31, 2014, 2013 and 2012, respectively, were anti-dilutive and, therefore, were not included in the computation of diluted weighted-average common shares outstanding.

12. Employee Benefits

All salaried employees of the Company are eligible to participate in the JMP Group 401(k) Plan after three months of employment. Participants may contribute up to the limits set by the United States Internal Revenue Service. There were no contributions by the Company during the years ended December 31, 2014, 2013 and 2012.

13. Income Taxes

The components of the Company’s income tax expense (benefit) for the years ended December 31, 2014, 2013 and 2012 are as follows:

(In thousands)	**Year Ended December 31,**		
	2014	**2013**	**2012**
Federal	$(8,914)	$8,789	$2,714
State	(528)	715	(791)
Total current income tax expense	(9,442)	9,504	1,923
Federal	16,991	(5,154)	(814)
State	466	(400)	472
Total deferred income tax expense (benefit)	17,457	(5,554)	(342)
Total income tax expense (benefit)	$8,015	$3,950	$1,581

108

As of December 31, 2014 and 2013, the components of deferred tax assets and liabilities are as follows:

(In thousands)	**As of December 31, 2014**	**2013**
Deferred tax assets:		
Accrued compensation and related expenses	$-	$4,391
Equity based compensation	3,150	2,860
Reserves and allowances	1,820	2,043
New York net operating loss	1,024	495
Other state net operating loss	383	
Deferred compensation	3,661	1,992
Other	924	1,734
Total deferred tax assets	10,962	13,515
Deferred tax liabilities:		
Investment in partnerships	(6,740)	(517)
Repurchase of asset-backed securities issued	(1,317)	(1,647)
Depreciation and amortization	-	(141)
Net unrealized capital gains/losses	(1,585)	(1,249)
Accrued compensation and related expenses	(9,519)	-
Interest in HCC LLC (1)	-	(71)
Total deferred tax liabilities	(19,161)	(3,625)
Net deferred tax asset before valuation allowance	(8,199)	9,890
Valuation allowance	(392)	(1,009)
Net deferred tax (liabilities)/ assets	$(8,591)	$8,881

(1) HCC LLC was consolidated for financial reporting purposes (through May 2, 2013) but not consolidated for tax reporting purposes.

As of December 31, 2014, JMP Group Inc. has a New York State net operating loss (“NOL”) carry forward of approximately $59 million gross and $8.3 million post-apportioned which expires in 2034. The New York City NOL carryforward of approximately $59 million expires between 2029 and 2034. The California NOL carry forward of approximately $16 million expires in 2034; and the other state NOL carry forwards are not significant. The Company also has California Enterprise Zone credits totaling $0.3 million which expire in 2024.

New York Senate Bill 6359 was enacted on March 31, 2014 and becomes effective January 1, 2015. This bill includes changes to the corporate tax rate, establishing economic nexus provisions and unitary combined reporting requirements. This state law change coupled with the Company’s forecasted taxable profits have an impact on the Company’s measurement of the New York State net deferred tax assets. Management believes that that the deferred tax assets will, more-likely-than-not, be realized based on taxes paid in prior years and future reversing taxable temporary differences. As a result, the Company released the full valuation allowance related to the NYS NOL deferred tax asset and recorded an income tax benefit of $0.6 million. The valuation allowance against the New York City deferred tax assets remains as the City has not yet adopted the New York State tax reform.

The deferred tax asset related to accrued compensation changed to a deferred tax liability for 2014 due to a change in accounting method for tax purposes related to the Company’s bonus deduction. This deduction will be recaptured into taxable income equally over four years. The change in accounting method for tax purposes generated a taxable loss in the current year which the Company has decided to carryback to previous taxable years for a refund.

The Company files its tax returns as prescribed by the tax laws of the jurisdictions in which it operates; with the limited exception of certain jurisdictions which do not have a significant adverse effect on the Company’s overall tax exposure. The Company recognizes tax benefits related to its tax positions only where the position is “more likely than not” to be sustained in the event of examination by tax authorities. As part of its assessment, the Company analyzes its tax filing positions in all of the tax jurisdictions where it is required to file income tax returns, and for all open tax years, which are 2011 through 2013 for federal income tax purposes and 2010 through 2013 for California income tax purposes. As of December 31, 2014, the total reserve balance including interest and penalties was $0.25 million. The Company is not currently under examination in any tax jurisdictions and does not anticipate any tax adjustments that will result in a material adverse effect on the Company’s financial condition, results of operations, or cash flow within the next twelve months.

A reconciliation of the statutory U.S. federal income tax rate to the effective tax rate for the years ended December 31, 2014, 2013 and 2012 is as follows:

	Year Ended December 31,		
	2014	**2013**	**2012**
Tax at federal statutory tax rate	35.00 %	35.00 %	34.00 %
State income tax, net of federal tax benefit	2.04 %	3.82 %	6.67 %
Change in New York valuation	-1.96 %	-1.06 %	-3.70 %
Adjustment for permanent items (HGC, HGC II, HCC LLC, CLO II, CLO III and HCAP Advisors non-controlling interest) (1)	-9.64 %	-19.84 %	-17.55 %
Adjustment for other permanent items	1.04 %	-0.55 %	0.20 %
Deferred tax asset written off related to options and RSUs	0.00 %	4.11 %	0.31 %
Adjustment for prior year taxes	0.52 %	-0.55 %	-1.15 %
California state enterprise zone tax credit	-0.28 %	-0.97 %	-2.20 %
Adjustment for capitalized costs	0.00 %	2.54 %	0.00 %
Effective tax rate	26.72 %	22.50 %	16.58 %

(1) HCC LLC (through May 2, 2013), CLO II (effective April 30, 2013), HCAP Advisors (effective May 1, 2013), CLO III (effective September 30, 2014), HGC, and HGC II are consolidated for financial reporting purposes but not for tax purposes.

The increase in the effective tax rate for the year ended December 31, 2014 compared to the same period in 2013 was primarily attributable to income and losses associated with HGC which are consolidated for financial reporting purposes but are excluded from the computation of total income tax used in the effective tax rate calculation. Non-controlling income attributed to HGC increased from a loss of $11 million for the year ended December 31, 2013 to a loss of $7 million for the same period in 2014.The effective tax rate is calculated on a consolidated level using tax expense related to the Company (excluding non-controlling interest) divided by pre-tax income including non-controlling interest.

14. Commitments and Contingencies

The Company leases office space in California, Illinois, Georgia, Massachusetts, Minnesota, New York and Pennsylvania under various operating leases. Occupancy expense was $3.3 million for the year ended December 31, 2014, and $3.2 million for both the years ended December 31, 2013 and 2012. The Company recorded sublease income of $0.4 million for the year ended December 31, 2014 and $0.2 million for both the years ended December 31, 2013 and 2012.

The California, Illinois, Minnesota and New York leases included a period of free rent at the start of the lease. Rent expense is recognized over the entire lease period uniformly net of the free rent savings. The aggregate minimum future commitments of these leases are:

(In thousands)	**December 31, 2014**
2015	$ 4,185
2016	4,313
2017	3,714
2018	3,357
2019	2,190
Thereafter	7,521
Lease Commitments	$ 25,280

In connection with its underwriting activities, JMP Securities enters into firm commitments for the purchase of securities in return for a fee. These commitments require JMP Securities to purchase securities at a specified price. Securities underwriting exposes JMP Securities to market and credit risk, primarily in the event that, for any reason, securities purchased by JMP Securities cannot be distributed at anticipated price levels. At December 31, 2014 and 2013, JMP Securities had no open underwriting commitments.

The marketable securities owned and the restricted cash as well as the cash held by the clearing broker may be used to maintain margin requirements. At December 31, 2014 and 2013, the Company had $220,000 and $150,000, respectively, of cash on deposit with JMP Securities' clearing broker. Furthermore, the marketable securities owned may be hypothecated or borrowed by the clearing broker.

Unfunded commitments are agreements to lend to a borrower, provided that all conditions have been met. As of December 31, 2014 and 2013, the Company had unfunded commitments of $24.3 million and $40.4 million in the Corporate Credit segment, respectively. $6.8 million and $6.5 million of the unfunded commitments as of December 31, 2014 and 2013, respectively, relate to commitments traded but not yet closed in CLO I. $5.1 million and $8.7 million of the unfunded commitments as of December 31, 2014 and 2013, respectively, relate to commitments traded but not yet closed in CLO II. $5.3 million and $10.4 million of the unfunded commitments as of December 31, 2014 and 2013, respectively, relate to commitments traded but not yet closed in CLO III. In addition, the Company had unfunded commitments of $0.2 million and $1.2 million related to a health sciences fund investment advising company as of December 31, 2014 and December 31, 2013, respectively. The Company determined the fair value of the unfunded commitments to be $25.9 million and $41.0 million as of December 31, 2014 and 2013, using the average market bid and ask quotation obtained from a loan pricing service.

15. Regulatory Requirements

JMP Securities is subject to the SEC's Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital, as defined, and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. JMP Securities had net capital of $64.3 million and $59.1 million, which were $63.3 million and $58.1 million in excess of the required net capital of $1.0 million at December 31, 2014 and 2013, respectively. JMP Securities' ratio of aggregate indebtedness to net capital was 0.19 to 1 and 0.16 to 1 at December 31, 2014 and 2013, respectively.

Since all customer transactions are cleared through another broker-dealer on a fully disclosed basis, JMP Securities is not required to maintain a separate bank account for the exclusive benefit of customers in accordance with Rule 15c3-3 under the Exchange Act.

16. Related Party Transactions

The Company earns base management fees and incentive fees from serving as investment advisor for various entities, including corporations, partnerships limited liability companies, and offshore investment companies. The Company also owns an investment in most of such affiliated entities. As of December 31, 2014 and 2013, the aggregate fair value of the Company's investments in the affiliated entities for which the Company serves as the investment advisor was $72.8 million and $55.3 million, respectively, which consisted of investments in hedge and other private funds of $64.6 million and $44.6 million, respectively, investments in funds of funds of $0.2 million and $0.1 million, respectively, and an investment in HCC common stock of $8.0 million and $10.6 million, respectively. Base management fees earned from these affiliated entities were $13.2 million, $10.8 million, and $9.4 million for the years ended December 31, 2014, 2013 and 2012, respectively. Also, the Company earned incentive fees of $27.4 million, $15.1 million and $6.3 million from these affiliated entities for the years ended December 31, 2014, 2013 and 2012, respectively. As of December 31, 2014 and 2013, the Company had incentive fees receivable from these entities of $7.1 million and $7.9 million, respectively.

17. Guarantees

JMP Securities has agreed to indemnify its clearing broker for losses that the clearing broker may sustain from the accounts of customers introduced by JMP Securities. Should a customer not fulfill its obligation on a transaction, JMP Securities may be required to buy or sell securities at prevailing market prices in the future on behalf of its customer. JMP Securities' obligation under the indemnification has no maximum amount. All unsettled trades at December 31, 2014 had settled with no resulting material liability to the Company. For the years ended December 31, 2014, 2013 and 2012, the Company had no material loss due to counterparty failure, and has no obligations outstanding under the indemnification arrangement as of December 31, 2014.

The Company is engaged in various investment banking and brokerage activities whose counterparties primarily include broker-dealers, banks and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty with which it conducts business.

18. Litigation

The Company may be involved from to time in a number of judicial, regulatory, litigation and arbitration matters arising in connection with the business. The outcome of such matters the Company has been and/or currently is involved in cannot be determined at this time, and the results cannot be predicted with certainty. There can be no assurance that these matters will not have a material adverse effect on the results of operations in any future period and a significant outcome could have a material adverse impact on the Company's financial condition, results of operations and cash flows.

The Company reviews the need for any loss contingency reserves and establish reserves when, in the opinion of management, it is probable that a matter would result in liability and the amount of loss, if any, can be reasonably estimated. Generally, given the inherent difficulty of predicting the outcome of matters the Company is involved in, particularly cases in which claimants seek substantial or indeterminate damages, it is not possible to determine whether a liability has been incurred or to reasonably estimate the ultimate or minimum amount of that liability until the case is close to resolution. For these matters, no reserve is established until such time, other than for reasonably estimable legal fees and expenses. Management, after consultation with legal counsel, believes that the currently known actions or threats will not result in any material adverse effect on the Company's financial condition, results of operations or cash flows.

19. Financial Instruments with Off-Balance Sheet Risk, Credit Risk or Market Risk

The majority of the Company's transactions, and consequently the concentration of its credit exposure, is with its clearing broker. The clearing broker is also a significant source of short-term financing for the Company, which is collateralized by cash and securities owned by the Company and held by the clearing broker. The Company's securities owned may be pledged by the clearing broker. The receivable from the clearing broker represents amounts receivable in connection with the trading of proprietary positions.

The Company is also exposed to credit risk from other brokers, dealers and other financial institutions with which it transacts business. In the event that counterparties do not fulfill their obligations, the Company may be exposed to credit risk.

The Company’s trading activities include providing securities brokerage services to institutional clients. To facilitate these customer transactions, the Company purchases proprietary securities positions (“long positions”) in equity securities. The Company also enters into transactions to sell securities not yet purchased (“short positions”), which are recorded as liabilities on the Consolidated Statements of Financial Condition. The Company is exposed to market risk on these long and short securities positions as a result of decreases in market value of long positions and increases in market value of short positions. Short positions create a liability to purchase the security in the market at prevailing prices. Such transactions result in off-balance sheet market risk as the Company’s ultimate obligation to satisfy the sale of securities sold, but not yet purchased may exceed the amount recorded in the Consolidated Statements of Financial Condition. To mitigate the risk of losses, these securities positions are marked to market daily and are monitored by management to assure compliance with limits established by the Company.

111

In connection with the CLOs, the Company is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include unfunded commitments to lend and standby letters of credit. The instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheet of the Company.

Unfunded commitments are agreements to lend to a borrower, provided that all conditions have been met. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since certain commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each borrower's creditworthiness on a case by case basis.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance by a borrower to a third party. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on balance sheet instruments. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to borrowers. In its Corporate Credit segment, the Company had unfunded commitments of $24.3 million and standby letters of credit of $2.3 million at December 31, 2014. In its Corporate Credit segment, the Company had unfunded commitments of $40.4 million and standby letters of credit of $1.8 million at December 31, 2013. $6.8 million and $6.5 million of the unfunded commitments as of December 31, 2014 and 2013, respectively, relate to commitments traded but not yet closed in CLO I. $5.1 million and $8.7 million of the unfunded commitments as of December 31, 2014 and 2013, respectively, relate to commitments traded but not yet closed in CLO II. $5.3 million and $10.4 million of the unfunded commitments as of December 31, 2014 and 2013, respectively, relate to commitments traded but not yet closed in CLO III. In addition, the Company had unfunded commitments of $0.2 million and $1.2 million related to a health sciences fund investment advising company as of December 31, 2014 and December 31, 2013, respectively.

20. Business Segments

The Company's business results are categorized into the following five business segments: Broker-Dealer, Asset Management, Corporate Credit, Investment Income and Corporate Costs. The Broker-Dealer segment includes a broad range of services, such as underwriting and acting as a placement agent for public and private capital markets raising transactions and financial advisory services in M&A, restructuring and other strategic transactions. The Broker-Dealer segment also includes institutional brokerage services and equity research services to our institutional investor clients. The Asset Management segment includes the management of a broad range of pooled investment vehicles, including the Company's hedge funds, hedge funds of funds. The Corporate Credit segment includes the management of collateralized loan obligations and small business loans. The Investment Income segment includes income from the Company's principal investments in public and private securities, as well as any other net interest and income from investing activities. The Corporate Costs segment includes expenses related to JMP Group Inc., the holding company, and JMP Group LLC, and is mainly comprised of corporate overhead expenses and interest expense related to the Company's credit facility with City National Bank.

The accounting policies of the segments are consistent with those described in the Significant Accounting Policies in Note 2.

Management uses Operating Net Income as a key metric when evaluating the performance of JMP Group's core business strategy and ongoing operations. This measure adjusts the Company's net income as follows: (i) reverses non-cash stock-based compensation expense related to historical equity awards granted in prior periods, (ii) recognizes 100% of the cost of deferred compensation in the period for which such compensation was awarded, instead of recognizing such cost over the vesting period as required under GAAP, (iii) excludes the net amortization of liquidity discounts on loans held and asset-backed securities issued by JMP Credit Corporation for periods prior to that ended September 30, 2013, (iv) reverses net unrealized gains and losses on strategic equity investments and warrants, (v) excludes unrealized mark-to-market gains or losses on the investment portfolio at HCC LLC, (vi) excludes general loan loss reserves on the CLOs, and (vii) presents revenues and expenses on a basis that deconsolidates HGC, HGC II and HCC LLC. HGC and HGC II are excluded as we own a relatively small percentage of these funds, although they are consolidated. These charges may otherwise obscure the company's operating income and complicate an assessment of the company's core business activities. The operating pre-tax net income facilitates a meaningful comparison of the Company's results in a given period to those in prior and future periods. The revenues and expenses are presented on a basis that deconsolidates the investment funds Harvest manages.

The Company's segment information for the years ended December 31, 2014, 2013 and 2012 was prepared using the following methodology:

- Revenues and expenses directly associated with each segment are included in determining segment operating income.

- Revenues and expenses not directly associated with a specific segment are allocated based on the most relevant measures applicable, including revenues, headcount and other factors.

112

- Each segment’s operating expenses include: a) compensation and benefits expenses that are incurred directly in support of the segments and b) other operating expenses, which include expenses for premises and occupancy, professional fees, travel and entertainment, communications and information services, equipment and indirect support costs (including compensation and other operating expenses related thereto) for administrative services.

When evaluating the performance of JMP Group's core business strategy and ongoing operations, management also reviewed the Adjusted Operating Net Income through December 31, 2013, which excluded the non-cash gains and losses recognized by JMP Credit Corp due to the sale or payoff of loans originally included in the portfolio acquired by JMP Group in April 2009, as well as the specific reserve for loan losses related to this portfolio of loans. Management believed this metric to be instructive to assess the company's core earnings over time without regard to a relatively volatile revenue stream. Earnings derived from sales or payoffs of acquired loans, while once substantial, are no longer material, as the portfolio of acquired loans is almost entirely liquidated. Therefore, the segments are now based on operating net income. The reconciling items for the years ended December 31, 2013 from adjusted operating net income to operating net income include adding back non-cash gains on the acquired loan portfolio, the specific reserve on loans from the portfolio, and the related compensation expense. Adjusted Operating Net Income for the years ended December 31, 2012 and 2013 were $15.6 million and $13.9 million, respectively.

113

Segment Operating Results

Management believes that the following information provides a reasonable representation of each segment's contribution to revenues, income and assets:

(In thousands)	**Year Ended December 31,**		
	2014	**2013**	**2012**
Broker-Dealer			
Non-interest revenues	$108,074	$99,133	$73,130
Total net revenues after provision for loan losses	$108,074	$99,133	$73,130
Non-interest expenses	90,643	84,749	67,152
Segment operating pre-tax net income	$17,431	$14,384	$5,978
Segment assets	$116,403	$109,437	$66,611
Asset Management			
Non-interest revenues	$45,639	$29,598	$23,177
Total net revenues after provision for loan losses	$45,639	$29,598	$23,177
Non-interest expenses	41,010	29,346	20,686
Non-controlling interest	786	(1,731)	-
Segment operating pre-tax net income	$3,843	$1,983	$2,491
Segment assets	$167,181	$134,471	$57,423
Corporate Credit			
Non-interest revenues	$5,266	$4,735	$4,064
Total net revenues after provision for loan losses	$5,266	$4,735	$4,064
Non-interest expenses	4,672	3,691	2,996
Segment operating pre-tax net income	$594	$1,044	$1,068
Segment assets	$373,489	$17,207	$5,415
Investment Income			
Non-interest revenues	$7,276	$10,788	$13,104
Net interest income	16,682	16,471	19,313
Provision for loan losses	1,265	(932)	(2,207)
Total net revenues after provision for loan losses	$25,223	$26,327	$30,210
Non-interest expenses	4,683	4,864	(3,071)
Non-controlling interest	1,342	977	670
Segment operating pre-tax net income	$19,198	$20,486	$32,611
Segment assets	$762,200	$805,601	$518,283
Corporate Costs			
Non-interest expenses	14,512	16,039	13,647
Segment operating pre-tax net loss	$(14,512)	$(16,039)	$(13,647)
Segment assets	$228,448	$187,838	$159,233
Eliminations			
Non-interest revenues	$(5,780)	$(5,764)	$(5,419)
Total net revenues after provision for loan losses	$(5,780)	$(5,764)	$(5,419)
Non-interest expenses	(5,692)	(5,744)	(5,419)
Segment operating pre-tax net loss	$(88)	$(20)	$-

Segment assets	$(131,529)	$(132,623)	$(97,102)
Total Segments			
Non-interest revenues	$160,475	$138,490	$108,056
Net interest income	16,682	16,471	19,313
Provision for loan losses	1,265	(932)	(2,207)
Total net revenues after provision for loan losses	$178,422	$154,029	$125,162
Non-interest expenses	149,828	132,945	95,991
Non-controlling interest	2,128	(754)	670
Segment operating pre-tax net income	$26,466	$21,838	$28,501
Total assets	$1,516,192	$1,121,931	$709,863

114

The following tables reconcile the total segments to consolidated net income before income tax expense and total assets as of and for the years ended December 31, 2014, 2013 and 2012.

(In thousands)	As of and Year Ended December 31, 2014			
	Total Segments	**Consolidation Adjustments and Reconciling Items**		**JMP Consolidated**
Non-interest revenues	$160,475	$ 5,823	(a)	$ 166,298
Net Interest Income	16,682	(38)	(b)	16,644
Provision for loan losses	1,265	(1,701)		(436)
Total net revenues after provision for loan losses	$178,422	$ 4,084		$ 182,506
Non-interest expenses	149,828	2,680	(c)	152,508
Noncontrolling interest	2,128	6,503		8,631
Operating pre-tax net income (loss)	$26,466	$ (5,099)	(d)	$ 21,367
Total assets	$1,516,192	$ -		$ 1,516,192

(In thousands)	As of and Year Ended December 31, 2013			
	Total Segments	**Consolidation Adjustments and Reconciling Items**		**JMP Consolidated**
Non-interest revenues	$138,490	$ 10,126	(a)	$ 148,616
Net Interest Income	16,471	(13,235)	(b)	3,236
Provision for loan losses	(932)	(1,705)		(2,637)
Total net revenues after provision for loan losses	$154,029	$ (4,814)		$ 149,215
Non-interest expenses	132,945	(1,281)	(c)	131,664
Noncontrolling interest	(754)	10,727		9,973
Operating pre-tax net income (loss)	$21,838	$ (14,260)	(d)	$ 7,578
Total assets	$1,121,931	$ -		$ 1,121,931

(In thousands)	As of and Year Ended December 31, 2012			
	Total Segments	**Consolidation Adjustments and Reconciling Items**		**JMP Consolidated**
Non-interest revenues	$108,056	$ 2,167	(a)	$ 110,223
Net Interest Income	19,313	(26,408)	(b)	(7,095)
Provision for loan losses	(2,207)	1		(2,206)
Total net revenues after provision for loan losses	$125,162	$ (24,240)		$ 100,922
Non-interest expenses	95,991	(4,603)	(c)	91,388

Noncontrolling interest	670	4,526		5,196
Operating pre-tax net income (loss)	$28,501	$ (24,163	)(d)	$ 4,338
Total assets	$709,863	$ -		$ 709,863

(a) Non-interest revenue adjustments are comprised of loan sale gains, mark-to-market gains/losses, strategic equity investments and warrants, and fund-related revenues recognized upon consolidation of certain Harvest Funds.

(b) The Net Interest Income adjustment is comprised of the non-cash net amortization of liquidity discounts at JMP Credit, due to scheduled contractual repayments, and amortization expense related to an intangible asset.

(c) Non-interest expense adjustments relate to reversals of stock-based compensation and exclusion of fund-related expenses recognized upon consolidation of certain Harvest Funds.

(d) Reconciling operating pre-tax net income to Consolidated Net Income before income tax expense in the Consolidated Statements of Operations consists of the following:

(In thousands)	**Year Ended December 31,**		
	2014	**2013**	**2012**
Operating net income	$16,406	$13,539	$16,532
Addback of Income tax expense (assumed rate of 38% for 2014 and 2013, and 42% for 2012)	10,060	8,299	11,969
Total Segments adjusted operating pre-tax net income	$26,466	$21,838	$28,501
Subtract / (Add back)			
Stock options	1,917	920	-
Compensation expense - RSUs	3,744	2,823	2,492
Deferred compensation program accounting adjustment	(4,483)	(6,170)	(6,985)
HCC IPO administrative expense	-	450	(450)
Net unrealized loss/ (gain) on strategic equity investments and warrants.	2,570	(593)	525
General loan loss reserve for CLO II and CLO III	1,351	1,241	-
Net amortization of liquidity discounts on loans and asset-backed securities issued	-	14,979	29,208
Unrealized mark-to-market (gain)/loss - HCC	-	610	(627)
Consolidated pre-tax net income attributable to JMP Group Inc.	$21,367	$7,578	$4,338
Income tax expense	8,015	3,950	1,581
Consolidated Net Income attributable to JMP Group Inc.	$13,352	$3,628	$2,757

21. Summarized financial information for equity method investments

The tables below present summarized financial information of the hedge funds which the Company accounts for under the equity method. The financial information below represents 100% of the net assets, net realized and unrealized gains (losses) and net investment income (loss) of such hedge funds as of the dates and for the periods indicated.

	As of December 31,	
(In thousands)	**2014**	**2013**
	Net Assets	**Net Assets**
Harvest Opportunity Partners II	$78,856	$94,120
Harvest Small Cap Partners	323,439	245,127
Harvest Franchise Fund (1)	-	91,042
Harvest Agriculture Select	35,448	32,032
Harvest Technology Partners	20,542	17,958
Harvest Financial Partners	15,439	-

(In thousands)	**Year Ended December 31,**					
	2014		**2013**		**2012**	
	Net Realized and	**Net Investment Income**	**Net Realized and**	**Net Investment Income**	**Net Realized and**	**Net Investment Income**

	Unrealized Gains (Losses)	(Loss)	Unrealized Gains (Losses)	(Loss)	Unrealized Gains (Losses)	(Loss)
Harvest Opportunity Partners II	$3,240	$ (393)	$6,993	$ (1,320)	$11,231	$ (1,113)
Harvest Small Cap Partners	118,723	(22,467)	55,690	(16,405)	34,278	(16,716)
Harvest Franchise Fund (1)	4,661	(1,139)	21,190	(3,008)	(6,255)	(77)
Harvest Agriculture Select	4,247	(460)	3,094	(334)	3,172	(298)
Harvest Technology Partners	1,294	(244)	344	(326)	(208)	(721)
Harvest Financial Partners	482	(53)	-	-	-	-
Harvest Diversified Partners	-	-	1,563	(435)	2,626	(417)

(1) HFF was liquidated on December 31, 2014 and its assets will be distributed to its partners in 2015.

22. Subsequent Events

On January 1, 2015, pursuant to the Merger Agreement, adopted by the Company’s stockholders at a special meeting of the stockholders held on December 1, 2014, JMP Merger Corp., a wholly-owned subsidiary of JMP Group LLC, merged with and into JMP Group Inc., with JMP Group Inc. continuing as the surviving entity and a wholly-owned subsidiary of JMP Group LLC. Consequently, JMP Group LLC replaced JMP Group Inc. as the publicly traded company. Pursuant to the Merger Agreement, each share of the Company’s common stock, par value $0.001 per share, issued and outstanding immediately prior to the Merger, and each share of common stock held in the treasury of the Company immediately prior to the Merger, was converted on a one-for-one basis into one issued and outstanding, or treasury, share representing a limited liability company interest in JMP LLC, having substantially similar rights and privileges as the common stock being converted. 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. The revised structure is expected to impact the Company’s income tax expense; however, the extent is not yet determined.

On January 12, 2015, the Company announced that its board of directors declared cash distributions of $0.035 per share for the months of January, February and March, 2015. The January distribution is payable on or before February 13, 2015, to shareholders of record as of January 30, 2015. The February distribution is payable on or before March 13, 2015, to shareholders of record as of February 27, 2015. The March distribution is payable on or before April 15, 2015, to shareholders of record as of March 31, 2015.

On February 4, 2015 and February 11, 2015, the Company granted an aggregate of 2,865,000 stock appreciation rights (“SARs”) to certain employees and the Company’s independent directors. These SARs have a base price of $7.33 per share, an exercise period of five years and will vest and become exercisable on December 31, 2017 subject to the terms and conditions of the applicable grant agreements.

On February 4, 2015, the Company granted approximately 380,000 RSUs to certain employees of the Company as part of the 2014 deferred compensation program. 50% of these units will vest on December 31, 2015 and the remaining 50% will vest on December 31, 2016 subject to the grantees’ continued employment through such dates.

23. Selected Quarterly Financial Data (Unaudited)

The following represents the Company’s unaudited quarterly results for the years ended December 31, 2014 and 2013. These quarterly results were prepared in accordance with GAAP and reflect all adjustments that are in the opinion of management, necessary for a fair statement of the results.

(In thousands, except per share data)	**Three Months Ended**			
	December 31, 2014	**September 30, 2014**	**June 30, 2014**	**March 31, 2014**
Total net revenues after provision for loan losses	$53,631	$ 33,697	$57,518	$37,660
Non-interest expenses:				
Compensation and benefits	25,910	28,315	37,979	31,376
Other expenses	8,227	7,007	7,177	6,517
Total non-interest expenses	34,137	35,322	45,156	37,893
Income (loss) before income tax expense	19,494	(1,625)	12,362	(233)
Income tax expense (benefit)	2,409	1,460	2,450	1,696
Net income (loss)	17,085	(3,085)	9,912	(1,929)
Less: Net (loss) income attributable to the non-controlling interest	12,421	(4,580)	6,717	(5,927)
Net income attributable to JMP Group Inc.	4,664	1,495	3,195	3,998

Net income attributable to JMP Group Inc. per common share:				
Basic	$0.21	$ 0.07	$0.14	$0.17
Diluted	$0.20	$ 0.06	$0.13	$0.17

(In thousands, except per share data)	Three Months Ended December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
Total net revenues after provision for loan losses	$59,686	$ 35,377	$30,904	$23,248
Non-interest expenses:				
Compensation and benefits	33,366	24,685	24,776	19,605
Other expenses	7,297	6,786	8,983	6,166
Total non-interest expenses	40,663	31,471	33,759	25,771
Income (loss) before income tax expense	19,023	3,906	(2,855)	(2,523)
Income tax expense (benefit)	3,772	1,634	(644)	(812)
Net income (loss)	15,251	2,272	(2,211)	(1,711)
Less: Net (loss) income attributable to the non-controlling interest	11,758	(1,017)	(776)	8
Net income (loss) attributable to JMP Group Inc.	3,493	3,289	(1,435)	(1,719)
Net income attributable to JMP Group Inc. per common share:				
Basic	$0.16	$ 0.14	$(0.06)	$(0.08)
Diluted	$0.16	$ 0.14	$(0.06)	$(0.08)

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

The Company's management, with the participation of the Company's Chairman and Chief Executive Officer and the Chief Financial Officer (the principal executive officer and principal financial officer, respectively), has evaluated the disclosure controls and procedures as of the end of the year covered by this Annual Report on Form 10-K, based on the criteria established in Internal Control- Integrated Framework issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission.

Based on their evaluation, the Chairman and Chief Executive Officer and Chief Financial Officer have concluded that as of the end of the year covered by this report, the disclosure controls and procedures are effective to provide reasonable assurance that the information required to be disclosed in the reports filed or submitted by the Company under the Exchange Act, is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to the Company management, including the Chairman and Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There was no change in the Company's internal control over financial reporting that occurred during the three months ended December 31, 2014 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company's management report on internal control over financial reporting and the attestation of our independent registered public accounting firm are contained in Part II, Item 8 of this Annual Report on Form 10-K and are incorporated herein by reference.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of the inherent limitations of any system of internal control. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses of judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper overriding of controls. As a result of such limitations, there is risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Item 9B. Other Information

None.

118

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item will be contained in the sections of the Company's Proxy Statement for the 2015 Annual Meeting of Shareholders, captioned "Board of Directors," "Compensation of Directors," and "Section 16(a) Beneficial Ownership Reporting Compliance," which is incorporated herein by reference.

Item 11. Executive Compensation

Information with respect to this item will be contained in the sections of the Company's Proxy Statement for the 2015 Annual Meeting of Shareholders, captioned "Executive Compensation" which is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information with respect to this item will be contained in the sections of the Company's Proxy Statement for the 2015 Annual Meeting of Shareholders, captioned "Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information" which is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information with respect to this item will be contained in the sections of the Company's Proxy Statement for the 2015 Annual Meeting of Shareholders, captioned "Related Party Transactions" and "Director Independence" which is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

Information with respect to this item will be contained in the sections of the Company's Proxy Statement for the 2015 Annual Meeting of Shareholders, captioned "Fees Paid to Independent Registered Public Accounting Firm" which is incorporated herein by reference.

119

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Documents filed as part of this Form 10-K:

1. Consolidated Financial Statements

The consolidated financial statements required to be filed in the Form 10-K are listed below. The required financial statements appear on pages 72 through 117 herein.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

2. Financial Statement Schedules

Separate financial statement schedules have been omitted either because they are not applicable or because the required information is included in the consolidated financial statements.

3. Exhibits

See the Exhibit Index immediately following the signature page of this Form 10-K for a list of the exhibits being filed or furnished with or incorporated by reference into this Annual Report on Form 10-K.

120

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 12, 2015

JMP GROUP INC.

By: / S / JOSEPH A. JOLSON
Joseph A. Jolson
Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: March 12, 2015

Signature	Title
/ S / JOSEPH A. JOLSON **Joseph A. Jolson**	Director, Chairman and Chief Executive Officer (principal executive officer)
/ S / RAYMOND S. JACKSON **Raymond S. Jackson**	Chief Financial Officer (principal financial and accounting officer)
/ S / CRAIG R. JOHNSON **Craig R. Johnson**	Director
/ S / DAVID M. DIPIETRO **David M. DiPietro**	Director

/ S / KENNETH M. KARMIN	Director
Kenneth M. Karmin	
/ S / MARK L. LEHMANN	Director
Mark L. Lehmann	
/ S / H. MARK LUNENBURG	Director
H. Mark Lunenburg	
/ S / JONATHAN M. ORSZAG	Director
Jonathan M. Orszag	
/ S / CARTER D. MACK	Director
Carter D. Mack	
/ S / GLENN H. TONGUE	Director
Glenn H. Tongue	

121

EXHIBIT INDEX

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated as of August 20, 2014, by and among JMP Group LLC, JMP Group Inc. and JMP Merger Corp. (incorporated by reference to Exhibit 2.1 to JMP Group Inc.'s current report on Form 8-K filed August 20, 2014).
3.1	Certificate of Formation of JMP Group LLC, dated as of August 19, 2014 (incorporated by reference to Exhibit 3.1 to the Registrant's registration statement on Form S-4 filed October 16, 2014).
3.2	Amended and Restated Limited Liability Agreement of JMP Group LLC, dated as of January 1, 2015 (incorporated by reference to Exhibit 3.1 the Registrant's current report on Form 8-K filed January 2, 2015).
3.3	Fifth Amended and Restated Certificate of Incorporation of JMP Group Inc., dated as of January 2, 2015 (incorporated by reference to Exhibit 3.1 to JMP Group Inc.'s current report on Form 8-K filed January 2, 2015).
3.4	Amended and Restated Bylaws of JMP Group Inc. (incorporated by reference to Exhibit 3.3 to JMP Group Inc.'s current report on Form 8-K filed January 2, 2015).
4.1	Form of specimen share certificate for common shares representing limited liability company interests in JMP Group LLC (incorporated by reference to Exhibit 4.1 of the Registrant's post-effective amendment to the registration statement on Form S-3 filed January 27, 2015).
4.2	Indenture dated as of January 24, 2013, between JMP Group Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Registrant's current report on Form 8-K filed on January 25, 2013).
4. 3	First Supplemental Indenture dated as of January 25, 2013, between JMP Group Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Registrant's current report on Form 8-K filed on January 25, 2013).
4.4	Form of 8.00% Senior Nate due 2023 (included as Exhibit A to Exhibit 4.3 above).
4.6	Second Supplemental Indenture dated as of January 29, 2014, between JMP Group Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Registrant's current report on Form 8-K filed on January 30, 2014).
4.7	Form of 7.25% Senior Note due 2021 (included as Exhibit A to Exhibit 4.6 above).
4.8	Second Amended and Restated Credit Agreement, by and between JMP Group Inc. and City National Bank dated as of April 30, 2014 (incorporated by reference to Exhibit 10.30 to the Registrant's quarterly report on Form 10-Q filed on May 1, 2014).
4.9	

	Third Supplemental Indenture, dated as of October 15, 2014, by and among JMP Group Inc., JMP Group LLC, JMP Investment Holdings LLC and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Registrant's current report on Form 8-K dated January 2, 2015).
10.1	Lease Agreement, Dated December 18, 2003 (incorporated by reference to Exhibit 10.8 to the Registrant's registration statement on Form S-1 (No. 333-140689) filed on February 14, 2007).
10.2	Sublease, Dated December 18, 2003 (incorporated by reference to Exhibit 10.9 to the Registrant's registration statement on Form S-1 (No. 333-140689) filed on February 14, 2007).
10.3	Consent to Sublease, Dated December 18, 2003 (incorporated by reference to Exhibit 10.9.1 to the Registrant's registration statement on Form S-1 (No. 333-140689) filed on February 14, 2007).
10.4	Letter Amendment to Consent to Sublease, Dated May 10, 2004 (incorporated by reference to Exhibit 10.9.2 to the Registrant's registration statement on Form S-1 (No. 333-140689) filed on February 14, 2007).
10. 5	JMP Group LLC Amended and Restated Senior Executive Bonus Plan (incorporated by reference to Exhibit 10.10 to the Registrant's registration statement on Form S-4 filed October 16, 2014).
10.6	JMP Group LLC Amended and Restated Equity Incentive Plan (incorporated by reference to Exhibit 99.2 to the Registrant's registration statement on Form S-8 filed January 27, 2015).
10.7	Form of Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.13.6 to JMP Group Inc.'s quarterly report on Form 10-Q filed on May 6, 2010).

122

10.8	Form of Share Appreciation Right Award Agreement (incorporated by reference to Exhibit 99.3 to the Registrant’s registration statement on Form S-8 filed January 27, 2015).
10.9	Revolving Note and Cash Subordination Agreement, dated as of April 8, 2011 (incorporated by reference to Exhibit 10.31 to the Registrant’s registration statement on Form S-4 filed October 29, 2014).
10.10	Amendment Number Five to Resolving Note and Cash Subordination Agreement and Revolving Note, dated as of April 30, 2014 (incorporated by reference to Exhibit 10.31 to JMP Group Inc.’s quarterly report on Form 10-Q filed May 1, 2014).
21*	List of subsidiaries of JMP Group Inc.
23.1*	Consent of PricewaterhouseCoopers LLP
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	The following materials from the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2014, formatted in Extensible Business Reporting Language (XBRL), include: (i) the Consolidated Statements of Income, (ii) the Consolidated Balance Sheets, (iii) the Consolidated Statements of Stockholders’ Equity, (iv) the Consolidated Statements of Cash Flows, and (v) related notes.

*Filed herewith