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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2021 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 and Zip code)

(415) 835-8900
(Registrant's telephone number, including area code)

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

Title of Each Class	Trading symbol(s)	Name of Each Exchange on Which Registered
Shares representing limited liability company interests in JMP Group LLC	JMP	New York Stock Exchange
JMP Group LLC 6.875% Senior Notes due 2029	JMPNZ	The NASDAQ Global Market
JMP Group Inc. 7.25% Senior Notes due 2027	JMPNL	The NASDAQ Global Market

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth 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	☒	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 May 10, 2021: 19,852,493.

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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”). 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. 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 the Investor Relations section of JMP Group LLC's website in addition to following JMP Group LLC’s SEC filings, press releases and investor presentation materials.

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

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

	March 31, 2021	December 31, 2020 (1)
Assets		
Cash and cash equivalents	$ 61,204	$ 91,444
Restricted cash	1,293	1,287
Investment banking fees receivable	17,277	13,676
Marketable securities owned at fair value (includes $5,660 and $5,696 pledged as collateral at March 31, 2021 and December 31, 2020, respectively)	57,653	55,494
Other investments (includes $15,006 and $17,611 measured at fair value at March 31, 2021 and December 31, 2020, respectively)	25,093	26,821
Loans held for investment, net of allowance for loan losses	901	994
Interest receivable	312	336
Fixed assets, net	2,855	3,118
Operating lease right-of-use asset	15,353	16,244
Deferred tax asset	17,926	17,895
Other assets	15,396	14,022
Total assets	$ 215,263	$ 241,331
Liabilities and Equity		
Liabilities:		
Marketable securities sold, but not yet purchased, at fair value	$ 446	$ -
Accrued compensation	18,264	46,353
Interest payable	610	706
Note payable	10,610	10,610
Bond payable (net of debt issuance costs of $2,600 and $2,953 at March 31, 2021 and December 31, 2020, respectively)	71,289	80,912
Operating lease liability	19,997	21,130
Deferred tax liability	9,298	8,482
Other liabilities	18,269	10,730
Total liabilities	148,783	178,923
Commitments and Contingencies (Note 14)		
JMP Group LLC Shareholders' Equity		
Common shares, $0.001 par value, 100,000,000 shares authorized at March 31, 2021 and December 31, 2020; 22,797,092 shares issued at March 31, 2021 and December 31, 2020; 19,835,721 and 19,789,821 shares outstanding at March 31, 2021 and December 31, 2020, respectively	23	23
Additional paid-in capital	134,259	134,065
Treasury shares at cost, 3,161,548 and 3,007,271 shares at March 31, 2021 and December 31, 2020, respectively	(13,286)	(13,478)
Accumulated other comprehensive income (loss)	2,149	(369)
Accumulated deficit	(56,212)	(57,301)
Total JMP Group LLC shareholders' equity	66,933	62,940
Non-controlling interest	(453)	(532)
Total equity	66,480	62,408
Total liabilities and equity	$ 215,263	$ 241,331

(1) The statement of financial condition as of December 31, 2020 is derived from the audited financial statements as of that date.

See accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31, 2021	2020
Revenues		
Investment banking	$ 32,569	$ 14,625
Brokerage	5,905	4,187
Asset management fees	2,169	1,716
Principal transactions	(3,211)	(17,552)
Net dividend income	-	227
Other income	816	935
Non-interest revenues	38,248	4,138
Interest income	2,101	2,214
Interest expense	(1,568)	(1,782)
Net interest income	533	432
(Loss) gain on repurchase, reissuance or early retirement of debt	(288)	697
Total net revenues	38,493	5,267
Non-interest expenses		
Compensation and benefits	29,945	16,213
Administration	1,491	2,222
Brokerage, clearing and exchange fees	680	634
Travel and business development	67	922
Managed deal expenses	1,398	588
Communications and technology	1,107	1,129
Occupancy	1,198	1,199
Professional fees	827	890
Depreciation	275	548
Other	(42)	-
Total non-interest expenses	36,946	24,345
Net income (loss) before income taxes	1,547	(19,078)
Income tax expense (benefit)	379	(7,239)
Net income (loss)	1,168	(11,839)
Less: Net income (loss) attributable to non-controlling interest	79	(91)
Net income (loss) attributable to JMP Group LLC	$ 1,089	$ (11,748)
Net income (loss) attributable to JMP Group LLC per common share:		
Basic	$ 0.05	$ (0.60)
Diluted	$ 0.05	$ (0.60)
Weighted average common shares outstanding:		
Basic	19,824	19,532
Diluted	20,678	19,532

See accompanying notes to consolidated financial statements.

JMP Group LLC
Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)
(In thousands)

	Three Months Ended March 31,	
	2021	**2020**
Net income (loss)	$ 1,168	$ (11,839)
Other comprehensive income:		
Net unrealized losses on available-for-sale securities, during the period, net of income tax benefit of ($308) and ($3,163)	(886)	$ (8,609)
Less: Reclassification adjustments for net losses on available-for-sale securities, net of income tax provision of $1,184 and $3,633	3,403	9,890
Net other comprehensive income, net of income tax provision of $876 and $470	2,517	1,281
Comprehensive income (loss)	3,685	(10,558)
Less: Comprehensive income (loss) attributable to non-controlling interest	79	(91)
Comprehensive income (loss) attributable to JMP Group LLC	$ 3,606	$ (10,467)

See accompanying notes to consolidated financial statements.

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

	JMP Group LLC's Equity							
	Common Shares		Treasury	Additional Paid-In	Accumulated	Accumulated Other Comprehensive	Non-controlling	Total
	Shares	Amount	Shares	Capital	Deficit	Income (Loss)	Interest	Equity
Balance, December 31, 2020	22,797	$ 23	$ (13,478)	$ 134,065	$ (57,301)	$ (369)	$ (532)	$ 62,409
Net income	-	-	-	-	1,089	-	79	1,168
Additional paid-in capital - share-based compensation	-	-	-	194	-	-	-	194
Purchases of shares of common shares for treasury	-	-	192	-	-	-	-	192
Other comprehensive income	-	-	-	-	-	2,518	-	2,518
Balance, March 31, 2021	22,797	23	(13,286)	134,259	(56,212)	2,149	(453)	66,481

	JMP Group LLC's Equity							
	Common Shares		Treasury	Additional Paid-In	Accumulated	Accumulated Other Comprehensive	Non-controlling	Total
	Shares	Amount	Shares	Capital	Deficit	Income (Loss)	Interest	Equity
Balance, December 31, 2019	22,797	$ 23	$ (14,872)	$ 133,894	$ (52,588)	$ (4,769)	$ (327)	$ 61,361
Net loss	-	-	-	-	(11,748)	-	(91)	(11,839)
Additional paid-in capital - share-based compensation	-	-	-	266	-	-	-	266
Purchases of shares of common shares for treasury	-	-	(26)	-	-	-	-	(26)
Reissuance of shares of common shares from treasury	-	-	200	(32)	-	-	-	168
Other comprehensive income	-	-	-	-	-	1,281	-	1,281
Balance, March 31, 2020	22,797	23	(14,698)	134,128	(64,336)	(3,488)	(417)	51,212

See accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Cash flows from operating activities:		
Net income (loss)	$ 1,168	$ (11,839)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Loss (gain) on repurchase, reissuance or early retirement of debt	288	(697)
Change in other investments:		
Income from investments in equity method investees	(533)	(297)
Loss (gain) on other investments	120	(292)
Depreciation and amortization	134	435
Share-based compensation expense	444	432
Distributions of investment income from equity method investments	355	256
Deferred income tax expense (benefit)	379	-
Other, net	(40)	6
Net change in operating assets and liabilities:		
Decrease in interest receivable	24	110
(Increase) decrease in receivables	(3,559)	3,309
Decrease in marketable securities	2,949	18,828
Increase in other assets	(1,861)	(5,940)
Increase (decrease) in marketable securities sold, but not yet purchased	446	(1,896)
(Increase) decrease in interest payable	(96)	191
Decrease in accrued compensation	(28,089)	(24,661)
Increase (decrease) in other liabilities	7,540	(1,188)
Net cash used in operating activities	(20,331)	(23,243)
Cash flows from investing activities:		
Purchases of fixed assets	(14)	(266)
Purchases of other investments	(829)	(39)
Sales or distributions from other investments	901	13,694
Sale, payoff and principal receipts on loans held for investment	97	34
Net cash provided by investing activities	155	13,423

See accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31,	
	2021	**2020**
Cash flows from financing activities:		
Repurchase of bonds payable	(10,000)	(1,349)
Employee taxes paid on shares withheld for tax-withholding purposes	(58)	(26)
Net cash used in financing activities	(10,058)	(1,375)
Net decrease in cash, cash equivalents, and restricted cash	(30,234)	(11,195)
Cash, cash equivalents and restricted cash, beginning of period	92,731	50,917
Cash, cash equivalents and restricted cash, end of period	$ 62,497	$ 39,722
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	$ 1,664	$ 1,680
Cash received during the period for taxes, net of refunds	$ -	$ (7)
Non-cash investing and financing activities:		
Reissuance of common shares from treasury related to vesting of restricted share units	$ 250	$ 200

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 financial services firm headquartered in San Francisco, California. The Company conducts its investment banking and institutional brokerage business through JMP Securities LLC (“JMP Securities”) and its asset management business through Harvest Capital Strategies LLC (“HCS”), HCAP Advisors LLC (“HCAP Advisors”) and JMP Asset Management LLC (“JMPAM”). 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”), a publicly-traded business development company. 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, which was a wholly-owned subsidiary until March 19, 2019, is an asset management platform that underwrites and manages investments in senior secured debt. 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 2020, Medalist Partners Corporate Finance LLC ("MPCF") completed the securitization of Medalist Partners Corporate Finance CLO VI Ltd upon which the related CLO VI warehouse was liquidated. The Company does not hold any subordinated notes of Medalist Partners Corporate Finance CLO VI Ltd.

On December 23, 2020, HCC and Portman Ridge Finance Corporation (“PTMN”) announced that they have entered into a definitive agreement under which HCC will merge with and into PTMN, a business development company managed by Sierra Crest Investment Management LLC (“Sierra Crest”), an affiliate of BC Partners Advisors L.P. The parties currently expect the transaction to be completed in the second calendar quarter of 2021. The Company’s partially-owned subsidiary HCAP Advisors provides investment advisory services to HCC. In addition, the Company had investments in HCC common stock of $8.5 million as of March 31,2021. In connection with the above transaction, HCC stockholders will receive aggregate consideration equal to HCC’s net asset value at closing. This consideration will be funded using PTMN shares (valued at 100% of PTMN’s net asset value per share at the time of closing of the transaction) and, to the extent the required number of PTMN shares exceeds 19.9% of the issued and outstanding shares of PTMN common stock immediately prior to the transaction closing, cash consideration in the amount of such excess. As described below, HCAP stockholders will have an opportunity, subject to certain limitations, to elect to receive either cash or PTMN shares in consideration for their HCAP shares. Additionally, all HCAP stockholders will receive an additional cash payment from Sierra Crest of $2.15 million in the aggregate, or approximately $0.36 per share.

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 Quarterly Report on 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, 2020 filed with the SEC on March 29, 2021 (the "Annual Report"). Certain disclosures required by GAAP and normally included in an annual report on Form 10-K have been condensed or omitted from this report; however, except as disclosed herein, there has been no material change in the information disclosed in the notes to consolidated financial statements included in 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 the Company is 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 at March 31, 2021 and December 31, 2020 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 three months ended March 31, 2021, there were no significant changes made to the Company's significant accounting policies. See Note 3, *Recent Accounting Pronouncements*, for a summary of recently adopted or yet to be adopted accounting pronouncements, and their impact on the Company.

3. Recent Accounting Pronouncements

Accounting Standards to be adopted in Future Periods

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (CECL)*, with subsequent amendments to clarify the guidance, provide transitional relief provisions and minor updates to the original ASU. ASU 206-13 replaces the existing 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 ASU is required to be adopted using a modified retrospective approach with a cumulative-effect adjustment to beginning retained earnings, as of the beginning of the first reporting period the guidance is effective for. As a result of one of the amendments to ASU 2016-13, the new guidance will be effective for public business entities that meet the definition of a smaller reporting company for fiscal years and all interim periods within those fiscal years, beginning after December 15, 2022, with early adoption permitted. The Company does not plan to early adopt this standard, but continues to work through implementation. While the Company cannot reasonably estimate the impact of adopting this standard, it expects the impact will be influenced by the composition, characteristics and quality of the Company's securities portfolios, as well as the general economic conditions and forecasts as of the adoption date.

Recently Adopted Accounting Guidance

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, to simplify the accounting for income taxes. This guidance eliminates certain exceptions to the general approach to the income tax accounting model, and adds new guidance to reduce the complexity in accounting for income taxes. The Company adopted ASU 2019-12 effective January 1, 2021. The adoption did not materially impact the Company's consolidated financial statements or disclosure

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic* 820*): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. ASU 2018-13 eliminates, adds and modifies certain disclosure requirements for fair value measurements as part of the FASB's disclosure framework project. The Company adopted ASU 2018-13 effective January 1, 2020. The adoption did not materially impact the Company's consolidated financial statements or its disclosures.

4. Fair Value Measurements

The following tables provide fair value information related to the Company's financial instruments at March 31, 2021 and December 31, 2020:

(In thousands)	March 31, 2021				
	Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Total
Assets:					
Cash and cash equivalents	$ 61,204	$ 61,204	$ -	$ -	$ 61,204
Restricted cash and deposits	1,293	1,293	-	-	1,293
Marketable securities owned	57,653	9,969	-	47,684	57,653
Equity investments	3,413	-	-	3,413	3,413
Other investments measured at net asset value (1)	11,593	-	-	-	-
Loans held for sale (2)	2,412	-	-	2,412	2,412
Loans held for investment, net of allowance for loan losses	901	-	-	901	901
Total assets:	$ 138,469	$ 72,466	$ -	$ 54,410	$ 126,876
Liabilities:					
Notes payable	$ 10,610	-	$ 5,983	$ 4,627	$ 10,610
Bond payable	71,289	-	74,268	-	74,268
Marketable securities sold, but not yet purchased, at fair value	446	446	-	-	446
Total liabilities:	$ 82,345	$ 446	$ 80,251	$ 4,627	$ 85,324

(In thousands)	December 31, 2020				
	Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Total
Assets:					
Cash and cash equivalents	$ 91,444	$ 91,444	$ -	$ -	$ 91,444
Restricted cash and deposits	1,287	1,287	-	-	1,287
Marketable securities owned	55,494	7,491	-	48,003	55,494
Equity investments	6,457	-	2,251	4,206	6,457
Other investments measured at net asset value (1)	11,155	-	-	-	-
Loans held for sale (2)	2,412	-	-	2,412	2,412
Loans held for investment, net of allowance for loan losses	994	-	-	994	994
Total assets:	$ 169,243	$ 100,222	$ 2,251	$ 55,615	$ 158,088
Liabilities:					
Notes payable	$ 10,610	$ -	$ 5,983	$ 4,627	$ 10,610
Bond payable	80,912	-	79,472	-	79,472
Total liabilities:	$ 91,522	$ -	$ 85,455	$ 4,627	$ 90,082

(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 carrying value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Consolidated Statements of Financial Position. The carrying values of these lines reconciles to the parenthetical disclosure of other investments on the Statements of Financial Condition.

(2) Included in Other Assets 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 March 31, 2021 and December 31, 2020:

(In thousands)	March 31, 2021				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Marketable securities owned	$ 57,653	$ 9,969	$ -	$ 47,684	$ 57,653
Other investments:					
Equity investments	3,413	-	-	3,413	3,413
Investments in private equity, real estate and credit funds, measured at net asset value (1)	11,593	-	-	-	-
Total other investments	15,006	-	-	3,413	3,413
Total assets:	$ 72,659	$ 9,969	$ -	$ 51,097	$ 61,066

(In thousands)	December 31, 2020				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Marketable securities owned	$ 55,494	$ 7,491	$ -	$ 48,003	$ 55,494
Other investments:					
Equity investments	6,457	-	2,251	4,206	6,457
Investments in private equity, real estate and credit funds, measured at net asset value (1)	11,155	-	-	-	-
Total other investments	17,611	-	2,251	4,206	6,457
Total assets:	$ 73,105	$ 7,491	$ 2,251	$ 52,209	$ 61,951

(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.

As of March 31, 2021, marketable securities sold but not yet purchased were primarily comprised of U.S. listed securities. As of March 31, 2021 and December 31, 2020, marketable securities was comprised of U.S. listed equity securities and CLO debt securities.

The fair value of the investments in private equity, real estate and credit funds was measured using the net asset value as a practical expedient. These investments are nonredeemable and had unfunded commitments of $3.2 million and $3.5 million as of March 31, 2021 and December 31, 2020 respectively.

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 was a transfer of $1.4 million between Levels 2 and 1 for the three months ended March 31, 2021. For recurring fair value measurements, there were no transfers between Levels 1, 2 and 3 for the year ended December 31, 2020.

The Company's Level 2 assets held in other investments as of December 31, 2020 consist of investments in publicly traded stocks.

As of December 31, 2020, the Company also owns securities in two public companies subject to restrictions on transfer or sale and is therefore recorded as Level 2 assets.

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 consists of notes payable, 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's Level 3 asset in other investments is primarily comprised of an equity investment in a private company. The Company determines the fair value of this investment using the net present value of discounted cash flows. The significant unobservable inputs used in the fair value measurement of this investment are presented in the Significant Unobservable Inputs table below. For this investment, the Company elected the fair value option. While the Company has made other investments in private equity securities, it has not elected the fair value option for those investments as it is impractical to determine the fair value of those investments.

For the three months ended March 31, 2021, the changes in Level 3 assets measured at fair value on a recurring basis were as follows:

(In thousands)	CLO Junior Subordinated Notes	Equity Investment	Total
Balance as of December 31, 2020	$ 48,003	$ 4,206	$ 52,209
Investment distributions	(1,086)	(774)	(1,860)
Accrued interest	1,960	-	1,960
Realized/Unrealized losses on investments, recognized in earnings	(4,587)	(19)	(4,606)
Unrealized gains on investments, recognized in OCI	3,394	-	3,394
Balance as of March 31, 2021	$ 47,684	$ 3,413	$ 51,097

The Company's Level 3 assets held in marketable securities consist of investments in CLO debt securities. The fair value of the CLO debt securities is determined using the net present value of discounted cash flows. The significant unobservable inputs used in the fair value measurement of these investments are presented in the Significant Unobservable Inputs table below. The Company also uses covenant compliance information provided by the CLO manager when valuing this investment. During the three months ended March 31, 2021, the fair value of the Company's investment in CLO debt securities declined due to a decrease in the expected future cash flows from CLO debt securities, primarily due to an increase in estimated credit losses in the CLO portfolios.

For assets classified in the Level 3 hierarchy, any changes to any of the inputs to the fair value measurement could result in a significant increase or decrease in the fair value measurement. For CLO debt securities, a significant increase (decrease) in the discount rate, default rate, and severity rate would result in a significant decrease (increase) in the fair value of the instruments. For the equity investment, a significant increase (decrease) in the credit factor or the discount rate would result in a significantly lower (higher) fair value measurement. For Level 3 assets measured at fair value on a recurring basis as of March 31, 2021 and December 31, 2020, the significant unobservable inputs used in the fair value measurements were as follows:

(In thousands)		Significant Unobservable Inputs Range (Weighted-average (1))			Fair value	
	Valuation Technique	Description	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020
CLO debt securities	Discounted cash flows	Discount rate	13.5% (N/A)	17.5% (N/A)	$ 47,684	$ 48,003
		Default rate	3% next 2Qs, 2% thereafter (2.2%)	2.0% (N/A)		
		Severity rate	25.0% (N/A)	25.0% (N/A)		
		Prepayment rate	10.0%-25.0% (18.1%)	10.0%-25.0% (18.5%)		
		Collateral liquidation price	98.0%-99.0% (98.8%)	98.0%-99.0% (98.8%)		
Equity investment	Discounted cash flows	Credit factor	20% (N/A)	20% (N/A)	$ 3,413	$ 3,378
		Discount rate	16.55% (N/A)	16% (N/A)		
	Market	EBITDA multiple	(N/A)	12.0x (N/A)	$ -	$ 828

(1) The weighted average was calculated based on the relative collateral balance of each CLO.

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 a loan measured at fair value on a non-recurring basis of $2.4 million as of March 31, 2021 and December 31, 2020.

5. Available-for-Sale Securities

The following table summarizes available-for-sale securities in an unrealized position as of March 31, 2021 and December 31, 2020:

	March 31, 2021					December 31, 2020				
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Number of Positions	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Number of Positions
CLO debt securities	$ 44,787	$ 2,897	$ -	$ 47,684	3	$ 48,499	$ -	$ (496)	$ 48,003	3

The following table summarizes the fair value and amortized cost of the available-for-sale securities by contractual maturity as of March 31, 2021 and December 31, 2020:

(In thousands)	March 31, 2021 Available-for-Sale		December 31, 2020 Available-for-Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Less than 5 years	$ 8,605	$ 8,253	$ 9,109	8,245
5-10 years	36,182	39,431	39,390	39,758
More than 10 years	-	-	-	-
Total	$ 44,787	$ 47,684	$ 48,499	$ 48,003

In July 2020, the Company entered into a Seventh Amendment to its Credit Facility with CNB, that, among other things, requires the Company maintain a minimum of $6.0 million of CLO debt securities, based on their fair value as of June 30, 2020, pledged as collateral supporting the obligations under the Credit Agreement. See Note 7, Debt, for more information on the Seventh Amendment.

6. Loans

Loans Held for Investment

As of March 31, 2021 and December 31, 2020, the number of loans held for investment was two. The Company reviews the credit quality of these loans 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.

There were no loans past due as of March 31, 2021 and December 31, 2020. A summary of the activity in the allowance for loan losses for the three months ended March 31, 2020 and the year ended December 31, 2020 is as follows:

(In thousands)	Three Months Ended March 31, 2021	Year Ended December 31, 2020
Balance, at beginning of the period	$ -	$ -
Provision for loan losses	-	(112)
Charge off	-	112
Balance, at end of the period	$ -	$ -

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 March 31, 2021 and December 31, 2020, zero of recorded investment amount of loans issued were individually evaluated for impairment, respectively.

During the three months ended March 31, 2021, the Company did not record any impairment. During the year ended December, 31, 2020, the Company recorded $0.1 million of impairment on the $1.0 million loans evaluated for impairment.

The Company had no troubled debt restructurings during the three months ended March 31, 2021 and the year ended December 31, 2020, respectively.

7. Debt

Bond Payable

(In thousands)	March 31, 2021	December 31, 2020
7.25% Senior Notes due 2027 (1)	$ 40,000	$ 50,000
6.875% Senior Notes due 2029	36,000	36,000
Total outstanding principal	$ 76,000	$ 86,000
Less: Debt issuance costs	(2,576)	(2,953)
Less: Senior Notes repurchased (2)	(2,135)	(2,135)
Total bond payable, net	$ 71,289	$ 80,912

(1) In February 2021, the Company redeemed $10.0 million par value of its issued and outstanding 2027 Senior Notes. The Company recognized a $0.3 million loss on redemption, which is included in "(Loss) gain on repurchase, reissuance or early retirement of debt" on the Consolidated Statement of Operations.

(2) In March 2020, the Company repurchased $1.4 million and $0.7 million par value of its issued and outstanding 2029 Senior Notes and 2027 Senior Notes, respectively. Since they were repurchased at less than carrying value, a gain of $0.7 million was recognized upon the repurchase of the bonds, which is included in “(Loss) gain on repurchase, reissuance or early retirement of debt” on the Consolidated Statements of Operations.

The 7.25% senior notes due 2027 (the “2027 Senior Notes”) and the 6.875% senior notes due 2029 (the "2029 Senior Notes") (the 2027 and 2029 Senior Notes are collectively referred to as the “Senior Notes”) were issued by JMP Group Inc. and JMP Group LLC, respectively, pursuant to indentures with U.S. Bank National Association, as trustee. The Senior Notes indentures contain 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 and JMP Group LLC'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 March 31, 2021 and December 31, 2020, the Company was in compliance with the debt covenants in the indentures.

JMP Group Inc., a wholly-owned subsidiary of JMP Group LLC, is the primary obligor of the Company's 2027 Senior Notes. Pursuant to the indenture of the 2027 Senior Notes, JMP Group LLC and JMP Investment Holdings LLC (the “Guarantors”) are the guarantors of the 2027 Senior Notes. The Guarantors jointly and severally provide a full and unconditional guarantee of the due and punctual payment of the principal and interest on the 2027 Senior Notes and the due and punctual payment or performance of all other obligations of JMP Group Inc. under the indenture governing the 2027 Senior Notes.

Note Payable, Lines of Credit and Credit Facilities

(In thousands)	Outstanding Balance	
	March 31, 2021	December 31, 2020
$25 million, JMP Holding Credit Agreement	$ 5,983	$ 5,983
Paycheck Protection Program (the "PPP") loan	3,798	3,798
Note payable to an affiliate (Note 16)	829	829
Total note payable, lines of credit, and credit facilities	$ 10,610	$ 10,610

JMP Holding LLC (the “Borrower”), a wholly owned subsidiary of the Company, entered into a Second Amended and Restated Credit Agreement dated April 30, 2014 among the Borrower, the lenders from time to time party thereto (the “Lenders”) and CNB, as administrative agent for the Lenders (as amended, the “Credit Agreement”).

On July 16, 2020, the Borrower entered into a Seventh Amendment to the Credit Agreement, in order to, among other provisions, (i) allow JMP Holding to incur liens of certain clearing agents in the ordinary course of business, (ii) reduce the margin applicable to LIBOR loans from 2.25% to 2.00% and (iii) require that JMP Holding maintain a minimum of $6.0 million of CLO debt securities, based on their fair value as of June 30, 2020, pledged as collateral supporting the obligations under the Credit Agreement and refrain from exercising any right to call the related CLO entities or cause the liquidation of such CLO entities.

On December 31, 2020, the Borrower entered into an Amendment Number Eight (the “Eighth Amendment”) to that certain Second Amended and Restated Credit Agreement dated April 30, 2014 among the Borrower, the Lenders and CNB. The Eighth Amendment extended the outside maturity date of the Revolving Loan under the Credit Facility from December 31, 2020 to December 31, 2022 and removed the mechanism whereby the Revolving Loan would convert into a term loan for 12 months after the revolving period ends. The Eighth Amendment amended certain financial covenants and introduced a definition of “Borrowing Base”, which is a sum of certain assets of the Loan Parties, and added a provision that caps the total amount that can be borrowed under the Revolving Loan to the amount of the Borrowing Base if the Borrowing Base is lower than the Maximum Revolver Amount of $25 million. As of March 31, 2021 and December 31, 2020, the Borrowing Base exceeded $25 million, respectively.

The Credit Agreement provides a $25.0 million revolving line of credit (the “Revolver”) through December 31, 2022 bears interest at a rate of LIBOR plus 225 bps.

The Credit Agreement provides that the Revolver may be used, on a revolving basis, to fund specified permitted investments in collateralized loan obligation vehicles. In addition, up to $5.0 million of the Revolver may be used, on a revolving basis, to fund other types of permitted investments and acquisitions and for working capital.

As of March 31, 2021, the Borrower had drawn $6.0 million against the Revolver and had letters of credit outstanding under this facility to support office lease obligations of approximately $1.1 million in the aggregate.

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. As of March 31, 2021 and 2020, the Company was in compliance with the covenants under the Credit Agreement.

JMP Holding's obligations under the Credit Agreement are guaranteed by all of its wholly owned subsidiaries (other than JMP Securities and certain dormant subsidiaries) and are secured by substantially all of its and the guarantors' assets. In addition, the Company has entered into a limited recourse pledge agreement whereby the Company has granted a lien on all of our equity interests in JMP Investment Holdings and JMPAM to secure JMP Holding's obligations under the Credit Agreement.

Separately, under a Revolving Note and Cash Subordination Agreement, JMP Securities holds a $20.0 million revolving line of credit (the "Line of Credit") with CNB to be used for regulatory capital purposes during its securities underwriting activities. On June 30, 2021, any outstanding amount under the Line of Credit will convert to a term loan maturing on June 30, 2022. There was no borrowing on this Line of Credit as of March 31, 2021 and December 31, 2020, respectively. Borrowings under the Line of Credit will bear interest at a rate to be agreed upon at the time of advance between the Company and CNB.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act (the “CARES Act”) was enacted in response to market conditions related to the coronavirus ("COVID-19") pandemic. The CARES Act includes many measures to help companies, including providing loans to qualifying companies, under the Paycheck Protection Program (the "PPP") offered by the U.S. Small Business Administration (the “SBA”). On April 17, 2020, JMP Securities entered into a promissory note (the “PPP Loan”) with CNB as the lender (the “Lender”), pursuant to which the Lender agreed to loan the Company $3.8 million. The proceeds of the PPP Loan were available to be used to pay for payroll costs, rent and other eligible costs. As of March 31, 2021, the Company has used all of the PPP Loan proceeds for eligible costs and has applied for forgiveness, and is waiting to be granted such forgiveness.

The PPP Loan bears interest at the rate of 1% per annum. To the extent that amounts owed under the PPP Loan, or a portion of them, are not forgiven, the Company will be required to make principal and interest payments. No payments are required until the date the SBA makes a determination on the amount of loan forgiveness. If not forgiven, the PPP Loan matures in June 2022. The PPP Loan includes events of default. Upon the occurrence of an event of default, the Lender will have the right to exercise remedies against the Company, including the right to require immediate payment of all amounts due under the PPP Loan.

8. Other Assets and Other Liabilities

At March 31, 2021 and December 31, 2020, other assets and other liabilities consisted of the following:

(In thousands)	**March 31, 2021**	**December 31, 2020**
Accounts receivable	$ 6,470	$ 4,333
Prepaid expenses	6,391	6,954
Loans held for sale (1)	2,412	2,412
Other assets	123	323
Total other assets	$ 15,396	$ 14,022

(1) Loans held for sale are carried at the lower of cost or fair value less cost to sell.

(In thousands)	**March 31, 2021**	**December 31, 2020**
Accounts payable & accrued liabilities	$ 12,397	$ 6,726
Deferred compensation liabilities	5,465	3,621
Other liabilities	407	383
Total other liabilities	$ 18,269	$ 10,730

9. Shareholders’ Equity

Distributions on Common Shares

On February 19, 2020, the Company suspended its quarterly cash distributions program on outstanding shares.

Self-Tender Offers

On February 24, 2020, the Company launched a tender offer (the “2020 Tender Offer”) to repurchase for cash up to 3,000,000 shares representing limited liability company interests in the Company. The 2020 Tender Offer was terminated on March 19, 2020 as a result of multiple conditions to the 2020 Tender Offer, including share price and market index conditions, not having been satisfied.

10. Share-Based Compensation

On January 27, 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 the Company purchases on the open market, or through any share repurchase or share exchange program, initiated by the Company unless the board of directors or its appointee determines otherwise. Upon an exercise or vesting, the Company will issue new shares from authorized but unissued shares or provide shares from treasury shares.

The following table summarizes the share-based compensation expense for the three months ended March 31, 2021 and 2020.

	Three Months Ended March 31,	
(In thousands)	2021	2020
Restricted stock unit awards	$ 338	$ 317
Stock option awards	106	116
Share-based compensation expense	$ 444	$ 433

Share Options

The following table summarizes the share option activity for the three months ended March 31, 2021:

	Three Months Ended March 31, 2021	
	Shares Subject to Option	Weighted Average Exercise Price
Balance, beginning of year	2,000,000	$ 3.04
Granted	-	-
Forfeited	-	-
Balance, end of period	2,000,000	$ 3.04
Options exercisable at end of period	500,000	$ 3.04

The following table summarizes the share options outstanding as well as share options vested and exercisable as of March 31, 2021 and 2020:

	March 31, 2021							
	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
$ 3.04	2,000,000	3.85	$ 3.04	$ 5,880,000	500,000	3.85	$ 3.04	$ 1,470,000

	March 31, 2020							
	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
$ 3.04	2,200,000	4.85	$ 3.04	$ -	-	-	$ -	$ -

The Company recognizes share-based compensation expense, net of estimated forfeitures, 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.

As of March 31, 2021 and 2020, there was $0.5 million and $1.3 million of unrecognized compensation expense related to share options, respectively.

There were no share options exercised during the three months ended March 31, 2021 and 2020. As a result, the Company did not recognize any current income tax benefits from the exercise of share options during both periods.

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

Restricted Share Units

The following table summarizes restricted share unit ("RSU") activity for the three months ended March 31, 2021:

	Three Months Ended March 31, 2021	
	Restricted Share	Weighted Average

	Units		Grant Date Fair Value
Balance, beginning of year	220,209	$	3.32
Granted	352,797		4.66
Vested	(55,755)		3.17
Balance, end of period	517,251	$	4.25

The aggregate fair value of RSUs vested during the three months ended March 31, 2021 were $0.3 million. The income tax benefits realized from the vested RSUs were $0.07 million for the three months ended March 31, 2021.

The Company recognizes compensation expense, net of estimated forfeitures, 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 March 31, 2021, the Company recognized income tax benefits of $0.07 million related to the compensation expense recognized for RSUs. As of March 31, 2021, there was $1.6 million of unrecognized compensation expense related to RSUs expected to be recognized over a weighted average period of 1.4 years.

The Company pays cash distribution equivalents on certain RSUs upon vesting. Distribution equivalents paid on RSUs are generally charged to retained earnings. The Company accounts for the tax benefit related to distribution equivalents paid on RSUs as an increase in additional paid-in capital.

11. Net Income (Loss) per Common Share

Basic net income (loss) per share for the Company is calculated by dividing net income (loss) 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 income per share for the three months ended March 31, 2021 and 2020 are shown in the tables below:

(In thousands, except per share data)	Three Months Ended March 31,	
	2021	2020
Numerator:		
Net income (loss) attributable to JMP Group LLC	$ 1,089	$ (11,748)
Denominator:		
Basic weighted average shares outstanding	19,824	19,532
Effect of potential dilutive securities:		
Restricted share units and share options	854	-
Diluted weighted average shares outstanding	20,678	19,532
Net income (loss) per share		
Basic	$ 0.05	$ (0.60)
Diluted	$ 0.05	$ (0.60)

Share options to purchase 2,200,000 of common shares for the three months ended March 31, 2020, were anti-dilutive and, therefore, were not included in the computation of diluted weighted-average common shares outstanding.

RSUs for 121,681 common shares for the three months ended March 31, 2020, were anti-dilutive and, therefore, were not included in the computation of diluted weighted-average common shares outstanding. Due to the net income (loss) for the three months ended March 31, 2020, all of the share options and RSUs outstanding, were anti-dilutive and, therefore, were not included in the computation of diluted weighted-average common shares outstanding.

12. Revenue from contracts with customers

The following tables represent the Company's total revenues from contracts with customers, disaggregated by major business activity, for the three months ended March 31, 2021 and March 31, 2020, respectively.

(in thousands)	Three Months Ended March 31, 2021			
	Broker - Dealer	Asset Management	Eliminations	Total
Total revenues from contracts with customers				
Equity and debt origination	$ 25,670	$ -	$ -	$ 25,670
Strategic advisory and private placements	6,899	-	-	6,899
Total investment banking revenues	32,569	-	-	32,569
Commissions	4,622	-	-	4,622
Research payments	1,166	-	-	1,166
Net trading gains	117	-	-	117
Total brokerage revenues	5,905	-	-	5,905
Base management fees	-	2,095	-	2,095
Incentive management fees	-	74	-	74
Total asset management fees	-	2,169	-	2,169
Total revenues from contracts with customers	$ 38,474	$ 2,169	$ -	$ 40,643

(in thousands)	Three Months Ended March 31, 2020			
	Broker - Dealer	Asset Management	Eliminations	Total
Total revenues from contracts with customers				
Equity and debt origination	$ 8,556	$ -	$ -	$ 8,556
Strategic advisory and private placements	6,069	-	-	6,069
Total investment banking revenues	14,625	-	-	14,625
Commissions	3,718	-	-	3,718
Research payments	1,241	-	-	1,241
Net trading losses	(772)	-	-	(772)
Total brokerage revenues	4,187	-	-	4,187
Base management fees	-	1,727	(25)	1,702
Incentive management fees	-	14	-	14
Total asset management fees	-	1,741	(25)	1,716
Total revenues from contracts with customers	$ 18,812	$ 1,741	$ (25)	$ 20,528

13. Income Taxes

JMP Group LLC's election to be taxed as a corporation for United States federal income tax purposes was approved by the Internal Revenue Service with an effective date of January 1, 2019. Taxable income derived from the investment activities of its previously untaxed pass-through entities will now be taxed at a U.S. federal and state corporate rate, along with the Company's corporate subsidiaries.

For the three months ended March 31, 2021 and 2020, the Company recorded income tax expense of $0.4 million and tax benefit of $7.2 million, respectively. The effective tax rate is 24.50% and 37.95% for the three months ended March 31, 2021 and 2020, 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. For the three months ended March 31, 2021, the Company's effective tax rate differs from the statutory rate primarily due to the excess tax benefit that was created after stock compensation awards were vested.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act (the "CARES Act") was enacted in response to market conditions related to the coronavirus ("COVID-19") pandemic. The CARES Act includes many measures to help companies, including changes that are temporary and non-income based tax laws, some of which were part of the Tax Cuts and Jobs Act (TCJA). One provision of the CARES Act increases the tax deduction for net operating losses from 80% to 100% for 2018 through 2020 and allows net operating losses generated in 2018 through 2020 to be carried back up to five years. The Company has made reasonable assessments in accounting for certain effects of the CARES Act that was passed. 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.

14. Commitments and Contingencies

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. JMP Securities had no open underwriting commitments at both March 31, 2021 and December 31, 2020.

The marketable securities owned and the restricted cash, as well as the cash held by clearing brokers may be used to maintain margin requirements. The Company had $0.8 million and $0.5 million of cash on deposit with JMP Securities' clearing brokers at March 31, 2021 and December 31, 2020, respectively. Furthermore, the marketable securities owned may be hypothecated or borrowed by clearing brokers.

Unfunded commitments are agreements to lend to a borrower, provided that all conditions have been met. The Company had no material unfunded commitments to lend at both March 31, 2021 and December 31, 2020.

15. Regulatory Requirements

JMP Securities is subject to the SEC's Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital, as defined, and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. JMP Securities had net capital of $26.4 million and $42.3 million, which were $24.9 million and $40.6 million in excess of the required net capital of $1.5 million and $1.7 million at March 31, 2021 and December 31, 2020 respectively. JMP Securities' ratio of aggregate indebtedness to net capital was 0.86 to 1 and 0.62 to 1 at March 31, 2021 and December 31, 2020, respectively.

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

16. Related Party Transactions

The Company earns base management fees and incentive fees from serving as investment advisor for various entities, including corporations, partnerships limited liability companies, and offshore investment companies. The Company also owns an investment in some of such affiliated entities. As of March 31, 2021 and December 31, 2020, the aggregate fair value of the Company's investments in the affiliated entities for which the Company serves as the investment advisor was $18.8 million and $17.3 million, respectively, which consisted of investments in hedge and other private funds of $10.3 million and $9.8 million, for the periods, respectively and an investment in HCC common stock of $8.6 million and $7.5 million for the periods, respectively. Base management fees earned from these affiliated entities were $2.1 million and $1.7 million for the three months ended March 31, 2021 and 2020. Also, the Company earned incentive fees of $0.1 million and zero, from these affiliated entities for the three months ended March 31, 2021 and 2020.

On January 9, 2018, an affiliate purchased a $0.8 million note from the Company. As of March 31, 2021, the carrying value of note payable was $0.8 million. The note bears interest at a rate of 12.5% per annum and matures November 20, 2022.

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 2019, the Company sold 30% of the loan, or $1.0 million, to an affiliate. As of both March 31, 2021 and December 31, 2020, the Company's portion of the outstanding loan balance to this entity was $2.4 million. The Company determined the fair vale of the loan was $2.4 million as of both March 31, 2021 and December 31, 2020 using the bid price.

On November 20, 2017, the Company entered into a purchase agreement with the same registered investment advisor for the purchase of 24.9% ownership of the entity. The Company recognized its investment using the equity method, with related gains recognized in other income. The company recognized $0.1 million and $0.1 million in other income for the three months ended March 31, 2021 and 2020, respectively. As of March 31, 2021 and December 31, 2020, the investment balance is $4.7 million and $4.5 million, respectively.

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 establishes 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 brokers. The Company may enter into margin transactions in its principal trading accounts held at a clearing broker. Such margin transactions are collateralized by the Company’s cash and securities held in those accounts. Clearing brokers have the right to pledge or hypothecate such collateralized assets under the margin transaction agreement. The receivable from the clearing brokers include commissions receivable related to security transactions of customers and 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 these other parties do not fulfill their obligations in the course of business dealings, 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.

JMP Securities has agreed to indemnify its clearing brokers for losses that the clearing brokers 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’ indemnification obligations to its clearing brokers have no maximum amount. All unsettled trades at March 31, 2021 and December 31, 2020 have subsequently settled with no resulting material liability to the Company. For the three months ended March 31, 2021 and 2020, the Company had no material loss due to counterparty failure, and had no obligations outstanding under the indemnification arrangement as of March 31, 2021 and December 31, 2020.

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.

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 addition, the Company had unfunded commitments to lend to a borrower. The Company had no material unfunded commitments to lend to a borrower as of March 31, 2021 and December 31, 2020.

19. Business Segments

The Company's business results are categorized into the following four business segments: Broker-Dealer, Asset Management Fee Income, Investment Income, and Corporate Costs. The Broker-Dealer segment includes a broad range of services, such as underwriting and acting as a placement agent for public and private capital markets raising transactions and financial advisory services in M&A, restructuring and other strategic transactions. The Broker-Dealer segment also includes institutional brokerage services and equity research services to our institutional investor clients. The Asset Management Fee Income 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 (through March 2019). The Investment Income 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, and interest expense related to the Company's bond issuance. The Corporate Costs segment also includes expenses related to JMP Group LLC, JMP Holding LLC and JMP Group Inc., and is mainly comprised of corporate overhead expenses.

Management uses operating net income, a Non-GAAP financial measure, as a key metric when evaluating the performance of the Company's core business strategy and ongoing operations. This measure adjusts the Company's net income as follows: (i) reverses share-based compensation expense recognized during the period, (ii) recognizes 100% of the share-based compensation expense in the period the award was granted, instead of recognizing it 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 CLO III prior to March 31, 2019; (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) reverses any impairment of CLO debt securities recognized in principal transactions, (vii) reverses one-time transaction costs related to the refinancing or repurchase of debt; and (viii) a combined federal, state and local income tax rate of 26% at the consolidated taxable parent company, JMP Group LLC. In management's view of the Company's performance, these charges may 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 from period to period.

Segment Operating Results

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 March 31, 2021								
(In thousands)	Broker-Dealer	Asset Management			Corporate Costs	Eliminations	Total Segments	Adjustments	Consolidated GAAP
		Asset Management Fee Income	Investment Income	Total Asset Management					
Revenues									
Investment banking	$ 32,569	$ -	$ -	$ -	$ -	$ -	$ 32,569	$ -	$ 32,569
Brokerage	5,905	-	-	-	-	-	5,905	-	5,905
Asset management related fees	21	2,174	352	2,526	-	(25)	2,522	(353) (a)	2,169
Principal transactions	(444)	-	1,110	1,110	-	-	666	(3,877) (b)	(3,211)
Other income	-	-	-	-	-	-	-	816 (a)	816
Net interest income	-	-	558	558	-	-	558	(25) (c)	533
(Loss) on repurchase, reissuance or early retirement of debt	-	-	-	-	-	-	-	(288) (d)	(288)
Total net revenues	38,051	2,174	2,020	4,194	-	(25)	42,220	(3,727)	38,493
Non-interest expenses	32,308	2,207	297	2,504	2,320	(25)	37,107	(161) (e)	36,946
Operating income (loss) before taxes	5,743	(33)	1,723	1,690	(2,320)	-	5,113	(3,566)	1,547
Income tax expense (benefit)	1,493	(8)	447	439	(603)	-	1,329	(950) (f)	379
Net income attributable to non-controlling interest	-	-	-	-	-	-	-	79 (a), (c), (e)	79
Operating net income (loss)	$ 4,250	$ (25)	$ 1,276	$ 1,251	$ (1,717)	$ -	$ 3,784	$ (2,695) (g)	$ 1,089

	As of March 31, 2021								
(In thousands)	Broker-Dealer	Asset Management			Corporate Costs	Eliminations	Total Segments	Adjustments	Consolidated GAAP
		Asset Management Fee Income	Investment Income	Total Asset Management					
Segment assets	$ 72,384	$ 11,196	$ 65,563	$ 76,759	$ 128,711	$ (62,591)	$ 215,263	$ -	$ 215,263

(a) Total segment asset management-related fees include income from fee sharing arrangements with, and fees earned to raise capital for, third-party or equity-method investment partnerships or funds, which are reported as other income under GAAP. In addition, total segment asset management-related fees exclude base management fees and incentive fees attributable to non-controlling interest.
(b) Total segment principal transaction revenues exclude certain unrealized mark-to-market gains or losses, including those related to impairment of CLO debt securities and the Company's investment in Harvest Capital Credit Corporation, as well as unrealized losses derived from depreciation and amortization of real estate investment properties.
(c) Total segment net dividend income and net interest income exclude those attributable to non-controlling interests.
(d) Total segment gain/(loss) repurchase/early retirement of debt excludes losses on write offs of debt issuance costs related to early retirement or repurchase of debt.
(e) Total segments non-interest expenses exclude compensation expense recognized under GAAP related to equity awards and expenses attributable to non-controlling interests.
(f) Total segment income tax (benefit) assumes a combined federal, state and local income tax rate of 26%.
(g) Operating net income (loss) is reconciled to GAAP net income (loss) attributable to JMP Group LLC.

(In thousands)	Broker-Dealer	Asset Management: Asset Management Fee Income	Asset Management: Investment Income	Asset Management: Total Asset Management	Corporate Costs	Eliminations	Total Segments	Adjustments	Consolidated GAAP
	Three Months Ended March 31, 2020								
Revenues									
Investment banking	$ 14,625	$ -	$ -	$ -	$ -	$ -	$ 14,625	$ -	$ 14,625
Brokerage	4,187	-	-	-	-	-	4,187	-	4,187
Asset management related fees	152	1,903	333	2,236	-	(45)	2,343	(627) (a)	1,716
Principal transactions	-	-	81	81	-	-	81	(17,633) (b)	(17,552)
Net dividend income	-	-	256	256	-	-	256	(29) (c)	227
Other income	-	-	-	-	-	-	-	935 (a)	935
Net interest income	-	-	458	458	-	-	458	(26) (c)	432
Gain on repurchase, reissuance or early retirement of debt	-	-	786	786	-	-	786	(89) (d)	697
Total net revenues	18,964	1,903	1,914	3,817	-	(45)	22,736	(17,469)	5,267
Non-interest expenses	19,201	2,362	151	2,513	1,792	(45)	23,461	884 (e)	24,345
Operating income (loss) before taxes	(237)	(459)	1,763	1,304	(1,792)	-	(725)	(18,353)	(19,078)
Income tax expense (benefit)	(62)	(120)	459	339	(465)	-	(188)	(7,051) (f)	(7,239)
Net income attributable to non-controlling interest	-	-	-	-	-	-	-	(91) (a), (c), (e)	(91)
Operating net income (loss)	$ (175)	$ (339)	$ 1,304	$ 965	$ (1,327)	$ -	$ (537)	$ (11,211) (g)	$ (11,748)

(In thousands)	Broker-Dealer	Asset Management: Asset Management Fee Income	Asset Management: Investment Income	Asset Management: Total Asset Management	Corporate Costs	Eliminations	Total Segments	Adjustments	Consolidated GAAP
	As of March 31, 2020								
Segment assets	$ 34,685	$ 9,873	$ 78,236	$ 88,109	$ 228,197	$ (161,947)	$ 189,044	$ -	$ 189,044

(a) Total segment asset management-related fees include income from fee sharing arrangements with, and fees earned to raise capital for, third-party or equity-method investment partnerships or funds, which are reported as other income under GAAP. In addition, total segment asset management-related fees exclude base management fees and incentive fees attributable to non-controlling interest.
(b) Total segment principal transaction revenues exclude certain unrealized mark-to-market gains or losses, including those related to impairment of CLO debt securities and the Company's investment in Harvest Capital Credit Corporation, as well as unrealized losses derived from depreciation and amortization of real estate investment properties.
(c) Total segment net dividend income and net interest income exclude those attributable to non-controlling interests.
(d) Total segment gain/(loss) repurchase/early retirement of debt excludes losses on write offs of debt issuance costs related to early retirement or repurchase of debt.
(e) Total segments non-interest expenses exclude compensation expense recognized under GAAP related to equity awards and expenses attributable to non-controlling interests.
(f) Total segment income tax (benefit) assumes a combined federal, state and local income tax rate of 26%.
(g) Operating net income (loss) is reconciled to GAAP net income (loss) attributable to JMP Group LLC.

20. Nonconsolidated Variable Interest Entities

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

(In thousands)	As of							
	March 31, 2021				December 31, 2020			
	Financial Statement Carrying Amount		Maximum Exposure to Loss	VIE Assets	Financial Statement Carrying Amount		Maximum Exposure to Loss	VIE Assets
	Assets	Liabilities			Assets	Liabilities		
CLOs	$ 52,396	$ -	$ 52,396	$ 1,130,360	$ 52,714	$ -	$ 52,714	$ 1,169,243
Fund investments	11,831	337	14,988	461,088	10,765	311	14,311	465,365
Other investments	4,479	-	4,479	1,155,724	4,404	25	4,404	1,172,018
Total	$ 68,706	$ 337	$ 71,863	$ 2,747,172	$ 67,883	$ 336	$ 71,429	$ 2,806,626

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, 2020 contained in our Form 10-K for the year ended December 31, 2020, filed with the Securities and Exchange Commission on March 29, 2021 (the "Annual Report"), as well as the consolidated financial statements and notes contained therein.

Cautionary Statement Regarding Forward-Looking Statements

This MD&A and other sections of this Form 10-Q (the "Quarterly Report") contain forward looking statements. The Company makes 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 the Company believes 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, the Company presumes 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. The Company undertakes 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.

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 three 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 (through March 19, 2019) and a specialty finance company.

Operating Results

A summary of the Company's operating results for the three months ended March 31, 2021 and 2020, is set forth below.

(in thousands, except per share amounts)	Three Months Ended March 31, 2021	2020
Total net revenues	$ 38,493	$ 5,267
Net income/(loss) attributable to JMP Group	1,089	(11,748)
Net income/(loss) attributable to JMP Group per share	0.05	(0.60)
Operating Net Income/(Loss)*	3,784	(537)
Operating Net Income/(Loss) per share*	0.18	(0.03)

* Operating Net Income (Loss) is a non-GAAP measure. See the section titled Operating Net Income (Non-GAAP Financial Measure) for more information about this non-GAAP measure, including a reconciliation to net income (loss).

Recent Developments

On January 30, 2020, the spread of novel coronavirus ("COVID-19") was declared a Public Health Emergency of International Concern by the World Health Organization ("WHO"). Subsequently, on March 11, 2020, WHO characterized the COVID-19 outbreak as a pandemic. In March 2020, the U.S. equities market saw sharp declines and extreme volatility in reaction to the COVID-19 pandemic.

In the second quarter of 2020, unprecedented fiscal and monetary stimuli by the U.S. government spurred a sharp recovery in U.S. equity prices. The U.S. equities market continued to recover from the impact of the COVID-19 pandemic during the second half of 2020. The Company's equity capital markets and brokerage revenues directly benefited from the improved capital market condition.

We continue to closely monitor the status of the COVID-19 pandemic and its impact on our business, the economy and capital markets globally. An economic recession could have a material adverse effect on our business, financial condition, results of operations, or cash flows. While we are optimistic that the equity market could remain active through year-end, we cannot reliably estimate the extent to which the COVID-19 pandemic will impact our business in the remainder of 2021 and beyond.

On December 23, 2020, HCC and Portman Ridge Finance Corporation ("PTMN") announced that they have entered into a definitive agreement under which HCC will merge with and into PTMN, a business development company managed by Sierra Crest Investment Management LLC ("Sierra Crest"), an affiliate of BC Partners Advisors L.P. The parties currently expect the transaction to be completed in the second calendar quarter of 2021. The Company's partially-owned subsidiary HCAP Advisors provides investment advisory services to HCC. In addition, the Company had investments in HCC common stock of $8.5 million as of March 31,2021. In connection with the above transaction, HCC stockholders will receive aggregate consideration equal to HCC's net asset value at closing. This consideration will be funded using PTMN shares (valued at 100% of PTMN's net asset value per share at the time of closing of the transaction) and, to the extent the required number of PTMN shares exceeds 19.9% of the issued and outstanding shares of PTMN common stock immediately prior to the transaction closing, cash consideration in the amount of such excess. As described below, HCAP stockholders will have an opportunity, subject to certain limitations, to elect to receive either cash or PTMN shares in consideration for their HCAP shares. Additionally, all HCAP stockholders will receive an additional cash payment from Sierra Crest of $2.15 million in the aggregate, or approximately $0.36 per share.

Results of Operations

The following table sets forth our results of operations for the three months ended March 31, 2021 and 2020, and is not necessarily indicative of the results to be expected for any future period.

(In thousands)	Three Months Ended March 31,		Three Month Change From 2020 to 2021	
	2021	2020	$	%
Revenues				
Investment banking	$ 32,569	$ 14,625	$ 17,944	122.7%
Brokerage	5,905	4,187	1,718	41.0%
Asset management fees	2,169	1,716	453	26.4%
Principal transactions	(3,211)	(17,552)	14,341	81.7%
Net dividend income	-	227	(227)	-100.0%
Other income	816	935	(119)	-12.7%
Non-interest revenues	38,248	4,138	34,110	824.3%
Interest income	2,101	2,214	(113)	-5.1%
Interest expense	(1,568)	(1,782)	214	12.0%
Net interest income	533	432	101	23.4%
(Loss) gain on repurchase, reissuance, or early retirement of debt	(288)	697	(985)	-141.3%
Total net revenues	38,493	5,267	33,226	630.8%
Non-interest expenses				
Compensation and benefits	29,945	16,213	13,732	84.7%
Administration	1,491	2,222	(731)	-32.9%
Brokerage, clearing and exchange fees	680	634	46	7.3%
Travel and business development	67	922	(855)	-92.7%
Managed deal expenses	1,398	588	810	137.8%
Communications and technology	1,107	1,129	(22)	-1.9%
Occupancy	1,198	1,199	(1)	-0.1%
Professional fees	827	890	(63)	-7.1%
Depreciation	275	548	(273)	-49.8%
Other (loss)	(42)	-	(42)	-100.0%
Total non-interest expenses	36,946	24,345	12,601	51.8%
Net income (loss) before income taxes	1,547	(19,078)	20,625	-108.1%
Income tax expense (benefit)	379	(7,239)	7,618	-105.2%
Net income (loss)	1,168	(11,839)	13,007	-109.9%
Less: Net income (loss) attributable to non-controlling interest	79	(91)	170	-186.8%
Net income (loss) attributable to JMP Group LLC	$ 1,089	$ (11,748)	$ 12,837	-109.3%

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 compensation expense recognized under GAAP related to equity awards;

(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 CLO III prior to March 31, 2019;

(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 warrant positions;

(vi) reverses impairment of CLO debt securities recognized in principal transaction revenues, as the Company believes that the forecasted reduction in future cash flows will be mitigated by a change in the interest rate environment and that distributions will be larger than currently projected;

(vii) reverses the one-time transaction costs related to the refinancing or repurchase of the debt;

(viii) includes a combined federal, state and local income tax rate of 26% at the consolidated taxable parent company, JMP Group LLC;

(ix) removes any non-controlling interest in consolidated but less than wholly owned subsidiaries; and

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 March 31, 2021						
(In thousands)	**Broker-Dealer**	**Asset Management**			**Corporate Costs**	**Eliminations**	**Total Segments**
		Asset Management Fee Income	**Investment Income**	**Total Asset Management**			
Revenues							
Investment banking	$ 32,569	$ -	$ -	$ -	$ -	$ -	$ 32,569
Brokerage	5,905	-	-	-	-	-	5,905
Asset management related fees	21	2,174	352	2,526	-	(25)	2,522
Principal transactions	(444)	-	1,110	1,110	-	-	666
Net interest income	-	-	558	558	-	-	558
Adjusted net revenues	38,051	2,174	2,020	4,194	-	(25)	42,220
Non-interest expenses	32,308	2,207	297	2,504	2,320	(25)	37,107
Operating pre-tax net income (loss)	5,743	(33)	1,723	1,690	(2,320)	-	5,113
Income tax expense (benefit)	1,493	(8)	447	439	(603)	-	1,329
Operating net income (loss)	$ 4,250	$ (25)	$ 1,276	$ 1,251	$ (1,717)	$ -	$ 3,784

	Three Months Ended March 31, 2020						
(In thousands)	**Broker-Dealer**	**Asset Management**			**Corporate Costs**	**Eliminations**	**Total Segments**
		Asset Management Fee Income	**Investment Income**	**Total Asset Management**			
Revenues							
Investment banking	$ 14,625	$ -	$ -	$ -	$ -	$ -	$ 14,625
Brokerage	4,187	-	-	-	-	-	4,187
Asset management related fees	152	1,903	333	2,236	-	(45)	2,343
Principal transactions	-	-	81	81	-	-	81
Net dividend income	-	-	256	256	-	-	256
Net interest income	-	-	458	458	-	-	458
Gain on repurchase, reissuance or early retirement of debt	-	-	786	786	-	-	786
Adjusted net revenues	18,964	1,903	1,914	3,817	-	(45)	22,736
Non-interest expenses	19,201	2,362	151	2,513	1,792	(45)	23,461
Operating pre-tax net income (loss)	(237)	(459)	1,763	1,304	(1,792)	-	(725)
Income tax expense (benefit)	(62)	(120)	459	339	(465)	-	(188)
Operating net income (loss)	$ (175)	$ (339)	$ 1,304	$ 965	$ (1,327)	$ -	$ (537)

The following table reconciles consolidated net income (loss) attributable to JMP Group LLC to total Operating Net Income (Loss) for three months ended March 31, 2021 and 2020.

(In thousands)	Three Months Ended March 31,	
	2021	2020
Consolidated net income (loss) attributable to JMP Group LLC	$ 1,089	$ (11,748)
Income tax expense (benefit)	379	(7,239)
Consolidated pre-tax net income (loss) attributable to JMP Group LLC	$ 1,468	$ (18,987)
Addback (subtract)		
Share-based awards and deferred compensation	521	(546)
Early retirement/repurchase of debt	(288)	(89)
Impairment – CLO equity	(4,587)	(13,523)
Unrealized loss – real estate-related depreciation and amortization	(371)	(338)
Unrealized mark-to-market loss -strategic equity investments	1,080	(3,766)
Total Consolidation Adjustments and Reconciling Items	(3,645)	(18,262)
Total segments operating pre-tax net income (loss)	$ 5,113	$ (725)
Subtract (addback) segment income tax expense (benefit)	1,329	(188)
Operating Net Income (Loss)	$ 3,784	$ (537)

Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020

Revenues

Investment Banking

Investment banking revenues, earned in our Broker-Dealer segment, increased $17.9 million, or 122.7%, from $14.6 million for the quarter ended March 31, 2020 to $32.6 million for the same period in 2021. As a percentage of total net revenues after provision for loan losses, investment banking revenues decreased from 277.7% for the quarter ended March 31, 2020 to 84.6% for the quarter ended March 31, 2021. On an operating basis, investment banking revenues were 77.1% and 64.3% for the quarters ended March 31, 2021 and 2020, respectively, as a percentage of adjusted net revenues.

(Dollars in thousands)	Three Months Ended March 31,				Change from 2021 to 2020		
	2021		2020				
	Count	Revenues	Count	Revenues	Count	$	%
Equity and debt origination	41	$ 25,670	17	$ 8,556	24	$ 17,114	200.0%
Strategic advisory and private placements	6	6,900	4	6,069	2	$ 831	13.7%
Total	47	$ 32,570	21	$ 14,625	26	$ 17,945	122.7%

The increase in revenues was driven by a 200% increase in equity and debt origination revenues as JMP executed 41 deals in the three months ended March 31, 2021 compared to 17 for the same period in 2020, in addition to a 13.7% increase in strategic advisory and private placements revenues. The number of transactions in which we acted as a bookrunning manager was five and two for the quarters ended March 31, 2021 and 2020, respectively.

Brokerage Revenues

Brokerage revenues earned in our Broker-Dealer segment increased $1.7 million from $4.2 million for the quarter ended March 31, 2020 to $5.9 million for the quarter ended March 31, 2021. Brokerage revenues decreased as a percentage of total net revenues, from 79.5% for the quarter ended March 31, 2020 to 15.3% for the quarter ended March 31, 2021. On an operating basis, brokerage revenues were 14.0% and 18.4% for the quarters ended March 31, 2021 and 2020, respectively, as a percentage of adjusted net revenues.

Asset Management Fees

(In thousands)	Three Months Ended March 31, 2021	2020
Asset management related fees:		
Fees reported as asset management fees	$ 2,169	$ 1,716
Fees reported as other income	816	935
Less: Non-controlling interests in HCAP Advisors	(463)	(308)
Total segment asset management related fee revenues	$ 2,522	$ 2,343

Fees reported as asset management fees were $2.2 million and $1.7 million for the quarters ended March 31, 2021 and 2020, respectively. As a percentage of total net revenues, asset management revenues decreased from 32.6% for the quarter ended March 31, 2020 to 5.6% for the quarter ended March 31, 2021.

Total segment asset management-related fees include base management fees and incentive fees from our assets 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 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 $0.2 million from $2.3 million for the quarter ended March 31, 2020 to $2.5 million for the quarter ended March 31, 2021. On an operating basis, asset management related fee revenues were 6.0% and 10.3% for the quarters ended March 31, 2021 and 2020, respectively, as a percentage of total net revenues.

The following table presents a summary of the Company's client assets under management with respect to the assets managed by HCS, JMP Asset Management LLC ("JMPAM"), HCAP Advisors LLC ("HCAP Advisors") and assets managed by sponsored funds:

(In thousands)	Client Assets Under Management at March 31, 2021	December 31, 2020
Client Assets Managed by HCS, JMPAM, and HCAP Advisors (1)	$ 694,088	$ 659,695
Client Assets Under Management by Sponsored Funds (2)	4,825,139	4,933,913
JMP Group LLC total client assets under management	$ 5,519,227	$ 5,593,608

(1) For HCS, JMPAM, and HCAP Advisors, client assets under management represent the net assets of such funds or the commitment amount.

(2) Sponsored funds are third-party asset managers in which the Company owns an economic interest.

Principal Transactions

Principal transaction revenues increased $14.3 million from a loss of $17.5 million for the quarter ended March 31, 2020 to a loss of $3.2 million for the same period in 2021. This increase was primarily driven by a $4.6 million impairment loss on CLO debt securities for the quarter ended March 31, 2021 compared to the loss for the quarter ended March 31, 2020 of $13.5 million.

Total segment principal transaction revenues increased from $0.1 million for the quarter ended March 31, 2020 to $0.7 million for the same period in 2021. 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 2021 and 2020 were included in our Investment Income segment. Total segment principal transaction revenues are reconciled to the GAAP measure, total principal transaction revenues, in the table below. See the Operating Net Income section above for additional information on the adjustments made to arrive at the non-GAAP measure and why management believes that this non-GAAP number is useful and important to the users of these financial statements.

(In thousands)	Three Months Ended March 31, 2021	2020
Equity and other securities	$ (111)	$ (824)
Warrants and other investments	264	907
Investment partnerships	513	(2)
Total segment principal transaction revenues	666	81
Operating adjustment addbacks	(3,877)	(17,633)
Total principal transaction revenues	$ (3,211)	$ (17,552)

On an operating basis, as a percentage of adjusted net revenues, principal transaction revenues increased from 0.4% for the quarter ended March 31, 2020 to 1.6% for the quarter ended March 31, 2021.

Net Interest Income/Expense

Net interest income increased $0.1 million from $0.4 million for the quarter ended March 31, 2020 to $0.5 million for the quarter ended March 31, 2021 As a percentage of total net revenues, net interest income was 8.2% for the quarter ended March 31, 2020 and 1.4% for the quarter ended March 31, 2021.

Total segment net interest income increased $0.1 million from $0.5 million for the quarter ended March 31, 2020 to $0.6 million for the quarter ended March 31, 2021. Net interest income is earned in our Investment Income segment. Total segment net interest income reflects the effective yield of the Company's ownership of subordinated notes in CLO III, CLO IV, and CLO V, net of bond interest expense. Total segment net interest income is reconciled to the GAAP measure, total net interest income, in the table above. As a percentage of total adjusted net revenues, net interest income was 2.0% for the quarter ended March 31, 2020 and 1.3% for the quarter ended March 31, 2021.

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 $13.7 million, or 84.7%, from $16.2 million for the quarter ended March 31, 2020 to $29.9 million for the quarter ended March 31, 2021.

Compensation and benefits as a percentage of revenues decreased from 307.8% of total net revenues for the quarter ended March 31, 2020 to 77.8% for the quarter ended March 31, 2021.

Administration

Administration expense decreased $0.7 million from $2.2 million for the quarter ended March 31, 2020 to $1.5 million for the quarter ended March 31, 2021. As a percentage of total net revenues, administration expense was 3.9% and 42.2% for the quarters ended March 31, 2021 and 2020, respectively.

Travel and Business Development

Travel and business development expense was $0.1 million and $0.9 million for the quarters ended March 31, 2021 and 2020, respectively. As a percentage of total net revenues, travel and business development expense was 0.2% and 17.5% for the quarters ended March 31, 2021 and 2020, respectively.

Communications and Technology

Communications and technology expense was $1.1 million for both of the quarters ended March 31, 2021 and 2020. As a percentage of total net revenues, communications and technology expense was 2.9% and 21.4% for the quarters ended March 31, 2021 and 2020, respectively.

Occupancy

Occupancy expenses was $1.2 million for both of the quarters ended March 31, 2021 and 2020, respectively. As a percentage of total net revenues, occupancy expenses were 3.1% and 22.8% for the quarters ended March 31, 2021 and 2020, respectively.

Provision for Income Taxes

Income tax expense was $0.4 million and $7.2 million benefit for the quarters ended March 31, 2021 and 2020, respectively. The Company's tax benefit decreased for the quarter ended March 31, 2021 from March 31, 2020 due to an increase from net income from 2020 to 2021.

Beginning January 1, 2019, the Company elected to be treated as a C corporation for tax purposes, rather than a partnership, going forward.

For GAAP 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 net operating loss carryback that was created in prior year which was subsequently carried back to offset years with taxable income that was derived from a different corporate tax rate.

Segment income tax was a $1.3 million expense and $0.2 million benefit for the quarters ended March 31, 2021 and 2020, respectively.

For segment reporting purposes, an effective tax rate of 26% was assumed for the three months ended March 31, 2021 and 2020 based on our best estimation of the subsidiary's average rate of taxation over the long term.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was enacted in response to market conditions related to the coronavirus (COVID-19) pandemic. The CARES Act includes many measures to help companies, including changes that are temporary and non-income based tax laws, some of which were part of the Tax Cuts and Jobs Act (TCJA). The Company has made reasonable assessments in accounting for certain effects of the CARES Act that was passed. 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.

Summarized Financial Information

JMP Group Inc., a wholly-owned subsidiary of JMP Group LLC, is the primary obligor of the Company's 7.25% Senior Notes due 2027 (the "2027 Senior Notes") (see Note 7, *Debt*). Pursuant to the indenture of the 2027 Senior Notes, JMP Group LLC and JMP Investment Holdings LLC (the "Guarantors") are the guarantors of the 2027 Senior Notes. The Guarantors jointly and severally provide a full and unconditional guarantee of the due and punctual payment of the principal and interest on the 2027 Senior Notes and the due and punctual payment or performance of all other obligations of JMP Group Inc. under the indenture governing the 2027 Senior Notes.

The following summarized financial information presents the information of JMP Group LLC, JMP Investment Holdings LLC and JMP Group Inc. on a combined basis and eliminates intercompany balances. It does not include or present investments in subsidiaries that are not an issuer or guarantor. One of the non-guarantor subsidiaries not combined, 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.

These disclosures are in accordance with the new disclosure requirements under SEC Regulation S-X Rule 3-10 and Rule 13-02 issued in March 2020. The amended financial disclosures will consist of summarized financial information, as defined in Rule 1-02(bb)(1) of Regulation S-X, of the issuers and guarantors, which may be presented on a combined basis, and reduce the number of periods presented. The amended non-financial disclosures, among other matters, will expand the qualitative disclosures about the guarantees and the issuers and guarantors. Consistent with the existing rule, disclosure of additional information about each guarantor will be required if it would be material for investors to evaluate the sufficiency of the guarantee. We have early adopted these disclosure rules.

The tables below present summarized financial information as of March 31, 2021 and December 31, 2020 and for the three months ended March 31, 2021.

(In thousands)	**As of**	
	March 31, 2021	**December 31, 2020**
Cash and cash equivalents	$ 8,800	$ 8,761
Marketable securities owned, at fair value	26,036	26,843
Due from non-obligated subsidiaries	2,406	1,221
Deferred tax asset	15,696	15,911
Operating lease right-of-use asset	15,353	16,244
Total assets	81,162	82,901
Bond payable, net of debt issuance costs	71,289	80,912
Due to non-obligated subsidiaries	17,826	19,200
Operating lease liability	19,997	21,130
Total liabilities	123,643	134,778
Total equity	(42,481)	(51,877)
Total liabilities and equity	81,162	82,901

(In thousands)	**Three Months Ended March 31, 2021**
Total net revenues after provision for loan losses	$ (3,564)
Total non-interest expenses	2,533
Net loss	(4,467)

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 March 31, 2021 to demonstrate where our capital is invested and the financial condition of the Company.

Overview

As a result of the ongoing COVID-19 pandemic, we expected certain costs to decline as the underlying activities were restricted by the COVID-19 pandemic, including travel and related expenses. However, the extent to which the COVID-19 pandemic will impact our liquidity in future periods still remains uncertain.

As of March 31, 2021, we had $61.2 million in cash and cash equivalents and $17.9 million in undrawn borrowing capacity on our revolving line of credit (some of which borrowing capacity may be used for working capital – See the section entitled JMP Holding LLC Credit Agreement with CNB, below). Based on our historical results, management's experience and our current business strategy, we believe that our existing cash resources and available credit will be sufficient to meet anticipated working capital and capital expenditure requirements for at least the next twelve months.

As of March 31, 2021, we had net liquid assets of $110.7 million primarily consisting of cash and cash equivalents, receivable from clearing brokers, marketable securities owned, and investment banking receivables, net of marketable securities sold but not yet purchased and accrued compensation. We have satisfied our capital and liquidity requirements primarily through the issuance of the Senior Notes, draws on a line of credit, and internally generated cash from operations. Most of our financial instruments, other than loans held for investment and certain marketable securities, are recorded at fair value or amounts that approximate fair value.

Liquidity Considerations

As of March 31, 2021, our material indebtedness consisted of our then outstanding Senior Notes and borrowing on our revolving line of credit with City National Bank ("CNB") under the Credit Agreement described below.

Senior Notes

In November 2017, JMP Group Inc. raised $50.0 million from the issuance of 7.25% Senior Notes ("2027 Senior Notes"). The 2027 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 JMP Group Inc.'s option on or after November 28, 2020 at a redemption price equal to the principal amount redeemed plus accrued and unpaid interest. The 2027 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. Pursuant to the indenture of the 2027 Senior Notes, JMP Group LLC and JMP Investment Holdings LLC (the "Guarantors") are the guarantors of the 2027 Senior Notes. The Guarantors jointly and severally provide a full and unconditional guarantee of the due and punctual payment of the principal and interest on the 2027 Senior Notes and the due and punctual payment or performance of all other obligations of JMP Group Inc. under the indenture governing the 2027 Senior Notes.

In September 2019, JMP Group LLC raised $36.0 million from the issuance of 6.875% Senior Notes ("2029 Senior Notes"). The 2029 Senior Notes will mature on September 30, 2029 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 September 30, 2021 at a redemption price equal to the principal amount redeemed plus accrued and unpaid interest. The 2029 Senior Notes bear interest at a rate of 6.875% per year, payable quarterly on March 30, June 30, September 30, and December 30 of each year.

In March 2020, the Company repurchased $1.4 million and $0.7 million par value of its issued and outstanding 2029 Senior Notes and 2027 Senior Notes, respectively. Since they were repurchased at less than carrying value, a gain of $0.7 million was recognized upon the repurchase of the bonds, which has been included in the Consolidated Statements of Operations, gain on repurchase, reissuance or early retirement of debt.

In February 2021, the Company redeemed $10.0 million par value of its issued and outstanding 2027 Senior Notes.

JMP Holding LLC Credit Agreement with CNB

JMP Holding LLC (the "Borrower"), a wholly owned subsidiary of the Company, entered into a Second Amended and Restated Credit Agreement dated April 30, 2014 among the Borrower, the lenders from time to time party thereto (the "Lenders") and CNB, as administrative agent for the Lenders (as amended, the "Credit Agreement").

On December 31, 2020, the Borrower entered into an Amendment Number Eight (the "Eighth Amendment") to that certain Second Amended and Restated Credit Agreement dated April 30, 2014 among the Borrower, the Lenders and CNB. The Eighth Amendment extended the outside maturity date of the Revolving Loan under the Credit Facility from December 31, 2020 to December 31, 2022 and removed the mechanism whereby the Revolving Loan would convert into a term loan for 12 months after the revolving period ends. The Eighth Amendment amended certain financial covenants and introduced a definition of "Borrowing Base", which is a sum of certain assets of the Loan Parties, and added a provision that caps the total amount that can be borrowed under the Revolving Loan to the amount of the Borrowing Base if the Borrowing Base is lower than the Maximum Revolver Amount of $25 million. As of March 31, 2021, the Borrowing Base exceeded $25 million.

The Credit Agreement provides a $25.0 million revolving line of credit (the "Revolver") through December 31, 2022 that bears interest at a rate of LIBOR plus 225 bps.

The Credit Agreement provides that the Revolver may be used, on a revolving basis, to fund specified permitted investments in collateralized loan obligation vehicles. In addition, up to $5.0 million of the Revolver may be used, on a revolving basis, to fund other types of permitted investments and acquisitions and for working capital.

As of March 31, 2021, the Borrower had drawn $6.0 million against the Revolver and had letters of credit outstanding under this facility to support office lease obligations of approximately $1.1 million in the aggregate.

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. 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 three or more of the members of the Company's executive committee fail to be involved actively on an ongoing basis in the management of the Company or any of its subsidiaries. A violation of any one of these covenants could result in a default under the Credit Agreement, which would permit CNB to terminate our Revolver or Converted Term Loan and require the immediate repayment of any outstanding principal and interest. In addition, our subsidiaries are restricted under the Credit Agreement under certain circumstances from making distributions to us if an event of default has occurred under the Credit Agreement.

As of March 31, 2021 and December 31, 2020, we were in compliance with the loan covenants under the Credit Agreement.

The Borrower's obligations under the Credit Agreement are guaranteed by all of the Company's other wholly owned subsidiaries (other than JMP Securities and certain dormant subsidiaries) and are secured by substantially all of its and the guarantors' assets. In addition, we have entered into a limited recourse pledge agreement with CNB whereby JMP Group LLC granted a lien on the equity interests in JMP Investment Holdings LLC and JMPAM to secure the Borrower's obligations under the Credit Agreement. In July 2020, the Company entered into a Seventh Amendment to its Credit Facility with CNB, that among other things, requires the Company maintain a minimum of $6.0 million of CLO debt securities, based on their fair value as of June 30, 2020 pledged as collateral supporting the obligations under the Credit Agreement. See Note 9, *Loans*, for more information on the Seventh Amendment.

JMP Securities LLC Revolving Note Agreement with CNB

Under a Revolving Note and Cash Subordination Agreement (as amended, the “Revolving Note Agreement”) and related Revolving Note (as amended, the “Revolving Note”), each dated April 8, 2011, JMP Securities holds a $20.0 million revolving line of credit with CNB to be used for regulatory capital purposes in connection with its securities underwriting activities. Advances under the Revolving Note Agreement bear interest at CNB’s announced prime interest rate. The unused portion of the line bears interest at the rate of 0.25% per annum, paid monthly.

On June 29, 2020, JMP Securities entered Amendment Number Eleven to the Revolving Note Agreement. Pursuant to this amendment, the $20.0 million Revolving Note Agreement was extended for one year until June 30, 2021. On June 30, 2021, any existing outstanding amount under the Revolving Note will convert to a term loan maturing the following year.

There was no borrowing on the Revolving Note as of March 31, 2021 and December 31, 2020.

The Revolving Note Agreement contains financial and other covenants. A violation of any one of these covenants could result in a default under the Revolving Note, which would permit CNB to terminate the Revolving Note and require the immediate repayment of any outstanding principal and interest, subject to the terms of the Revolving Note Agreement.

At both March 31, 2021 and December 31, 2020, JMP Securities was in compliance with the loan covenants under the Revolving Note Agreement.

JMP Securities’ obligations under the Revolving Note Agreement are guaranteed by all of the Company’s wholly owned subsidiaries (other than JMP Securities) and are secured by substantially all the guarantors’ assets.

Other JMP Group LLC considerations

On February 24, 2020 the Company launched a self-tender offer (the “2020 Tender Offer”) to repurchase for cash up to 3,000,000 of shares, at $3.25 a share, representing limited liability company interests of the Company, which was terminated on March 19, 2020 as a result of multiple conditions to the 2020 Tender Offer, including share price and market index conditions, not having been satisfied.

During the three months ended March 31, 2021, the Company did not repurchase any of the Company's shares.

On February 19, 2020, the Company suspended its quarterly cash distributions program on outstanding shares.

Upon the securitization of Medalist Partners Corporate Finance CLO VI in February 2020, the Company received $13.7 million in cash from the CLO VI warehouse and recognized a gain of $1.0 million.

We had total restricted cash of $0.7 million comprised primarily of restricted cash at JMP Group Inc. related to the Company’s letters of credit on leasing arrangements.

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 2021, we paid out $44.5 million of cash bonuses for 2020, including employer payroll tax expense. In the first two months of 2020, we paid out $26.9 million of cash bonuses for 2019, including employer payroll tax expense.

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 under the Exchange Act, shall not exceed 15 to 1. JMP Securities had net capital of $26.4 million and $42.3 million, which were $24.9 million and $40.6 million in excess of the required net capital of $1.5 million and $1.7 million, at March 31, 2021 and December 31, 2020, respectively. JMP Securities’ ratio of aggregate indebtedness to net capital was 0.86 to 1 and 0.62 to 1 at March 31, 2021 and December 31, 2020, respectively.

A condensed table of cash flows for the three months ended March 31, 2021 and 2020 is presented below.

(Dollars in thousands)	Three Months Ended March 31,		Change from 2020 to 2021	
	2021	2020	$	%
Cash flows used in operating activities	$ (20,331)	$ (23,243)	2,912	-12.5%
Cash flows provided by investing activities	155	$ 13,423	(13,268)	-98.8%
Cash flows used in financing activities	(10,058)	$ (1,375)	(8,683)	631.5%
Total cash flows	$ (30,234)	$ (11,195)	$ (19,039)	170.1%

Cash Flows for the Three Months Ended March 31, 2021

Cash decreased by $30.2 million during the three months ended March 31, 2021 as a result of cash used in operating activities and financing activities, partially offset by cash provided by investing activities.

Our operating activities used $20.3 million of cash from net income of $1.2 million, adjusted for cash used by operating assets and liabilities of $23.0 million.

Our investing activities provided $0.1 million of cash primary due to $0.9 million of sales and distributions from non-equity method investments, partially offset by $0.8 million of purchases of other investments.

Our financing activities used $10.0 million of cash primarily due to $10 million in repurchase of bonds payable.

Cash Flows for the Three Months Ended March 31, 2020

Cash decreased by $11.2 million during the three months ended March 31, 2020 as a result of cash used in operating and financing activities, partially offset by cash provided by investing activities.

Our operating activities used $23.2 million of cash from a net loss of $11.8 million, adjusted for the cash used by operating assets and liabilities of $11.2 million. The cash used by the change in operating assets and liabilities was primarily due to a decrease in accrued compensation of $24.7 million, increase in other assets of $5.9 million, partially offset by an $18.8 million decrease in marketable securities, and a $3.3 million decrease in receivables.

Our investing activities provided $13.4 million of cash primarily due to a $13.7 million in sales from other investments.

Our financing activities used $1.4 million of cash primarily due to $1.3 million repurchase of bonds payable.

Contractual Obligations

As of March 31, 2021, our aggregate minimum future commitment on our leases was $22.4 million.

As of March 31, 2021, $76.0 million of bonds payable were outstanding, of which $36.0 million carries interest at a rate of 6.875% per annum and is due in 2029 and the remaining $40.00 million carries interest at a rate of 7.25% per annum and is due in 2027. The bonds require quarterly payments of interest. Our remaining contractual obligations have not materially changed from those reported in our Annual Report.

Off-Balance Sheet Arrangements

Unfunded commitments are agreements to lend to a borrower, provided that all conditions have been met. The Company had no material unfunded commitments to lend at both March 31, 2021 and 2020.

We had no material off-balance sheet arrangements as of March 31, 2021. However, through indemnification provisions in our clearing agreements with our clearing brokers, 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*

- *CLO Debt Securities*

- *Asset Management Investment Partnerships*

- *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 in these financial statements and our consolidated financial statements in our Annual Report.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Not Applicable.

ITEM 4. Controls and Procedures

(a) Disclosure 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 Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our Chairman and Chief Executive Officer and Chief Financial Officer, as principal executive officer and principal financial officer, respectively, have concluded that, as of the end of such period covered by this report, our disclosure controls and procedures are effective.

(b) Changes in Internal Controls Over Financial Reporting

There were no changes 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 Quarterly Report on Form 10-Q that has materially affected, or are 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, except as described below, 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

In addition to the other information set forth in this report, you should carefully review and consider the information regarding certain factors that could materially affect our business, financial condition, or future results set forth under Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2020 filed with the SEC on March 29, 2021.

There have been no material changes from the risk factors disclosed in our Annual Report on Form 10-K, although we may disclose changes to such factors or disclose additional factors from time to time in our future filings with the SEC.

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

During the quarter ended March 31, 2021, no purchases of the Company’s shares was made by or on behalf of JMP Group LLC. As of March 31, 2021, there were no shares available to be repurchased as part of publicly announced programs or plans.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Mine Safety Disclosures

Not Applicable.

ITEM 5. Other Information

None.

ITEM 6. Exhibits

EXHIBIT INDEX

Exhibit Number	Description
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.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Document
101.LAB*	XBRL Taxonomy Label Linkbase Document
101.PRE*	XBRL Taxonomy Presentation Linkbase Document

*Filed herewith
** Furnished, not filed

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: May 11, 2021

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 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 March 31, 2021 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: May 11, 2021

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

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 March 31, 2021 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: May 11, 2021

/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 March 31, 2021, 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: May 11, 2021

/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 March 31, 2021, 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: May 11, 2021

/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.