



## JMP GROUP DETAILS PRO FORMA IMPACT OF ACQUISITION OF CRATOS CAPITAL PARTNERS

**SAN FRANCISCO, June 18, 2009** – JMP Group Inc. (NYSE: JMP), an investment banking and alternative asset management firm, filed a Form 8-K/A today with the U.S. Securities and Exchange Commission (SEC) detailing the pro forma impact of the company's recently completed acquisition of Cratos Capital Partners, LLC, which now operates as JMP Credit Corporation. The Form 8-K/A is available on the SEC's website at [www.sec.gov](http://www.sec.gov) and in the investor relations section of JMP Group's website at [investor.jmpg.com](http://investor.jmpg.com).

The Form 8-K/A includes unaudited pro forma condensed combined financial statements of JMP Group and Cratos Capital Partners for the year ended December 31, 2008 and as of and for the quarter ended March 31, 2009. In addition, the Form 8-K/A includes historical financial statements for Cratos Capital Partners for the years ended December 31, 2008 and December 31, 2007 and for the period from May 12, 2006 (commencement of operations) to December 31, 2006. The financial statements were prepared in accordance with accounting principles generally accepted in the United States, or "GAAP."

JMP Credit Corporation, which acquired 100% of the membership interests of Cratos Capital Partners, was capitalized with an initial equity contribution from JMP Group of \$4 million as well as a co-investment by members of Cratos Capital Partners' management that will be accounted for as a non-controlling interest.

Based outside Atlanta, Georgia, JMP Credit Corporation serves as the investment adviser to Cratos CLO I, Ltd., a collateralized loan obligation originally funded in May 2007. On April 7, 2009, the acquisition date, the CLO portfolio consisted of \$467 million par amount of senior lien corporate loans extended to more than 70 different borrowers, diversified by industry, geography and borrower classification.

"We are pleased with the progress that JMP Credit Corporation has made in integrating the Cratos operations and in managing the CLO portfolio," said Joseph A. Jolson, chairman and chief executive officer of JMP Group. "Understandably, Cratos had a very challenging 2008 due to the deep recession and credit crisis. Even so, the acquisition would have been accretive by roughly \$0.01 on an adjusted pro forma earnings per share basis for the first quarter 2009. We are hopeful that JMP Credit Corporation will be an increasing contributor to our financial results going forward."

### **Non-GAAP Financial Measures**

In addition to the GAAP financial statements presented in the Form 8-K/A, JMP Group presents the non-GAAP financial measures discussed below. The non-GAAP financial results presented should not be considered a substitute for results that are presented in a manner consistent with GAAP. These non-GAAP measures are provided to enhance investors' overall understanding of the acquisition and its impact on the company's financial performance. Therefore, company management believes that both JMP Group's GAAP measures of its financial performance and the respective non-GAAP measures should be considered together. The non-GAAP measures presented herein may not be comparable to similarly titled measures presented by other companies.

### **Adjusted Pro Forma Net Income**

GAAP and SEC disclosure rules require that the pro forma GAAP income statements disclosed in JMP Group's Form 8-K/A reflect only adjustments that have a continuing impact on the company's financial statements. As a result, the pro forma GAAP income statements do not include the financial impact of interest expense related to corporate debt that has been forgiven or repaid in connection with the acquisition.

The adjusted pro forma net income detailed below is a non-GAAP financial measure that (i) reverses the interest expense related to \$65.2 million of corporate debt that has been forgiven or repaid in connection with the acquisition of Cratos Capital Partners and (ii) includes additional compensation expense accrual based on JMP Group's bonus accrual methodology in connection with net revenues generated by Cratos Capital Partners. The resulting incremental income before income tax expense has been adjusted for the non-controlling interests in JMP Credit Corporation, and the after-tax amount has been calculated assuming a tax rate of 42%.

These adjustments reflect what the performance of Cratos Capital Partners would have been for the periods presented if Cratos Capital Partners had been operated under the capital and compensation structures that JMP Group has maintained for its operation since its acquisition. JMP Group's management believes that the non-GAAP financial measures presented herein are useful because they will allow for meaningful comparison of JMP Group's pro forma combined results in the periods presented with such results in future periods. The usefulness of the non-GAAP financial measures presented herein is limited by the fact that the adjustments are merely estimates of what the performance would have been without the interest expense or with the compensation expense discussed herein. Actual results may differ from JMP Group's estimates.

Three Months Ended March 31, 2009

<i>(in thousands, except per share amounts)</i>	JMP Group	Cratos	Pro Forma Adjustments	Pro Forma Combined JMP Group
<b>Revenues:</b>				
Investment banking .....	\$4,115.8	-	-	\$4,115.8
Brokerage .....	8,539.3	-	-	8,539.3
Asset management fees .....	8,466.0	-	-	8,466.0
Principal transactions .....	2,889.6	-	-	2,889.6
Net interest income .....	210.3	517.8	(121.1)	607.0
Provision for loan losses .....	(725.0)	(440.8)	-	(1,165.8)
Dividends .....	454.7	-	-	454.7
Other income .....	267.0	109.2	-	376.2
Total revenues .....	<u>24,217.7</u>	<u>186.2</u>	<u>(121.1)</u>	<u>24,282.8</u>
<b>Expenses:</b>				
Compensation and benefits .....	18,800.5	597.7	-	19,398.2
Administration .....	1,121.3	897.1	-	2,018.5
Brokerage, clearing and exchange fees .....	1,249.6	-	-	1,249.6
Dividend expense .....	21.3	-	-	21.3
Other .....	2,938.1	-	-	2,938.1
Total expenses .....	<u>24,130.8</u>	<u>1,494.8</u>	<u>-</u>	<u>25,625.7</u>
Income before income tax expense/(benefit) .....	86.9	(1,308.6)	(121.1)	(1,342.9)
Income tax expense/(benefit) .....	52.5	-	(582.6)	(530.2)
Net income .....	<u>34.4</u>	<u>(1,308.6)</u>	<u>461.5</u>	<u>(812.7)</u>
Less: Net income/(loss) attributable to noncontrolling interest .....	0.5	-	(49.1)	(48.6)
Net income attributable to JMP Group Inc. ....	<u>\$33.9</u>	<u>(\$1,308.6)</u>	<u>\$510.6</u>	<u>(\$764.1)</u>
Net income attributable to JMP Group Inc. common stockholders				
per share:				
Basic .....	\$0.00			(\$0.04)
Diluted .....	\$0.00			(\$0.04)
Weighted average common shares outstanding:				
Basic .....	20,500			20,500
Diluted .....	20,702			20,500

A reconciliation of pro forma GAAP net income attributable to JMP Group Inc. to non-GAAP adjusted pro forma net income attributable to JMP Group Inc. for the three months ended March 31, 2009 is set forth below:

<i>(in thousands, except per share amounts)</i>	Pro Forma Combined JMP Group
Net income attributable to JMP Group Inc. ....	(\$764.1)
Adjustment to reverse corporate debt and working capital interest expense at Cratos Capital Partners .....	2,132.2
Adjustment to record additional bonus compensation expense based on the net interest income of Cratos, as adjusted for estimated additional loan loss provisions .....	(255.8)
Additional income tax expense from adjustments above .....	(788.1)
Additional noncontrolling interest from adjustments above .....	(63.1)
Adjusted net income attributable to JMP Group Inc. ....	<u>\$261.1</u>
Adjusted net income attributable to JMP Group Inc. common stockholders per share:	
Basic .....	\$0.01
Diluted .....	\$0.01
Weighted average common shares outstanding:	
Basic .....	20,500
Diluted .....	20,702

	Year Ended December 31, 2008			Pro Forma Combined JMP Group
<i>(in thousands, except per share amounts)</i>	JMP Group	Cratos	Pro Forma Adjustments	JMP Group
<b>Revenues:</b>				
Investment banking .....	\$27,249.4	-	-	\$27,249.4
Brokerage .....	35,731.2	-	-	35,731.2
Asset management fees .....	11,369.0	-	-	11,369.0
Principal transactions .....	(4,657.1)	-	-	(4,657.1)
Net interest income .....	1,989.4	13,414.1	440.9	15,844.5
Provision for loan losses .....	(2,896.1)	(54,492.6)	-	(57,388.8)
Dividends .....	3,347.0	-	-	3,347.0
Other income .....	1,157.8	2,284.1	-	3,441.9
Bargain purchase gain .....	-	-	1,179.3	1,179.3
Total revenues .....	<u>73,290.6</u>	<u>(38,794.4)</u>	<u>1,620.2</u>	<u>36,116.4</u>
<b>Expenses:</b>				
Compensation and benefits .....	65,745.8	5,771.7	-	71,517.5
Administration .....	5,886.8	3,472.4	-	9,359.2
Brokerage, clearing and exchange fees .....	5,062.6	-	-	5,062.6
Dividend expense .....	178.5	-	-	178.5
Other .....	13,262.6	-	-	13,262.6
Total expenses .....	<u>90,136.3</u>	<u>9,244.1</u>	<u>-</u>	<u>99,380.4</u>
Income before income tax expense/(benefit) .....	(16,845.7)	(48,038.5)	1,620.2	(63,264.0)
Income tax expense/(benefit) .....	(5,701.0)	-	(18,913.6)	(24,614.6)
Net income .....	<u>(11,144.7)</u>	<u>(48,038.5)</u>	<u>20,533.8</u>	<u>(38,649.4)</u>
Less: Net income/(loss) attributable to noncontrolling interest .....	(498.4)	-	(1,595.3)	(2,093.7)
Net income attributable to JMP Group Inc. ....	<u>(\$10,646.3)</u>	<u>(\$48,038.5)</u>	<u>\$22,129.1</u>	<u>(\$36,555.7)</u>
Net income attributable to JMP Group Inc. common stockholders per share:				
Basic .....	(\$0.53)			(\$1.81)
Diluted .....	(\$0.53)			(\$1.81)
Weighted average common shares outstanding:				
Basic .....	20,211			20,211
Diluted .....	20,211			20,211

A reconciliation of pro forma GAAP net income attributable to JMP Group Inc. to non-GAAP adjusted pro forma net income attributable to JMP Group Inc. for the year ended December 31, 2008 is set forth below:

<i>(in thousands, except per share amounts)</i>	Pro Forma Combined JMP Group
Net income attributable to JMP Group Inc. ....	(\$36,555.7)
Adjustment to reverse corporate debt and working capital interest expense at Cratos Capital Partners .....	8,642.6
Adjustment to record additional bonus compensation expense based on the net interest income of Cratos, as adjusted for estimated additional loan loss provisions .....	(3,499.5)
Additional income tax expense from adjustments above .....	(2,160.1)
Additional noncontrolling interest from adjustments above .....	(173.0)
Adjusted net income attributable to JMP Group Inc. ....	<u>(\$33,745.7)</u>
Adjusted net income attributable to JMP Group Inc. common stockholders per share:	
Basic .....	(\$1.67)
Diluted .....	(\$1.67)
Weighted average common shares outstanding:	
Basic .....	20,211
Diluted .....	20,211

**About JMP Group**

JMP Group Inc. is a full-service investment banking and asset management firm that provides investment banking, sales and trading, and equity research services to corporate and institutional clients and alternative asset management products to institutional and high-net-worth investors. JMP Group operates through three subsidiaries: JMP Securities, JMP Capital and Harvest Capital Strategies. For more information, visit [www.jmpg.com](http://www.jmpg.com).

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