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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2018 OR

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

For the transition period from to

Commission File Number: 001-36802

JMP Group LLC
(Exact name of registrant as specified in its charter)

Delaware **(State or Other Jurisdiction of Incorporation or Organization)**	**47-1632931** **(I.R.S. Employer Identification No.)**

600 Montgomery Street, Suite 1100, San Francisco, California 94111
(Address of principal executive offices)

Registrant's telephone number: (415) 835-8900

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☒
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

JMP Group LLC shares representing limited liability company interests outstanding as of August 3, 2018: 21,452,249.

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AVAILABLE INFORMATION

JMP Group LLC is required to file current, annual and quarterly reports, proxy statements and other information required by the Securities Exchange Act of 1934, as amended (the “Exchange Act”), with the Securities and Exchange Commission (the "SEC"). You may read and copy any document JMP Group LLC files with the SEC at the SEC’s Public Reference Room located at 100 F Street, N.E., Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an internet website at http://www.sec.gov, from which interested persons can electronically access JMP Group LLC’s SEC filings.

JMP Group LLC provides its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, Forms 3, 4 and 5 filed by or on behalf of directors, executive officers and certain large shareholders, and any amendments to those documents filed or furnished pursuant to the Exchange Act free of charge on the Investor Relations section of its website located at http://www.jmpg.com. These filings will become available as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. From time to time JMP Group LLC may use its website as a channel of distribution of material company information.

JMP Group LLC also makes available, in the Investor Relations section of its website and will provide print copies to shareholders upon request, (i) its corporate governance guidelines, (ii) its code of business conduct and ethics, and (iii) the charters of the audit, compensation, and corporate governance and nominating committees of its board of directors. These documents, as well as the information on the website, are not intended to be part of this quarterly report on Form 10-Q (the “Quarterly Report”) and inclusions of the internet address in this Quarterly Report are intended to be inactive textual references, and not live hyperlinks. JMP Group LLC also uses the Investor Relations section of its website as a means of complying with its disclosure obligations under Regulation FD. Accordingly, you should monitor JMP Group LLC’s Investor Relations section of its website in addition to following JMP Group LLC’s press releases, SEC filings, and public conference calls and webcasts.

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

JMP Group LLC
Consolidated Statements of Financial Condition
(Unaudited)
(Dollars in thousands, except per share data)

	June 30, 2018	December 31, 2017
Assets		
Cash and cash equivalents	$ 50,402	$ 85,594
Restricted cash	46,693	51,727
Investment banking fees receivable (net of allowance for doubtful accounts of $455 and $159 as of June 30, 2018 and December 31, 2017)	17,540	9,567
Marketable securities owned, at fair value	21,455	20,825
Other investments (includes $10,387 and $18,450 measured at fair value at June 30, 2018 and December 31, 2017, respectively)	16,916	27,984
Loans held for investment, net of allowance for loan losses	285,846	83,948
Loans collateralizing asset-backed securities issued, net of allowance for loan losses	784,663	765,583
Interest receivable	2,571	2,259
Fixed assets, net	2,351	2,322
Other assets	22,594	26,817
Total assets	$ 1,251,031	$ 1,076,626
Liabilities and Equity		
Liabilities:		
Marketable securities sold, but not yet purchased, at fair value	$ 5,630	$ 7,919
Accrued compensation	25,290	43,131
Asset-backed securities issued (net of debt issuance costs of $6,188 and $7,852 at June 30, 2018 and December 31, 2017, respectively)	739,912	738,248
Interest payable	8,854	6,512
Notes payable	18,829	-
CLO V warehouse credit facility	238,500	61,250
Bond payable (net of debt issuance costs of $2,760 and $2,810 at June 30, 2018 and December 31, 2017, respectively)	93,145	93,103
Other liabilities	18,602	16,284
Total liabilities	1,148,762	966,447
Commitments and Contingencies (Footnote 13)		
JMP Group LLC Shareholders' Equity		
Common shares, $0.001 par value, 100,000,000 shares authorized; 22,780,052 shares issued at both June 30, 2018 and December 31, 2017; 21,486,361 and 21,729,079 shares outstanding at June 30, 2018 and December 31, 2017, respectively	23	23
Additional paid-in capital	134,547	134,719
Treasury shares at cost, 1,293,691 and 1,050,973 shares at June 30, 2018 and December 31, 2017, respectively	(7,218)	(5,955)
Accumulated deficit	(38,698)	(32,452)
Total JMP Group LLC shareholders' equity	88,654	96,335
Nonredeemable Non-controlling Interest	13,615	13,844
Total equity	102,269	110,179
Total liabilities and equity	$ 1,251,031	$ 1,076,626

See accompanying notes to consolidated financial statements.

JMP Group LLC
Consolidated Statements of Financial Condition - (Continued)
(Unaudited)
(Dollars in thousands, except per share data)

Assets and liabilities of consolidated variable interest entities ("VIEs") included in total assets and total liabilities above:

	June 30, 2018	December 31, 2017
Restricted cash	$ 23,870	$ 43,050
Loans collateralizing asset-backed securities issued, net of allowance for loan losses	784,663	765,583
Interest receivable	1,862	1,918
Other assets	1,113	568
Total assets of consolidated VIEs	$ 811,508	$ 811,119
Asset-backed securities issued	739,912	738,248
Interest payable	6,453	5,346
Other liabilities	1,287	1,221
Total liabilities of consolidated VIEs	$ 747,652	$ 744,815

The asset-backed securities issued ("ABS") by the VIE are limited recourse obligations payable solely from cash flows of the loans collateralizing them and related collection and payment accounts pledged as security. Accordingly, only the assets of the VIE can be used to settle the obligations of the VIE.

See accompanying notes to consolidated financial statements.

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

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Revenues				
Investment banking	$ 28,562	$ 19,128	$ 49,224	$ 32,728
Brokerage	5,447	5,078	10,111	10,364
Asset management fees	5,378	4,153	11,803	10,064
Principal transactions	1,684	(323)	(1,936)	(2,216)
Gain (loss) on sale, payoff and mark-to-market of loans	(150)	83	(332)	930
Net dividend income	319	273	615	539
Other income	311	194	360	639
Non-interest revenues	41,551	28,586	69,845	53,048
Interest income	15,669	9,696	28,379	18,763
Interest expense	(11,634)	(7,743)	(21,336)	(15,838)
Net interest income	4,035	1,953	7,043	2,925
Loss on repurchase, reissuance or early retirement of debt	(42)	(5,542)	(2,668)	(5,332)
Provision for loan losses	(1,280)	(1,854)	(2,745)	(3,120)
Total net revenues after provision for loan losses	44,264	23,143	71,475	47,521
Non-interest expenses				
Compensation and benefits	29,138	22,652	53,399	44,450
Administration	2,711	2,721	4,944	4,540
Brokerage, clearing and exchange fees	788	789	1,565	1,548
Travel and business development	1,202	1,111	2,156	2,026
Communications and technology	1,047	1,051	2,109	2,104
Managed deal expenses	2,348	-	3,914	-
Occupancy	1,143	1,111	2,260	2,222
Professional fees	1,138	853	3,043	2,015
Depreciation	287	303	551	614
Other	776	950	1,163	1,627
Total non-interest expenses	40,578	31,541	75,104	61,146
Net income (loss) before income tax expense	3,686	(8,398)	(3,629)	(13,625)
Income tax expense (benefit)	4,895	(198)	(673)	(1,282)
Net loss	(1,209)	(8,200)	(2,956)	(12,343)
Less: Net income (loss) attributable to nonredeemable non-controlling interest	779	335	(685)	932
Net loss attributable to JMP Group LLC	$ (1,988)	$ (8,535)	$ (2,271)	$ (13,275)
Net loss attributable to JMP Group LLC per common share:				
Basic	$ (0.09)	$ (0.39)	$ (0.11)	$ (0.61)
Diluted	$ (0.09)	$ (0.39)	$ (0.11)	$ (0.61)
Distributions declared per common share	$ 0.090	$ 0.090	$ 0.180	$ 0.180
Weighted average common shares outstanding:				
Basic	21,537	21,652	21,601	21,612
Diluted	21,537	21,652	21,601	21,612

See accompanying notes to consolidated financial statements.

JMP Group LLC
Consolidated Statements of Changes in Equity
(Unaudited)
(In thousands)

	JMP Group LLC's Equity						
	Common Shares		Treasury	Additional Paid-In	Accumulated	Nonredeemable Non-controlling	Total
	Shares	Amount	Shares	Capital	Deficit	Interest	Equity
Balance, December 31, 2017	22,780	$ 23	$ (5,955)	$ 134,719	$ (32,452)	$ 13,844	$ 110,179
Net loss	-	-	-	-	(2,271)	(685)	(2,956)
Additional paid-in capital - share-based compensation	-	-	-	484	-	-	484
Distributions and distribution equivalents declared on common shares and restricted share units	-	-	-	-	(3,975)	-	(3,975)
Purchases of shares of common shares for treasury	-	-	(1,556)	-	-	-	(1,556)
Reissuance of shares of common shares from treasury	-	-	293	-	-	-	293
Surrender of subsidiary shares by non-controlling interest holders	-	-	-	(656)	-	656	-
Distributions to non-controlling interest holders	-	-	-	-	-	(649)	(649)
Capital contributions from non-controlling interest holders	-	-	-	-	-	449	449
Balance, June 30, 2018	22,780	$ 23	$ (7,218)	$ 134,547	$ (38,698)	$ 13,615	$ 102,269

	JMP Group LLC's Equity						
	Common Shares		Treasury	Additional Paid-In	Accumulated	Nonredeemable Non-controlling	Total
	Shares	Amount	Shares	Capital	Deficit	Interest	Equity
Balance, December 31, 2016	22,780	$ 23	$ (7,792)	$ 135,945	$ (8,799)	$ 15,917	$ 135,294
Net income (loss)	-	-	-	-	(13,275)	932	(12,343)
Additional paid-in capital - share-based compensation	-	-	-	1,086	-	-	1,086
Distributions and distribution equivalents declared on common shares and restricted share units	-	-	-	-	(3,894)	-	(3,894)
Purchases of shares of common shares for treasury	-	-	(586)	-	-	-	(586)
Reissuance of shares of common shares from treasury	-	-	1,454	-	-	-	1,454
Distributions to non-controlling interest holders	-	-	-	-	-	(3,071)	(3,071)
Capital contributions from non-controlling interest holders	-	-	-	-	-	92	92
Balance, June 30, 2017	22,780	$ 23	$ (6,924)	$ 137,031	$ (25,968)	$ 13,870	$ 118,032

See accompanying notes to consolidated financial statements.

JMP Group LLC
Consolidated Statements of Cash Flows
(Unaudited)
(In thousands)

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Cash flows from operating activities:		
Net loss	$ (2,956)	$ (12,343)
Adjustments to reconcile net loss to net cash used in operating activities:		
Provision for loan losses	2,745	3,120
(Gain) loss on sale and payoff of loans and mark-to-market of loans	332	(930)
Loss on repurchase, reissuance or early retirement of debt	2,668	5,332
Change in other investments:		
Income from investments in equity method investees	387	2,130
Fair value on other equity investments	(136)	39
Realized (gain) loss on other investments	197	(361)
Depreciation and amortization	480	556
Share-based compensation expense	778	1,304
Other	296	90
Net change in operating assets and liabilities:		
Decrease (increase) in interest receivable	(312)	1,540
Increase in receivables	(8,269)	(5,494)
Increase in marketable securities	(630)	(2,511)
Decrease (increase) in deposits and other assets	5,551	(891)
Increase (decrease) in marketable securities sold, but not yet purchased	(2,289)	1,023
(Decrease) increase in interest payable	2,342	(2,594)
Decrease in accrued compensation	(17,842)	(17,419)
Increase in other liabilities	2,464	716
Net cash used in operating activities	(14,194)	(26,693)
Cash flows from investing activities:		
Purchases of fixed assets	(580)	(100)
Purchases of other investments	(1,219)	(1,528)
Sales of other investments	11,172	11,076
Funding of loans collateralizing asset-backed securities issued	(193,024)	(510,421)
Funding of loans held for sale	-	(2,752)
Funding of loans held for investment	(225,351)	(256)
Repayments of loans held for sale	-	1,784
Sale, payoff, and principal receipts of loans collateralizing asset-backed securities issued	172,415	400,532
Sale, payoff, and principal payments on loans held for investment	22,106	33,951
Net changes in cash collateral posted for derivative transactions	-	23,460
Net cash used in investing activities	(214,481)	(44,254)

See accompanying notes to consolidated financial statements.

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

	Six Months Ended June 30,	
	2018	2017
Cash flows from financing activities:		
Proceeds from issuance of Repurchase Agreement	3,878	-
Proceeds from drawdowns on CLO V warehouse facility	177,250	-
Proceeds from drawdowns on line of credit	18,000	-
Proceeds from sale of note to affiliate	829	-
Payment of debt issuance costs	(1,857)	-
Repayment of asset-backed securities issued	(332,100)	(503,617)
Repayment of Repurchase Agreement	(3,878)	-
Proceeds of issuance from asset-backed securities issued	327,605	408,394
Reissuance of asset-backed securities	4,453	-
Distributions and distribution equivalents paid on common shares and RSUs	(3,975)	(3,903)
Capital contributions of nonredeemable non-controlling interest holders	449	92
Proceeds from exercise of stock options	-	905
Purchase of common shares for treasury	(1,525)	(402)
Distributions to non-controlling interest shareholders	(649)	(3,071)
Employee taxes paid on shares withheld for tax-withholding purposes	(31)	(184)
Net cash provided by (used in) financing activities	188,449	(101,786)
Net decrease in cash, cash equivalents, and restricted cash	(40,226)	(172,733)
Cash, cash equivalents, and restricted cash, beginning of period	137,321	313,147
Cash, cash equivalents, and restricted cash, end of period	$ 97,095	$ 140,414
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	$ 18,994	$ 18,432
Cash paid during the period for taxes	$ 1,660	$ 1,489
Non-cash investing and financing activities:		
Reissuance of shares of common share from treasury related to vesting of restricted share units and exercises of share options	$ 293	$ 1,454
Distributions declared but not yet paid	$ 646	$ 648
Sale of other investments	$ 1,400	$ -
Acquisition of equity securities in restructuring of loans	$ 809	$ -

See accompanying notes to consolidated financial statements.

1. Organization and Description of Business

JMP Group LLC, together with its subsidiaries (collectively, the “Company”), is a diversified capital markets firm headquartered in San Francisco, California. The Company conducts its brokerage business through JMP Securities LLC (“JMP Securities”) and its asset management business through Harvest Capital Strategies LLC (“HCS”), HCAP Advisors LLC (“HCAP Advisors”), JMP Asset Management LLC (“JMPAM”), and JMP Credit Advisors LLC (“JMPCA”). The Company conducts certain principal investment transactions through JMP Investment Holdings LLC (“JMP Investment Holdings”) and other subsidiaries. The above entities, other than HCAP Advisors, are wholly-owned subsidiaries. JMP Securities is a U.S. registered broker-dealer under the Securities Exchange Act of 1934, as amended (“the Exchange Act”), and is a member of the Financial Industry Regulatory Authority (“FINRA”). JMP Securities operates as an introducing broker and does not hold funds or securities for, or owe any money or securities to customers and does not carry accounts for customers. All customer transactions are cleared through another broker-dealer on a fully disclosed basis. HCS is a registered investment advisor under the Investment Advisers Act of 1940, as amended, and provides investment management services for sophisticated investors in investment partnerships and other entities managed by HCS. HCAP Advisors provides investment advisory services to Harvest Capital Credit Corporation (“HCC”). JMPAM currently manages two fund strategies: one that invests in real estate and real estate-related enterprises and another that provides credit to small and midsized private companies. JMPCA is an asset management platform that underwrites and manages investments in senior secured debt. JMPCA currently manages two collateralized loan obligations (“CLO”) vehicles and one CLO warehouse. The Company completed a Reorganization Transaction in January 2015 pursuant to which JMP Group Inc. became a wholly owned subsidiary of JMP Group LLC (the “Reorganization Transaction”). The Company entered into a Contribution Agreement in November 2017 pursuant to which JMP Group Inc. became a wholly owned subsidiary of JMP Investment Holdings, which is a wholly owned subsidiary of JMP Group LLC.

Recent Transactions

In February 2018, the Company completed a refinancing of the asset back securities issued by JMP Credit Advisors CLO III Ltd ("CLO III"), which lowered the weighted average cost of funds by 55 basis points and extended the reinvestment period for two years. In connection with the refinancing, the Company recorded losses on early retirement of debt related to unamortized debt issuance costs of $2.6 million for the quarter ended March 31, 2018.

2. Summary of Significant Accounting Policies

Basis of Presentation

These consolidated financial statements and related notes are unaudited and have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. These consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements and notes thereto included in its Annual Report on Form 10-K for the year ended December 31, 2017 (the “Annual Report”). The results of operations for any interim period are not necessarily indicative of the results to be expected for a full year. In the opinion of management, all normal, recurring adjustments have been included for a fair statement of this interim financial information.

The consolidated accounts of the Company include the wholly-owned subsidiaries and the partially-owned subsidiaries of which we are the majority owner or the primary beneficiary. All material intercompany accounts and transactions have been eliminated in consolidation. Non-controlling interests on the Consolidated Statements of Financial Condition as of June 30, 2018 and December 31, 2017 relate to the interest of third parties in the partially-owned subsidiaries. Certain prior year amounts have been reclassified to conform to current year presentation.

See Note 2 - Summary of Significant Accounting Policies in the Company's Annual Report for the Company's significant accounting policies.

For the six months ended June 30, 2018, there were no significant changes made to the Company’s significant accounting policies other than those described below. The accounting policy changes are attributable to the adoption of Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Topic 606). The Company adopted this standard on January 1, 2018 using a modified retrospective approach. Accordingly, the new revenue standard was applied prospectively in the Company’s financial statements from January 1, 2018 forward and reported financial information for historical comparable periods was not revised and will continue to be reported under the accounting standards in effect during those historical periods.

Refer to Note 3, Recent Accounting Pronouncements, for additional information.

3. Recent Accounting Pronouncements

Accounting Standards to be adopted in Future Periods

ASU 2016-02, Leases (*Topic* 842), was issued in February 2016 to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing information about leasing arrangements. The standard requires lessees to recognize the assets and liabilities arising from operational leases on the balance sheet. ASU 2016-02 will become effective for fiscal years beginning after December 15, 2018. Upon adoption, the Company expects to recognize its lease agreements as a right-to-use asset with a corresponding lease liability to reflect the present value of the lease payments. The Company is evaluating the impact of the adoption of this standard.

ASU 2016-13, *Measurement of Credit Losses on Financial Instruments (Topic* 326*),* was issued in June 2016 to replace the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. This standard will become effective for fiscal years beginning after December 31, 2019. The Company is evaluating the impact of the adoption of this standard.

ASU 2017-08, *Receivables-Nonrefundable Fees and Other Costs (Sub-topic* 310-20*): Premium Amortization on Purchased Callable Debt Securities,* was issued in March 2017 to shorten the amortization period for certain purchased callable debt securities held at a premium. It requires the premium to be amortized over the period until the earliest call date. The amendment does not make any changes for securities held at a discount. The new guidance will be effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted, including adoption in an interim period. The Company is evaluating the impact of the adoption of this standard.

Recently Adopted Accounting Guidance

ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments - Overall (Sub-topic* - 825-10*)* was issued in February 2018 to address the questions raised by stakeholders to clarify the guidance issued in ASU 2016-01. The Financial Accounting and Standards Board amended the guidance on using the measurement alternative for equity securities without readily determinable fair value and clarifies the presentation requirements for entities that elect the fair value option. The amendments in the update are effective for public business entities for fiscal periods beginning after December 15, 2017, and interim periods beginning after June 15, 2018. The adoption of ASU 2018-03 did not have a material impact on the company's financial statements.

ASU 2014-09, *Revenue from Contracts with Customers (Topic* 606*)*, was issued in May 2014, with subsequent amendments, to provide a more robust framework for addressing revenue issues, and to clarify the implementation guidance on principal versus agent considerations. The standard is effective for annual reporting periods beginning after December 15, 2017 and allows either a full retrospective or modified retrospective approach. The Company adopted this standard on January 1, 2018 using a modified retrospective approach. Accordingly, the new revenue standard will be applied prospectively in the Company's financial statements from January 1, 2018 forward and reported financial information for historical comparable periods will not be revised and will continue to be reported under the accounting standards in effect during those historical periods. The new standard does not apply to revenue from financial instruments, including loans and securities, and as a result, did not have an impact on revenues closely associated with financial instruments, including principal transactions, interest income, and interest expense. The new standard primarily impacts the presentation of our investment banking revenues, specifically our underwriting revenues, strategic advisory revenues, and private placement fees. Certain investment banking revenues have historically been presented net of related expenses. Under the new standard, revenues and expenses related to investment banking transactions are presented gross in the Consolidated Statements of Operations.

For the quarter ended June 30, 2018, there was no significant impact as a result of adoption of the new revenue standard to our consolidated financial statements. The new revenue standard primarily impacted the presentation of our investment banking revenue and expenses. The table below presents the impact to revenues and expenses as a result of the change in presentation of investment banking expenses (in thousands):

(in thousands)	**Three Months Ended June 30, 2018**			**Six Months Ended June 30, 2018**		
	As Reported	**ASC 606 Impact**	**Pre-Adoption (1)**	**As Reported**	**ASC 606 Impact**	**Pre-Adoption (1)**
Revenues						
Investment banking	$ 28,562	$ 2,690	$ 25,872	$ 49,224	$ 4,730	$ 44,494
Total non-interest revenues	41,551	2,690	38,861	69,845	4,730	65,115
Total net revenues after provision for loan losses	44,264	2,690	41,574	71,475	4,730	66,745
Expenses						
Travel and business development	1,202	283	919	2,156	629	1,527
Managed deal expenses	2,348	2,348	-	3,914	3,914	-
Professional fees	1,138	59	1,079	3,043	187	2,856
Total non-comp expenses	11,440	2,690	8,750	21,705	4,730	16,975
Total non-interest expenses	40,578	2,690	37,888	75,104	4,730	70,374

(1) Amounts reflect each impacted consolidated financial statement line item as they would have been reported under accounting principles generally accepted in the United States of America prior to the adoption of the new revenue standard.

ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities (Sub-topic* 825-10*)*, was issued in January 2016. The amendments address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. They require equity securities that are neither accounted by equity method nor consolidated to be measured at fair value with changes of fair values recognized as net income. Those equity securities that do not have readily determinable fair value may be measured at cost less impairment, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer. In addition, the amendments simplify the impairment assessment of equity investments without determinable fair values by requiring a qualitative assessment at each reporting period. This standard was effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The adoption of ASU 2016-01 did not have a material impact on the Company's financial statements.

ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments (Topic* 230*),* was issued in August 2016 to address diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This standard addresses the following eight specific cash flow issues: Debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies; distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. The amendments in this standard are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The adoption of ASU 2016-15 did not have a material impact on the Company's financial statements.

ASU 2016-16, *Income Taxes (Topic* 740*)*, was issued in October 2016 to improve the accounting for income tax consequences of intra-entity transfers of assets other than inventory and to reduce the complexity/cost in accounting standards. The Financial Accounting Standards Board decided to recognize the income tax consequences to intra-entity transfers when the transfer occurs. The amendment is effective for annual reporting periods beginning after December 15, 2017 including interim reporting periods within those annual reporting periods. Early adoption is permitted and is applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings at the beginning of the period of adoption. The adoption of ASU 2016-16 did not have a material impact on the Company's financial statements.

ASU 2016-18, *Statement of Cash Flows (Topic* 230*)* addresses the diversity that exists in the classification and presentation of changes in restricted cash and transfers between cash and restricted cash on the statement of cash flows. The amendment applies to all entities that report restricted cash or restricted cash equivalents and present a statement of cash flows. The provisions of this update require the explanation of the changes during the period. The amendments in this update are effective for public business entities for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. Additionally, early adoption is permitted with a retrospective transition method and all adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The adoption of ASU 2016-18 resulted in a decrease of cash provided by operating activities of $2.4 million and a decrease in cash provided by investing activities of $173.6 million for the six months ended June 30, 2017.

4. Fair Value Measurements

The following tables provide fair value information related to the Company's financial instruments at June 30, 2018 and December 31, 2017:

(In thousands)	June 30, 2018				
	Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Total
Assets:					
Cash and cash equivalents	$ 50,402	$ 50,402	$ -	$ -	$ 50,402
Restricted cash and deposits	46,693	46,693	-	-	46,693
Marketable securities owned	21,455	21,455	-	-	21,455
Other investments (1)	1,250	-	1,250	-	1,250
Other investments measured at net asset value (1)	9,137	-	-	-	-
Loans held for investment, net of allowance for loan losses	285,846	-	284,353	2,669	287,022
Loans collateralizing asset-backed securities issued, net of allowance for loan losses	784,663	-	786,482	-	786,482
Total assets:	$ 1,199,446	$ 118,550	$ 1,072,085	$ 2,669	$ 1,193,304
Liabilities:					
Marketable securities sold, but not yet purchased	$ 5,630	$ 5,630	$ -	$ -	$ 5,630
Notes payable	18,829	-	18,829	-	18,829
Asset-backed securities issued	739,912	-	744,162	-	744,162
Bond payable	93,145	96,323	-	-	96,323
CLO V warehouse credit facility	238,500	-	238,500	-	238,500
Total liabilities:	$ 1,096,016	$ 101,953	$ 1,001,491	$ -	$ 1,103,444

(In thousands)	December 31, 2017				
	Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Total
Assets:					
Cash and cash equivalents	$ 85,594	$ 85,594	$ -	$ -	$ 85,594
Restricted cash and deposits	51,727	51,727	-	-	51,727
Marketable securities owned	20,825	20,825	-	-	20,825
Receivable from clearing broker	6,801	6,801	-		6,801
Other investments (1)	10,226	-	10,226	-	10,226
Other investments measured at net asset value (1)	8,224	-	-	-	-
Loans held for investment, net of allowance for loan losses	83,948	-	80,956	3,342	84,298
Loans collateralizing asset-backed securities issued, net of allowance for loan losses	765,583	-	766,298	-	766,298
Total assets:	$ 1,032,928	$ 164,947	$ 857,480	$ 3,342	$ 1,025,769
Liabilities:					
Marketable securities sold, but not yet purchased	$ 7,919	$ 7,919	$ -	$ -	$ 7,919
Asset-backed securities issued	738,248	-	748,015	-	748,015
Bond payable	93,103	-	97,014	-	97,014
CLO V warehouse credit facility	61,250	-	61,250	-	61,250
Total liabilities:	$ 900,520	$ 7,919	$ 906,279	$ -	$ 914,198

(1) In accordance with ASC 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position. The carrying values of these lines reconciles to the parenthetical disclosure of other investments on the Consolidated Statements of Financial Condition.

Recurring Fair Value Measurement

The following tables provide information related to the Company's assets and liabilities carried at fair value on a recurring basis at June 30, 2018 and December 31, 2017:

(In thousands)		June 30, 2018			
	Carrying Value	Level 1	Level 2	Level 3	Total
Marketable securities owned	$ 21,455	$ 21,455	$ -	$ -	$ 21,455
Other investments:					
Investments in hedge funds managed by the Company	1,250	-	1,250	-	1,250
Investments in other funds managed by the Company (1)	4,841	-	-	-	-
Total investment in funds managed by the Company (1)	6,091	-	1,250	-	1,250

Limited partnership in investments in private equity/ real estate funds (1)	4,296	-	-	-	-
Total other investments	10,387	-	1,250	-	1,250
Total assets:	$ 31,842	$ 21,455	$ 1,250	$ -	$ 22,705
Marketable securities sold, but not yet purchased	$ 5,630	$ 5,630	$ -	$ -	$ 5,630
Total liabilities:	$ 5,630	$ 5,630	$ -	$ -	$ 5,630

(1) In accordance with ASC 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position. The carrying values of these lines reconciles to the parenthetical disclosure of other investments on the Consolidated Statements of Financial Condition.

(In thousands)	Carrying Value	December 31, 2017 Level 1	Level 2	Level 3	Total
Marketable securities owned	$ 20,825	$ 20,825	$ -	$ -	$ 20,825
Other investments:					
Investments in hedge funds managed by the Company	10,226	-	10,226	-	10,226
Investments in other funds managed by the Company (1)	4,463	-	-	-	-
Total investment in funds managed by the Company (1)	14,689	-	10,226	-	10,226
Limited partnership in investments in private equity/ real estate funds (1)	3,761	-	-	-	-
Total other investments	18,450	-	10,226	-	10,226
Total assets:	$ 39,275	$ 20,825	$ 10,226	$ -	$ 31,051
Marketable securities sold, but not yet purchased	$ 7,919	$ 7,919	$ -	$ -	$ 7,919
Total liabilities:	$ 7,919	$ 7,919	$ -	$ -	$ 7,919

(1) In accordance with ASC 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position. The carrying values of these lines reconciles to the parenthetical disclosure of other investments on the Consolidated Statements of Financial Condition.

Transfers between levels of the fair value hierarchy result from changes in the observability of fair value inputs used in determining fair values for different types of financial assets and are recognized at the beginning of the reporting period in which the event or change in circumstances that caused the transfer occurs. The Company’s policy is to recognize the fair value of transfers among Levels 1, 2 and 3 as of the end of the reporting period. For recurring fair value measurements, there were no transfers between Levels 1, 2 and 3 for the three and six months ended June 30, 2018 and year ended December 31, 2017.

The Company’s Level 2 assets held in other investments consist of investments in hedge funds managed by HCS. The carrying value of investments in hedge funds is calculated using the equity method and approximates fair value. Earnings or losses attributable to these investments are recorded in principal transactions. These assets are considered Level 2 as the underlying hedge funds are mainly invested in publicly traded stocks whose value is based on quoted market prices. The Company’s proportionate share of those investments is included in the tables above.

The investments in private equity funds managed by HCS and JMPAM are recognized using the fair value option. The Company uses the reported net asset value per share as a practical expedient to estimate the fair value of the funds. The risks associated with these investments are limited to the amounts of invested capital, remaining capital commitment and any management and incentive fees receivable.

The Company determined the fair value of short-term debt, which includes notes payable and the CLO V warehouse credit facility, to approximate their carrying values. This was determined as the debt has either (1) a variable interest rate tied to LIBOR and therefore reflects market conditions, or (2) a term less than one year and there have been no observable changes in the credit quality of the Company since the issuance of the debt. Based on the fair value methodology, the Company has identified short-term debt as Level 2 liabilities.

The Company determined the fair value of loans collateralizing asset-backed securities and loans held for investment identified as Level 2 assets primarily using the average market bid and ask quotation obtained from a loan pricing service. The valuations are received from a pricing service to which the Company subscribes. The pricing service's analysis incorporates comparable loans traded in the marketplace, the obligors industry, future business prospects, capital structure, and expected credit losses. Significant declines in the performance of the obligor would result in decrease to the fair value measurement. The fair value of loans held for investment identified as Level 3 assets are determined using the discounted cash flow model using the treasury rate, loan interest rate, and an internally generated risk rate.

The Company determined the fair value of asset-backed securities issued 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.

As of June 30, 2018 and December 31, 2017, $9.1 million and $7.9 million, respectively, of assets were measured using the net asset value as a practical expedient. Investments for which fair value was estimated using net asset value as a practical expedient were as follows:

Dollars in thousands	Redemption Frequency	Redemption Notice Period	Fair Value at June 30, 2018	Fair Value at December 31, 2017	Unfunded Commitments June 30, 2018	Unfunded Commitments December 31, 2017
Limited partner investments in private equity/real estate funds	Nonredeemable	N/A	$ 4,296	$ 3,761	$ 504	$ 1,235
Investment in other funds managed by the Company	Nonredeemable	N/A	$ 4,841	$ 4,173	$ -	$ -

Non-recurring Fair Value Measurements

The Company's assets that are measured at fair value on a non-recurring basis result from the application of lower of cost or market accounting or write-downs of individual assets. The Company held loans measured at fair value on a non-recurring basis of $0.9 million and $2.0 million as of June 30, 2018 and December 31, 2017, respectively.

Loans Held for Investment

At June 30, 2018 and December 31, 2017, loans held for investment outside of the CLO portfolios were five and ten, respectively. The Company reviews credit quality of these loans within this portfolio segment on a loan by loan basis mainly focusing on the borrower's financial position and results of operations as well as the current and expected future cash flows on the loans. In addition, as of June 30, 2018, the Company held $280.7 million of loans held for investment in the CLO V warehouse portfolio. The credit quality of the CLO V warehouse loans is evaluated in the same manner as the credit quality of loans collateralizing asset-backed securities issued.

There were no loans past due as of June 30, 2018 and one loan past due as of December 31, 2017. A summary of activity in loan losses for the three and six months ended June 30, 2018 and 2017 is as follows:

(in thousands)	Three Months Ended June 30,				Six Months Ended June 30,			
	2018		2017		2018		2017	
	Impaired	Non-impaired	Impaired	Non-impaired	Impaired	Non-impaired	Impaired	Non-impaired
Balance, at beginning of the period	$ (205)	$ (858)	$ (1,534)	$ -	$ (2,279)	$ (494)	$ (823)	$ -
Provision for loan losses								
Specific	-	-	-	-	(205)	-	(711)	-
General	-	(914)	-	-	-	(1,278)	-	-
Charge off	205	26	380	-	2,484	26	380	-
Transfer for loans collateralizing asset-backed securities	-	-	-	(513)	-	-	-	(513)
Balance, at end of the period	$ -	$ (1,746)	$ (1,154)	$ (513)	$ -	$ (1,746)	$ (1,154)	$ (513)

A loan is considered to be impaired when, based on current information, it is probable that the Company will be unable to collect all amounts due in accordance with the contractual terms of the original loan agreement, including scheduled principal and interest payments. The Company classified all of its loans as Cash Flow loans, as their funding decisions were all primarily driven by the cash flows of the borrower. There were no specifically impaired loans as of June 30, 2018. $1.4 million of recorded investment amount of loans issued were individually evaluated for impairment as of December 31, 2017. The table below presents certain information pertaining to the loans on non-accrual status as of December 31, 2017:

	Recorded Investment	Unpaid Principal	Related Allowance	Average Recorded Investment	Interest Income Recognized
December 31, 2017					
Impaired loans with an allowance recorded	$ 1,379	$ 1,448	$ 391	$ 1,411	$ 32
Impaired loans with no related allowance recorded	-	-	-	-	-
Total impaired loans	$ 1,379	$ 1,448	$ 391	$ 1,411	$ 32

The Company's management, at least on a quarterly basis, reviews each loan and evaluates the credit quality of the loan. The review primarily includes the following credit quality indicators with regard to each loan: 1) Moody's rating, 2) current internal rating, 3) trading price of the loan, and 4) performance of the obligor. The tables below present, by credit quality indicator, the Company's recorded investment in loans held for investment at June 30, 2018 and December 31, 2017:

(In thousands)	Held for Investment - Cash Flow (CF)	
	June 30, 2018	December 31, 2017
Moody's rating:		
Baa1 - Baa3	$ -	$ -
Ba1 - Ba3	57,848	12,174
B1 - B3	222,665	64,170
Caa1 - Caa3	4,452	5,310
Not Rated	2,669	4,595
Total:	$ 287,634	$ 86,249
Internal rating [(1)] :		
2	$ 277,606	$ 77,525
3	5,110	384
4	2,499	2,613
5	-	1,379
Not rated	2,419	4,348
Total:	$ 287,634	$ 86,249
Performance:		
Performing	$ 287,619	$ 83,161
Non-performing	15	3,088
Total:	$ 287,634	$ 86,249

(1) Loans with an internal rating of 3 or below are reviewed individually to identify loans to be designated for non-accrual status.

5. Loans Collateralizing Asset-backed Securities Issued

Allowance for Loan Losses

A summary of the activity in the allowance for loan losses for the three and six months ended June 30, 2018 and 2017 is as follows:

(In thousands)	Three Months Ended June 30,				Six Months Ended June 30,			
	2018		2017		2018		2017	
	Impaired	Non-Impaired	Impaired	Non-Impaired	Impaired	Non-Impaired	Impaired	Non-Impaired
Balance at beginning of period	$ (1,209)	$ (6,492)	$ (1,908)	$ (5,187)	$ (390)	$ (6,533)	$ (937)	$ (5,783)
Provision for loan losses:								
Specific reserve	-	-	(542)	-	(953)	-	(1,513)	-
General reserve	-	(369)	-	(1,290)	-	(328)	-	(874)
Transfer to loans held for investment	-	-	1,239	-	-	-	1,239	-
Charge off	1,099	-	-	-	1,233	-	-	180
Balance at end of period	$ (110)	$ (6,861)	$ (1,211)	$ (6,477)	$ (110)	$ (6,861)	$ (1,211)	$ (6,477)

Impaired Loans, Non-Accrual, Past Due Loans and Restructured Loans

A loan is considered to be impaired when, based on current information, it is probable that the Company will be unable to collect all amounts due in accordance with the contractual terms of the original loan agreement, including scheduled principal and interest payments. As of June 30, 2018 and December 31, 2017, $0.9 million and $1.4 million of the recorded investment amount in loans collateralizing asset-backed securities issued were individually evaluated for impairment. The remaining $790.7 million and $771.1 million of recorded investment amount of loans collateralizing asset-backed securities issued were collectively evaluated for impairment as of June 30, 2018 and December 31, 2017, respectively.

As of June 30, 2018 and December 31, 2017, the Company classified all its loans as Cash Flow loans, as their funding decisions were all primarily driven by the cash flows of the borrower. The table below presents certain information pertaining to the loans on non-accrual status at June 30, 2018 and December 31, 2017:

(In thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
June 30, 2018					
Impaired loans with an allowance recorded	$ 864	$ 943	$ 110	$ 1,039	$ -
Impaired loans with no related allowance recorded	-	-	-	-	-
Total Impaired Loans	$ 864	$ 943	$ 110	$ 1,039	$ -
December 31, 2017					
Impaired loans with an allowance recorded	$ 1,379	$ 1,448	$ 391	$ 1,411	$ 32
Impaired loans with no related allowance recorded	-	-	-	-	-
Total Impaired Loans	$ 1,379	$ 1,448	$ 391	$ 1,411	$ 32

Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. No loans were past due at June 30, 2018 or December 31, 2017. There was no troubled debt restructuring for the three and six months ended June 30, 2017.

During the three and six months ended June 30, 2018, the Company had two loans, which were modified in a troubled debt restructuring. The two loans were held under the same borrower. The loans, with a principal balance and a carrying balance of $ 1.9 million and $1.0 million in total, respectively, were converted to equity. The Company valued the equity at $0.8 million in total upon conversion and incurred a loss of $0.1 million in relation to the restructuring as of June 30, 2018.

Credit Quality of Loans

The Company's management, at least on a quarterly basis, reviews each loan and evaluates the credit quality of the loan. The review primarily includes the following credit quality indicators with regard to each loan: 1) Moody's rating, 2) current internal rating, 3) the trading price of the loan and 4) performance of the obligor. The tables below present, by credit quality indicator, the Company's recorded investment in loans collateralizing asset-backed securities issued at June 30, 2018 and December 31, 2017:

(In thousands)

	Cash Flow Loans	
	June 30, 2018	December 31, 2017
Moody's rating:		
Baa1 - Baa3	$ 5,083	$ 8,880
Ba1 - Ba3	172,562	134,061
B1 - B3	556,067	579,091
Caa1 - Caa3	56,099	50,475
Ca	1,823	-
Total:	$ 791,634	$ 772,507

Internal rating: [1]		
2	$ 714,439	$ 692,198
3	62,717	70,217
4	13,614	8,713
5	864	1,379
Total:	$ 791,634	$ 772,507
Performance:		
Performing	$ 790,770	$ 771,128
Non-Performing	864	1,379
Total:	$ 791,634	$ 772,507

(1) Loans with an internal rating of 3 or below are reviewed individually to identify loans to be designated for non-accrual status.

6. Debt

Bond Payable

(In thousands)		June 30, 2018		December 31, 2017
$46 million, 8.00%, issued in January 2013, due on January 15, 2023	$	45,905	$	45,905
$50 million, 7.25%, issued in November 2017, due on November 15, 2027		50,000		50,000
Total remaining principal	$	95,905	$	95,905
Less: Debt issuance costs		(2,760)		(2,802)
Total debt obligations	$	93,145	$	93,103

The $46 million 8% Senior Notes and the $50 million 7.25% Senior Notes (collectively, the "Senior Notes") were issued pursuant to indentures with U.S. Bank National Association, as trustee. The $46 million 8% Senior Notes indentures contain a minimum liquidity covenant that obligates JMP Group Inc. 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 $46 million 8% Senior Notes, or (ii) the aggregate amount due on all remaining scheduled quarterly interest payments on the $46 million 8% Senior Notes until the maturity of the Senior Notes. The Senior Notes 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 are JMP Group Inc.'s general unsecured senior obligations, and rank equally with all existing and future senior unsecured indebtedness and are senior to any other indebtedness expressly made subordinate to the notes. At both June 30, 2018 and December 31, 2017, the Company was in compliance with the debt covenants in the indentures. On June 29, 2018, the Company has given notice of its intention to redeem $10 million its 8% Senior Notes on July 31, 2018 (the "Redemption Date"). The redemption price will be 100% of their principal amount, $25, plus unpaid interest up to, but excluding, the Redemption Date. On July 31, 2018, the Company redeemed $10 million Senior Notes at the principal amount of $25.

The future scheduled principal payments of the debt obligations were as follows:

(In thousands)		June 30, 2018
2018	$	9,979
2019		-
2020		-
2021		-
2022		-
Thereafter		85,926
Total	$	95,905

Note Payable, Lines of Credit and Credit Facilities

(In thousands)	Outstanding Balance			
		June 30, 2018		December 31, 2017
$340.0 million, CLO V Warehouse Credit Facility through July 31, 2018	$	238,500	$	61,250
$25 million, JMP Holding Credit Agreement through June 4, 2019		18,000		-
$20 million, JMP Securities Revolving LOC through June 6, 2019 (1)		-		-
Other		829		-
Total Credit Facilities	$	257,329	$	61,250

(1) The line of credit bears interest at a rate to be agreed upon at the time of advance between the Company and CNB.

The Company's Credit Agreement ("the Credit Agreement") dated as of August 3, 2016, was entered by and between JMP Holding and City National Bank ("CNB"). 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 the Company's note and require the immediate repayment of any outstanding principal and interest. At both June 30, 2018 and December 31, 2017, the Company was in compliance with the loan covenants. As of June 30, 2018 and December 31, 2017, the outstanding balance on the Credit Agreement was $18.0 million and zero, respectively. The $25 million line of credit has a LIBOR plus 225 bps interest rate, which will convert to a term loan after June 4, 2019, and will be repaid in quarterly installments of 3.75% of funded debt for the first two years, 5.00% of funded debt for the next two years, and the remainder due at maturity.

JMP Securities holds a $20 million revolving line of credit with CNB to be used for regulatory capital purposes during its securities underwriting activities.

The net loans collateralizing asset-backed securities CLO V warehouse facility was $280.7 million and $76.8 million as of June 30, 2018 and December 31, 2017, respectively. The CLO V warehouse facility has a market standard advance rate and the outstanding balances bear interest at LIBOR plus 1.375% until July 31, 2018, which marks the end of the revolving period on the facility. The facility has a 10 months amortization period after the revolving period in which the outstanding balances bear interest rate at LIBOR plus 2.30%. On July 26, 2018 CLO V completed a $407.8 million securitization, comprised of $368.0 million aggregate principal amount of secured notes (the "Secured Notes") and $39.8 million of unsecured subordinated notes (the "Subordinated Notes"). The Secured Notes offered in this 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 V. The CLO V warehouse was fully repaid as of July 26, 2018.

On February 28, 2018, the Company entered into a Repurchase Agreement with BNP Paribas. In connection with the Agreement, BNP took custody of asset-back securities issued by CLO III that had a par-value of $4.5 million. The Repurchase Agreement specified that a significant decline of the fair market value of the asset-backed securities would result in a call of additional cash collateral. We settled the Repurchase Agreement and sold the CLO III asset-backed security in May 2018 and recognized a loss on redemption of the asset-backed security of $42 thousand.

7. Asset-backed Securities Issued

The table below sets forth the outstanding debt obligations of CLO III and CLO IV as of June 30, 2018 and December 31, 2017:

(In thousands)	As of June 30, 2018			As of December 31, 2017		
	Outstanding Principal Balance	Interest Rate Spread to LIBOR	Weighted Average Remaining Maturity (years)	Outstanding Principal Balance	Interest Rate Spread to LIBOR	Weighted Average Remaining Maturity (years)
Class A Senior Secured Floating Rate Notes	$ 513,750	0.85% - 1.37%	10.06	$ 513,750	1.24% - 1.37%	9.22
Class B Senior Secured Floating Rate Notes	95,700	1.30% - 1.90%	10.06	95,700	1.80% - 1.90%	9.26
Class C Senior Secured Deferrable Floating Rate Notes	49,500	1.80% - 2.65%	10.05	49,500	2.60% - 2.65%	9.18
Class D Senior Secured Deferrable Floating Rate Notes	46,350	2.60% - 4.15%	10.03	46,350	3.90% - 4.15%	9.14
Class E Senior Secured Deferrable Floating Rate Notes	40,800	5.70% - 6.80%	10.05	40,800	6.80% - 7.10%	9.21
Total secured notes sold to investors	$ 746,100			$ 746,100		
Less: Debt issuance cost	(6,188)			(7,852)		
Total CLOs asset-backed securities issued	$ 739,912			$ 738,248		

The secured notes and subordinated notes are limited recourse obligations payable solely from cash flows of the CLOs 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 do not accrue interest. 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 available, interest on the Class C, Class D and Class E notes will be deferred. The secured notes are secured by the CLOs 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 CLOs loan portfolio to a number of collateral quality, portfolio profile, interest coverage and overcollateralization tests.

As of June 30, 2018, future scheduled payments with respect to the debt obligations of the CLOs were as follows:

(In thousands)	As of June 30, 2018
2018	$ -
2019	-
2020	-
2021	-
2022	-
Thereafter	746,100
Total	$ 746,100

The net loans collateralizing asset-backed securities for CLO III and CLO IV is $784.7 million and $765.6 million as of June 30, 2018 and December 31, 2017, respectively.

8. Shareholders' Equity

Share Repurchase Program

During the three months ended June 30, 2018, the Company repurchased 92,922 of the Company's shares, at an average price of $5.15 per share, for an aggregate purchase price of $0.5 million on the open market. During the six months ended June 30, 2018, the Company repurchased 294,909 of the Company's shares, at an average price of $5.28 per share, for an aggregate purchase price of $1.6 million on the open market.

The timing and amount of any future open market share repurchases will be determined by the Company's management based on its evaluation of market conditions, the relative attractiveness of other capital deployment activities, regulatory considerations and other factors. Any open market share 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 shares may also be made under an effective Rule 10b5-1 plan which permits common shares 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.

9. Share-Based Compensation

On January 1, 2015, the board of directors adopted the JMP Group LLC Amended and Restated Equity Incentive Plan ("JMP Group Plan"). The plan maintains authorization of the issuance of 4,000,000 shares, as originally approved by shareholders on April 12, 2007 and subsequently approved by shareholders on June 6, 2011. This amount is increased by any shares JMP Group LLC 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 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 shares.

Share Options

The following table summarizes the share option activity for the six months ended June 30, 2018:

	Six Months Ended June 30, 2018	
	Shares Subject to Option	Weighted Average Exercise Price
Balance, beginning of year	2,515,000	$ 6.55
Balance, end of period	2,515,000	$ 6.55
Options exercisable at end of period	2,515,000	$ 6.55

The following table summarizes the share options outstanding as well as share options vested and exercisable as of June 30, 2018:

	June 30, 2018							
	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 - $7.33	2,515,000	1.02	$ 6.55	$ -	2,515,000	1.02	$ 6.55	-

The Company recognizes share-based compensation expense for share 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 did not recognize any compensation expense related to share options for the three months ended June 30, 2018 and 2017. The Company recognized compensation expense related to share options of zero and $54 thousand for the six months ended June 30, 2018 and 2017, respectively.

As of June 30, 2018, there was no unrecognized compensation expense related to share options.

There were no share options exercised during the three months ended June 30, 2018. As a result, the Company did not recognize any current income tax benefits from the exercise of share options. There were no share options exercised during the six months ended June 30, 2018. As a result, the Company did not recognize any current income tax benefits from the exercise of share options. The Company recognized current income tax benefits of zero and $20 thousand from the exercise of share options during the three and six months ended June 30, 2017.

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

Restricted Share Units and Restricted Shares

On February 6, 2018, the Company granted approximately 260,000 RSUs to certain employees of the Company as part of the 2017 deferred compensation program. 50% of these units will vest on December 1, 2018 and the remaining 50% will vest on December 1, 2019, subject to the grantees' continued employment through such dates. On March 15, 2018, the Company granted approximately 67,000 RSUs to its independent directors. 25% of these units will vest on April 1, 2018, July 1, 2018, October 1, 2018, respectively, and the remaining 25% will vest on January 1, 2019. The Company also granted RSUs for new hires throughout the year.

The following table summarizes RSU activity for the six months ended June 30, 2018:

	Six Months Ended June 30, 2018	
	Restricted Share Units	Weighted Average Grant Date Fair Value
Balance, beginning of year	277,193	$ 5.60
Granted	454,974	5.01
Vested	(52,191)	5.97
Forfeited	(128,003)	5.32
Balance, end of period	551,973	$ 5.14

The aggregate fair value of RSUs vested during both the three months ended June 30, 2018 and 2017 were $191 thousand and $89 thousand, respectively. The aggregate fair value of RSUs vested during both the six months ended June 30, 2018 and 2017 were $312 thousand and $655 thousand, respectively. The income tax benefits realized from the vested RSUs were $28 thousand and $34 thousand for the three months ended June 30, 2018 and 2017, respectively. The income tax benefits realized from the vested RSUs were $28 thousand and $250 thousand for the six months ended June 30, 2018 and 2017, 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 three months ended June 30, 2018 and 2017, the Company recorded compensation expenses related to RSU's of $0.3 million and $0.9 million, respectively. For the six months ended June 30, 2018 and 2017, the Company recorded compensation expense related to RSU's of $0.8 million and $1.6 million, respectively.

For the three months ended June 30, 2018 and 2017, the Company recognized income tax benefits of $55 thousand and $155 thousand, respectively, related to the compensation expense recognized for RSUs. For the six months ended June 30, 2018 and 2017, the Company recognized income tax benefits of $113 thousand and $359 thousand, respectively, related to the compensation expense recognized for RSUs. As of June 30, 2018, there was $1.8 million of unrecognized compensation expense related to RSUs expected to be recognized over a weighted average period of 1.22 years.

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

Share Appreciation Rights

In February 2015, the Company granted an aggregate of 2,865,000 share 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 have vested and became exercisable on December 31, 2017 subject to the terms and conditions of the applicable grant agreements. The fair value of the SARs was determined using a quantitative model, using the following assumptions: expected life of 2.0 years, risk-free interest rate of 2.72%, distribution yield of 9.11%, and volatility of 20.00%. The risk-free rate was interpolated from the U.S. constant maturity treasuries for a term corresponding to the maturity of the SAR. The volatility was calculated from the historical weekly share prices of the Company as of the grant date for a term corresponding to the maturity of the SAR. The distribution yield was calculated as the sum of the last twelve-month distributions over the share price as of the grant date.

The following table summarizes the SARs activity for the six months ended June 30, 2018:

	Six Months Ended June 30, 2018	
	Share Appreciation Rights	Weighted Average Exercise Price
Balance, beginning of year	2,485,000	$ 7.33
Balance, end of period	2,485,000	$ 7.33

The following table summarizes the share options outstanding as well as share options vested and exercisable as of June 30, 2018:

	June 30, 2018 Options Outstanding			
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Aggregate Intrinsic Value
$7.33 - $7.33	2,485,000	1.50	$ 7.33	$ -

The Company recognizes compensation expense for SARs over the vesting period. All of the outstanding SARs as of June 30, 2018 are fully vested. For the three months ended June 30, 2018 and 2017, the Company recorded compensation expense of $25 thousand and compensation benefit of $348 thousand, respectively. For the six months ended June 30, 2018 and 2017, the Company recorded compensation benefit of $99 thousand and $331 thousand, respectively.

For the three months ended June 30, 2018 and 2017, the Company recognized income tax expense of $6 thousand and income tax benefit of $132 thousand, respectively, related to the compensation expense recognized for SARs. For the six months ended June 30, 2018 and 2017, the Company recognized income tax benefit of $26 thousand and $126 thousand, respectively, related to the compensation expense recognized for SARs. As of June 30, 2018, there was no unrecognized compensation expense related to SARs. There were no SARs exercised during the six months ended June 30, 2018. As a result, the Company did not recognize any current income tax benefits from the exercise of SARs.

10. Net Income per Common Share

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 share options or RSUs were exercised or converted under the treasury share method. However, for periods that the Company has a net loss, the effect of outstanding share options or RSUs is anti-dilutive and, accordingly, is excluded from the calculation of diluted loss per share.

The computations of basic and diluted net loss per share for the three and six months ended June 30, 2018 and 2017 are shown in the tables below:

(In thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Numerator:				
Net loss attributable to JMP Group, LLC	$ (1,988)	$ (8,535)	$ (2,271)	$ (13,275)
Denominator:				
Basic weighted average shares outstanding	21,537	21,652	21,601	21,612
Effect of potential dilutive securities:				
Restricted share units	-	-	-	-
Diluted weighted average shares outstanding	21,537	21,652	21,601	21,612
Net loss per share				
Basic	$ (0.09)	$ (0.39)	$ (0.11)	$ (0.61)
Diluted	$ (0.09)	$ (0.39)	$ (0.11)	$ (0.61)

Due to the net loss for the three and six months ended June 30, 2017 and June 30, 2018, all of the share options and restricted share units outstanding, were anti-dilutive and, therefore, were not included in the computation of diluted weighted-average common shares outstanding.

11. 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 U.S. Internal Revenue Service. Effective January 1, 2015, the Company contributes a match of 100% of each participant's contributions to the JMP Group 401(k) Plan up to a maximum of 3% of the participant's compensation plus 50% of the participant's elective deferrals between 3% and 5%. All participants are immediately vested 100% on matched contributions. The Company recorded JMP Group 401(k) Plan matching expense of $0.3 million and $0.2 million for the three months ended June 30, 2018 and 2017, respectively. The Company recorded JMP Group 401(k) Plan matching expense of $1.2 million and $1.1 million for the six months ended June 30, 2018 and 2017, respectively.

12. Income Taxes

JMP Group LLC qualifies as a publicly traded partnership. The entity is taxed as a partnership for United States federal income tax purposes. The Company owns intermediate holding subsidiaries, a few of which are taxable corporate subsidiaries. The taxable income earned by these subsidiaries is subject to U.S. Federal and state income taxation. Taxable income earned by JMP Investment Holdings LLC, a wholly-owned subsidiary, is not subject to U.S. federal and state corporate income tax. This taxable income is allocated to JMP Group LLCs partners.

For the three months ended June 30, 2018 and 2017, the Company recorded income tax expense of $4.9 million and benefit of $0.2 million, respectively. For the six months ended June 30, 2018 and 2017, the Company recorded income tax benefit of $0.7 million and $1.3 million, respectively. The effective tax rates were -57.56% and -11.35% for the three months ended June 30, 2018 and 2017, respectively. The effective tax rates were 18.55% and 9.41% for the six months ended June 30, 2018 and 2017, respectively.

For financial reporting purposes, the Company's effective tax rate used for the interim periods is based on the estimated full-year income tax rate. The effective tax rate differs from the statutory rate primarily due to the following: (i) a portion of the reported pre-tax income is attributable to non-controlling interests held in the Company's consolidated entities by third parties, and (ii) a significant portion of pre-tax income/(loss) is from qualifying sources that are generated by certain flow through entities within the Company. These amounts are excluded from the computation of corporate income tax.

On December 22, 2017, the Tax Cuts and Jobs Act was signed into law which included a broad range of tax reform proposals. The Securities and Exchange Commission Staff Accounting Bulletin 118 (SAB 118) expresses views of the staff regarding application of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 740, Income Taxes ("ASC Topic 740"). The Company has made reasonable assessments under SAB 118 in accounting for certain effects of tax reform. However, the provisional impacts may be refined over the prescribed measurement period.

The Company recognizes deferred tax assets and liabilities in accordance with ASC 740, Income Taxes, and are determined based upon the temporary differences between the financial reporting and tax basis of the Company's assets and liabilities using the tax rates and laws in effect when the differences are expected to reverse.

13. Commitments and Contingencies

The Company leases office space in California, Illinois, Georgia, Massachusetts, Minnesota, Florida, and New York under various operating leases. Occupancy expense was $1.1 million for both quarters ended June 30, 2018 and 2017. Occupancy expense was $2.3 million and $2.2 million for the six months ended June 30, 2018 and 2017, respectively.

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. The aggregate minimum future commitments of these leases are:

(In thousands) *Year ending December 31,*		**Minimum Future Lease Commitments**
2018	$	2,573
2019		4,237
2020		2,858
2021		2,847
2022		2,717
Thereafter		7,653
Total Lease Commitments	$	22,885

In connection with its underwriting activities, JMP Securities may, from time to time, enter 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 both June 30, 2018 and December 31, 2017, 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. The Company had $0.3 million of cash on deposit with JMP Securities' clearing broker at both June 30, 2018 and December 31, 2017. 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. The Company had unfunded commitments to lend of $132.5 million and $49.1 million as of June 30, 2018 and December 31, 2017, respectively. Using the average market bid and ask quotation obtained from a loan pricing service, the Company determined the fair value of the unfunded commitments to be $131.1 million and $49.2 million as of June 30, 2018 and December 31, 2017, respectively.

14. 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 $23.7 million and $37.3 million, which were $22.4 million and $35.9 million in excess of the required net capital of $1.3 million and $1.4 million at June 30, 2018 and December 31, 2017, respectively. JMP Securities' ratio of aggregate indebtedness to net capital was 0.79 to 1 and 0.58 to 1 at June 30, 2018 and December 31, 2017, 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.

15. 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 some of such affiliated entities. As of June 30, 2018 and December 31, 2017, the aggregate fair value of the Company's investments in the affiliated entities for which the Company serves as the investment advisor was $16.6 million and $24.1 million, respectively, which consisted of investments in hedge and other private funds of $6.1 million and $14.7 million, respectively, and an investment in HCC common stock of $10.5 million and $9.4 million, respectively. Base management fees earned from these affiliated entities were $3.3 million and $4.1 million for the three months ended June 30, 2018 and 2017. Base management fees earned from these affiliated entities were $6.3 million and $8.1 million for the six months ended June 30, 2018 and 2017. Also, the Company earned incentive fees of $2.1 million and $0.1 million, from these affiliated entities for the three months ended June 30, 2018 and 2017, respectively. The Company earned incentive fees of $5.5 million and $1.9 million, from these affiliated entities for the six months ended June 30, 2018 and 2017, respectively. The Company had incentive fees receivable from these affiliated entities of zero and $0.4 million for June 30, 2018 and December 31, 2017, respectively.

On September 19, 2017, the Company made a loan to a registered investment adviser of $3.4 million, at an interest rate of 15% per year. In October 2017, the Company sold 30% of the loan, or $1.0 million, to an affiliate. As of June 30, 2018 and December 31, 2017, the Company's portion of the outstanding loan balance to this entity was $2.4 million. The Company determined the fair value of loans held for investment to be $2.4 million and $2.9 million as of June 30, 2018 and December 31, 2017, respectively, using anticipated cash flows, discounted at an appropriate market credit adjusted interest rate.

On January 9, 2018, an affiliate purchased a $0.8 million note from the Company. As of June 30, 2018, the carrying value of note payable was $0.8 million.

On January 9, 2018, the Company sold a 30% subscription into an investment series held by a subsidiary to an affiliate. The transaction resulted in the admission of the affiliate into the limited liability company subsidiary as a non-controlling member. The Company recorded $0.5 million as capital attributable to non-controlling interest upon execution as of June 30, 2018. The Company has allocated income on the investment based on the affiliates pro-rate share of ownership of the investment series of $15 thousand $28 thousand for the three and six months ended June 30, 2018.

16. 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 June 30, 2018 and December 31, 2017 have subsequently settled with no resulting material liability to the Company. For the three and six months ended June 30, 2018 and 2017, the Company had no material loss due to counterparty failure, and has no obligations outstanding under the indemnification arrangement as of June 30, 2018 or December 31, 2017.

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.

17. 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.

18. 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.

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 connection with the CLOs, the Company had standby letters of credit of $3.1 million and $0.2 million as of June 30, 2018 and December 31, 2017, respectively. In addition, the Company had unfunded commitments to lend to a borrower. See Note 13 for description of the Company's unfunded commitments to lend as of June 30, 2018 and December 31, 2017.

19. Business Segments

The Company's business results are categorized into the following three business segments: Broker-Dealer, Asset Management, and Corporate. 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, private equity funds, hedge funds of funds, and collateralized loan obligations. The Corporate segment includes income from the Company's principal investments in public and private securities and investment funds managed by HCS, as well as any other net interest and income from investing activities. The Corporate segment also includes expenses related to JMP Group LLC, JMP Holding LLC and JMP Group Inc., and is mainly comprised of corporate overhead expenses and interest expense related to the Company's bond issuance.

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 share-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) reverses amortization expense related to an intangible asset resulting from the repurchase of a portion of the equity of JMP Credit Advisors CLO III; (iv) reverses depreciation and amortization expense related to commercial real estate investments; (v) reverses net unrealized gains and losses on strategic equity investments and warrants, (vi) excludes general loan loss reserves on the CLOs, (vii) presents revenues and expenses on a basis that deconsolidates HCAP Advisors and the CLOs, and (viii) reverses one-time transaction costs related to the refinancing of the debt issued by CLO III. 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 Company's segment information for the three and six months ended June 30, 2018 and 2017 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.
- 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.
- Assets directly associated with each segment are allocated to the respective segment. One exception is depreciable assets, which are held at the Corporate segment. The associated depreciation is allocated to the related segment.

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)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Broker-Dealer				
Non-interest revenues	$ 34,015	$ 24,206	$ 59,344	$ 43,096
Total net revenues after provision for loan losses	$ 34,015	$ 24,206	$ 59,344	$ 43,096
Non-interest expenses	30,410	22,458	53,326	41,019
Segment operating pre-tax net income	$ 3,605	$ 1,748	$ 6,018	$ 2,077
Segment assets	$ 70,349	$ 57,491	$ 70,349	$ 57,491
Asset Management				
Non-interest revenues	$ 4,572	$ 4,856	$ 8,561	$ 10,167
Total net revenues after provision for loan losses	$ 4,572	$ 4,856	$ 8,561	$ 10,167
Non-interest expenses	4,756	5,303	9,776	10,398
Segment operating pre-tax net loss	$ (184)	$ (447)	$ (1,215)	$ (231)
Segment assets	$ 20,529	$ 19,324	$ 20,529	$ 19,324
Corporate				
Non-interest revenues	$ 3,556	$ 2,128	$ 5,724	$ 5,417
Net interest income	2,927	940	5,054	955
Gain on repurchase or early retirement of debt	(42)	-	(42)	210
Provision for loan losses	(37)	(409)	(930)	(1,822)
Total net revenues after provision for loan losses	$ 6,404	$ 2,659	$ 9,806	$ 4,760
Non-interest expenses	5,945	3,634	12,392	8,918
Segment operating pre-tax net income (loss)	$ 459	$ (975)	$ (2,586)	$ (4,158)
Segment assets	$ 1,434,858	$ 1,245,922	$ 1,434,858	$ 1,245,922
Eliminations				
Non-interest revenues	$ (1,168)	$ (722)	$ (2,147)	$ (1,763)
Total net revenues after provision for loan losses	$ (1,168)	$ (722)	$ (2,147)	$ (1,763)
Non-interest expenses	(1,168)	(722)	(2,149)	(1,763)
Segment operating pre-tax net income	$ -	$ -	$ 2	$ -
Segment assets	$ (274,705)	$ (322,760)	$ (274,705)	$ (322,760)
Consolidating adjustments and reconciling items				
Non-interest revenues	$ 576 (a)	$ (1,882) (a)	$ (1,637) (a)	$ (3,869) (a)
Net interest income	1,108 (b)	1,013 (b)	1,989 (b)	1,970 (b)
Loss on repurchase or early retirement of debt	-	(5,542)	(2,626)	(5,542)
Provision for loan losses	(1,243)	(1,445)	(1,815)	(1,298)
Total net revenues after provision for loan losses	$ 441	$ (7,856)	$ (4,089)	$ (8,739)
Non-interest expenses	635 (c)	868 (c)	1,759 (c)	2,574 (c)
Non-controlling interest expense	779	335	(685)	932
Segment operating pre-tax net loss	$ (973) (d)	$ (9,059) (d)	$ (5,163) (d)	$ (12,245) (d)
Segment assets	$ -	$ -	$ -	$ -
Total Segments				
Non-interest revenues	$ 41,551	$ 28,586	$ 69,845	$ 53,048
Net interest income	4,035	1,953	7,043	2,925
Gain (loss) on repurchase or early retirement of debt	(42)	(5,542)	(2,668)	(5,332)
Provision for loan losses	(1,280)	(1,854)	(2,745)	(3,120)
Total net revenues after provision for loan losses	$ 44,264	$ 23,143	$ 71,475	$ 47,521
Non-interest expenses	40,578	31,541	75,104	61,146
Non-controlling interest expense	779	335	(685)	932
Segment operating pre-tax net income (loss)	$ 2,907	$ (8,733)	$ (2,944)	$ (14,557)
Total assets	$ 1,251,031	$ 999,978	$ 1,251,031	$ 999,978

(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 share-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)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Operating net income (loss)	$ 3,384	$ 559	$ 1,753	$ (1,524)
Add back (subtract) of segment income tax expense (benefit)	496	(233)	466	(788)
Total Segments adjusted operating pre-tax net income (loss)	$ 3,880	$ 326	$ 2,219	$ (2,312)
Subtract (Add back)				
Share-based awards and deferred compensation	69	207	213	1,167
General loan loss provision - collateralized loan obligations	1,164	1,251	1,493	833
Early retirement of debt	-	5,432	1,318	5,432
Restructuring costs - CLO portfolios	(10)	286	54	286
Amortization of intangible asset - CLO III	69	69	138	138
Unrealized (gain) loss - real estate-related depreciation and amortization	(24)	1,745	1,604	3,901
Unrealized mark-to-market (gain) loss - strategic equity investments	(295)	69	343	488
Total Consolidation Adjustments and Reconciling Items	973	9,059	5,163	12,245
Consolidated pre-tax net income (loss) attributable to JMP Group LLC	$ 2,907	$ (8,733)	$ (2,944)	$ (14,557)
Income tax expense (benefit)	4,895	(198)	(673)	(1,282)
Consolidated net loss attributable to JMP Group LLC	$ (1,988)	$ (8,535)	$ (2,271)	$ (13,275)

20. Nonconsolidated Variable Interest Entities

VIEs for which the Company is not the primary beneficiary consists of private equity funds and other investments in which the Company has an equity ownership interest. The Company's maximum exposure to loss from these VIEs consists of equity investments and receivables as follows:

	As of	
(In thousands)	**June 30, 2018**	**December 31, 2017**
Investment	$ 5,307	$ 8,226
Receivables	206	262
Total	$ 5,513	$ 8,488

21. Consolidating Financial Statements

JMP Group Inc., a 100% owned subsidiary of JMP Group LLC, is the primary obligor of the Company's Senior Notes. In conjunction with the Reorganization Transaction, on January 1, 2015, JMP Group LLC and JMP Investment Holdings LLC became guarantors of JMP Group Inc. The guarantee is full and unconditional. One of the non-guarantor subsidiaries, JMP Securities, is subject to certain regulations, which require the maintenance of minimum net capital. This requirement may limit the issuer's access to this subsidiary's assets.

The following consolidating financial statements present the consolidated statements of financial condition, consolidated statements of operations, consolidated statements of comprehensive income and consolidated statements of cash flows of JMP Group LLC (parent company and guarantor), JMP Group Inc. (issuer), JMP Investment Holdings LLC (guarantor subsidiary), and the elimination of entries necessary to consolidate or combine the issuer with the guarantor and non-guarantor subsidiaries. These statements are presented in accordance with the disclosure requirements under SEC Regulation S-X Rule 3-10.

	As of June 30, 2018					
	Parent Company	**Subsidiary Issuer**	**Guarantor Subsidiaries**	**Non-Guarantor Subsidiaries**	**Eliminations**	**Consolidated JMP Group LLC**
Assets						
Cash and cash equivalents	$ 1,265	$ 4,906	$ 1,492	$ 42,739	$ -	$ 50,402
Restricted cash and deposits	-	1,471	-	45,222	-	46,693
Investment banking fees receivable, net of allowance for doubtful accounts	-	-	-	17,540	-	17,540
Marketable securities owned, at fair value	-	-	10,558	10,993	(96)	21,455
Other investments	-	3,272	3,151	10,493	-	16,916
Loans held for investment, net of allowance for loan losses	-	-	2,695	283,151	-	285,846
Loans collateralizing asset-backed securities issued, net of allowance for loan losses	-	-	-	784,663	-	784,663
Interest receivable	-	1	163	2,584	(177)	2,571
Fixed assets, net	-	-	-	2,351	-	2,351
Other assets	(6,608)	135,950	(26,509)	75,605	(155,844)	22,594
Investment in subsidiaries	219,949	74,689	124,804	-	(419,442)	-
Total assets	$ 214,606	$ 220,289	$ 116,354	$ 1,275,341	$ (575,559)	$ 1,251,031
Liabilities and Equity						
Liabilities:						
Marketable securities sold, but not yet purchased, at fair value	$ -	$ -	$ -	$ 5,630	$ -	$ 5,630
Accrued compensation	610	1,524	23	23,133	-	25,290
Asset-backed securities issued	-	-	-	739,912	-	739,912
Interest payable	-	1,240	-	7,791	(177)	8,854
Notes payable	137,603	-	-	35,763	(154,537)	18,829
CLO V warehouse credit facility	-	-	-	238,500	-	238,500
Bond payable	-	93,241	-	-	(96)	93,145
Other liabilities	2,801	5,645	-	11,358	(1,202)	18,602
Total liabilities	$ 141,014	$ 101,650	$ 23	$ 1,062,087	$ (156,012)	$ 1,148,762
Total members' (deficit) equity	73,592	118,639	102,433	213,749	(419,759)	88,654
Nonredeemable Non-controlling Interest	$ -	$ -	$ 13,898	$ (495)	$ 212	$ 13,615
Total equity	$ 73,592	$ 118,639	$ 116,331	$ 213,254	$ (419,547)	$ 102,269
Total liabilities and equity	$ **214,606**	$ **220,289**	$ **116,354**	$ **1,275,341**	$ **(575,559)**	$ **1,251,031**

	As of December 31, 2017					
	Parent Company	Subsidiary Issuer	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated JMP Group LLC
Assets						
Cash and cash equivalents	$ 951	$ 4,819	$ 12,681	$ 67,143	$ -	$ 85,594
Restricted cash and deposits	-	1,471	-	50,256	-	51,727
Investment banking fees receivable, net of allowance for doubtful accounts	-	-	-	9,567	-	9,567
Marketable securities owned, at fair value	-	-	9,464	11,456	(95)	20,825
Other investments	-	3,101	11,543	13,340	-	27,984
Loans held for investment, net of allowance for loan losses	-	-	4,233	79,715	-	83,948
Loans collateralizing asset-backed securities issued, net of allowance for loan losses	-	-	-	765,583	-	765,583
Interest receivable	-	4	165	2,090	-	2,259
Fixed assets, net	-	-	-	2,322	-	2,322
Other assets	(4,603)	132,931	(8,787)	64,490	(157,214)	26,817
Investment in subsidiaries	226,894	70,775	127,325	-	(424,994)	-
Total assets	$ 223,242	$ 213,101	$ 156,624	$ 1,065,962	$ (582,303)	$ 1,076,626
Liabilities and Equity						
Liabilities:						
Marketable securities sold, but not yet purchased, at fair value	$ -	$ -	$ -	$ 7,919	$ -	$ 7,919
Accrued compensation	-	150	-	42,981	-	43,131
Asset-backed securities issued	-	-	-	738,248	-	738,248
Interest payable	-	1,109	-	5,403	-	6,512
CLO V warehouse credit facility	-	-	-	61,250	-	61,250
Bond payable	-	93,198	-	-	(95)	93,103
Other liabilities	138,796	5,710	-	28,885	(157,107)	16,284
Total liabilities	$ 138,796	$ 100,167	$ -	$ 884,686	$ (157,202)	$ 966,447
Total members' (deficit) equity	84,446	112,934	141,955	182,313	(425,313)	96,335
Nonredeemable Non-controlling Interest	$ -	$ -	$ 14,669	$ (1,037)	$ 212	$ 13,844
Total equity	$ 84,446	$ 112,934	$ 156,624	$ 181,276	$ (425,101)	$ 110,179
Total liabilities and equity	**$ 223,242**	**$ 213,101**	**$ 156,624**	**$ 1,065,962**	**$ (582,303)**	**$ 1,076,626**

	For the Three Months Ended June 30, 2018					
	Parent Company	**Subsidiary Issuer**	**Guarantor Subsidiary**	**Non-Guarantor Subsidiaries**	**Eliminations**	**Consolidated JMP Group LLC**
Revenues						
Investment banking	$ -	$ -	$ -	$ 28,562	$ -	$ 28,562
Brokerage	-	-	-	5,447	-	5,447
Asset management fees	-	-	-	5,420	(42)	5,378
Principal transactions	194	(126)	339	1,277	-	1,684
Loss on sale, payoff and mark-to-market of loans	-	-	(15)	(135)	-	(150)
Net dividend income	-	11	280	28	-	319
Other income	-	-	-	311	-	311
Equity earnings of subsidiaries	(103)	2,719	3,680	-	(6,296)	-
Non-interest revenues	91	2,604	4,284	40,910	(6,338)	41,551
Interest income	371	1,141	296	15,921	(2,060)	15,669
Interest expense	(1,138)	(2,299)	(20)	(10,237)	2,060	(11,634)
Net interest income	(767)	(1,158)	276	5,684	-	4,035
Loss on repurchase, reissuance or early retirement of debt	-	-	(42)	-	-	(42)
Provision for loan losses	-	-	-	(1,280)	-	(1,280)
Total net revenues after provision for loan losses	(676)	1,446	4,518	45,314	(6,338)	44,264
Non-interest expenses						
Compensation and benefits	598	1,235	23	27,282	-	29,138
Administration	159	101	12	2,481	(42)	2,711
Brokerage, clearing and exchange fees	-	-	-	788	-	788
Travel and business development	(31)	4	-	1,229	-	1,202
Communications and technology	1	2	-	1,044	-	1,047
Managed deal expense	-	-	-	2,348	-	2,348
Occupancy	-	-	-	1,143	-	1,143
Professional fees	585	67	5	481	-	1,138
Depreciation	-	-	-	287	-	287
Other	-	-	69	707	-	776
Total non-interest expenses	1,312	1,409	109	37,790	(42)	40,578
Net income (loss) before income tax expense	(1,988)	37	4,409	7,524	(6,296)	3,686
Income tax expense	-	3,734	-	1,161	-	4,895
Net income (loss)	(1,988)	(3,697)	4,409	6,363	(6,296)	(1,209)
Less: Net income (loss) attributable to nonredeemable non-controlling interest	-	-	815	(36)	-	779
Net income (loss) attributable to JMP Group LLC	$ (1,988)	$ (3,697)	$ 3,594	$ 6,399	$ (6,296)	$ (1,988)

	For the Three Months Ended June 30, 2017					
	Parent Company	**Subsidiary Issuer**	**Guarantor Subsidiary**	**Non-Guarantor Subsidiaries**	**Eliminations**	**Consolidated JMP Group LLC**
Revenues						
Investment banking	$ -	$ -	$ -	$ 19,128	$ -	$ 19,128
Brokerage	-	-	-	5,078	-	5,078
Asset management fees	-	-	-	4,192	(39)	4,153
Principal transactions	-	(487)	324	(160)	-	(323)
Gain on sale, payoff and mark-to-market of loans	-	-	-	83	-	83
Net dividend income	-	1	256	16	-	273
Other income	-	-	-	194	-	194
Equity earnings of subsidiaries	(6,704)	1,012	(4,196)	-	9,888	-
Non-interest revenues	(6,704)	526	(3,616)	28,531	9,849	28,586
Interest income	472	1,139	9	10,070	(1,994)	9,696
Interest expense	(1,139)	(2,272)	-	(6,326)	1,994	(7,743)
Net interest income	(667)	(1,133)	9	3,744	-	1,953
Loss on repurchase, reissuance or early retirement of debt	-	-	-	(5,542)	-	(5,542)
Provision for loan losses	-	-	(20)	(1,834)	-	(1,854)
Total net revenues after provision for loan losses	(7,371)	(607)	(3,627)	24,899	9,849	23,143
Non-interest expenses						
Compensation and benefits	547	749	532	20,824	-	22,652
Administration	143	111	71	2,435	(39)	2,721
Brokerage, clearing and exchange fees	-	-	-	789	-	789
Travel and business development	10	-	-	1,101	-	1,111
Communications and technology	1	3	-	1,047	-	1,051
Occupancy	-	-	-	1,111	-	1,111
Professional fees	462	87	-	304	-	853
Depreciation	-	-	-	303	-	303
Other	-	11	69	870	-	950
Total non-interest expenses	1,163	961	672	28,784	(39)	31,541
Net income (loss) before income tax expense	(8,534)	(1,568)	(4,299)	(3,885)	9,888	(8,398)
Income tax expense (benefit)	-	(1,070)	-	872	-	(198)
Net income (loss)	(8,534)	(498)	(4,299)	(4,757)	9,888	(8,200)
Less: Net income attributable to nonredeemable non-controlling interest	-	-	256	79	-	335
Net income (loss) attributable to JMP Group LLC	$ (8,534)	$ (498)	$ (4,555)	$ (4,836)	$ 9,888	$ (8,535)

	For the Six Months Ended June 30, 2018					
	Parent Company	Subsidiary Issuer	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated JMP Group LLC
Revenues						
Investment banking	$ -	$ -	$ -	$ 49,224	$ -	$ 49,224
Brokerage	-	-	-	10,111	-	10,111
Asset management fees	-	-	-	12,025	(222)	11,803
Principal transactions	(1,853)	(144)	(793)	854	-	(1,936)
Loss on sale, payoff and mark-to-market of loans	-	-	(15)	(317)	-	(332)
Net dividend income	2	14	549	50	-	615
Other income	-	-	-	360	-	360
Equity earnings of subsidiaries	3,704	2,791	3,396	-	(9,891)	-
Non-interest revenues	1,853	2,661	3,137	72,307	(10,113)	69,845
Interest income	744	2,283	587	28,895	(4,130)	28,379
Interest expense	(2,277)	(4,592)	(25)	(18,571)	4,129	(21,336)
Net interest income	(1,533)	(2,309)	562	10,324	(1)	7,043
Loss on repurchase, reissuance or early retirement of debt	-	-	(42)	(2,626)	-	(2,668)
Reversal (provision) for loan losses	-	-	15	(2,760)	-	(2,745)
Total net revenues after provision for loan losses	320	352	3,672	77,245	(10,114)	71,475
Non-interest expenses						
Compensation and benefits	1,009	2,076	72	50,242	-	53,399
Administration	290	238	36	4,602	(222)	4,944
Brokerage, clearing and exchange fees	-	-	-	1,565	-	1,565
Travel and business development	35	18	-	2,103	-	2,156
Communications and technology	1	5	-	2,103	-	2,109
Managed deal expense	-	-	-	3,914	-	3,914
Occupancy	-	-	-	2,260	-	2,260
Professional fees	1,256	152	5	1,630	-	3,043
Depreciation	-	-	-	551	-	551
Other	-	-	138	1,025	-	1,163
Total non-interest expenses	2,591	2,489	251	69,995	(222)	75,104
Net income (loss) before income tax expense	(2,271)	(2,137)	3,421	7,250	(9,892)	(3,629)
Income tax expense (benefit)	-	(2,255)	-	1,582	-	(673)
Net income (loss)	(2,271)	118	3,421	5,668	(9,892)	(2,956)
Less: Net loss attributable to nonredeemable non-controlling interest	-	-	(231)	(454)	-	(685)
Net income (loss) attributable to JMP Group LLC	$ (2,271)	$ 118	$ 3,652	$ 6,122	$ (9,892)	$ (2,271)

	For the Six Months Ended June 30, 2017					
	Parent Company	Subsidiary Issuer	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated JMP Group LLC
Revenues						
Investment banking	$ -	$ -	$ -	$ 32,728	$ -	$ 32,728
Brokerage	-	-	-	10,364	-	10,364
Asset management fees	-	-	-	10,143	(79)	10,064
Principal transactions	-	(479)	(72)	(1,665)	-	(2,216)
Gain on sale, payoff and mark-to-market of loans	-	-	-	930	-	930
Net dividend income	-	1	512	26	-	539
Other income	-	-	-	639	-	639
Equity earnings of subsidiaries	(9,469)	728	(3,612)	-	12,353	-
Non-interest revenues	(9,469)	250	(3,172)	53,165	12,274	53,048
Interest income	840	2,278	107	19,615	(4,077)	18,763
Interest expense	(2,278)	(4,546)	-	(13,091)	4,077	(15,838)
Net interest income	(1,438)	(2,268)	107	6,524	-	2,925
Gain (loss) on repurchase, reissuance or early retirement of debt	210	-	-	(5,542)	-	(5,332)
Provision for loan losses	-	-	(20)	(3,100)	-	(3,120)
Total net revenues after provision for loan losses	(10,697)	(2,018)	(3,085)	51,047	12,274	47,521
Non-interest expenses						
Compensation and benefits	1,082	1,395	779	41,194	-	44,450
Administration	270	233	97	4,019	(79)	4,540
Brokerage, clearing and exchange fees	-	-	-	1,548	-	1,548
Travel and business development	88	-	-	1,938	-	2,026
Communications and technology	2	5	-	2,097	-	2,104
Occupancy	-	-	-	2,222	-	2,222
Professional fees	1,134	154	-	727	-	2,015
Depreciation	-	-	-	614	-	614
Other	-	17	138	1,472	-	1,627
Total non-interest expenses	2,576	1,804	1,014	55,831	(79)	61,146
Net income (loss) before income tax expense	(13,273)	(3,822)	(4,099)	(4,784)	12,353	(13,625)
Income tax expense (benefit)	-	(2,090)	-	808	-	(1,282)
Net income (loss)	(13,273)	(1,732)	(4,099)	(5,592)	12,353	(12,343)
Less: Net income attributable to nonredeemable non-controlling interest	-	-	693	239	-	932
Net income (loss) attributable to JMP Group LLC	$ (13,273)	$ (1,732)	$ (4,792)	$ (5,831)	$ 12,353	$ (13,275)

	For the Six Months Ended June 30, 2018					
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated JMP Group LLC
Cash flows from operating activities:						
Net cash provided by (used in) operating activities	$ 2,730	$ (1,130)	$ 20,513	$ (26,374)	$ (9,933)	$ (14,194)
Cash flows from investing activities:						
Purchases of fixed assets	-	-	-	(580)	-	(580)
Investment in subsidiary	6,945	(3,914)	2,521	-	(5,552)	-
Purchases of other investments	-	(430)	(5,187)	(55)	4,453	(1,219)
Sales of other investments	-	116	13,161	2,306	(4,411)	11,172
Funding of loans collateralizing asset-backed securities issued	-	-	-	(193,024)	-	(193,024)
Funding of loans held for investment	-	-	14	(225,365)	-	(225,351)
Sale, payoff, and principal receipts of loans collateralizing asset-backed securities issued	-	-	(15)	172,430	-	172,415
Sale, payoff, and principal payments on loans held for investment	-	-	1,560	20,546	-	22,106
Net changes in cash collateral posted for derivative transactions	-	-	-	-	-	-
Net cash provided by (used in) investing activities	$ 6,945	$ (4,228)	$ 12,054	$ (223,742)	$ (5,510)	$ (214,481)
Cash flows from financing activities:						
Proceeds from issuance of Repurchase Agreement	-	-	3,878	-	-	3,878
Proceeds from drawdowns on CLO V warehouse facility	-	-	-	177,250	-	177,250
Proceeds from drawdowns on line of credit	-	-	-	18,000	-	18,000
Proceeds from sale of note to affiliate	-	-	-	829	-	829
Payments of debt issuance costs	-	(142)	-	(1,715)	-	(1,857)
Repayment of asset-backed securities issued	-	-	(4,453)	(327,647)	-	(332,100)
Repayment of Repurchase Agreement	-	-	(3,878)	-	-	(3,878)
Proceeds of issuance from asset-backed securities issued	-	-	-	327,605	-	327,605
Reissuance of asset-backed securities	-	-	4,411	42	-	4,453
Distributions and dividend equivalents paid on common shares and RSUs	(3,975)	-	-	-	-	(3,975)
Capital contributions of parent	(3,174)	5,587	(43,174)	25,318	15,443	-
Capital contributions of nonredeemable non-controlling interest holders	-	-	-	449	-	449
Purchases of common shares for treasury	(1,525)	-	-	-	-	(1,525)
Purchase of subsidiary shares from non-controlling interest holders	(656)	-	-	656	-	-
Distributions to non-controlling interest shareholders	-	-	(540)	(109)	-	(649)
Employee taxes paid on shares withheld for tax-withholding purposes	(31)	-	-	-		(31)
Net cash provided by (used in) financing activities	$ (9,361)	$ 5,445	$ (43,756)	$ 220,678	$ 15,443	$ 188,449
Net increase (decrease) in cash, cash equivalents, and restricted cash	314	87	(11,189)	(29,438)	-	(40,226)
Cash, cash equivalents, and restricted cash at beginning of period	951	6,290	12,681	117,399	-	137,321
Cash, cash equivalents, and restricted cash at end of period	$ 1,265	$ 6,377	$ 1,492	$ 87,961	$ -	$ 97,095

	For the Six Months Ended June 30, 2017					
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated JMP Group LLC
Cash flows from operating activities:						
Net cash used in operating activities	$ (11,801)	$ (536)	$ (938)	$ (10,439)	$ (2,979)	$ (26,693)
Cash flows from investing activities:						
Purchases of fixed assets	-	-	-	(100)	-	(100)
Purchases of other investments	-	(844)	(684)	-	-	(1,528)
Sales of other investments	-	181	594	(5,029)	15,330	11,076
Funding of loans collateralizing asset-backed securities issued	-	-	-	(510,421)	-	(510,421)
Funding of loans held for sale	-	-	-	(2,752)	-	(2,752)
Funding of loans held for investment	-	-	(1,231)	(4,630)	5,605	(256)
Repayment of loans held for sale	-	-	-	1,784	-	1,784
Sale, payoff, and principal payments on loans held for investment	-	-	-	33,951	-	33,951
Sale, payoff and Principal receipts of loans collateralizing asset-backed securities issued	-	-	-	406,137	(5,605)	400,532
Net changes in cash collateral posted for derivative transactions	-	-	-	23,460		23,460
Investment in subsidiary	27,774	3,262	100,765	-	(131,801)	-
Net cash provided by (used in) investing activities	$ 27,774	$ 2,599	$ 99,444	$ (57,600)	$ (116,471)	$ (44,254)
Cash flows from financing activities:						
Repayment of asset-backed securities issued	-	-	-	(503,617)	-	(503,617)
Proceeds of issuance from asset-backed securities issued	-	-	-	408,394	-	408,394
Distributions and dividend equivalents paid on common shares and RSUs	(3,903)	-	-	-	-	(3,903)
Capital contributions of nonredeemable non-controlling interest holders	-	-	-	92	-	92
Proceeds from exercises of stock options	905	-	-	-	-	905
Purchases of common shares for treasury	(402)	-	-	-	-	(402)
Distributions to non-controlling interest shareholders	-	-	(2,673)	(398)	-	(3,071)
Employee taxes paid on shares withheld for tax-withholding purposes	(184)	-	-	-	-	(184)
Capital contributions of parent	(5,003)	992	(70,037)	(45,402)	119,450	-
Net cash provided by (used in) financing activities	$ (8,587)	$ 992	$ (72,710)	$ (140,931)	$ 119,450	$ (101,786)
Net increase (decrease) in cash and cash equivalents	7,386	3,055	25,796	(208,970)	-	(172,733)
Cash, cash equivalents, and restricted cash at beginning of period	255	3,234	5,060	304,599	-	313,148
Cash, cash equivalents, and restricted cash at end of period	$ 7,641	$ 6,289	$ 30,856	$ 95,629	$ -	$ 140,415

22. Subsequent Events

On June 29, 2018, the Company announced its intent to redeem $10 million of the issued and outstanding Senior Notes on July 31, 2018 (the "Redemption Date"). The Notes will be redeemed at 100% of their principal amount, $25, plus the accrued and unpaid interest thereon up to, but excluding, the Redemption Date. On July 31, 2018, the Company redeemed $10 million Senior Notes at the principal amount of $25.

On July 18, 2018, the Company's board of directors declared cash distributions of $0.03 per share for the months of July, August, and September. The July distribution is payable on August 15, 2018, to shareholders of record as of July 31, 2018. The August distribution is payable on September 14, 2018, to shareholders of record as of August 31, 2018. The September distribution is payable on October 15, 2018, to shareholders of record as of September 28, 2018.

On July 26, 2018 CLO V completed a $407.8 million securitization, comprised of $368.0 million aggregate principal amount of secured notes (the "Secured Notes") and $39.8 million of unsecured subordinated notes (the "Subordinated Notes"). The Secured Notes offered in this 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 V. The CLO V warehouse was fully repaid as of July 26, 2018. The Company, through a wholly-owned subsidiary, purchased $2,500,000 of the Senior Subordinated Notes and $29,825,000 of the Junior Subordinated Notes.

On August 6, 2018 the Company entered into an amendment to its Credit Agreement with CNB. The amendment provides a $25.0 million line of credit with a revolving period of one year. At June 4, 2019, any outstanding amounts convert to a term loan. Beginning July 2019, the term loan will be repaid in quarterly installments of 3.75% of funded debt for the first two years, 5.00% of funded debt for the next two years, and the remainder due at maturity.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read together with the unaudited consolidated financial statements and the related notes included elsewhere in this report. For additional context with which to understand our financial condition and results of operations, see the MD&A for the fiscal year ended December 31, 2017 contained in our Form 10-K (the "Annual Report"), as well as the consolidated financial statements and notes contained there*in.

Cautionary Statement Regarding Forward-Looking Statements

This MD&A and other sections of this Form 10-Q (the "Quarterly Report") contain forward looking statements. We make forward-looking statements, as defined by the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, and in some cases you can identify these statements by forward-looking words such as "if," "shall," "may," "might," "will likely result," "should," "expect," "plan," "anticipate," "believe," "estimate," "project," "intend," "goal," "objective," "predict," "potential" or "continue," the negative of these terms, and other comparable terminology. These forward-looking statements, which are based on various underlying assumptions and expectations and are subject to risks, uncertainties and other unknown factors, may include projections of our future financial performance based on our growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events that we believe to be reasonable. There are or may be important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the historical or future results, level of activity, performance or achievements expressed or implied by such forward-looking statements. These factors include, but are not limited to, those discussed under the caption "Risk Factors" in our Annual Report. In preparing this MD&A, we presume that readers have access to and have read the MD&A in our Annual Report, pursuant to Instruction 2 to paragraph (b) of Item 303 of Regulation S-K. We undertake no duty to update any of these forward-looking statements after the date of filing of this Quarterly Report to conform such forward-looking statements to actual results or revised expectations, except as otherwise required by law.

Impact of Adopting Revenue Recognition Guidance

On January 1, 2018, we adopted ASU 201-09, Revenue from Contracts with Customers (Topic 606), which provides a more robust framework for addressing revenue issues, and clarifies the implementation guidance on principal versus agent considerations. The Company adopted this standard using a modified retrospective approach and the new revenue standard was applied prospectively in the Company's financial statements. The Company reported financial information for historical comparable periods that was not revised and will continue to be reporting under the accounting standards in effect during those historical periods. The new standard does not apply to revenue from financial instruments, including loans and securities, and as a result, it did not have an impact on revenues closely associated with financial instruments, including principal transactions, interest income, and interest expenses. The new standard primarily impacts the presentation of out investment banking revenues, specifically underwriting revenues, strategic advisory revenues, and private placement fees. Certain investment banking revenues have historically been presented net of related expenses. Under the new standard, revenues and expenses related to investment banking transactions are presented gross in the Consolidated Statements of operations.

Refer to Note 3, Recent Accounting Pronouncements, for additional information.

Overview

JMP Group LLC, together with its subsidiaries (collectively, the "Company", "we", or "us"), is a diversified capital markets firm headquartered in San Francisco, California. We have a diversified business model with a focus on small and middle-market companies and provide:

- investment banking services, including corporate finance, mergers and acquisitions and other strategic advisory services, to corporate clients;
- sales and trading and related securities brokerage services to institutional investors;
- equity research coverage of four target industries;
- asset management products and services to institutional investors, high net-worth individuals and for our own account; and
- management of collateralized loan obligations and a specialty finance company.

Components of Revenues

We derive revenues primarily from: fees from our investment banking business, net commissions from our sales and trading business, management fees and incentive fees from our asset management business, and interest income earned on collateralized loan obligations we manage. We also generate revenues from principal transactions, interest, dividends and other income.

Investment Banking

We earn investment banking revenues from underwriting securities offerings, arranging private capital markets transactions and providing advisory services in mergers and acquisitions and other strategic transactions.

Underwriting Revenues

We earn revenues from securities offerings in which we act as an underwriter, such as initial public offerings and follow-on equity offerings. Underwriting revenues include management fees, underwriting fees, selling concessions, and realized and unrealized net gains and losses on equity positions held in inventory for a period of time to facilitate the completion of certain underwritten offerings. We record underwriting revenues, gross of related syndicate expenses, at the time an underwritten transaction is completed. In syndicated transactions, management estimates our share of transaction-related expenses incurred by the syndicate, and we recognize revenues gross of such expense. On final settlement by the lead manager, typically 90 days from the trade date of the transaction, we adjust these amounts to reflect the actual transaction-related expenses and our resulting underwriting fee. We receive a higher proportion of total fees in underwritten transactions in which we act as a lead manager.

Strategic Advisory Revenues

Our strategic advisory revenues primarily consist of success fees received upon the closing of mergers and acquisitions but also include retainer fees received when we are first engaged to provide advisory services. We also earn fees for related advisory work and other services, such as fairness opinions and valuation analyses. These revenues may be earned for providing services to either the buyer or the seller involved in a transaction. We record strategic advisory revenues when the transactions or the services to be performed (or, if applicable, separate components thereof) are substantially completed, the fees are determinable and collection is reasonably assured.

Private Capital Markets and Other Revenues

We earn fees for private capital markets and other services in connection with transactions that are not underwritten, such as private placements of equity securities, private investments in public equity ("PIPE") transactions and Rule 144A offerings. We record private placement revenues on the closing date of these transactions.

Since our investment banking revenues are generally recognized at the time of completion of a transaction or the services to be performed, these revenues typically vary between periods and may be affected considerably by the timing of the closing of significant transactions.

Brokerage Revenues

Our brokerage revenues include trading commissions paid by customers for purchases or sales of exchange-listed and over-the-counter ("OTC") equity securities. Commissions are recognized on a trade date basis. Brokerage revenues also include net trading gains and losses that result from market-making activities and from our commitment of capital to facilitate customer transactions. Our brokerage revenues may vary between periods, in part depending on commission rates, trading volumes and our ability to deliver equity research and other value-added services to our clients. The ability to execute trades electronically, through the Internet and through other alternative trading systems, has increased pressure on trading commissions and spreads across our industry. We expect this trend toward alternative trading systems and the related pricing pressure in the brokerage business to continue. We are, to some extent, compensated through brokerage commissions for the equity research and other value-added services we deliver to our clients. These "soft dollar" practices have been the subject of discussion among regulators, the investment banking community and our sales and trading clients. In particular, commission sharing arrangements have been adopted by some large institutional investors. In these arrangements, an institutional investor concentrates its trading with fewer "execution" brokers and pays a fixed amount for execution, with a designated amount set aside for payments to other firms for research or other brokerage services. Accordingly, trading volume directed to us by investors that enter into such arrangements may be reduced, or eliminated, but we may be compensated for our research and sales efforts through allocations of the designated amounts. Depending on the extent to which we agree to this practice and depending on our ability to enter into arrangements on terms acceptable to us, this trend would likely impair the revenues and profitability of our brokerage business by negatively affecting both volumes and trading commissions.

Asset Management Fees

We earn asset management fees for managing a family of investment partnerships, including hedge funds, hedge funds of funds and private equity funds, as well as a publicly traded specialty finance company, HCC. These fees include base management fees and incentive fees. Base management fees are generally determined by the fair value of the assets under management or the aggregate capital commitment and the fee schedule for each fund or account. Incentive fees are based upon the investment performance of the funds or accounts. For most of our funds, incentive fees equate to a percentage of the excess investment return above a specified high-water mark or hurdle rate over a defined period of time. For private equity funds, incentive fees equate to a percentage of the realized gain from the disposition of each portfolio investment in which each investor participates, which we earn after returning contributions by an investor for a portfolio investment. Generally, we do not earn management fees calculated on the basis of average assets under management ("AUM").

As of June 30, 2018 the contractual base management fees earned from each of our investment funds or companies ranged between 1% and 2% of assets under management or were between 1% and 2% of aggregate committed capital. The contractual incentive fees were generally 20%, subject to high-water marks, for the hedge funds; 5% to 20%, subject to high-water marks or a performance hurdle rate, for the hedge funds of funds; 20%, subject to high-water marks, for Harvest Growth Capital LLC ("HGC") and Harvest Growth Capital II LLC ("HGC II"); and 30% for JMP Capital I. Our asset management revenues are subject to fluctuations due to a variety of factors that are unpredictable, including the overall condition of the economy, the securities markets as a whole and our core sectors. These market and industry conditions can have a material effect on the inflows and outflows of assets under management and on the performance of our asset management funds. For example, a significant portion of the performance-based or incentive fee revenues that we recognize are based on the value of securities held in the funds we manage. The value of these securities includes unrealized gains or losses that may change from one period to another.

Asset management fees for the CLOs we manage currently consist only of senior and subordinated base management fees. We recognize base management fees for the CLOs on a monthly basis over the period during which the collateral management services are performed. The base management fees for the CLOs are calculated as a percentage of the average aggregate collateral balances for a specified period. As we consolidate the CLO's, the management fees earned at JMP Credit Advisors LLC ("JMPCA") from the CLOs are eliminated on consolidation in accordance with GAAP. For the six months ended June 30, 2017, the contractual senior and subordinated base management fees earned from CLO I and CLO II were 0.50% of the average aggregate collateral balance. For both the six months ended June 30, 2018 and 2017, the contractual senior and subordinated base management fees earned from CLO III were 0.35% and 0.33%, respectively, of the average aggregate collateral balance. For the six months ended June 30, 2018 and 2017, the contractual base and subordinated fees earned from CLO IV, after securitization, were 0.50% and 0.15%, respectively, of the average aggregate collateral balance. For the six months ended June 30, 2018, the contractual base and subordinated fees earned from CLO V warehouse portfolio were 1.0% of the average equity contributions.

The redemption provisions of our funds require at least 90 days' advance notice. The redemption provisions do not apply to the CLOs.

The following tables present certain information with respect to the investment funds managed by HCS, HCAP Advisors, and CLOs:

(In thousands)	Assets Under Management (1) at		Company's Share of Assets Under Management at	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Funds Managed by HCS, JMPAM, or HCAP Advisors:				
Hedge Funds:				
Harvest Small Cap Partners	$ 361,586	$ 377,513	$ 720	$ 1,074
Harvest Agriculture Select (2)	87,233	99,133	541	9,259
Private Equity Funds:				
Harvest Growth Capital LLC	22,454	19,487	842	852
Harvest Growth Capital LLC II	171,441	149,998	3,325	3,011
Harvest Intrexon Enterprise Fund	58,365	70,295	385	430
JMP Realty Partners I	28,607	28,607	2,832	2,832
Other	15,889	10,111	N/A	N/A
Funds of Funds:				
JMP Masters Fund (4)	2,978	3,048	4	6
Capital or Private Debt Capital:				
Harvest Capital Credit Corporation	128,062	128,408	N/A	N/A
JMP Capital I	23,529	23,529	2,329	2,329
HCS and HCAP Advisors Totals	$ 900,144	$ 910,129	$ 10,978	$ 19,793
CLOs and CLO Warehouse Managed by JMPCA:				
CLO III (3)	360,442	360,680	N/A	N/A
CLO IV (3)	450,440	450,985	N/A	N/A
CLO V warehouse (3)	299,729	82,691	N/A	N/A
JMPCA Totals	$ 1,110,611	$ 894,356	$ N/A	$ N/A
JMP Group LLC Totals	$ 2,010,755	$ 1,804,485	$ 10,978	$ 19,793

(1) For hedge funds, funds of funds, HGC, HGC II, Harvest Intrexon Enterprise Fund ("HIEF"), and Other, assets under management represent the net assets of such funds. For JMP Realty Partners I and JMP Capital I, assets under management represent the commitment amount. For JMP Realty Partners I the commitment amount is subject to the management fee calculation. For CLOs, assets under management represent the sum of the aggregate collateral balance and restricted cash to be reinvested in collateral, upon which management fees are earned.

(2) Harvest Agriculture Select (“HAS”) includes managed accounts in which the Company has neither equity investment nor control. These are included as they follow the respective funds’ strategy and earn fees.

(3) CLO III, CLO IV, and CLO V warehouse were consolidated in the Company’s Statements of Financial Condition for the period ended June 30, 2018 and the year ended December 31, 2017.

(4) JMP Masters began the process of liquidation on December 31, 2015.

(In thousands)	Funds Managed by HCS and JMPAM			
	Hedge Funds	Private Equity Funds	Funds of Funds	Total
AUM at December 31, 2017	$ 476,646	$ 272,093	$ 3,048	$ 751,788
Subscriptions	9,833	4,155	-	13,988
Redemptions	(52,382)	(5,482)	-	(57,864)
Appreciation (depreciation)	14,721	21,965	(70)	36,616
AUM at June 30, 2018	$ 448,818	$ 292,731	$ 2,978	$ 744,528

(In thousands)	Funds Managed by HCS and JMPAM Hedge Funds	Private Equity Funds	Funds of Funds	Total
AUM at December 31, 2016	$ 610,965	$ 422,229	$ 4,010	1,037,204
Subscriptions	25,395	5,730	-	31,125
Redemptions	(17,989)	-	-	(17,989)
Distributions from realization event	-	(10,392)	-	(10,392)
Appreciation (depreciation)	(27,358)	36,802	(212)	9,232
AUM at June 30, 2017	$ 591,013	$ 454,369	$ 3,798	1,049,180

AUM related to hedge funds, private equity funds and funds of funds decreased $7.3 million from $751.8 at December 31, 2017 to $744.5 million at June 30, 2018. The decrease was primarily attributable to redemptions of $52.4 million and $5.5 million at hedge funds and private equity funds managed by HCS, respectively, partially offset by contributions of $9.8 million at hedge funds and $4.2 million at private equity funds managed by HCS and appreciation of $14.7 million at hedge funds and $22.0 million at private equity funds managed by HCS.

AUM related to hedge funds, private equity funds and funds of funds increased $12.0 million, from $1,037.2 million at December 31, 2016 to $1,049.2 million at June 30, 2017. This increase was primarily attributed to capital contributions of $25.4 million in the hedge funds and $5.7 million in private equity funds managed by HCS and appreciation of $36.8 million in private equity funds managed by HCS, partially offset by redemptions of $18.0 million related to hedge funds managed by HCS, $10.4 million distributions relating to one of the private equity funds, and $27.4 million in depreciation of hedge funds managed by HCS.

(In thousands)	Three Months Ended June 30, 2018			Three months Ended June 30, 2017		
	Company's Share of Change in Fair Value	Management Fee	Incentive Fee	Company's Share of Change in Fair Value	Management Fee	Incentive Fee
Hedge Funds:						
Harvest Small Cap Partners	$ (10)	$ 1,612	$ 2,017	$ (294)	$ 2,026	$ 1
Harvest Agriculture Select (1)	(30)	225	-	305	231	7
Private Equity Funds:						
Harvest Growth Capital LLC	110	-	-	72	-	-
Harvest Growth Capital II LLC	422	157	-	557	149	-
Harvest Intrexon Enterprise Fund	(4)	176	-	(5)	602	-
JMP Realty Partners I	48	78	-	108	85	17
Other	-	5	1	-	5	-
Funds of Funds:						
JMP Masters Fund (2)	-	7	-	4	9	-
Loans:						
JMP Capital I	N/A	7	96	N/A	-	-
Harvest Capital Credit Corporation (6)	N/A	1,043	-	N/A	991	30
CLOs and CLO warehouse:						
CLO I (3) (5)	N/A	-	-	N/A	-	-
CLO II (3) (5)	N/A	-	-	N/A	319	-
CLO III (3)	N/A	320	-	N/A	299	-
CLO IV (3)	N/A	570	-	N/A	114	42
CLO V warehouse (3)	N/A	135	-	N/A	-	-
Assets Referenced in TRS (4)	N/A	-	-	N/A	27	-
Totals	$ 536	$ 4,260	$ 2,114	$ 747	$ 4,857	$ 80

(1) HAS includes managed accounts in which the Company has neither equity investment nor control. These are included with the funds, as they follow the respective strategies and earn fees.
(2) JMP Masters began the process of liquidation on December 31, 2015.
(3) Management and incentive Fees earned from CLOs are consolidated and then eliminated in consolidation in the Company's Statements of Operations.
(4) Management and incentive Fees earned from Assets referenced in TRS are consolidated and then eliminated in consolidation in the Company's Statements of Operations. All of the assets referenced in TRS were sold to CLO IV in the second quarter of 2017, and TRS completed its liquidation in the third quarter of 2017.
(5) CLO I and CLO II were liquidated on February 21, 2017 and June 15, 2017, respectively. CLO II assets remaining at liquidation were sold to CLO IV.
(6) Management fees earned includes administrative services revenue.

(In thousands)	Six Months Ended June 30, 2018				Six Months Ended June 30, 2017			
	Company's Share of Change in Fair Value		Management Fee	Incentive Fee	Company's Share of Change in Fair Value		Management Fee	Incentive Fee
Hedge Funds:								
Harvest Small Cap Partners	$	38	3,117	5,303	$	(216)	4,003	1,632
Harvest Agriculture Select (1)		(360)	457	-		324	459	11
Private Equity Funds:								
Harvest Growth Capital LLC		109	-	-		62	-	-
Harvest Growth Capital II LLC		462	314	-		670	317	-
Harvest Intrexon Enterprise Fund		(66)	351	-		(13)	1,226	-
JMP Realty Partners I		58	155	-		120	133	-
Other		-	10	79		-	10	-
Funds of Funds:								
JMP Masters Fund (2)		-	14	-		4	17	-
Loans:								
JMP Capital I		N/A	11	96		N/A	-	-
Harvest Capital Credit Corporation (6)		N/A	1,621	-		N/A	1,979	260
CLOs:								
CLO I (3)(5)		N/A	-	-		N/A	179	42
CLO II (3)(5)		N/A	-	-		N/A	734	-
CLO III (3)		N/A	590	-		N/A	595	-
CLO IV (3)		N/A	1,134	-		N/A	114	-
CLO V (3)		N/A	203	-		N/A	-	-
Assets Referenced in TRS (4)		N/A	-	-		N/A	88	-
Totals	$	241	$ 7,997	$ 5,478	$	952	$ 9,249	$ 1,962

(1) HAS includes managed accounts in which the Company has neither equity investment nor control. These are included with the funds, as they follow the respective strategies and earn fees.
(2) JMP Masters began the process of liquidation on December 31, 2015.
(3) Management and incentive fees earned from CLOs are consolidated and then eliminated in consolidation in the Company's Statements of Operations.
(4) Management and incentive fees earned from Assets referenced in TRS are consolidated and then eliminated in consolidation in the Company's Statements of Operations. All of the assets referenced in TRS were sold to CLO IV in the second quarter of 2017, and TRS completed its liquidation in the third quarter of 2017.
(5) CLO I and CLO II were liquidated on February 21, 2017 and June 15, 2017, respectively. CLO II assets remaining at liquidation were sold to CLO IV.
(6) Management fees earned includes administrative services revenue.

Principal Transactions

Principal transaction revenues include net realized and unrealized gains and losses resulting from our principal investments in equity and other securities for our own account as well as equity-linked warrants received from certain investment banking clients and limited partner investments in private funds managed by third parties. Principal transaction revenues also include earnings, or losses, attributable to interests in investment partnerships managed by our asset management subsidiaries, HCS and JMPAM, which are accounted for using the equity method of accounting. In addition, our principal transaction revenues include unrealized gains or losses on an investment in an entity that acquires buildings and land for the purpose of holding, managing and selling the properties and also include unrealized gains or losses on the investments in other private companies.

Gain on Sale and Payoff of Loans

Gain on sale and payoff of loans consists of gains and losses from the sale and payoff of loans collateralizing asset-backed securities. Gains are recorded when the proceeds exceed the carrying value of the loan. Gain on sale, payoff and mark-to-market of loans also consists of the lower of cost or market adjustments arising from loans held for sale. Losses are recorded for a loan held for sale when the carrying value exceeds fair value.

Net Dividend Income

Net dividend income includes dividends from our investments offset by dividend expense resulting from short positions in our principal investment portfolio.

Other Income

Other income includes revenues from equity method investments, revenues from fee-sharing arrangements with our funds, and fees earned to raise capital for third-party investment partnerships.

Interest Income

Interest income primarily consists of interest income earned on loans collateralizing asset-backed securities issued and loans held for investment. Interest income on loans is comprised of the stated coupon as a percentage of the face amount receivable as well as accretion of purchase discounts and deferred fees. Interest income is recorded on an accrual basis, in accordance with the terms of the respective loans, unless such loans are placed on non-accrual status.

Interest Expense

Interest expense primarily consists of interest expense related to asset-backed securities issued and notes payable, as well as the amortization of bond issuance costs. Interest expense on asset-backed securities is the stated coupon payable as a percentage of the principal amount in addition to amortization of the liquidity discount that was recorded at the acquisition date of CLO I. Interest expense is recorded on an accrual basis, in accordance with the terms of the respective asset-backed securities issued and notes payable.

Provision for Loan Losses

Provision for loan losses includes the provision for losses recognized on our loan notes and non-revolving credit agreements at JMP Capital LLC and JMP Investment Holdings (collectively loans held for investment) and on loans collateralizing asset-backed securities ("ABS") in order to record the loans held for investment and ABS at their estimated net realizable value. We maintain an allowance for loan losses that is intended to estimate loan losses inherent in our loan portfolios. A provision for loan losses is charged to expense to establish the allowance for loan losses. The allowance for loan losses is maintained at a level, in the opinion of management, sufficient to offset estimated losses inherent in the loan portfolio as of the date of the financial statements. The appropriateness of the allowance and the allowance components are reviewed quarterly. Our estimate of each allowance component is based on observable information and on market and third-party data that we believe are reflective of the underlying loan losses being estimated. We employ internally developed and third-party estimation tools for measuring credit risk (loan ratings, probability of default, and exposure at default).

A specific reserve is provided for loans that are considered impaired. A loan is considered impaired when it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement. We measure impairment of a loan based upon either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of the collateral securing the loan, if the loan is collateral-dependent, depending on the circumstances and our collection strategy. For those loans held by CLO I at the date of acquisition by JMP Credit, and deemed impaired at that date or a subsequent date, allowance for loan losses is calculated considering two additional factors. For loans deemed impaired at the date of acquisition, if there is a further decline in expected future cash flows, this reduction is recognized as a specific reserve in accordance with the guidance above. For those loans deemed impaired subsequent to the acquisition date, or for loans held at CLO III, CLO IV or CLO V warehouse, if the net realizable value is lower than the current carrying value, the carrying value is reduced, and the difference is booked as a provision for loan losses. If the total discount from unpaid principal balance to carrying value is larger than the expected loss at the date of assessment, no provision for loan losses is recognized.

Loans which are deemed to be uncollectible are charged off, and the charged-off amount is deducted from the allowance.

Components of Expenses

We classify our expenses as compensation and benefits; administration; brokerage, clearing and exchange fees; travel and business development; communications and technology; occupancy; professional fees, depreciation, impairment loss on purchased management contract, and other. A significant portion of our expense base is variable, including compensation and benefits; brokerage, clearing and exchange fees; travel and business development; and communication and technology expenses.

Compensation and Benefits

Compensation and benefits is the largest component of our expenses and includes employees' base pay, performance bonuses, sales commissions, related payroll taxes, and medical and benefits expenses, as well as expenses for contractors, temporary employees and equity-based compensation. Our employees receive a substantial portion of their compensation in the form of an individual, performance-based bonus. As is the widespread practice in our industry, we pay bonuses on an annual basis, and for senior professionals these bonuses typically make up a large portion of their total compensation. A portion of the performance-based bonuses paid to certain senior professionals is paid in the form of deferred compensation. Bonus payments may have a greater impact on our cash position and liquidity in the periods in which they are paid than would otherwise be reflected in our Consolidated Statements of Operations. We accrue for the estimated amount of these bonus payments ratably over the applicable service period.

Compensation is accrued with specific ratios of total compensation and benefits to total revenues applied to specific revenue categories, with adjustments made if, in management's opinion, such adjustments are necessary and appropriate to maintain competitive compensation levels.

Administration

Administration expense primarily includes the cost of hosted conferences, non-capitalized systems and software expenditures, insurance, business tax (non-income), office supplies, recruiting, and regulatory fees.

Brokerage, Clearing and Exchange Fees

Brokerage, clearing and exchange fees include the cost of floor and electronic brokerage and execution, securities clearance, and exchange fees. Changes in brokerage, clearing and exchange fees fluctuate largely in line with the volume of our sales and trading activity.

Travel and Business Development

Travel and business development expense is net of expenses reimbursed by clients.

Managed Deal Expenses

Managed deal expenses primarily relate to costs incurred and/or allocated in the execution of investment banking transactions, including reimbursable costs.

Communications and Technology

Communications and technology expense primarily relates to the cost of communication and connectivity, information processing and subscriptions to certain market data feeds and services.

Occupancy Expenses

Occupancy costs primarily include payments made under operating leases that are recognized on a straight-line basis over the period of the lease.

Professional Fees

Professional fees primarily relate to legal and accounting professional services.

Depreciation

Depreciation expenses include the straight-line amortization of purchases of certain furniture and fixtures, computer and office equipment, certain software costs, and leasehold improvements to allocate their depreciation amounts over their estimated useful life.

Other Expenses

Other operating expenses primarily include occupancy, depreciation, and CLO administration expense at JMP Investment Holdings.

Income Taxes

JMP Group LLC is a publicly traded partnership and, as such, is taxed as a partnership, and not as a corporation, for U.S. federal income tax purposes, so long as 90% or more of its gross income for each taxable year constitutes "qualifying income."

The Company's effective tax rate is directly impacted by the proportion of income subject to tax compared to income not subject to tax. JMP Group Inc., a wholly owned subsidiary, is subject to U.S. federal and state income taxes. The remainder of the Company's income is generally not subject to corporate-level taxation.

The Company recognizes deferred tax assets and liabilities in accordance with ASC 740, *Income Taxes*, which are determined based upon the temporary differences between the financial reporting and tax basis of the Company's assets and liabilities using the tax rates and laws in effect when the differences are expected to reverse. Valuation allowances are established when necessary to reduce the deferred tax assets when it is more likely than not that a portion or all of the deferred tax assets will not be realized.

The Company records uncertain tax positions using a two-step process: (i) the Company determines whether it is more likely than not that each tax position will be sustained on the basis of the technical merits of the position; and (ii) for those tax positions that meet the more-likely-than not recognition threshold, the Company recognizes the largest amount of tax benefit that is more than fifty percent likely to be realized upon ultimate settlement with the related tax authority

The Company's policy for recording interest and penalties associated with the tax audits or unrecognized tax benefits, if any, is to record such items as a component of income tax.

Non-controlling Interest

Non-controlling interest for the six months ended June 30, 2018 includes the interest of third parties in CLO III, HCS Strategic Investments LLC, and HCAP Advisors, partially-owned subsidiaries consolidated in our financial statements. Non-controlling interest for the six months ended June 30, 2017 includes the interest of third parties in CLO I, CLO II, CLO III, and HCAP Advisors

The Company currently manages several asset management funds, which are structured as limited partnerships, and is the general partner of each. The Company assesses whether the partnerships meet the definition of variable interest entities ("VIEs") in accordance with ASC 810-10-15-14 and whether the Company qualifies as the primary beneficiary. Funds determined not to meet the definition of a VIE are considered voting interest entities, for which the rights of the limited partners are evaluated to determine if consolidation is necessary. Such guidance provides that the presumption that the general partner controls the limited partnership may be overcome if the limited partners have substantive kick-out rights.

The Company owned approximately 94% of the subordinated notes of CLO I. CLO I initiated liquidation proceedings in the fourth quarter of 2016 and completed its liquidation in the first quarter of 2017.

The Company, through a wholly-owned subsidiary, managed CLO II from issuance through its liquidation in the second quarter of 2017. From issuance through December 31, 2013, the Company owned $17.3 million, or 72.8%, of the subordinated notes of the issuer (the "Subordinated Notes"). In the first quarter of 2014, the Company repurchased $6.0 million of Subordinated Notes, increasing its ownership to 98.0%. In March 2017, the Company repurchased $7.0 million of Class F notes. CLO II began and completed its liquidation in the second quarter of 2017.

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, upon funding, was secured by a diversified portfolio of broadly syndicated leveraged loans. On September 30, 2014, the Company closed on a $370.5 million CLO. The proceeds from the close of the CLO were used to payoff and retire the warehouse facility. A third party and employees of JMPCA purchased subordinated notes in CLO III, reducing the Company's investment in the subordinated notes to $5.2 million, or 13.5%. The senior notes offered in this transaction were issued by CLO III and are backed primarily by a diversified portfolio of broadly syndicated leveraged loans. These senior notes were subject to a two-year non-call period. CLO III had a four-year reinvestment period, through October 17, 2018, that allows for the use of the proceeds from any principal repayments on, or any sales of, collateral assets towards the purchase of qualifying replacement assets, subject to certain conditions and limitations. The Company was identified as the primary beneficiary, based on the ability to direct activities of CLO III through its subsidiary manager, JMP Credit Advisors, and its equity ownership. On September 27, 2016, the Company repurchased $12.8 million face value of the unsecured subordinated notes from CLO III non-controlling interests, increasing the Company's ownership of unsecured subordinated notes from 13.5% to 46.7%. In February 2018, the Company closed a refinancing of the asset-backed securities issued by CLO III, which lowered the weighted average costs of funds by 55 basis points and extended the reinvestment period for two years. In connection with the reset, the Company recorded losses on early retirement of debt related to unamortized debt issuance costs of $2.6 million for the quarter ended March 31, 2018.

HCAP Advisors was formed on December 18, 2012. HCAP Advisors appointed JMP Group LLC as its Manager effective May 1, 2013 and began offering investment advisory services. The Company owned a 51.0% equity interest in the entity until April 27, 2018 when the Company purchased an additional 18.4% of HCAP equity from a non-controlling interest holder. As of April 27, 2018, the Company owns a 69.4% of equity interest in the entity.

Results of Operations

The following table sets forth our results of operations for the three months and six months ended June 30, 2018 and 2017, and is not necessarily indicative of the results to be expected for any future period.

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,		Three Month Change from 2017 to 2018		Six Month Change from 2018 to 2017	
	2018	2017	2018	2017	$	%	$	%
Revenues								
Investment banking	$ 28,562	$ 19,128	$ 49,224	$ 32,728	$ 9,434	49.3%	$ 16,496	50.4%
Brokerage	5,447	5,078	10,111	10,364	369	7.3%	(253)	-2.4%
Asset management fees	5,378	4,153	11,803	10,064	1,225	29.5%	1,739	17.3%
Principal transactions	1,684	(323)	(1,936)	(2,216)	2,007	621.4%	280	12.6%
Gain (loss) on sale, payoff and mark-to-market of loans	(150)	83	(332)	930	(233)	-280.7%	(1,262)	-135.7%
Net dividend income	319	273	615	539	46	16.8%	76	14.1%
Other income	311	194	360	639	117	60.3%	(279)	-43.7%
Non-interest revenues	41,551	28,586	69,845	53,048	12,965	45.4%	16,797	31.7%
Interest income	15,669	9,696	28,379	18,763	5,973	61.6%	9,616	51.2%
Interest expense	(11,634)	(7,743)	(21,336)	(15,838)	(3,891)	-50.3%	(5,498)	-34.7%
Net interest income	4,035	1,953	7,043	2,925	2,082	106.6%	4,118	140.8%
Loss on repurchase/reissuance/early retirement of debt	(42)	(5,542)	(2,668)	(5,332)	5,500	99.2%	2,664	50.0%
Provision for loan losses	(1,280)	(1,854)	(2,745)	(3,120)	574	31.0%	375	12.0%
Total net revenues	44,264	23,143	71,475	47,521	21,121	91.3%	23,954	50.4%
Non-interest expenses								
Compensation and benefits	29,138	22,652	53,399	44,450	6,486	28.6%	8,949	20.1%
Administration	2,711	2,721	4,944	4,540	(10)	-0.4%	404	8.9%
Brokerage, clearing and exchange fees	788	789	1,565	1,548	(1)	-0.1%	17	1.1%
Travel and business development	1,202	1,111	2,156	2,026	91	8.2%	130	6.4%
Managed deal expenses	2,348	-	3,914	-	2,348	-%	3,914	-%
Communication and technology	1,047	1,051	2,109	2,104	(4)	-0.4%	5	0.2%
Occupancy	1,143	1,111	2,260	2,222	32	2.9%	38	1.7%
Professional fees	1,138	853	3,043	2,015	285	33.4%	1,028	51.0%
Depreciation	287	303	551	614	(16)	-5.3%	(63)	-10.3%
Other	776	950	1,163	1,627	(174)	-18.3%	(464)	-28.5%
Total non-interest expenses	40,578	31,541	75,104	61,146	9,037	28.7%	13,958	22.8%
Income (loss) before income tax expense	3,686	(8,398)	(3,629)	(13,625)	12,084	143.9%	9,996	73.4%
Income tax expense (benefit)	4,895	(198)	(673)	(1,282)	5,093	2572.2%	609	47.5%
Net income (loss)	(1,209)	(8,200)	(2,956)	(12,343)	6,991	85.3%	9,387	76.1%
Less: Net income (loss) attributable to non-controlling interest	779	335	(685)	932	444	132.5%	(1,617)	-173.5%
Net income (loss) attributable to JMP Group LLC	$ (1,988)	$ (8,535)	$ (2,271)	$ (13,275)	$ 6,547	76.7%	$ 11,004	82.9%

Three Months Ended June 30, 2018 Compared to Three Months Ended June 30, 2017

Overview

Total net revenues after provision for loan losses increased $21.2 million, or 91.3%, from $23.1 million for the quarter ended June 30, 2017 to $44.3 million for the quarter ended June 30, 2018, primarily resulting from a $9.4 million increase in investment banking revenue, a $2.0 million increase in principal transactions, a $2.1 million increase in net interest revenue, and a $5.5 million decrease in the loss from retirement of debt.

Non-interest revenues increased $13.0 million, or 45.4%, from $28.6 million for the quarter ended June 30, 2017 to $41.6 million in the same period in 2018. This increase was driven by a $9.4 million increase in investment banking revenues, a $2.0 million increase in principal transactions, and a $1.2 million increase in asset management fees. Of the $9.4 million increase in investment banking revenues, $2.7 million of the increase is related to a gross up of expenses as a result of the Company's adoption of ASC 606. See Note 3 of the Consolidated Financial Statements for additional details on the new revenue standard and accounts affected by adoption.

Loss on retirement of debt decreased $5.5 million, or 99.2%, from a loss of $5.5 million for the quarter ended June 30, 2017 to a loss of $42 thousand for the quarter ended June 30, 2018. The decrease in loss on retirement was due to the liquidation of CLO II in the quarter ended June 30, 2017.

Provision for loan losses decreased $0.6 million from a provision of $1.9 million for the quarter ended June 30, 2017 to $1.3 million for the quarter ended June 30, 2018.

Net interest income increased $2.0 million, or 106.6%, from $2.0 million for the quarter ended June 30, 2017 to $4.0 million for the quarter ended June 30, 2018.

Total non-interest expenses increased $9.0 million, or 28.7%, from $31.5 million for the quarter ended June 30, 2017 to $40.6 million for the quarter ended June 30, 2018, primarily due to a $6.5 million increase in compensation and benefits and a $2.3 million increase in managed deal expenses. Of the $9.0 million increase in expenses, $2.7 million of the increase is related to a gross-up of expenses as a result of the Company's adoption of ASC 606. See Note 3 of the Consolidated Financial Statements for additional details on the new revenue standard and accounts affected by adoption.

Net income attributable to non-controlling interest increased $0.5 million, or 132.5%, from net income of $0.3 million for the quarter ended June 30, 2017 to a net income of $0.8 million for the quarter ended June 30, 2018.

Net loss attributable to JMP Group LLC decreased $6.5 million from $8.5 million for the quarter ended June 30, 2017 to $2.0 million for the quarter ended June 30, 2018. This was primarily attributed to an increase in net income before tax expense of $12.1 million, partially offset by a $5.1 million increase in the income tax expense.

Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

Overview

Total net revenues after provision for loan losses increased $24.0 million, or 50.4%, from $47.5 million for the six months ended June 30, 2017 to $71.5 million for the six months ended June 30, 2018, primarily resulting from a $16.5 million increase in investment banking revenues, a $1.7 million increase in asset management revenues, a $4.1 million increase in net interest income, and a $2.7 million decrease in loss on repurchase/early retirement of debt.

Non-interest revenues increased $16.8 million, or 31.7%, from $53.0 million for the six months ended June 30, 2017 to $69.8 million in the same period in 2018. This increase was driven by a $16.5 million increase in investment banking revenues and a $1.7 million increase in asset management revenues, partially offset by a $1.3 million increase in loss on sale, payoff and mark-to-market of loans. Of the $16.5 million increase in investment banking revenues, $4.7 million of the increase is related to a gross up of expenses as a result of the Company's adoption of ASC 606. See Note 3 of the Consolidated Financial Statements for additional details on the new revenue standard and accounts affected by adoption.

Loss on retirement of debt decreased $2.6 million, or 50.0%, from a loss of $5.3 million for the six months ended June 30, 2017 to a loss of $2.7 million for the six months ended June 30, 2018. The decrease in loss on retirement was due to the liquidation of CLO II in the six months ended June 30, 2017, partially offset by the CLO III refinancing during the six months ended June 30, 2018.

Provision for loan losses decreased $0.4 million from a provision of $3.1 million for the six months ended June 30, 2017 to $2.7 million for the six months ended June 30, 2018.

Net interest income increased $4.1 million, or 140.8%, from $2.9 million for the six months ended June 30, 2017 to $7.0 million for the six months ended June 30, 2018.

Total non-interest expenses increased $14.0 million, or 22.8%, from $61.1 million for the six months ended June 30, 2017 to $75.1 million for the six months ended June 30, 2018, primarily due to a $8.9 million increase in compensation and benefits, a $3.9 million increase in managed deal expenses, and a $1.0 million increase in professional fees, partially offset by a $0.5 million decrease in other expenses. Of the $14.0 million increase in expenses, $4.7 million of the increase is related to a gross-up of expenses as a result of the Company's adoption of ASC 606. See Note 3 of the Consolidated Financial Statements for additional details on the new revenue standard and accounts affected by adoption.

Net income attributable to non-controlling interest decreased $1.6 million, or 173.5%, from net income of $0.9 million for the six months ended June 30, 2017 to a net loss of $0.7 million for the six months ended June 30, 2018.

Net loss attributable to JMP Group LLC decreased $11.0 million from $13.3 million for the six months ended June 30, 2017 to $2.3 million for the six months ended June 30, 2018. This was primarily attributed to a decrease in net loss before tax expense of $10.0 million and a decrease in net income attributable to non-controlling interest of $1.6 million, partially offset by a $0.6 million decrease in the income tax benefit.

Operating Net Income (Non-GAAP Financial Measure)

Management uses Operating Net Income as a key, non-GAAP metric when evaluating the performance of JMP Group LLC’s core business strategy and ongoing operations, as management believes that this metric appropriately illustrates the operating results of JMP Group LLC’s core operations and business activities. Operating Net Income is derived from our segment reported results and is the measure of segment profitability on an after-tax basis used by management to evaluate our performance. This non-GAAP measure is presented to enhance investors’ overall understanding of the Company’s current financial performance. Additionally, management believes that Operating Net Income is a useful measure because it allows for a better evaluation of the performance of JMP Group LLC’s ongoing business and facilitates a meaningful comparison of the Company’s results in a given period to those in prior and future periods.

However, Operating Net Income should not be considered a substitute for results that are presented in a manner consistent with GAAP. A limitation of the non-GAAP financial measures presented is that, unless otherwise indicated, the adjustments concern gains, losses or expenses that JMP Group LLC generally expects to continue to recognize, and the adjustment of these items should not always be construed as an inference that these gains or expenses are unusual, infrequent or non-recurring. Therefore, management believes that both JMP Group LLC’s GAAP measures of its financial performance and the respective non-GAAP measures should be considered together. Operating Net Income may not be comparable to a similarly titled measure presented by other companies.

Operating Net Income is a non-GAAP financial measure that adjusts the Company’s GAAP net income as follows:

(i) reverses non-cash share-based compensation expense recognized under GAAP related to equity awards granted in prior periods, as management generally evaluates performance by considering the full expense of equity awards in the period in which they are granted, even if the expense of such compensation will be recognized in future periods under GAAP;

(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, in order to match compensation expense with the actual period upon which the compensation was based;

(iii) reverses amortization expense related to an intangible asset resulting from the repurchase of a portion of the equity of JMP Credit Advisors CLO III;

(iv) unrealized gains or losses on commercial real estate investments, adjusted for non-cash expenditures, including depreciation and amortization;

(v) reverses net unrealized gains and losses on strategic equity investments and warrants;

(vi) presents revenues and expenses on a basis that deconsolidates HCAP Advisors and the CLOs;

(vii) excludes general loan loss provisions recorded in connection with certain CLOs;

(viii) reverses the one-time transaction costs related to the refinancing of the debt issued by JMP Credit Advisors CLO III;

(ix) one-time expenses associated with the redemption of debt underlying JMP Credit Advisors CLO III and of senior notes due 2021 and the resulting acceleration of the amortization of remaining capitalized issuance costs for each; and

(x) assumes a combined federal, state and local income tax rate of 26% for the three and six months ended June 30, 2018, and 38% for the three and six months June 30, 2017, at the Company's taxable direct subsidiary, adjusted for a cap on allowable interest expense deduction due to recent tax reform, while applying a tax rate of 0% to the Company's other direct subsidiary, which is a "pass-through entity" for tax purposes.

Discussed below is our Operating Net Income by segment. This information is reflected in a manner utilized by management to assess the financial operations of the Company's various business lines.

	Three Months Ended June 30, 2018					
(In thousands)	**Broker-Dealer**	**Asset Management**	**Operating Platforms**	**Corporate**	**Eliminations**	**Total Segments**
Revenues						
Investment banking	$ 28,562	$ -	$ 28,562	$ -	$ -	$ 28,562
Brokerage	5,447	-	5,447	-	-	5,447
Asset management related fees	6	4,572	4,578	2,017	(1,168)	5,427
Principal transactions	-	-	-	1,404	-	1,404
Loss on sale, payoff and mark-to-market of loans	-	-	-	(203)	-	(203)
Net dividend income	-	-	-	338	-	338
Net interest income	-	-	-	2,927	-	2,927
Loss on re-issuance of asset-backed securities issued	-	-		(42)	-	(42)
Provision for loan losses	-	-	-	(37)	-	(37)
Adjusted net revenues	34,015	4,572	38,587	6,404	(1,168)	43,823
Non-interest expenses						
Non-interest expenses	30,410	4,756	35,166	5,9445	(1,168)	39,943
Operating pre-tax net income (loss)	3,605	(184)	3,421	459	-	3,880
Income tax expense (assumed rate of 26% for Operating Platforms)	937	(48)	889	(393)	-	496
Operating net income (loss)	$ 2,668	$ (136)	$ 2,532	$ 852	$ 2	$ 3,384

	Three Months Ended June 30, 2017					
(In thousands)	**Broker-Dealer**	**Asset Management**	**Operating Platforms**	**Corporate**	**Elimin-ations**	**Total Segments**
Revenues						
Investment banking	$ 19,128	$ -	$ 19,128	$ -	$ -	$ 19,128
Brokerage	5,078	-	5,078	-	-	5,078
Asset management related fees	-	4,856	4,856	25	(722)	4,159
Principal transactions	-	-	-	1,725	-	1,725
Gain on sale, payoff and mark-to-market of loans	-	-	-	104	-	104
Net dividend income	-	-	-	274	-	274
Net interest income	-	-	-	940	-	940
Provision for loan losses	-	-	-	(409)	-	(409)
Adjusted net revenues	24,206	4,856	29,062	2,659	(722)	30,999
Non-interest expenses						
Non-interest expenses	22,458	5,303	27,761	3,634	(722)	30,673
Operating pre-tax net income (loss)	1,748	(447)	1,301	(975)	-	326
Income tax expense (assumed rate of 38% for Operating Platforms)	665	(169)	496	(729)	-	(233)
Operating net income (loss)	$ 1,083	$ (278)	$ 805	$ (246)	$ -	$ 559

	Six Months Ended June 30, 2018					
(In thousands)	**Broker-Dealer**	**Asset Management**	**Operating Platforms**	**Corporate**	**Eliminations**	**Total Segments**
Revenues						
Investment banking	$ 49,223	$ -	$ 49,223	$ -	$ 2	$ 49,225
Brokerage	10,111	-	10,111	-	-	10,111
Asset management related fees	10	8,561	8,571	5,302	(2,149)	11,724
Principal transactions	-	-	-	121	-	121
Loss on sale, payoff and mark-to-market of loans	-	-	-	(364)	-	(364)
Net dividend income	-	-	-	665	-	665
Net interest income	-	-	-	5,054	-	5,054
Loss on re-issuance of asset-backed securities issued	-	-	-	(42)	-	(42)
Provision for loan losses	-	-	-	(930)	-	(930)
Adjusted net revenues	59,344	8,561	67,905	9,806	(2,147)	75,345
Non-interest expenses						
Non-interest expenses	53,326	9,776	63,102	12,392	(2,149)	73,3455
Operating pre-tax net income (loss)	6,018	(1,215)	4,803	(2,586)	2	2,219
Income tax expense (assumed rate of 26% for Operating Platforms)	1,564	(316)	1,248	(782)	-	466
Operating net income (loss)	$ 4,454	$ (899)	$ 3,555	$ (1,804)	$ 2	$ 1,753

(In thousands)	Broker-Dealer	Asset Management	Operating Platforms	Corporate	Elimin-ations	Total Segments
			Six Months Ended June 30, 2017			
Revenues						
Investment banking	$ 32,728	$ -	$ 32,728	$ -	$ -	$ 32,728
Brokerage	10,364	-	10,364	-	-	10,364
Asset management related fees	4	10,167	10,171	1,660	(1,763)	10,068
Principal transactions	-	-	-	2,333	-	2,333
Gain on sale, payoff and mark-to-market of loans	-	-	-	883	-	883
Net dividend income	-	-	-	541	-	541
Net interest income	-	-	-	955	-	955
Gain on repurchase of asset-backed securities issued	-	-	-	210	-	210
Provision for loan losses	-	-	-	(1,822)	-	(1,822)
Adjusted net revenues	43,096	10,167	53,263	4,760	(1,763)	56,260
Non-interest expenses						
Non-interest expenses	41,019	10,398	51,417	8,918	(1,763)	58,572
Operating pre-tax net income (loss)	2,077	(231)	1,846	(4,158)	-	(2,312)
Income tax expense (assumed rate of 38% for Operating Platforms)	790	(88)	702	(1,490)	-	(788)
Operating net income (loss)	$ 1,287	$ (143)	$ 1,144	$ (2,668)	$ -	$ (1,524)

The following table reconciles operating net income to Total Segments operating pre-tax net income (loss), and also to consolidated pre-tax net income (loss) attributable to JMP Group LLC and to consolidated net loss attributable to JMP Group LLC for the three months and six months ended June 30, 2018 and 2017.

(In thousands)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017
Operating net income	$ 3,384	$ 559
Addback of segment income tax expense (benefit)	496	(233)
Total segments operating pre-tax net income	$ 3,880	$ 326
Subtract / (add back)		
Share-based awards and deferred compensation	69	207
Unrealized mark-to-market (gain)/loss - strategic equity investments	(295)	69
General loan loss provision - collateralized loan obligations	1,164	1,251
Restructuring costs - CLO portfolios	(10)	286
Unrealized gain (loss) - real estate-related depreciation and amortization	(24)	1,745
Amortization of intangible asset - CLO III	69	69
Early retirement of debt	-	5,432
Total consolidation adjustments and reconciling items	973	9,059
Consolidated pre-tax net income (loss) attributable to JMP Group LLC	$ 2,907	$ (8,733)
Income tax expense (benefit)	4,895	(198)
Consolidated net loss attributable to JMP Group LLC	$ (1,988)	$ (8,535)

(In thousands)	Six Months Ended June 30,	
	2018	2017
Operating net income (loss)	$ 1,753	$ (1,524)
Addback of segment income tax expense (benefit)	466	(788)
Total segments operating pre-tax net income (loss)	$ 2,219	$ (2,312)
Subtract / (Add back)		
Share-based awards and deferred compensation	213	1,167
Unrealized mark-to-market (gain)/loss - strategic equity investments	343	488
General loan loss provision - collateralized loan obligations	1,493	833
Restructuring costs - CLO portfolios	54	286
Unrealized gain (loss) - real estate-related depreciation and amortization	1,604	3,901
Amortization of intangible asset - CLO III	138	138
Early retirement of debt	1,318	5,432
Total consolidation adjustments and reconciling items	5,163	12,245
Consolidated pre-tax net loss attributable to JMP Group LLC	$ (2,944)	$ (14,557)
Income tax benefit	(673)	(1,282)
Consolidated net loss attributable to JMP Group LLC	$ (2,271)	$ (13,275)

Three Months Ended June 30, 2018 Compared to Three Months Ended June 30, 2017

Revenues

Investment Banking

Investment banking revenues, earned in our Broker-Dealer segment, increased $9.5 million, or 49.3%, from $19.1 million for the quarter ended June 30, 2017 to $28.6 million for the same period in 2018. As a percentage of total net revenues after provision for loan losses, investment banking revenues decreased from 82.7% for the quarter ended June 30, 2017 to 64.5% for the quarter ended June 30, 2018. On an operating basis, investment banking revenues were 61.7% and 65.2% for the quarters ended June 30, 2018 and 2017, respectively, as a percentage of adjusted net revenues after provision for loan losses.

(Dollars in thousands)	Three Months Ended June 30,				Change from 2017 to 2018		
	2018		2017				
	Count	Revenues	Count	Revenues	Count	$	%
Equity and debt origination	31	$ 24,050	37	$ 14,384	(6)	$ 9,666	67.2%
Advisory	6	4,513	5	4,744	1	(232)	-4.9%
Total transactions	37	$ 28,563	42	$ 19,128	(5)	$ 9,435	49.3%

The increase in revenues was driven by a 69.5% increase in the average size of the fee paid per transaction. In addition, $2.7 million of the increase is related to a gross up of expenses as a result of the Company's adoption of ASC 606. See Note 3 to the Consolidated Financial Statements for additional details on the new revenue standard and accounts affected by adoption. The number of transactions in which we acted as a bookrunning manager was 7 for both the quarters ended June 30, 2018 and 2017.

Brokerage Revenues

Brokerage revenues earned in our Broker-Dealer segment were $5.4 million and $5.1 million for the quarters ended June 30, 2018 and 2017, respectively. Brokerage revenues decreased as a percentage of total net revenues after provision for loan losses, from 21.9% for the quarter ended June 30, 2017 to 12.3% for the quarter ended June 30, 2018. On an operating basis, brokerage revenues were 12.4% and 16.4% for the quarters ended June 30, 2018 and 2017, respectively, as a percentage of adjusted net revenues after provision for loan losses.

Asset Management Fees

(In thousands)	Three Months Ended June 30,	
	2018	**2017**
Base management fees:		
Fees reported as asset management fees	$ 3,264	$ 4,098
Less: Non-controlling interest in HCAP Advisors	(220)	(173)
Total base management fees	3,044	3,925
Incentive fees:		
Fees reported as asset management fees	$ 2,114	$ 55
Less: Non-controlling interest	-	(15)
Total incentive fees	2,114	40
Other fee income:		
Fundraising and other income:	$ 311	$ 194
Less: Non-controlling interest	(42)	-
Total other fee income	269	194
Asset management related fees:		
Fees reported as asset management fees	$ 5,378	$ 4,153
Fees reported as other income	311	194
Less: Non-controlling interest in HCAP Advisors	(262)	(188)
Total Segment asset management related fee revenues	$ 5,427	$ 4,159

Fees reported as asset management fees were $5.4 million and $4.2 million for the quarters ended June 30, 2018 and 2017, respectively. As a percentage of total net revenues after provision for loan losses, asset management revenues decreased from 17.9% for the quarter ended June 30, 2017 to 12.3% for the quarter ended June 30, 2018. Fees reported as other income were $0.3 million and $0.2 million for the quarters ended June 30, 2018 and 2017, respectively. As a percentage of total net revenues after provision for loan losses, other income was 0.8% and 0.7% for the quarter ended June 30, 2017 and for the quarter ended June 30, 2018.

Total segment asset management-related fees include base management fees and incentive fees from our funds, HCC and CLOs under management, as well as other income from fee-sharing arrangements with, and fees earned to raise capital for, third-party or equity-method investment partnerships or funds. Total segment asset management-related fee revenues are reconciled to the GAAP measure, total asset management fee revenues, in the table above. We believe that presenting operating asset management-related fees is useful to investors as a means of assessing the performance of our combined asset management activities, including fundraising and other services for third parties. We believe that segment asset management-related fee revenues provides useful information by indicating the relative contributions of base management fees and performance-related incentive fees, thus facilitating a comparison of those fees in a given period to those in prior and future periods. We also believe that asset management-related fee revenue is a more meaningful measure than standalone asset management fees as reported, because asset management-related fee revenues represent the combined impact of the various asset management activities on the Company's total net revenues.

Total segment asset management related fee revenue increased $1.2 million, from $4.2 million for the quarter ended June 30, 2017 to $5.4 million for the quarter ended June 30, 2018. Total base management fees were $5.4 million and $4.2 million for the quarters ended June 30, 2018 and 2017, respectively. Total incentive fees increased $2.1 million, from a $40 thousand for the quarter ended June 30, 2017 to $2.1 million for the same period in 2018. On an operating basis, asset management related fee revenues were 12.4% and 13.4% for the quarters ended June 30, 2018 and 2017, respectively, as a percentage of adjusted net revenues after provision for loan losses.

Principal Transactions

Principal transaction revenues increased $2.0 million, from a loss of $0.3 million for the quarter ended June 30, 2017 to a gain of $1.7 million for the same period in 2018. As a percentage of total net revenues after provision for loan losses, principal transaction revenues were negative 1.4% for the quarter ended June 30, 2017 and a positive 3.8% for the quarter ended June 30, 2018.

Total segment principal transaction revenues decreased $0.3 million, from a gain of $1.7 million for the quarter ended June 30, 2017 to a gain of $1.4 million for the same period in 2018. Total segment principal transaction revenues are a non-GAAP financial measure that aggregates our segment reported principal transaction revenues across each segment. The principal transaction revenues for both 2018 and 2017 were based in our Corporate segment. Total segment principal transaction revenues are reconciled to the GAAP measure, total principal transaction revenues, in the table below.

	Three Month Ended March 31,	
(in thousands)	**2018**	**2017**
Equity and other securities excluding non-controlling interest	$ (399)	$ 441
Warrants and other investments	1,311	406
Investment partnerships	492	878
Total segment principal transaction revenues	1,404	1,725
Operating adjustment addbacks	280	(2,048)
Total principal transaction revenues	$ 1,684	$ (323)

The decrease is primarily attributed to a $0.8 million decrease in equity and other securities revenue and a $0.4 million decrease in investment partnership revenue, partially offset by a $0.9 million increase in warrants and other investments which is mainly the result of a sale of an investment in an independent financial services platform. On an operating basis, the percentage of total net revenues after provision for loan losses, principal transaction revenues decreased from 5.6% for the quarter ended June 30, 2017 to 3.2% for the quarter ended June 30, 2018.

Gain and Loss on Sale and Payoff of Loans

Gain on sale and payoff of loans decreased from a gain of $0.1 million for the quarter ended June 30, 2017 to a loss of $0.2 million for the quarter ended June 30, 2018. Gain and loss on sale and payoff of loans was incurred in our Corporate segment. On a segment basis, gain on sale and payoff of loans decreased from a gain of $0.1 million for the quarter ended June 30, 2017 to a $0.2 million loss for the quarter ended June 30, 2018.

Net Dividend Income

Net dividend income was $0.3 million for the both the quarters ended June 30, 2018 and 2017. Net dividend income primarily related to dividends from our HCC investment.

Net Interest Income/Expense

(In thousands)	Three Months Ended June 30, 2018	2017
CLO I loan contractual interest income	$ -	$ -
CLO I ABS issued contractual interest expense	-	(3)
Net CLO I contractual interest	-	(3)
CLO II loan contractual interest income	$ -	$ 2,625
CLO II ABS issued contractual interest expense	-	(2,169)
Net CLO II contractual interest	-	456
CLO III loan contractual interest income	$ 5,387	$ 4,711
CLO III ABS issued contractual interest expense	(3,229)	(2,827)
Net CLO III contractual interest	2,158	1,844
CLO IV loan contractual interest income	$ 6,674	$ 2,175
CLO IV ABS issued contractual interest expense	(4,796)	(821)
Net CLO IV contractual interest	1,878	1,354
CLO V warehouse loan contractual interest income	$ 3,287	$ -
CLO V warehouse credit facility contractual interest expense	(1,689)	-
Net CLO V contractual interest	1,598	-
Bond Payable interest expense	$ (1,826)	$ (1,795)
Less: Non-controlling interest in CLOs	(1,108)	(1,013)
Other interest income	227	57
Total Segment net interest income	$ 2,927	$ 940
Non-controlling interest in CLOs	1,108	1,013
Total net interest income	$ 4,035	$ 1,953

Net interest income increased $2.0 million from $2.0 million for the quarter ended June 30, 2017 to $4.0 million for the quarter ended June 30, 2018. The increase was driven primarily by the increasing asset balance at CLO IV and the opening of the CLO V warehouse, leading to an increase in net interest income of $0.5 million and $1.6 million, respectively, that was only partially offset by the loss of $0.5 million in net interest earned from CLO II, which was liquidated in the second quarter of 2017. As a percentage of total net revenues after provision for loan losses, net interest income was 8.4% for the quarter ended June 30, 2017 and 9.1% for the quarter ended June 30, 2018.

Total segment net interest income increased from $0.9 million for the quarter ended June 30, 2017 to $2.9 million for the quarter ended June 30, 2018. Net interest income is earned in our Corporate segment and reflects our portion of the net CLO contractual interest. Total segment net interest income is reconciled to the GAAP measure, total net interest expense, in the table above. As a percentage of total segment net revenues, net interest income was 6.7% and 3.0% for the quarters ended June 30, 2018 and 2017, respectively.

The following table sets forth contractual interest income and expense related to CLO loans and ABS issued and their weighted average contractual interest rates:

(In thousands)	Three Months Ended June 30, 2018				
	Interest Income (Expense)	Average CLO Loan (CLO ABS Issued) Balance	Weighted Average Contractual Interest Rate	Weighted Average LIBOR	Spread to Weighted Average LIBOR
CLO III loan contractual interest income	$ 5,387	$ 350,811	5.75%	2.24%	3.51%
CLO III ABS issued contractual interest expense	(3,229)	(332,100)	3.70%	2.34%	1.35%
CLO IV loan contractual interest income	6,674	440,310	5.75%	2.24%	3.51%
CLO IV ABS issued contractual interest expense	(4,796)	(423,408)	4.41%	2.34%	2.06%
CLO V warehouse loan contractual interest income	3,287	220,423	5.60%	2.26%	3.34%
CLO V warehouse credit facility contractual interest expense	(1,689)	(309,145)	3.46%	2.09%	1.38%
Net CLO contractual interest income	$ 5,634	$ N/A	N/A	N/A	N/A

(In thousands)	Three Months Ended June 30, 2017				
	Interest Income (Expense)	Average CLO Loan (CLO ABS Issued) Balance	Weighted Average Contractual Interest Rate	Weighted Average LIBOR	Spread to Weighted Average LIBOR
CLO I loan contractual interest income	$ -	$ 921	5.72%	0.00%	5.72%
CLO I ABS issued contractual interest expense	(3)	-	0.00%	0.00%	0.00%
CLO II loan contractual interest income	2,625	196,828	4.96%	1.13%	3.82%
CLO II ABS issued contractual interest expense	(2,169)	(213,226)	3.05%	1.13%	1.92%
CLO III loan contractual interest income	4,711	358,584	4.93%	1.13%	3.80%
CLO III ABS issued contractual interest expense	(2,827)	(332,100)	3.03%	1.13%	1.90%
CLO IV loan contractual interest income	2,175	145,864	4.79%	1.33%	3.46%
CLO IV ABS issued contractual interest expense	(821)	(424,718)	3.40%	1.33%	2.08%
Net CLO contractual interest income	$ 3,691	$ N/A	N/A	N/A	N/A

Provision for Loan Losses

(In thousands)	Three Months Ended June 30,	
	2018	2017
CLO related loan loss provision	$ (1,280)	$ (1,834)
Non-CLO related loan loss provision	-	(20)
Provision for loan losses	$ (1,280)	$ (1,854)
Less: General reserves related to CLO III, CLO IV, CLO V warehouse, and non-controlling interest	1,243	1,445
Segment provision for loan losses	$ (37)	$ (409)

Provision for loan losses decreased $0.6 million, from a provision of $1.9 million for the quarter ended June 30, 2017 to a provision of $1.3 million for the same period in 2018. The decrease was due to a decrease in loan provisions at CLO III. As a percent of net revenues after provision for loan losses, the provision for loan losses was negative 2.9% and 8.0% for the quarters ended June 30, 2018 and 2017, respectively.

Total segment provision for loan losses decreased from a provision of $0.4 million for the quarter ended June 30, 2017 to zero for the quarter ended June 30, 2018. Total segment provision for loan losses is a non-GAAP financial measure that aggregates our segment reported provision for loan losses across each segment. Our total segment provision for loan losses in 2018 and 2017 was solely recognized in our Corporate segment. As a percent of total segment adjusted net revenues, segment provision for loan losses was negative 0.1% and negative 1.3% for the quarters ended June 30, 2018 and 2017, respectively.

Expenses

<u>*Non-Interest Expenses*</u>

Compensation and Benefits

Compensation and benefits, which includes employee payroll, taxes and benefits, performance-based cash bonus and commissions, as well as equity-based compensation to our employees and managing directors, increased $6.5 million, or 28.6%, from $22.7 million for the quarter ended June 30, 2017 to $29.1 million for the quarter ended June 30, 2018.

Employee payroll, taxes and benefits, and consultant fees were $10.5 and $11.0 million for the quarters ended June 30, 2018 and 2017, respectively. Performance-based bonus and commission increased $7.2 million from $11.1 million for the quarter ended June 30, 2017 to $18.3 million for the quarter ended June 30, 2018.

Equity-based compensation was $0.4 million and $0.5 million for the quarters ended June 30, 2018 and 2017, respectively. The equity-based compensation included a $0.1 million increase in restricted share options.

Compensation and benefits as a percentage of revenues decreased from 97.9% of total net revenues after provision for loan losses for the quarter ended June 30, 2017 to 65.8% for the quarter ended June 30, 2018.

Our segment reported compensation and benefits recognizes 100% of the cost of deferred compensation, including non-cash share-based compensation expense, in the period for which such compensation was awarded, instead of recognizing such cost over the vesting period as required under GAAP, in order to match compensation expense with the actual period upon which the compensation was based. The segment reported compensation and benefits increased $6.4 million from $22.4 million for the quarter ended June 30, 2017 to $28.8 million for the quarter ended June 30, 2018. As a percent of total segment net revenues, compensation and benefits were 65.6% and 72.4% for the quarters ended June 30, 2018 and 2017, respectively.

Administration

Administration expense was $2.7 million for both the quarters ended June 30, 2018 and 2017. As a percentage of total net revenues after provision for loan losses, administration expense decreased from 11.8% for the quarter ended June 30, 2017 to 6.1% for the same period in 2018.

Brokerage, Clearing and Exchange Fees

Brokerage, clearing and exchange fees were $0.8 million for both of the quarters ended June 30, 2018 and 2017. As a percentage of total net revenues after provision for loan losses, our brokerage, clearing and exchange fees decreased from 3.4% for the quarter ended June 30, 2017 to 1.8% for the same period in 2018.

Travel and Business Development

Travel and business development expenses increased $0.1 million, from $1.1 million for the quarter ended June 30, 2017 to $1.2 million for the quarter ended June 30, 2018. As a percentage of total net revenues after provision for loan losses, travel and business development expense was 2.7% and 4.8% and for the quarters ended June 30, 2018 and 2017, respectively.

Managed deal expenses

Managed deal expenses were $2.3 million and zero for the quarters ended June 30, 2018 and 2017, respectively. As a percentage of total net revenues after provision for loan losses, managed deal expenses increased from zero percent for the quarter ended June 30, 2017 to 5.3% for the same period in 2018. The increase is related to a gross up of expenses as a result of the Company's adoption of ASC 606. See Note 3 to the Consolidated Financial Statements for additional details on the new revenue standard and accounts affected by adoption.

Communications and Technology

Communications and technology expenses were $1.1 million for the quarter ended June 30, 2017 and $1.0 million for the same period in 2018. As a percentage of total net revenues after provision for loan losses, communications and technology expense decreased from 4.5% for the quarter ended June 30, 2017 to 2.4% for the same period in 2018.

Occupancy

Occupancy expenses were $1.1 million for both of the quarters ended June 30, 2018 and 2017. As a percentage of total net revenues after provision for loan losses, occupancy expense decreased from 4.8% for the quarter ended June 30, 2017 to 2.6% for the same period in 2018.

Professional Fees

Professional fees were $1.1 million and $0.9 million for the quarters ended June 30, 2018 and 2017, respectively. As a percentage of total net revenues after provision for loan losses, professional fees increased from 3.7% for the quarter ended June 30, 2017 to 2.6% for the same period in 2018.

Depreciation

Depreciation expenses were $0.3 million for both of the quarters ended June 30, 2018 and 2017. As a percentage of total net revenues after provision for loan losses, depreciation decreased from 1.3% for the quarter ended June 30, 2017 to 0.6% for the same period in 2018.

Other Expenses

Other expenses were $0.8 million and $1.0 million for the quarters ended June 30, 2018 and 2017, respectively. As a percentage of total net revenues after provision for loan losses, other expenses decreased from 4.1% for the quarter ended June 30, 2017 to 1.8% for the same period in 2018.

Net Income Attributable to Non-controlling Interest

Net income attributable to non-controlling interest increased from net income of $0.3 million for the quarter ended June 30, 2017 to net income of $0.8 million for the quarter ended June 30, 2018. Non-controlling interest for the quarter ended June 30, 2017 includes the interest of third parties in CLO I, CLO II, CLO III, and HCAP Advisors. Non-controlling interest for the quarter ended June 30, 2018 includes the interest of third parties in CLO III, HCAP Advisors, and HCS Strategic Investments LLC.

Provision for Income Taxes

Income tax expense was $4.9 million for the quarter ended June 30, 2018, while an income tax benefit of $0.2 million was recorded for the quarter ended June 30, 2017. For the purposes of calculating operating net income, a combined federal and state tax rate of 26% is assumed for our taxable direct subsidiaries, adjusted for a cap on allowable interest expense deduction due to recent tax reform, while a rate of 0% is applied to our direct subsidiary, which is a “pass-through entity” for tax purposes.

Segment income tax was an expense of $0.5 million and a benefit of $0.2 million for the quarters ended June 30, 2018 and 2017, respectively.

The increase was mainly due to the increase in book income earned by taxable direct subsidiaries.

U.S. federal corporate income tax reform included a broad range of proposals affecting businesses, including corporate tax rates, business deductions and international tax provisions. The reduction in the federal corporate tax rate required a revaluation of our deferred tax assets at the corporate entity level. International tax provisions, including a shift to a territorial system, did not impact JMP Group LLC’s investment in foreign corporations, as the Company has historically included accumulated earnings and profits from controlled foreign corporations.

Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

Revenues

Investment Banking

Investment banking revenues, earned in our Broker-Dealer segment, increased $16.5 million, or 50.4%, from $32.7 million for the six months ended June 30, 2017 to $49.2 million for the same period in 2018. As a percentage of total net revenues after provision for loan losses, investment banking revenues were 68.9% for both the six months ended June 30, 2018 and 2017. On an operating basis, investment banking revenues were 65.1% and 58.2% for the six months ended June 30, 2018 and 2017, respectively, as a percentage of adjusted net revenues after provision for loan losses.

(Dollars in thousands)	Six Months Ended June 30,				Change from 2017 to 2018		
	2018		2017				
	Count	Revenues	Count	Revenues	Count	$	%
Equity and debt origination	52	$ 35,912	60	$ 24,854	(8)	$ 11,058	44.5%
Advisory	13	13,313	8	7,874	5	5,439	69.1%
Total transactions	65	$ 49,225	68	$ 32,728	3	$ 16,497	50.4%

The increase in revenues was driven by a 57.3% increase in the average size of the fee paid per transaction. In addition, $4.7 million of the increase is related to a gross up of expenses as a result of the Company's adoption of ASC 606. See Note 3 to the Consolidated Financial Statements for additional details on the new revenue standard and accounts affected by adoption. The number of transactions in which we acted as a bookrunning manager decreased from twelve to eight for the six months ended June 30, 2017 and 2018, respectively.

Brokerage Revenues

Brokerage revenues earned in our Broker-Dealer segment were $10.1 million and $10.4 million for the six months ended June 30, 2018 and 2017, respectively. Brokerage revenues decreased as a percentage of total net revenues after provision for loan losses, from 21.8% for the six months ended June 30, 2017 to 14.1% for the six months ended June 30, 2018. On an operating basis, brokerage revenues were 13.4% and 18.4% for the six months ended June 30, 2018 and 2017, respectively, as a percentage of adjusted net revenues after provision for loan losses.

Asset Management Fees

(In thousands)	Six Months ended June 30,	
	2018	2017
Base management fees:		
Fees reported as asset management fees	$ 6,325	$ 8,144
Less: Non-controlling interest	(360)	(507)
Total base management fees	5,965	7,637
Incentive fees:		
Fees reported as asset management fees	$ 5,478	$ 1,920
Less: Non-controlling interest	-	(128)
Total incentive fees	5,478	1,792
Other fee income:		
Fundraising and other income:	$ 360	$ 639
Less: Non-controlling interest	(79)	-
Total other fee income	281	639
Asset management related fees:		
Fees reported as asset management fees	$ 11,803	$ 10,064
Fees reported as other income	360	639
Less: Non-controlling interest in HCAP Advisors	(439)	(635)
Total Segment asset management related fee revenues	$ 11,724	$ 10,068

Fees reported as asset management fees were $11.8 million and $10.1 million for the six months ended June 30, 2018 and 2017, respectively. As a percentage of total net revenues after provision for loan losses, asset management revenues decreased from 21.8% for the six months ended June 30, 2017 to 14.1% for the six months ended June 30, 2018. Fees reported as other income were $0.4 million and $0.6 million for the six months ended June 30, 2018 and 2017, respectively. As a percentage of total net revenues after provision for loan losses, other income was 1.3% and 0.5% for the six months ended June 30, 2017 and for the six months ended June 30, 2018.

Total segment asset management-related fees include base management fees and incentive fees from our funds, HCC and CLOs under management, as well as other income from fee-sharing arrangements with, and fees earned to raise capital for, third-party or equity-method investment partnerships or funds. Total segment asset management-related fee revenues are reconciled to the GAAP measure, total asset management fee revenues, in the table above. We believe that presenting operating asset management-related fees is useful to investors as a means of assessing the performance of our combined asset management activities, including fundraising and other services for third parties. We believe that segment asset management-related fee revenues provides useful information by indicating the relative contributions of base management fees and performance-related incentive fees, thus facilitating a comparison of those fees in a given period to those in prior and future periods. We also believe that asset management-related fee revenue is a more meaningful measure than standalone asset management fees as reported, because asset management-related fee revenues represent the combined impact of the various asset management activities on the Company’s total net revenues.

Total segment asset management related fee revenue increased $1.6 million, from $10.1 million for the six months ended June 30, 2017 to $11.7 million for the six months ended June 30, 2018. Total base management fees were $11.8 million and $10.1 million for the six months ended June 30, 2018 and 2017, respectively. Total incentive fees increased $3.7 million, from a $1.8 million for the six months ended June 30, 2017 to $5.5 million for the same period in 2018. On an operating basis, asset management related fee revenues were 15.5% and 17.9% for the six months ended June 30, 2018 and 2017, respectively, as a percentage of adjusted net revenues after provision for loan losses.

Principal Transactions

Principal transaction revenues increased $0.3 million, from a loss of $2.2 million for the six months ended June 30, 2017 to a loss of $1.9 million for the same period in 2018. As a percentage of total net revenues after provision for loan losses, principal transaction revenues were negative 4.7% for the six months ended June 30, 2017 and a negative 2.7% for the six months ended June 30, 2018.

Total segment principal transaction revenues decreased $2.2 million, from a gain of $2.3 million for the six months ended June 30, 2017 to a gain of $0.2 million for the same period in 2018. Total segment principal transaction revenues are a non-GAAP financial measure that aggregates our segment reported principal transaction revenues across each segment. The principal transaction revenues for both 2018 and 2017 were based in our Corporate segment. Total segment principal transaction revenues are reconciled to the GAAP measure, total principal transaction revenues, in the table below.

	Six Month Ended March 31,	
(in thousands)	**2018**	**2017**
Equity and other securities excluding non-controlling interest	$ (830)	$ 477
Warrants and other investments	731	852
Investment partnerships	220	1,004
Total segment principal transaction revenues	121	2,333
Operating adjustment addbacks	(2,057)	(4,549)
Total principal transaction revenues	$ (1,936)	$ (2,216)

The decrease is primarily attributed to a $0.8 million decrease in investment partnership revenues and a $1.3 million decrease in equity and other securities revenues. On an operating basis, as a percentage of total net revenues after provision for loan losses, principal transaction revenues decreased from 4.2% for the six months ended June 30, 2017 to 0.2% for the six months ended June 30, 2018.

Gain and Loss on Sale and Payoff of Loans

Gain on sale and payoff of loans decreased from a gain of $0.9 million for the six months ended June 30, 2017 to a loss of $0.3 million for the six months ended June 30, 2018. Gain and loss on sale and payoff of loans was incurred in our Corporate segment. On a segment basis, gain on sale and payoff of loans decreased from a gain of $0.9 million for the six months ended June 30, 2017 to a $0.4 million loss for the six months ended June 30, 2018.

Net Dividend Income

Net dividend income was $0.5 million for the six months ended June 30, 2017 and $0.6 million for the same period of 2018. Net dividend income primarily related to dividends from our HCC investment.

Net Interest Income/Expense

(In thousands)	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
CLO I loan contractual interest income	$ -	$ 480
CLO I ABS issued contractual interest expense	-	(691)
Net CLO I contractual interest	-	(211)
CLO II loan contractual interest income	$ -	$ 6,446
CLO II ABS issued contractual interest expense	-	(4,807)
Net CLO II contractual interest	-	1,639
CLO III loan contractual interest income	$ 10,332	$ 9,404
CLO III ABS issued contractual interest expense	(6,337)	(5,712)
Net CLO III contractual interest	3,995	3,692
CLO IV loan contractual interest income	$ 12,572	$ 2,175
CLO IV ABS issued contractual interest expense	(8,936)	(821)
Net CLO IV contractual interest	3,816	1,354
CLO V warehouse loan contractual interest income	$ 4,694	$ -
CLO V warehouse credit facility contractual interest expense	(2,332)	-
Net CLO V contractual interest	2,362	-
Bond Payable interest expense	$ (3,652)	$ (3,591)
Less: Non-controlling interest in CLOs	(1,989)	(1,970)
Other interest income	522	42
Total Segment net interest income	$ 5,054	$ 955
Non-controlling interest in CLOs	1,989	1,970
Total net interest income	$ 7,043	$ 2,925

Net interest income increased $4.1 million from $2.9 million for the six months ended June 30, 2017 to $7.0 million for the six months ended June 30, 2018. The increase was driven primarily by the increasing asset balance at CLO IV and the opening of the CLO V warehouse, leading to an increase in net interest income of $2.5 million and $2.4 million, respectively, that was only partially offset by the loss of $1.6 million in net interest earned from CLO II, which was liquidated in the second quarter of 2017. As a percentage of total net revenues after provision for loan losses, net interest income was 6.2% for the six months ended June 30, 2017 and 9.9% for the six months ended June 30, 2018.

Total segment net interest income increased from $1.0 million for the six months ended June 30, 2017 to $5.1 million for the six months ended June 30, 2018. Net interest income is earned in our Corporate segment and reflects our portion of the net CLO contractual interest. Total segment net interest income is reconciled to the GAAP measure, total net interest expense, in the table above. As a percentage of total segment net revenues, net interest income was 6.7% and 1.7% for the six months ended June 30, 2018 and 2017, respectively.

The following table sets forth contractual interest income and expense related to CLO loans and ABS issued and their weighted average contractual interest rates:

(In thousands)	Six Months Ended June 30, 2018				
	Interest Income (Expense)	Average CLO Loan (CLO ABS Issued) Balance	Weighted Average Contractual Interest Rate	Weighted Average LIBOR	Spread to Weighted Average LIBOR
CLO III loan contractual interest income	$ 10,332	$ 351,303	5.57%	1.95%	3.61%
CLO III ABS issued contractual interest expense	(6,337)	(332,100)	3.49%	2.01%	1.48%
CLO IV loan contractual interest income	12,752	436,213	5.59%	1.96%	3.63%
CLO IV ABS issued contractual interest expense	(8,936)	(423,450)	4.08%	2.01%	2.07%
CLO V warehouse loan contractual interest income	4,694	162,122	5.48%	1.98%	3.49%
CLO V warehouse credit facility contractual interest expense	(2,332)	(159,668)	3.37%	2.00%	1.37%
Net CLO contractual interest income	$ 10,173	$ N/A	N/A	N/A	N/A

(In thousands)	Six Months Ended June 30, 2017				
	Interest Income (Expense)	Average CLO Loan (CLO ABS Issued) Balance	Weighted Average Contractual Interest Rate	Weighted Average LIBOR	Spread to Weighted Average LIBOR
CLO I loan contractual interest income	$ 480	$ 6,975	4.10%	0.39%	3.71%
CLO I ABS issued contractual interest expense	(691)	(85,500)	1.03%	0.39%	0.64%
CLO II loan contractual interest income	6,446	244,074	4.91%	1.07%	3.84%
CLO II ABS issued contractual interest expense	(4,807)	(256,749)	2.98%	1.07%	1.91%
CLO III loan contractual interest income	9,404	357,302	4.93%	1.07%	3.87%
CLO III ABS issued contractual interest expense	(5,712)	(332,100)	3.11%	1.07%	2.04%
CLO IV loan contractual interest income	2,175	73,335	4.79%	1.33%	3.46%
CLO IV ABS issued contractual interest expense	(821)	(424,718)	3.40%	1.33%	2.08%
Net CLO contractual interest income	$ 6,474	$ N/A	N/A	N/A	N/A

Provision for Loan Losses

(In thousands)	Six Months Ended March 31,	
	2018	2017
CLO related loan loss provision	$ (2,556)	$ (2,388)
Non-CLO related loan loss provision	(189)	(732)
Provision for loan losses	$ (2,745)	$ (3,120)
Less: General reserves related to CLO II, CLO III, CLO IV, CLO V warehouse, and non-controlling interest	1,815	1,298
Segment provision for loan losses	$ (930)	$ (1,822)

Provision for loan losses decreased $0.4 million, from a provision of $3.1 million for the six months ended June 30, 2017 to a provision of $2.7 million for the same period in 2018. The decrease in the loan provision is due to a large provision recorded in the prior year for a non-CLO loan held for investment. As a percent of net revenues after provision for loan losses, the provision for loan losses was negative 3.8% and 6.6% for the six months ended June 30, 2018 and 2017, respectively.

Total segment provision for loan losses decreased from a provision of $1.8 million for the six months ended June 30, 2017 to a provision of $0.9 million for the six months ended June 30, 2018. Total segment provision for loan losses is a non-GAAP financial measure that aggregates our segment reported provision for loan losses across each segment. Our total segment provision for loan losses in 2018 and 2017 was solely recognized in our Corporate segment. As a percent of total segment adjusted net revenues, segment provision for loan losses was negative 1.2% and negative 3.2% for the six months ended June 30, 2018 and 2017, respectively.

Expenses

Non-Interest Expenses

Compensation and Benefits

Compensation and benefits, which includes employee payroll, taxes and benefits, performance-based cash bonus and commissions, as well as equity-based compensation to our employees and managing directors, increased $8.9 million, or 20.1%, from $44.5 million for the six months ended June 30, 2017 to $53.4 million for the six months ended June 30, 2018.

Employee payroll, taxes and benefits, and consultant fees were $22.6 million and $23.1 million for the six months ended June 30, 2018 and 2017, respectively. Performance-based bonus and commission increased $10.1 million from $20.0 million for the six months ended June 30, 2017 to $30.1 million for the six months ended June 30, 2018.

Equity-based compensation was $0.7 million and $1.3 million for the six months ended June 30, 2018 and 2017, respectively. The equity-based compensation included a $0.1 million increase in restricted share options.

Compensation and benefits as a percentage of revenues decreased from 93.5% of total net revenues after provision for loan losses for the six months ended June 30, 2017 to 74.7% for the six months ended June 30, 2018.

Our segment reported compensation and benefits recognizes 100% of the cost of deferred compensation, including non-cash share-based compensation expense, in the period for which such compensation was awarded, instead of recognizing such cost over the vesting period as required under GAAP, in order to match compensation expense with the actual period upon which the compensation was based. The segment reported compensation and benefits increased $9.6 million from $42.9 million for the six months ended June 30, 2017 to $52.5 million for the six months ended June 30, 2018. As a percent of total segment net revenues, compensation and benefits were 69.5% and 76.3% for the six months ended June 30, 2018 and 2017, respectively.

Administration

Administration expense was $4.5 million for the six months ended June 30, 2017 and $4.9 million for the same period in 2018. As a percentage of total net revenues after provision for loan losses, administration expense decreased from 9.6% for the six months ended June 30, 2017 to 6.9% for the same period in 2018.

Brokerage, Clearing and Exchange Fees

Brokerage, clearing and exchange fees were $1.5 million for the six months ended June 30, 2017 and $1.6 million for the six months ended June 30, 2018. As a percentage of total net revenues after provision for loan losses, our brokerage, clearing and exchange fees decreased from 3.3% for the six months ended June 30, 2017 to 2.2% for the same period in 2018.

Travel and Business Development

Travel and business development expenses increased $0.2 million, from $2.0 million for the six months ended June 30, 2017 to $2.2 million for the six months ended June 30, 2018. As a percentage of total net revenues after provision for loan losses, travel and business development expense was 3.0% and 4.3% and for the six months ended June 30, 2018 and 2017, respectively.

Managed deal expenses

Managed deal expenses were $3.9 million and zero for the six months ended June 30, 2018 and 2017, respectively. As a percentage of total net revenues after provision for loan losses, managed deal expenses increased from zero percent for the six months ended June 30, 2017 to 5.5% for the same period in 2018. The increase is related to a gross up of expenses as a result of the Company's adoption of ASC 606. See Note 3 to the Consolidated Financial Statements for additional details on the new revenue standard and accounts affected by adoption.

Communications and Technology

Communications and technology expenses were $2.1 million for both the six months ended June 30, 2018 and 2017. As a percentage of total net revenues after provision for loan losses, communications and technology expense decreased from 4.4% for the six months ended June 30, 2017 to 3.0% for the same period in 2018.

Occupancy

Occupancy expenses were $2.2 million for the six months ended June 30, 2017 and $2.3 million for the six months ended June 30, 2018. As a percentage of total net revenues after provision for loan losses, occupancy expense decreased from 4.7% for the six months ended June 30, 2017 to 3.2% for the same period in 2018.

Professional Fees

Professional fees were $3.0 million and $2.0 million for the six months ended June 30, 2018 and 2017, respectively. As a percentage of total net revenues after provision for loan losses, professional fees increased from 4.2% for the six months ended June 30, 2017 to 4.3% for the same period in 2018.

Depreciation

Depreciation expenses were $0.6 million for both of the six months ended June 30, 2018 and 2017. As a percentage of total net revenues after provision for loan losses, depreciation decreased from 1.3% for the six months ended June 30, 2017 to 0.8% for the same period in 2018.

Other Expenses

Other expenses were $1.2 million and $1.6 million for the six months ended June 30, 2018 and 2017, respectively. As a percentage of total net revenues after provision for loan losses, other expenses decreased from 3.4% for the six months ended June 30, 2017 to 1.6% for the same period in 2018.

Net Income Attributable to Non-controlling Interest

Net income attributable to non-controlling interest decreased from net income of $0.9 million for the six months ended June 30, 2017 to net loss of $0.7 million for the six months ended June 30, 2018. Non-controlling interest for the six months ended June 30, 2017 includes the interest of third parties in CLO I, CLO II, CLO III, and HCAP Advisors. Non-controlling interest for the six months ended June 30, 2018 includes the interest of third parties in CLO III, HCAP Advisors, and HCS Strategic Investments LLC.

Provision for Income Taxes

Income tax benefit was $0.7 million for the six months ended June 30, 2018, while an income tax benefit of $1.3 million was recorded for the six months ended June 30, 2017. For the purposes of calculating operating net income, a combined federal and state tax rate of 26% is assumed for our taxable direct subsidiaries, adjusted for a cap on allowable interest expense deduction due to recent tax reform, while a rate of 0% is applied to our direct subsidiary, which is a “pass-through entity” for tax purposes.

Segment income tax was an expense of $0.5 million and a benefit of $0.8 million for the six months ended June 30, 2018 and 2017, respectively.

The increase was mainly due to the increase in book income earned by taxable direct subsidiaries.

U.S. federal corporate income tax reform included a broad range of proposals affecting businesses, including corporate tax rates, business deductions and international tax provisions. The reduction in the federal corporate tax rate required a revaluation of our deferred tax assets at the corporate entity level. International tax provisions, including a shift to a territorial system, did not impact JMP Group LLC's investment in foreign corporations, as the Company has historically included accumulated earnings and profits from controlled foreign corporations.

Financial Condition, Liquidity and Capital Resources

In the section that follows, we discuss the significant changes in the components of our balance sheet, cash flows and capital resources and liquidity for the three months ended June 30, 2018 to demonstrate where our capital is invested and the financial condition of the Company.

Overview

As of June 30, 2018, we had net liquid assets of $39.2 million consisting of cash and cash equivalents, proceeds from short sales on deposit, receivable from clearing broker, marketable securities owned, and general partner investments in hedge funds managed by HCS, net of marketable securities sold but not yet purchased, accrued compensation, deferred compensation paid in January 2018, and non-controlling interest. We have satisfied our capital and liquidity requirements primarily through the issuance of the Senior Notes and internally generated cash from operations. Most of our financial instruments, other than loans collateralizing asset-backed securities issued, loans held for investment and asset-backed securities issued, are recorded at fair value or amounts that approximate fair value.

Liquidity Considerations Related to CLOs

Our maximum exposure to loss of capital on the CLOs is the $13.3 million investment related to CLO III, $37.8 million investment in CLO IV and $60.0 million in CLO V warehouse as of June 30, 2018, plus our portion of the earnings retained in the CLOs since the inception dates. However, for U.S. federal tax purposes, the CLOs are treated as disregarded entities such that the taxable income earned in the CLO is taxable to us. If the CLOs are in violation of certain coverage tests, mainly any of their over-collateralization ratios, residual cash flows otherwise payable to us as owners of the subordinated notes would be required to be used to repay indebtedness senior to us in the securitization, or, for CLO III or CLO IV, potentially to buy additional collateral. This could require us to pay income tax on earnings prior to the residual cash flow distributions to us.

The CLOs must comply with certain asset coverage tests, such as tests that restrict the amount of discounted obligations and obligations rated “CCC” or lower it can hold. Defaulted obligations, discounted assets and assets rated “CCC” or lower in excess of applicable limits in the CLOs investment criteria are not given full par credit for purposes of calculation of the CLO over-collateralization (“OC”) tests. If any of the CLOs were to violate any of the secured note OC tests, we would be required to pay down the most senior notes with the residual cash flows until the violation was cured. In the most extreme case, if a CLO were in violation of the most senior OC test, the Class A note holders would have the ability to declare an event of default and cause an acceleration of all principal and interest outstanding on the notes. The CLOs were in compliance as of June 30, 2018 and December 31, 2017.

For financial reporting purposes, the loans and asset-backed securities of the CLOs are consolidated on our balance sheet. The loans are reported at their cost adjusted for credit reserves, purchase discounts and allowance for loan losses. The asset-backed securities are recorded net of liquidity discounts and original issue discounts. At June 30, 2018, we had $784.7 million of loans collateralizing asset-backed securities, net, $23.9 million of restricted cash and $1.9 million of interest receivable funded by $739.9 million of asset-backed securities issued, net, and interest payable of $6.5 million. These assets and liabilities represented 64.7% of total assets and 65.1% of total liabilities, respectively, reported on our Consolidated Statement of Financial Condition at June 30, 2018.

The tables below summarize the loans held by the CLOs and CLO V warehouse grouped by range of outstanding balance, Moody’s Investors Services, Inc. rating category and industry as of June 30, 2018.

(Dollars in thousands)	As of June 30, 2018		
Range of Outstanding Balance	**Number of Loans**	**Maturity Date**	**Total Principal**
$0 - $500	171	3/2020 - 12/2026	$ 74,728
$500 - $2,000	595	12/2018 - 5/2026	751,928
$2,000 - $5,000	99	9/2019 - 4/2026	254,230
Total	865		$ 1,080,886

(Dollars in thousands)	As of June 30, 2018		
Industry	**Number of Loans**	**Outstanding Balance**	**% of Outstanding Balance**
Aerospace & Defense	26	$ 33,514	3.1%
Automotive	34	39,007	3.6%
Banking, Finance, Insurance & Real Estate	59	64,646	6.0%
Beverage, Food & Tobacco	37	50,280	4.7%
Capital Equipment	34	33,250	3.1%
Chemicals, Plastics & Rubber	30	26,466	2.4%
Construction & Building	26	28,883	2.7%
Consumer Goods: Durable	20	24,106	2.2%
Consumer Goods: Non-durable	36	49,614	4.6%
Containers, Packaging & Glass	28	29,690	2.7%
Energy: Electricity	6	7,938	0.7%
Energy: Oil & Gas	11	13,962	1.3%
Environmental Industries	14	15,778	1.5%
Forest Products & Paper	3	1,985	0.2%
Healthcare & Pharmaceuticals	58	72,146	6.7%
High Tech Industries	64	87,438	8.1%
Hotel, Gaming & Leisure	50	59,295	5.5%
Media: Broadcasting & Subscription	22	33,810	3.1%
Media: Diversified & Production	14	17,237	1.6%
Media: Advertising, Printing, Publishing	9	10,570	1.0%
Metals & Mining	15	14,633	1.4%
Retail	51	75,235	7.0%
Services: Business	87	117,372	10.9%
Services: Consumer	49	68,770	6.4%
Telecommunications	33	42,925	4.0%
Transportation: Cargo	19	25,552	2.4%
Transportation: Consumer	20	21,645	2.0%
Utilities: Electric	2	1,236	0.1%
Wholesale	8	13,903	1.3%
Total	865	$ 1,080,886	100.0%

(Dollars in thousands)	As of June 30, 2018		
Moody's Rating Category	**Number of Loans**	**Outstanding Balance**	**% of Outstanding Balance**
B1	139	$ 172,742	16.0%
B2	328	428,013	9.6%
B3	154	182,896	16.9%
Ba1	30	37,353	3.5%
Ba2	64	68,025	6.3%
Ba3	105	125,718	11.6%
Baa2	32	52,053	4.8%
Baa3	6	5,095	0.5%
Caa1	3	5,105	0.5%
Caa2	2	1,930	0.2%
C	2	1,956	0.2%
Total	865	$ 1,080,886	100.0%

Other Liquidity Considerations

As of June 30, 2018, our indebtedness consists of our bonds payable, borrowings against lines of credit, and our borrowings under the CLO V warehouse credit facility. We have no outstanding balances on our revolving lines of credit with City National Bank ("CNB") related to JMP Securities.

In January 2013, we raised approximately $46.0 million from the issuance of 8.00% Senior Notes (“2013 Senior Notes”). In January 2014, we raised approximately $48.3 million from the issuance of 7.25% Senior Notes (“2014 Senior Notes”), which were fully redeemed on December 28, 2017. In November 2017, we raised approximately $50.0 million from the issuance of 7.25% Senior Notes (“2017 Senior Notes” and, together with the 2013 Senior Notes, the “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 2013 Senior 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 2017 Senior Notes will mature on November 15, 2027 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 November 28, 2020, at a redemption price equal to the principal amount redeemed plus accrued and unpaid interest. The 2017 Senior Notes bear interest at a rate of 7.25% per year, payable quarterly on February 15, May 15, August 15 and November 15 of each year. The Company announced its intent to redeem $10 million of the issued and outstanding 2013 Senior Notes on July 31, 2018 (the "Redemption Date"). The Notes will be redeemed at 100% of their principal amount, $25, plus the accrued and unpaid interest thereon up to, but excluding, the Redemption Date.

In connection with the Reorganization Transaction, we entered into a Third Supplemental Indenture, dated as of October 15, 2014 (the “Third Supplemental Indenture”), among JMP Group Inc., JMP Group LLC and JMP Investment Holdings LLC, as guarantors (the “Guarantors”), and U.S. Bank National Association, as trustee. The Third Supplemental Indenture became effective on January 1, 2015. Under the Third Supplemental Indenture, the Guarantors have jointly and severally provided a full and unconditional guarantee of the due and punctual payment of the principal and interest on the Senior Notes and the due and punctual payment or performance of all other obligations of JMP Group Inc. under the Indenture, dated as of January 24, 2013, between JMP Group Inc. and the Trustee, as supplemented by a First Supplemental Indenture, dated as of January 25, 2013, a Second Supplemental Indenture, dated as of January 29, 2014, a Third Supplemental Indenture, dated as of October 15, 2014, and the Fourth Supplemental Indenture, dated as of November 28, 2017.

The Company’s Credit Agreement (the “Credit Agreement”), dated as of August 3, 2006, was entered into by and between JMP Holding LLC and City National Bank (“CNB”), and was subsequently amended. The Credit Agreement and subsequent amendments provide a $25.0 million line of credit with a revolving period of one year and one month through August 31, 2018. On such date, any outstanding amounts convert to a term loan. The term loan will be repaid in quarterly installments of 3.75% of funded debt for the first two years, 5.00% of funded debt for the next two years, and the remainder due at maturity. 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 $18.0 million as of June 30, 2018 and zero as of December 31, 2017.

The Credit Agreement for the term loan provides that the proceeds of the CNB Loans are subject to the following restrictions: (i) the initial term loan and up to $5.0 million of the revolving line of credit loans may not be used for any purpose other than to fund certain permitted investments and acquisitions and to fund JMP Holding LLC’s working capital needs in the ordinary course of its business; (ii) all other proceeds of the revolving line of credit may not be used for any purpose other than to make investments in HCS and by HCS to make investments in loans that are made to persons that are not affiliates of borrower; and (iii) the term loan may not be used for any purpose other than to make equity investments in CLOs and by CLOs to make certain permitted investments in collateralized loan obligations.

The Credit Agreement includes a minimum fixed charge applicable to us and our subsidiaries, a minimum net worth covenant applicable to us and our subsidiaries and a minimum liquidity covenant applicable to JMP Holding LLC and its subsidiaries. As of June 30, 2018, we were in compliance with all of these financial covenants. The Credit Agreement also includes an event of default for a “change of control” that tests, in part, the composition of our ownership and an event of default if two or more of the members of the Company’s Executive Committee fail to be involved actively on an ongoing basis in the management of JMP Holding LLC or any of its subsidiaries.

Separately, under a Revolving Note and Cash Subordination Agreement, JMP Securities holds a $20.0 million 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. On June 6, 2018, JMP Securities entered into an amendment to its Credit Agreement (the “Amendment”). Pursuant to this Amendment, the $20.0 million line of credit was renewed for one year. On June 6, 2019, any existing outstanding amount will convert to a term loan maturing the following year. The remaining terms of this line of credit are consistent with those of the existing line of credit. There was no borrowing on this line of credit as of June 30, 2018 and December 31, 2017.

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 the Company’s note and require the immediate repayment of any outstanding principal and interest. At both June 30, 2018 and December 31, 2017, the Company was in compliance with the loan covenants.

On July 31, 2017, the Company established, a $200.0 million revolving credit facility with BNP Paribas to finance the acquisition of a portfolio of assets, including certain debt obligations. The Company subsequently entered into amendments to the credit facility and as of June 21, 2018, the credit facility was increased to $340.0 million. As of June 30, 2018, the balance of the credit facility was $238.5 million.

On February 28, 2018, the Company, entered into a Repurchase Agreement with BNP Paribas to finance the acquisition of asset-backed securities issued by CLO III in connection with risk retention requirements. During the second quarter of 2018 the Company fully repaid the outstanding balance and sold the assets collateralizing the agreement. As of June 30, 2018, there was no balance outstanding in connection with the Repurchase Agreement.

The timing of bonus compensation payments to our employees may significantly affect our cash position and liquidity from period to period. While our employees and managing directors are generally paid semi-monthly during the year, bonus compensation, which makes up a larger portion of total compensation, is generally paid once a year during the first two months of the following year. In the first two months of 2018, we paid out $37.2 million of cash bonuses for 2017, excluding employer payroll tax expense.

The Company currently intends to continue to declare monthly cash distributions on all outstanding shares. The table below represents cash distributions made for the three months ended June 30, 2018.

Date Declared	Record Date	Date Paid	Per Share Amount
April 19, 2018	April 30, 2018	May 15, 2018	$ 0.030
April 19, 2018	May 31, 2018	June 15, 2018	$ 0.030
April 19, 2018	June 29, 2018	July 13, 2018	$ 0.030

During the three months ended June 30, 2018, the Company repurchased 92,922 of the Company's shares at an average price of $5.15 per share for an aggregate purchase price of $0.5 million on the open market.

We had total restricted cash of $46.7 million comprised primarily of $43.3 million of restricted cash at JMP Investment Holdings on June 30, 2018. This balance was comprised of $14.6 million in interest received from loans in the CLOs, and $28.7 million in principal cash. The interest and fees will be restricted until the next payment date to note holders of the CLOs. The principal restricted cash will be used to buy additional loans or pay down the senior debt in the CLOs.

Because of the nature of our investment banking and sales and trading businesses, liquidity is important to us. Accordingly, we regularly monitor our liquidity position, including our cash and net capital positions. We believe that our available liquidity and current level of equity capital, combined with the funds anticipated to be provided by our operating activities, will be adequate to meet our liquidity and regulatory capital requirements for at least the next twelve months. If circumstances required it, we could improve our liquidity position by discontinuing repurchases of the Company's common shares, halting cash distributions on our common shares and reducing cash bonus compensation paid.

JMP Securities, our wholly-owned subsidiary and a registered securities broker-dealer, 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 $23.7 million and $37.3 million, which were $22.5 million and $35.9 million in excess of the required net capital of $1.3 million and $1.4 million, at June 30, 2018 and December 31, 2017, respectively. JMP Securities' ratio of aggregate indebtedness to net capital was 0.79 to 1 and 0.58 to 1 at June 30, 2018 and December 31, 2017, respectively.

A condensed table of cash flows for the six months ended June 30, 2018 and 2017 is presented below.

(Dollars in thousands)	Six Months Ended June 30,		Change from 2017 to 2018	
	2018	2017		%
Cash flows used in operating activities	$ (14,194)	$ (26,693)	$ 12,499	46.8%
Cash flows provided by investing activities	(214,481)	(44,254)	(170,227)	-384.7%
Cash flows provided by (used in) financing activities	188,449	(101,786)	290,235	285.1%
Total cash flows	$ (40,226)	$ (172,733)	$ 132,507	76.7%

Cash Flows for the six months Ended June 30, 2018

Cash decreased by $40.2 million during the six months ended June 30, 2018, as a result of cash used in operating and investing activities, partially offset by cash provided by financing activities.

Our operating activities used $14.2 million of cash from the net loss of $3.0 million, adjusted for the cash used by operating assets and liabilities of $19.0 million, and provided by non-cash revenue and expense items of $7.7 million. The cash used by the change in operating assets and liabilities was primarily due to a decrease in accrued compensation and other liabilities of 17.5 million and an increase in receivables of $8.3 million, partially offset by a decrease in deposits and other assets of $5.6 million.

Our investing activities used $214.8 million of cash primarily due to a $193.0 million funding of loans collateralizing asset-backed securities issued and $205.1 million of funding for loans held for investment, partially offset by the $172.4 million of receipts from loans collateralizing asset-backed securities issued and $11.2 million from sale of other investments.

Our financing activities provided $188.4 million of cash primarily due to $332.1 million of proceeds from the issuance of asset-backed securities issued, $177.3 million proceeds from draw downs of CLO V warehouse, and $18.0 million in proceeds for a line of credit, partially offset by the repurchase of $332.1 million of asset-backed securities issued.

Cash Flows for the six months Ended June 30, 2017

Cash decreased by $172.7 million during the six months ended June 30, 2017, as a result of cash used in operating, investing, and financing activities.

Our operating activities used $26.7 million of cash from the net loss of $12.3 million, adjusted for the cash used by operating assets and liabilities of $25.6 million, and provided by non-cash revenue and expense items of $11.3 million. The cash used by the change in operating assets and liabilities included a decrease in accrued compensation and other liabilities of $17.4 million and an increase in receivables of $5.5 million.

Our investing activities used $44.3 million of cash primarily due $510.4 million of funding for loans collateralizing asset-backed securities, partially offset by $400.5 million of proceeds from issuance of loans collateralizing asset-backed securities, $34.0 million proceeds from sale of loans held for sale, $23.5 of cash provided by changes in cash collateral posted for derivative transactions, and $11.1 million of proceeds from sale of other investments.

Our financing activities used $101.8 million of cash primarily due to $503.6 million repayment of asset-backed securities issued relating to the liquidation of CLO I and CLO II, partially offset by $408.4 proceeds from issuance of asset-backed securities due to the securitization of CLO IV.

Contractual Obligations

As of June 30, 2018, our aggregate minimum future commitment on our leases was $22.9 million. See Note 13 of the notes to the consolidated financial statements for more information. Our remaining contractual obligations have not materially changed from those reported in our Annual Report.

Off-Balance Sheet Arrangements

The Company had unfunded commitments to lend of $3.1 million and $2.1 million as of June 30, 2018 and December 31, 2017, respectively. Had the borrower drawn on these, the Company would have been obligated to fund them. The funds for the unfunded commitments to lend and the cash collateral supporting these standby letters of credit are included in restricted cash on the Consolidated Statement of Financial Position as of June 30, 2018. The CLO-related commitments do not extend to JMP Group LLC. See Note 18 of the notes to the consolidated financial statements for more information on the financial instruments with off-balance sheet risk in connection with the CLOs.

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.

We had no other material off-balance sheet arrangements as of June 30, 2018. However, as described below under "Item 3. Quantitative and Qualitative Disclosures About Market Risk," through indemnification provisions in our clearing agreements with our clearing broker, customer activities may expose us to off-balance sheet credit risk, which we seek to mitigate through customer screening and collateral requirements.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and of revenues and expenses during the reporting periods. We base our estimates and assumptions on historical experience and on various other factors that we believe are reasonable under the circumstances. The use of different estimates and assumptions could produce materially different results. For example, if factors such as those described under the caption "Risk Factors" in our Annual Report cause actual events to differ from the assumptions we used in applying the accounting policies, our results of operations, financial condition and liquidity could be adversely affected.

On an ongoing basis, we evaluate our estimates and assumptions, particularly as they relate to accounting policies that we believe are most important to the presentation of our financial condition and results of operations. We regard an accounting estimate or assumption to be most important to the presentation of our financial condition and results of operations where:

- the nature of the estimates or assumptions is material due to the level of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change; and
- the impact of the estimates or assumptions on our financial condition or operating performance is material.

Using the foregoing criteria, we consider the following to be our critical accounting policies:

- *Valuation of Financial Instruments*

- *Asset Management Investment Partnerships*
- *Loans Held for Sale*
- *Loans Collateralizing Asset-backed Securities Issued*
- *Allowance for Loan Losses*
- *Asset-backed Securities Issued*
- *Legal and Other Contingent Liabilities*
- *Income Taxes*

Our significant accounting policies are described further in the "Critical Accounting Policies and Estimates" section and Note 2 - Summary of Significant Accounting Policies to our consolidated financial statements in our Annual Report.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Not Applicable.

ITEM 4. Controls and Procedures

Our management, with the participation of the Chairman and Chief Executive Officer (the principal executive officer) and the Chief Financial Officer (the principal financial officer), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, our Chairman and Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective. There was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. Legal Proceedings

We are involved in a number of judicial, regulatory and arbitration matters arising in connection with our business. The outcome of matters we have been and currently are 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 our results of operations in any future period and a significant judgment could have a material adverse impact on our financial condition, results of operations and cash flows. We may in the future become involved in additional litigation in the ordinary course of our business, including litigation that could be material to our business. Management, after consultation with legal counsel, believes that the currently known actions or threats against us will not result in any material adverse effect on our financial condition, results of operations or cash flows.

ITEM 1A. Risk Factors

The risk factors included in our Annual Report continue to apply to us, and describe risks and uncertainties that could cause actual results to differ materially from the results expressed or implied by the forward-looking statements contained in this Quarterly Report. There have not been any material changes from the risk factors previously described in our Annual Report.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

The table below sets forth the information with respect to purchases made by or on behalf of JMP Group LLC or any “affiliated purchaser” (as defined in Rule 10b-18(a)(3) under the Exchange Act), of our common shares during the quarter ended June 30, 2018

Period	Total Number of Shares Purchased		Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)
April 1, 2018 to April 30, 2018	-	$	-	-	804,125
May 1, 2018 to May 31, 2018	46,652	$	5.09	46,652	757,473
June 1, 2018 to June 30, 2018	46,270	$	5.21	46,270	711,203
Total	92,922			92,922	

(1) On December 11, 2017, our board of directors authorized the repurchase of 1,000,000 shares through December 31, 2018.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Mine Safety Disclosures

Not Applicable.

ITEM 5. Other Information

None.

ITEM 6. Exhibits

See Exhibit Index.

SIGNATURES

Pursuant to the requirements 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: August 7, 2018

JMP Group LLC

By:	/s/ JOSEPH A. JOLSON
Name:	**Joseph A. Jolson**
Title:	**Chairman and Chief Executive Officer**
By:	/s/ RAYMOND S. JACKSON
Name:	**Raymond S. Jackson**
Title:	**Chief Financial Officer**

EXHIBIT INDEX

Exhibit Number	Description
10.21	Second Amendment to Credit Agreement, dated as of June 21, 2018, among JMP Credit Advisors CLO V Ltd., as Borrower, JMP Credit Advisors LLC, as Collateral Manager, and BNP Paribas, as Lender (incorporated by reference to Exhibit 10.21 to the Registrant's Form 8-K filed on June 21, 2018).
10.22	Indenture, dated as of July 26, 2018, among JMP Credit Advisors CLO V Ltd., as Issuer, JMP Credit Advisors CLO V LLC, as Co-Issuer, and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 10.22 to the Registrant's Form 8-K filed on July 27, 2018).
10.23*	Amendment Number Nine to Revolving Note and Cash Subordination Agreement & Revolving Note, dated June 6, 2018, by and between JMP Securities LLC and City National Bank
10.24*	Amendment Number Four to Second Amended and Restated Credit Agreement, dated August 6, 2018, by and between JMP Holding LLC, the lenders, and City National Bank.
31.1*	Certification of Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	The following materials from the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, formatted in Extensible Business Reporting Language (XBRL), include: (i) the Consolidated Statements of Income, (ii) the Consolidated Balance Sheets, (iii) the Consolidated Statements of Cash Flows, and (iv) related notes (furnished herewith).

____
*Filed herewith

Exhibit 10.23

EXECUTION VERSION

AMENDMENT NUMBER NINE TO REVOLVING NOTE AND CASH SUBORDINATION AGREEMENT & REVOLVING NOTE

This **AMENDMENT NUMBER NINE TO REVOLVING NOTE AND CASH SUBORDINATION AGREEMENT & REVOLVING NOTE** (this "Amendment"), effective as of June 6, 2018, is entered into by and between **JMP SECURITIES LLC**, a Delaware limited liability company ("Broker/Dealer"), and **CITY NATIONAL BANK**, a national banking association ("Lender"), and in light of the following:

W I T N E S S E T H

WHEREAS, Broker/Dealer and Lender are parties to: (a) that certain Revolving Note and Cash Subordination Agreement, dated as of April 8, 2011 (as amended, restated, supplemented, or otherwise modified from time to time, the "Note Agreement"), and (b) that certain Revolving Note, dated as of April 8, 2011 (as amended, restated, supplemented, or otherwise modified from time to time, the "Note");

WHEREAS, **JMP HOLDING LLC**, formerly known as JMP Group LLC, a Delaware limited liability company ("JMP Holding Guarantor") guaranteed in favor of Lender, the obligations of Broker/Dealer under the Note Agreement and the Note pursuant to that certain General Continuing Guaranty, dated as of April 8, 2011 (as amended, restated, supplemented, or otherwise modified from time to time, the "JMP Holding Broker/Dealer Guaranty");

WHEREAS, **HARVEST CAPITAL STRATEGIES LLC**, formerly known as JMP Asset Management LLC, a Delaware limited liability company ("Harvest Guarantor") guaranteed in favor of Lender, the obligations of Broker/Dealer under the Note Agreement and the Note pursuant to that certain General Continuing Guaranty, dated as of April 30, 2014 (as amended, restated, supplemented, or otherwise modified from time to time, the "Harvest Broker/Dealer Guaranty");

WHEREAS, **JMP INVESTMENT HOLDING LLC**, a Delaware limited liability company ("JMP Investment Guarantor"; JMP Investment Guarantor, JMP Holding Guarantor, Harvest Guarantor and JMP Realty Guarantor, collectively, the "Guarantors") guaranteed in favor of Lender, the obligations of Broker/Dealer under the Note Agreement and the Note pursuant to that certain General Continuing Guaranty, dated as of May 12, 2016 (as amended, restated, supplemented, or otherwise modified from time to time, the "JMP Investment Broker/Dealer Guaranty"; the JMP Investment Broker/Dealer Guaranty, the JMP Holding Broker/Dealer Guaranty, the Harvest Broker/Dealer Guaranty and the JMP Realty Broker/Dealer Guaranty, collectively, the "Broker/Dealer Guaranties");

WHEREAS, Broker/Dealer has requested that the Lender make certain amendments to the Note Agreement and the Note; and

WHEREAS, upon the terms and conditions set forth herein, Lender is willing to accommodate the Broker/Dealer's requests.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Defined Terms. All initially capitalized terms used herein (including the preamble and recitals hereof) without definition shall have the meanings ascribed thereto in the Note Agreement, as amended hereby.

2. Amendments to Note Agreement.

(a) Section 1(a) of the Note Agreement is hereby amended by amending and restating in its entirety as follows:

"(a) Subject to the terms and conditions hereinafter set forth, the Lender agrees that from time to time between the date first written above and the 6th day of June, 2019 (the "Credit Period") it will lend to the Broker/Dealer sums of money on a revolving basis (each an "Advance", collectively "Advances") in the aggregate principal amount outstanding at any one time not in excess of $20,000,000 (the "Credit Line" or "Commitment Amount", as applicable)."

(b) Section 1(c) of the Note Agreement is hereby amended by replacing the reference to "6th day of June, 2019" with "6th day of June, 2020".

3. Amendments to Note.

(a) The Note is hereby amended by replacing the reference to "6th day of June, 2019" with "6th day of June, 2020".

4. Conditions Precedent to Amendment. The satisfaction of each of the following shall constitute conditions precedent to the effectiveness of the Amendment (such date being the "Amendment Effective Date"):

(a) Lender shall have received this Amendment, duly executed by the parties hereto, and the same shall be in full force and effect.

(b) Lender shall have received the reaffirmation and consent of each the Guarantors attached hereto as Exhibit A, duly executed and delivered by an authorized officer of each Guarantor.

(c) After giving effect to this Amendment, the representations and warranties herein, in the Note Agreement, and in the Note shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) on and as of the date hereof, as though made on such date (except to the extent that such representations and warranties relate solely to an earlier date).

(d) No injunction, writ, restraining order, or other order of any nature prohibiting, directly or indirectly, the consummation of the transactions contemplated herein shall have been issued and remain in force by any governmental entity against Broker/Dealer, any of the Guarantors, or Lender.

(e) No Events of Acceleration or Event of Default shall have occurred and be continuing or shall result from the consummation of the transactions contemplated herein.

(f) Pursuant to Section 19(b) of the Note Agreement, FINRA shall have provided prior written approval of this Amendment.

(g) All other documents and legal matters in connection with the transactions contemplated by this Amendment shall have been delivered, executed, or recorded and shall be in form and substance reasonably satisfactory to Lender.

5. Representations and Warranties. Broker/Dealer hereby represents and warrants to Lender as follows:

(a) It (i) is duly organized and existing and in good standing under the laws of the jurisdiction of its organization, (ii) is qualified to do business in any state where the failure to be so qualified reasonably could be expected to result in a material adverse effect, and (iii) has all requisite power and authority to own and operate its properties, to carry on its business as now conducted, to enter into this Amendment and carry out the transactions contemplated hereby.

(b) The execution, delivery, and performance by it of this Amendment (i) have been duly authorized by all necessary limited liability company action, (ii) do not and will not (A) violate any material provision of federal, state or local law, rule or regulation, or any order, judgment, decree, writ, injunction or award of any arbitrator, court or governmental entity binding on it or of any of the Guarantors, (B) violate the certificate of formation or limited liability company agreement of it or of any of the Guarantors, (C) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any material contractual obligation of it or of any of the Guarantors, except to the extent that any such conflict, breach or default could not individually or in the aggregate reasonably be expected to have a material adverse effect, (D) result in or require the creation or imposition of any lien of any nature whatsoever upon any assets of Broker/Dealer, other than as expressly permitted by Lender, or (E) require any approval of Broker/Dealer's interest holders or any approval or consent of any person under any material contractual obligation of Broker/Dealer, other than consents or approvals that have been obtained and that are still in force and effect and except, in the case of a material contractual obligation, for consents or approvals, the failure of which to obtain could not individually or in the aggregate reasonably be expected to cause a material adverse effect.

(c) The execution, delivery and performance by Broker/Dealer of this Amendment, and the consummation of the transactions contemplated herein do not and will not require any registration with, consent, or approval of, or notice to, or other action with or by, any governmental entity other than consents or approvals that have been obtained and that are still in force and effect.

(d) This Amendment, when executed and delivered by each person that is a party thereto, will constitute the legal, valid and binding obligation of it, enforceable against it in accordance with its respective terms, except as enforcement may be limited by equitable principles or by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally.

(e) As of the date hereof, no injunction, writ, restraining order, or other order of any nature prohibiting, directly or indirectly, the consummation of the transactions contemplated herein has been issued and remains in force by any governmental entity against Broker/Dealer or any of the Guarantors.

(f) No Events of Acceleration or Event of Default has occurred and is continuing as of the date of the effectiveness of this Amendment, and no condition exists which constitutes an Event of Acceleration or an Event of Default.

(g) The representations and warranties set forth in this Amendment, the Note Agreement, and the Note, as amended by this Amendment and after giving effect hereto, are true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) on and as of the date hereof, as though made on such date (except to the extent that such representations and warranties relate solely to an earlier date).

6. Agreements. This Amendment has been entered into without force or duress, of the free will of Broker/Dealer, and the decision of Broker/Dealer to enter into this Amendment is a fully informed decision and Broker/Dealer is aware of all legal and other ramifications of each decision. It has read and understands this Amendment, has consulted with and been represented by independent legal counsel of its own choosing in negotiations for and the preparation of this Amendment, has read this Amendment in full and final form, and has been advised by its counsel of its rights and obligations hereunder and thereunder.

7. Payment of Costs and Fees. Broker/Dealer shall reimburse Lender on demand for all of its actual out-of-pocket costs, expenses, fees and charges in connection with the preparation, negotiation, execution and delivery of this Amendment and any documents and instruments relating hereto (which costs may include the reasonable fees and expenses of any attorneys retained by Lender).

8. Choice of Law. This Amendment and the rights of the parties hereunder, shall be governed by, and construed in accordance with, the laws of the State of California applicable to contracts made and to be performed in the State of California.

9. Amendments. This Amendment cannot be altered, amended, changed or modified in any respect or particular unless each such alteration, amendment, change or modification shall have been agreed to by each of the parties and reduced to writing in its entirety and signed and delivered by each party.

10. Counterpart Execution. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which, when executed and delivered, shall be deemed to be an original and all of which, when taken together, shall constitute but one and the same agreement. Delivery of an executed counterpart of this Amendment by telefacsimile or other electronic method of transmission shall be equally as effective as delivery of an original executed counterpart of this Amendment. Any party delivering an executed counterpart of this Amendment by telefacsimile or other electronic method of transmission shall deliver an original executed counterpart of this Amendment, but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Amendment.

11. Effect on Note Agreement and Note.

(a) The Note Agreement and the Note, as amended hereby, shall be and remain in full force and effect in accordance with their respective terms and hereby are ratified and confirmed in all respects. Except for the amendments to the Note Agreement and the Note expressly set forth herein, the Note Agreement and the Note shall remain unchanged and in full force and effect. The execution, delivery and performance of this Amendment shall not operate, except as expressly set forth herein, as a modification or waiver of any right, power, or remedy of Lender under the Note Agreement or the Note. The amendments set forth herein are limited to the specifics hereof, and, except as expressly set forth herein, shall neither excuse any future non-compliance with the Note Agreement or the Note, nor operate as a waiver of any Event of Acceleration or Event of Default.

(b) Upon and after the effectiveness of this Amendment, each reference in the Note Agreement and the Note to “this Agreement”, “hereunder”, “herein”, “hereof” or words of like import referring to the Note Agreement, and each reference in each of the Broker/Dealer Guaranties to “the Note Agreement”, “thereunder”, “therein”, “thereof” or words of like import referring to the Note Agreement, shall mean and be a reference to the Note Agreement as modified and amended hereby.

(c) Upon and after the effectiveness of this Amendment, each reference in the Note Agreement and the Note to “the Revolving Note”, “hereunder”, “herein”, “hereof” or words of like import referring to the Note, and each reference in each of the Broker/Dealer Guaranties to “the Note”, “thereunder”, “therein”, “thereof” or words of like import referring to the Note, shall mean and be a reference to the Note as modified and amended hereby.

(d) To the extent any terms or provisions of this Amendment conflict with those of the Note Agreement or the Note, the terms and provisions of this Amendment shall control. To the extent that any terms and conditions shall contradict or be in conflict with any terms or conditions of the Note Agreement or the Note, after giving effect to this Amendment, such terms and conditions are hereby deemed modified or amended accordingly to reflect the terms and conditions of the Note Agreement and the Note as modified or amended hereby.

(e) Unless the context of this Amendment clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, the terms “includes” and “including” are not limiting, and the term “or” has, except where otherwise indicated, the inclusive meaning represented by the phrase “and/or”.

12. Entire Agreement. This Amendment, and terms and provisions hereof, the Note Agreement, and the Note constitute the entire understanding and agreement between the parties hereto with respect to the subject matter hereof and supersedes any and all prior or contemporaneous amendments or understandings with respect to the subject matter hereof, whether express or implied, oral or written.

13. Reaffirmation of Obligations. The Broker/Dealer hereby restates, ratifies and reaffirms each and every term and condition set forth in the Note Agreement and the Note effective as of the date hereof and as amended hereby.

14. Severability. In case any provision in this Amendment shall be invalid, illegal or unenforceable, such provision shall be severable from the remainder of this Amendment and the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have entered into this Amendment as of the date first above written

JMP SECURITIES LLC,
a Delaware limited liability company, as Broker/Dealer

/s/ Raymond Jackson

By: Name: Raymond Jackson
Title: Chief Financial Officer

CITY NATIONAL BANK,
a national banking association, as Lender

/s/ Eric Lo

By: Name: Eric Lo
Title: Vice President

Exhibit A

REAFFIRMATION AND CONSENT

All capitalized terms used herein without definition shall have the meanings ascribed thereto in: (a) that certain Revolving Note and Cash Subordination Agreement, dated as of April 8, 2012 (as amended, restated, supplemented, or otherwise modified from time to time, the "Note Agreement") by and between **JMP SECURITIES LLC**, a Delaware limited liability company ("Broker/Dealer") and **CITY NATIONAL BANK**, a national banking association ("Lender"), and (b) that certain Revolving Note, dated as of April 8, 2011 (as amended, restated, supplemented, or otherwise modified from time to time, the "Note") by and between Broker/Dealer and Lender. Reference is made to: (a) that certain Amendment Number Nine to Revolving Note and Cash Subordination Agreement & Revolving Note, effective as of June 6, 2018 (the "Amendment"), by and between Broker/Dealer and Lender, (b) that certain General Continuing Guaranty, dated as of April 8, 2011 (as amended, restated, supplemented, or otherwise modified from time to time, the "JMP Holding Broker/Dealer Guaranty") by **JMP HOLDING LLC,** formerly known as JMP Group LLC, a Delaware limited liability company ("JMP Holding Guarantor"), in favor of Lender, (c) that certain General Continuing Guaranty, dated as of April 30, 2014 (as amended, restated, or otherwise modified from time to time, the "Harvest Broker/Dealer Guaranty") by **HARVEST CAPITAL STRATEGIES LLC**, formerly known as JMP Asset Management LLC, a Delaware limited liability company ("Harvest Guarantor"), in favor of Lender, (d) that certain General Continuing Guaranty, dated as of May 12, 2016 (as amended, restated, supplemented, or otherwise modified from time to time, the "JMP Investment Broker/Dealer Guaranty"; the JMP Investment Broker/Dealer Guaranty, the JMP Holding Broker/Dealer Guaranty, the Harvest Broker/Dealer Guaranty and the JMP Realty Broker/Dealer Guaranty, collectively, the "Broker/Dealer Guaranties") by **JMP INVESTMENT HOLDING LLC,** a Delaware limited liability company ("JMP Investment Guarantor"; the JMP Investment Guarantor, JMP Holding Guarantor, the Harvest Guarantor and JMP Realty Guarantor, collectively, the "Guarantors"), in favor of Lender. The undersigned Guarantors each hereby (a) represents and warrants to the Lender that the execution, delivery, and performance of this Reaffirmation and Consent are within its powers, have been duly authorized by all necessary limited liability company action, and are not in contravention of any law, rule, or regulation, or any order, judgment, decree, writ, injunction, or award of any arbitrator, court, or governmental entity, or of the terms of its certificate of formation and limited liability company agreement, or of any material contractual obligation to which it is a party or by which any of its properties may be bound or affected, except to the extent that any such conflict, breach or default could not individually or in the aggregate reasonably be expected to have a material adverse effect; (b) consents to the amendment of the Note Agreement and the Note as set forth in the Amendment and any waivers granted therein; (c) acknowledges and reaffirms its obligations owing to the Lender under the applicable Broker/Dealer Guaranty, as amended hereby; and (d) agrees that the Note Agreement and the Note shall remain in full force and effect, as amended hereby. Although each of the undersigned has been informed of the matters set forth herein and has acknowledged and agreed to same, they each understand that the Lender has no obligation to inform it of such matters in the future or to seek its acknowledgment or agreement to future amendments, and nothing herein shall create such a duty. Delivery of an executed counterpart of this Reaffirmation and Consent by telefacsimile or electronic mail shall be equally as effective as delivery of an original executed counterpart of this Reaffirmation and Consent. Any party delivering an executed counterpart of this Reaffirmation and Consent by telefacsimile or electronic mail also shall deliver an original executed counterpart of this Reaffirmation and Consent but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Reaffirmation and Consent. This Reaffirmation and Consent shall be governed by the laws of the State of California.

IN WITNESS WHEREOF, the undersigned have each caused this Reaffirmation and Consent to be executed as of the date of the Amendment.

JMP HOLDING LLC (formerly known as JMP Group LLC),
a Delaware limited liability company,

/s/ Raymond S. Jackson
By: Name: Raymond S. Jackson
Title: Chief Financial Officer

HARVEST CAPITAL STRATEGIES LLC (formerly known as JMP Asset Management LLC),
a Delaware limited liability company,

/s/ Raymond S. Jackson
By: Name: Raymond S. Jackson
Title: Chief Financial Officer

JMP INVESTMENT HOLDINGS LLC,
a Delaware limited liability company,

/s/ Raymond S. Jackson
By: Name: Raymond S. Jackson
Title: Chief Financial Officer

Exhibit 10.24

AMENDMENT NUMBER FOUR TO SECOND

AMENDED AND RESTATED CREDIT AGREEMENT

This **AMENDMENT NUMBER FOUR TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT** (this "Amendment"), dated as of August 6, 2018 is entered into by and between **JMP HOLDING LLC**, formerly known as JMP Group LLC, a Delaware limited liability company ("Borrower"), the lenders from time to time party to the below-defined Credit Agreement (together with their respective successors and assigns, each a "Lender" and collectively, the "Lenders") and **CITY NATIONAL BANK**, a national banking association ("CNB"), as the administrative agent for the Lenders, (in such capacity, together with its successors and assigns in such capacity, the "Agent") , and in light of the following:

W I T N E S S E T H

WHEREAS, Borrower, Agent and the Lenders are party to that certain Second Amended and Restated Credit Agreement, dated as of April 30, 2014 (as amended, restated, supplemented, or otherwise modified from time to time, the "Credit Agreement");

WHEREAS, JMP Securities LLC, a Delaware limited liability company, and CNB are parties to that certain Revolving Note and Cash Subordination Agreement, dated as of April 8, 2011 (as amended, restated, supplemented, or otherwise modified from time to time, the "Note Agreement");

WHEREAS, Agent and the Lenders have requested that JMP Capital LLC, a Delaware limited liability company, JMP Realty I LLC, a Delaware limited liability company, JMP Realty II LLC, a Delaware limited liability company, JMP Group Inc., a Delaware corporation, JMP Capital I Managing Member LLC, a Delaware limited liability company, Harvest Capital Strategies Holdings LLC, a Delaware limited liability company, and Harvest Capital Strategies Capital Interests LLC, a Delaware limited liability company (all are referred to hereinafter collectively as the "New Loan Parties"), act as Guarantors under the Credit Agreement;

WHEREAS, Borrower has requested that Agent and the Lenders make certain amendments to the Credit Agreement; and

WHEREAS, upon the terms and conditions set forth herein, Agent and the Lenders are willing to accommodate Borrower's requests.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. **DEFINITIONS.** CAPITALIZED TERMS USED HEREIN AND NOT OTHERWISE DEFINED HEREIN SHALL HAVE THE MEANINGS ASCRIBED TO THEM IN THE CREDIT AGREEMENT, AS AMENDED HEREBY.

2. **AMENDMENTS TO CREDIT AGREEMENT.**

a. Section 1.1 of the Credit Agreement is hereby amended by inserting or amending and restating, as applicable, the following definitions in their entirety:

"Final Payment Date" means the earlier to occur of (a) June 4, 2022; or (b) the date that is 90 days prior to the earliest maturity date set forth in any of the 2013 Notes or the 2014 Notes.

"Final Revolving Commitment Termination Date" means the earlier to occur of (a) June 4, 2019; or (b) such earlier date on which the Revolving Loans shall become due and payable in accordance with the terms of this Agreement and the other Loan Documents.

b . Section 2.3(e) of the Credit Agreement is hereby amended by deleting the words "July 2, 2018" appearing therein and replacing such language with the words "July 1, 2019".

3. **REPRESENTATIONS AND WARRANTIES** .BORROWER HEREBY REPRESENTS AND WARRANTS TO AGENT AND THE LENDERS AS FOLLOWS:

a. Borrower has the requisite power and authority to execute and deliver this Amendment and the authority to perform its obligations hereunder and under the Loan Documents to which it is a party. The execution, delivery, and performance of this Amendment and the performance by Borrower of each Loan Document to which it is a party (i) have been duly approved by all necessary action and no other proceedings are necessary to consummate such transactions; and (ii) are not in contravention of (A) any law, rule, or regulation, or any order, judgment, decree, writ, injunction, or award of any arbitrator, court or governmental authority binding on it, (B) the terms of its organizational documents, or (C) any provision of any contract or undertaking to which it is a party or by which any of its properties may be bound or affected;

b. This Amendment has been duly executed and delivered by Borrower. This Amendment will, upon its effectiveness in accordance with the terms hereof, and each Loan Document to which Borrower is a party is the legal, valid and binding obligation of Borrower, enforceable against Borrower in accordance with its terms, and is in full force and effect except as such validity and enforceability is limited by the laws of insolvency and bankruptcy, laws affecting creditors' rights and principles of equity applicable hereto;

c. No injunction, writ, restraining order, or other order of any nature prohibiting, directly or indirectly, the consummation of the transactions contemplated herein has been issued and remains in force by any Governmental Authority against Borrower;

d. Borrower does not have any actual or potential claim or cause of action against Agent or any Lender for any actions or events occurring on or before the date hereof, and Borrower hereby waives and releases any right to assert same;

e. No Default or Event of Default has occurred and is continuing on the date hereof or as of the date of the effectiveness of this Amendment after giving effect to this Amendment; and

f. The representations and warranties in the Credit Agreement and the other Loan Documents are true and correct in all material respects (except to the extent qualified by materiality, then such representations and warranties are true and correct in all respects) on and as of the date hereof, as though made on such date (except to the extent that such representations and warranties relate solely to an earlier date).

4. CONDITIONS PRECEDENT TO THIS AMENDMENT. THE SATISFACTION OF EACH OF THE FOLLOWING SHALL CONSTITUTE CONDITIONS PRECEDENT TO THE EFFECTIVENESS OF THIS AMENDMENT AND EACH AND EVERY PROVISION HEREOF:

a. Agent shall have received this Amendment, duly executed by Borrower, and the same shall be in full force and effect;

b. Agent shall have received a reaffirmation and consent substantially in the form attached hereto as Exhibit A, duly executed and delivered by each Subsidiary of Borrower that is listed on the signature pages thereof;

c. The representations and warranties in the Credit Agreement and the other Loan Documents shall be true and correct in all respects on and as of the date hereof, as though made on such date (except to the extent that such representations and warranties relate solely to an earlier date);

d. No Default or Event of Default shall have occurred and be continuing as of the date of the effectiveness of this Amendment after giving effect to this Amendment;

e. No injunction, writ, restraining order, or other order of any nature prohibiting, directly or indirectly, the consummation of the transactions contemplated herein shall have been issued and remain in force by any Governmental Authority against Borrower;

f. Agent shall have received the following documents, duly executed and delivered by such parties, and each in form and substance satisfactory to Agent:

(i) a Joinder No. 2 to the Intercompany Subordination Agreement and Stock Pledge Agreement, dated as of the date hereof ("Joinder No. 2"), by and among Agent, each New Loan Party and the other Loan Parties, together with the original stock certificates, if any, representing all of the Stock of the New Loan Parties, accompanied by undated stock powers/transfer forms executed in blank, in each case, in form and substance satisfactory to Agent and the same shall be in full force and effect;

(ii) Security Agreements, dated as of the date hereof (each, a "Security Agreement"), by each New Loan Party, JMP Credit Advisors LLC, JMP Asset Management LLC (collectively, the "Transaction Parties"), and Agent, which shall be in full force and effect;

(iii) a financing statement to be filed in the office of the Secretary of State against each New Loan Party to perfect the Agent's Liens in and to the Collateral of such New Loan Party;

(iv) Guaranties with respect to obligations under the Credit Agreement, by each New Loan Party in favor of Agent (each, a "Guaranty"), and Guaranties with respect to obligations under the Note Agreement, by each of the Transaction Parties in favor of CNB (each, a "Broker/Dealer Guaranty"), in each case, in form and substance satisfactory to Agent which shall be in full force and effect;

(v) an Officer's Certificate from the secretary of each Transaction Party, dated as of the date hereof, (a) attesting to the resolutions of such party's board of directors (or other similar body) authorizing its execution, delivery, and performance of this Agreement and of Joinder No. 2, the Security Agreements, the Guaranties and the Broker/Dealer Guaranties to which such party is or will become a party, (b) authorizing officers of such party to execute the same, (c) attesting to the incumbency and signatures of such specific officers of such party and (iv) attesting to copies of such party's Governing Documents, as amended, modified or supplemented to the date thereof; and

(vi) a certificate of status with respect to each party, dated as of a recent date, such certificate to be issued by the appropriate officer of the jurisdiction of organization of such party, which certificate shall indicate that such party is in good standing in such jurisdiction.

g. All other documents and legal matters in connection with the transactions contemplated by this Amendment shall have been delivered, executed, or recorded and shall be in form and substance reasonably satisfactory to Agent.

5. COVENANTS.

Borrower shall, within thirty (30) days of the date hereof, cause:

a. the organizational documents of each Loan Party to be amended to include a provision, substantially similar to Exhibit B hereto. The final form of such amendment shall be subject to the prior written consent of Agent, and Agent shall not unreasonably withhold such consent. Borrower shall promptly provide Agent with copies of such amended organizational documents;

b. JMP Group LLC ("Parent") to execute and deliver:

(i) that certain Limited Recourse Stock Pledge Agreement (the "Limited Recourse Stock Pledge Agreement"), by and between Parent and Agent, whereby Parent shall pledge to Agent, as security for the Obligations, all of Parent's membership interests in JMP Investment Holdings LLC and all of Parent's shares of capital stock in JMP Asset Management, Inc. ;

(ii) an Officer's Certificate from the secretary of Parent, dated as of the date of, (a) attesting to the resolutions of Parent's board of directors (or other similar body) authorizing its execution, delivery, and performance of the Limited Recourse Stock Pledge Agreement, (b) authorizing officers of Parent to execute the same, (c) attesting to the incumbency and signatures of such specific officers of Parent and (iv) attesting to copies of Parent's Governing Documents, as amended, modified or supplemented to the date thereof;

(iii) a certificate of status with respect to Parent, dated as of a recent date, such certificate to be issued by the appropriate officer of the jurisdiction of organization of Parent, which certificate shall indicate that Parent is in good standing in such jurisdiction; and

c. Agent to receive a financing statement to be filed in the office of the Secretary of State against Parent to perfect the Agent's Liens in and to the Collateral of Parent pledged by Parent under the Limited Recourse Stock Pledge Agreement.

6. AGREEMENTS.

This Amendment has been entered into without force or duress, of the free will of Borrower, and the decision of Borrower to enter into this Amendment is a fully informed decision and Borrower is aware of all legal and other ramifications of each decision. It has read and understands this Amendment, has consulted with and been represented by independent legal counsel of its own choosing in negotiations for and the preparation of this Amendment, has read this Amendment in full and final form, and has been advised by its counsel of its rights and obligations hereunder and thereunder.

7. PAYMENT OF COSTS AND FEES.

Borrower shall reimburse Agent on demand for all of its actual out-of-pocket costs, expenses, fees and charges in connection with the preparation, negotiation, execution and delivery of this Amendment and any documents and instruments relating hereto (which costs may include the reasonable fees and expenses of any attorneys retained by Agent).

8. CONSTRUCTION. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF CALIFORNIA APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED IN THE STATE OF CALIFORNIA.

9. ENTIRE AMENDMENT; EFFECT OF AMENDMENT. THIS AMENDMENT, AND TERMS AND PROVISIONS HEREOF, THE CREDIT AGREEMENT AND THE OTHER LOAN DOCUMENTS CONSTITUTE THE ENTIRE UNDERSTANDING AND AGREEMENT BETWEEN THE PARTIES HERETO WITH RESPECT TO THE SUBJECT MATTER HEREOF AND SUPERSEDES ANY AND ALL PRIOR OR CONTEMPORANEOUS AMENDMENTS OR UNDERSTANDINGS WITH RESPECT TO THE SUBJECT MATTER HEREOF, WHETHER EXPRESS OR IMPLIED, ORAL OR WRITTEN. EXCEPT FOR THE AMENDMENTS TO THE CREDIT AGREEMENT EXPRESSLY SET FORTH IN SECTION 2, HEREOF, THE CREDIT AGREEMENT AND OTHER LOAN DOCUMENTS SHALL REMAIN UNCHANGED AND IN FULL FORCE AND EFFECT. EXCEPT AS EXPRESSLY SET FORTH HEREIN, THE EXECUTION, DELIVERY, AND PERFORMANCE OF THIS AMENDMENT SHALL NOT OPERATE AS A WAIVER OF OR AS AN AMENDMENT OF ANY RIGHT, POWER, OR REMEDY OF AGENT OR THE LENDERS AS IN EFFECT PRIOR TO THE DATE HEREOF. THE AMENDMENTS SET FORTH HEREIN ARE LIMITED TO THE SPECIFICS HEREOF, SHALL NOT APPLY WITH RESPECT TO ANY FACTS OR OCCURRENCES (OR ANY SUBSIDIARY OTHER THAN THE TRANSACTION PARTIES) OTHER THAN THOSE ON WHICH THE SAME ARE BASED, SHALL NOT EXCUSE FUTURE NON-COMPLIANCE WITH THE CREDIT AGREEMENT, AND SHALL NOT OPERATE AS A CONSENT TO ANY FURTHER OR OTHER MATTER, UNDER THE LOAN DOCUMENTS. TO THE EXTENT ANY TERMS OR PROVISIONS OF THIS AMENDMENT CONFLICT WITH THOSE OF THE CREDIT AGREEMENT OR OTHER LOAN DOCUMENTS, THE TERMS AND PROVISIONS OF THIS AMENDMENT SHALL CONTROL. THIS AMENDMENT IS A LOAN DOCUMENT.

10. COUNTERPARTS; ELECTRONIC EXECUTION.

This Amendment may be executed in any number of counterparts, all of which when taken together shall constitute one and the same instrument and any of the parties hereto may execute this Amendment by signing any such counterpart. Delivery of an executed counterpart of this Amendment by telefacsimile or electronic mail shall be equally as effective as delivery of an original executed counterpart of this Amendment. Any party delivering an executed counterpart of this Amendment by telefacsimile or electronic mail also shall deliver an original executed counterpart of this Amendment, but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Amendment.

11. EFFECT ON LOAN DOCUMENTS.

a. The Credit Agreement, as amended hereby, and each of the other Loan Documents shall be and remain in full force and effect in accordance with their respective terms and hereby are ratified and confirmed in all respects. Except for the amendments to the Credit Agreement expressly set forth herein, the Credit Agreement and other Loan Documents shall remain unchanged and in full force and effect. The execution, delivery and performance of this Amendment shall not operate, except as expressly set forth herein, as a modification or waiver of any right, power, or remedy of Agent or any Lender under the Credit Agreement or any other Loan Document. The amendments set forth herein are limited to the specifics hereof, and, except as expressly set forth herein, shall neither excuse any future non-compliance with the Credit Agreement, nor operate as a waiver of any Unmatured Event of Default or Event of Default.

b. Upon and after the effectiveness of this Amendment, each reference in the Credit Agreement to "this Agreement", "hereunder", "herein", "hereof" or words of like import referring to the Credit Agreement, and each reference in the other Loan Documents to "the Credit Agreement", "thereunder", "therein", "thereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement as modified and amended hereby.

c. To the extent any terms or provisions of this Amendment conflict with those of the Credit Agreement or other Loan Documents, the terms and provisions of this Amendment shall control. To the extent that any terms and conditions in any of the Loan Documents shall contradict or be in conflict with any terms or conditions of the Credit Agreement, after giving effect to this Amendment, such terms and conditions are hereby deemed modified or amended accordingly to reflect the terms and conditions of the Credit Agreement as modified or amended hereby.

d. This Amendment is a Loan Document.

e. Unless the context of this Amendment clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, the terms "includes" and "including" are not limiting, and the term "or" has, except where otherwise indicated, the inclusive meaning represented by the phrase "and/or".

12. REAFFIRMATION OF OBLIGATIONS.

Borrower hereby restates, ratifies and reaffirms each and every term and condition set forth in the Credit Agreement and the other Loan Documents to which it is a party effective as of the date hereof and as amended hereby. Borrower hereby further ratifies and reaffirms the validity and enforceability of all of the liens and security interests in the Collateral heretofore granted, pursuant to and in connection with any Loan Document to

Agent as collateral security for the obligations under the Loan Documents in accordance with their respective terms, and acknowledges that all of such liens and security interests, and all Collateral heretofore pledged as security for such obligations, continues to be and remain collateral for such obligations from and after the date hereof, in each case except as otherwise expressly provided in the Loan Documents.

13. SEVERABILITY.

In case any provision in this Amendment shall be invalid, illegal or unenforceable, such provision shall be severable from the remainder of this Amendment and the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

1. **IN WITNESS WHEREOF**, the parties have caused this Amendment to be executed and delivered as of the date first written above.

BORROWER:

JMP HOLDING LLC, formerly known as JMP Group LLC,
a Delaware limited liability company

By: /s/ Raymond Jackson
Name: Raymond Jackson
Title: Chief Financial Officer

AGENT AND LENDER:

CITY NATIONAL BANK,
a national banking corporation,
as Agent and as a Lender

By:/s/ Eric Lo
Name: Eric Lo
Title: Vice President

EXHIBIT A

REAFFIRMATION AND CONSENT

All capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed to them in (a) that certain Second Amended and Restated Credit Agreement entered into between **JMP HOLDING LLC**, formerly known as JMP Group LLC, a Delaware limited liability company ("Borrower"), the lenders from time to time party to the below-defined Credit Agreement (together with their respective successors and assigns, each a "Lender" and collectively, the "Lenders"), and **CITY NATIONAL BANK**, a national banking association ("CNB"), as the administrative agent for the Lenders, (in such capacity, together with its successors and assigns in such capacity, the "Agent"), dated as of April 30, 2014 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), (b) that certain Amendment Number One to Second Amended and Restated Credit Agreement, dated as of April 25, 2016 (the "First Amendment") by and among Borrower, Agent and the Lenders, (c) that certain Amendment Number Two to Second Amended and Restated Credit Agreement, dated as of August 24, 2016 (the " Second Amendment") by and among Borrower, Agent and the Lenders, (d) that certain Amendment Number Three to Second Amended and Restated Credit Agreement, dated as of May 12, 2017 ("Third Amendment") by and among Borrower, Agent and the Lenders, and (e) that certain Amendment Number Four to Second Amended and Restated Credit Agreement, dated as of August 6, 2018 (the "Amendment") by and among Borrower, Agent and Lenders. The undersigned hereby (a) represents and warrants to Agent and the Lenders that the execution, delivery, and performance of this Reaffirmation and Consent are within its powers, have been duly authorized by all necessary action, and are not in contravention of any law, rule, or regulation, or any order, judgment, decree, writ, injunction, or award of any arbitrator, court, or governmental authority, or of the terms of its charter or bylaws, or of any contract or undertaking to which it is a party or by which any of its properties may be bound or affected; (b) consents to the transactions contemplated by the Amendment, by the Waiver and by each amendment to any Loan Document executed on or before the date hereof; (c) acknowledges and reaffirms its obligations owing to Agent and the Lenders under any Loan Documents to which it is a party; and (d) agrees that each of the Loan Documents to which it is a party is and shall remain in full force and effect. Although each of the undersigned has been informed of the matters set forth herein and has acknowledged and agreed to same, each understands that Agent and the Lenders have no obligation to inform it of such matters in the future or to seek its acknowledgment or agreement to future amendments, and nothing herein shall create such a duty. Delivery of an executed counterpart of this Reaffirmation and Consent by telefacsimile or electronic mail shall be equally as effective as delivery of an original executed counterpart of this Reaffirmation and Consent. Any party delivering an executed counterpart of this Reaffirmation and Consent by telefacsimile or electronic mail also shall deliver an original executed counterpart of this Reaffirmation and Consent but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Reaffirmation and Consent. This Reaffirmation and Consent shall be governed by the laws of the State of California.

[Signature page to follow.]

IN WITNESS WHEREOF, the undersigned have each caused this Reaffirmation and Consent to be executed as of the date of the Amendment.

HARVEST CAPITAL STRATEGIES LLC,
a Delaware limited liability company

By:
Title:

JMP ASSET MANAGEMENT INC.,
a Delaware limited liability company

By:
Title:

JMP CREDIT ADVISORS LLC,
a Delaware limited liability company

By:
Title:

JMP INVESTMENT HOLDINGS LLC,
a Delaware limited liability company

By:
Title:

JMP ASSET MANAGEMENT LLC,
a Delaware limited liability company

By:
Title:

EXHIBIT B
Form of Operating Agreement Amendment Provision

The [Member/Shareholder] may transfer, assign, pledge or encumber all or part of its [Membership Interest/Share] in the [Company], except as otherwise prohibited by the Credit Facility (as defined below). Any successor or assignee of the assigning [Member/Shareholder] (including, for the avoidance of doubt, any transferee or assignee resulting from the foreclosure or other exercise of remedies with respect to the [Membership Interest/Shareholder] in connection with any pledge or hypothecation by [Member/Shareholder] of all or any part of its [Membership Interest/Share] in the [Company], except as otherwise prohibited by the Credit Facility) shall automatically be admitted as the [Member/Shareholder] and have all the rights and powers of the assigning [Member/Shareholder] under this Agreement, including, without limitation, all economic rights, voting rights and control rights, and applicable law, in each case, without the need for further consents or actions of any other person, the Company or [Member/Shareholder]. As used herein, "Credit Facility" means that that certain Second Amended and Restated Credit Agreement, dated as of April 30, 2014 (as amended, restated, supplemented, or otherwise modified from time to time, by and between JMP HOLDING LLC, formerly known as JMP Group LLC, a Delaware limited liability company, the lenders from time to time a party thereto, and CITY NATIONAL BANK, a national banking association, as administrative agent for such lenders.

Exhibit 31.1

JMP GROUP LLC

CERTIFICATION OF CHIEF EXECUTIVE OFFICER REQUIRED BY RULE 13A-14(A) OR RULE 15D-14(A) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph A. Jolson, certify that:

1. I have reviewed this quarterly report for the period ended June 30, 2018 on Form 10-Q of JMP Group LLC;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2018

/s/ Joseph A. Jolson
Joseph A. Jolson
Chairman and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

JMP GROUP LLC

CERTIFICATION OF CHIEF FINANCIAL OFFICER REQUIRED BY RULE 13A-14(A) OR RULE 15D-14(A) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Raymond S. Jackson, certify that:

1. I have reviewed this quarterly report for the period ended June 30, 2018 on Form 10-Q of JMP Group LLC;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2018

/s/ Raymond S. Jackson
Raymond S. Jackson
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

JMP GROUP LLC

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the periodic report of JMP Group LLC (the "Company") on Form 10-Q for the period ended June 30, 2018, as filed with the Securities and Exchange Commission (the "Report"), I, Joseph A. Jolson, Chief Executive Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: August 7, 2018

/s/ Joseph A. Jolson
Joseph A. Jolson
Chief Executive Officer

This certification accompanies this Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Exhibit 32.2

JMP GROUP LLC

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the periodic report of JMP Group LLC (the "Company") on Form 10-Q for the period ended June 30, 2018, as filed with the Securities and Exchange Commission (the "Report"), I, Raymond S. Jackson, Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: August 7, 2018

/s/ Raymond S. Jackson
Raymond S. Jackson
Chief Financial Officer

This certification accompanies this Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.