JMP Group Inc.
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PROSPECTUS SUPPLEMENT
(To prospectus dated April 28, 2017)

$50,000,000

JMP Group Inc.

7.25% Senior Notes due 2027

Unconditionally Guaranteed by JMP Group LLC and JMP Investment Holdings LLC

JMP Group Inc. is offering $50,000,000 aggregate principal amount of its 7.25% senior notes due 2027 (the "notes"). Interest on the notes will accrue from November 28, 2017, and will be paid quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, commencing on February 15, 2018. The notes will mature on November 15, 2027. We may redeem the notes in whole or in part on or after November 28, 2020, at our option at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest to, but not including, the date of redemption, as described under "Description of Notes—Optional Redemption." The notes will be issued in denominations of $25 and in integral multiples thereof.

The notes will be the senior unsecured obligations of JMP Group Inc., will rank equally with all of its existing and future senior unsecured indebtedness and will be senior to any other indebtedness expressly made subordinate to the notes. The notes will be guaranteed on a senior unsecured basis by JMP Group LLC, the ultimate parent of JMP Group Inc., and JMP Investment Holdings LLC, the direct parent of JMP Group Inc. (together, the "guarantors"), but the notes will not be guaranteed by any subsidiaries of JMP Group Inc. or any other party. The guarantees will rank equally with all of the existing and future senior indebtedness of the guarantors. The notes and the guarantees will be effectively subordinated to any existing and future secured indebtedness (to the extent of the value of the assets securing such indebtedness) and structurally subordinated to all existing and future liabilities of our subsidiaries, including trade payables.

Investing in the notes involves risks that are described in the "Risk Factors" section beginning on page S-6 of this prospectus supplement and the documents incorporated by reference herein.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

We intend to apply to list the notes on the New York Stock Exchange ("NYSE") and expect trading in the notes to begin within 30 days of November 28, 2017, the original issue date.

	Price to Public[(1)]	**Underwriting Discount[(3)]**	**Proceeds to JMP Group Inc. Before Expenses[(1)]**
Per note	$25.00	$ 0.7875	$24.2125
Total notes[(2)]	$50,000,000	$ 1,575,000	$48,425,000

(1) Plus accrued interest from November 28, 2017, if the initial settlement occurs after that date.

(2) Assumes no exercise of the underwriters' overallotment option described below.

(3) We have agreed to reimburse the underwriters for certain expenses in connection with this offering. See "Underwriting (Conflicts of Interest)."

The underwriters may also purchase up to an additional $7,500,000 aggregate principal amount of notes from JMP Group Inc. at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus supplement, to cover overallotments, if any. If the underwriters exercise this option in full, the total underwriting discount will be $1,811,250, and total proceeds to JMP Group Inc., before expenses, will be $55,688,750.

The underwriters expect to deliver the notes to purchasers in book-entry only form through the facilities of The Depository Trust Company for the accounts of its participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System, and Clearstream Banking, *société anonyme*, on or about November 28, 2017.

Joint Book-Running Managers

UBS Investment Bank Morgan Stanley

Co-Managers

JMP Securities Barrington Research

The date of this prospectus supplement is November 20, 2017.

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Prospectus Supplement

Prospectus

About this Prospectus Supplement

You should rely only on the information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer and sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and any free writing prospectus that we have authorized for use in connection with this offering is accurate only as of the date of those respective documents. Our business, financial condition, results of operations and prospects may have changed since those dates. It is important for you to read and consider all information contained in this prospectus supplement and in the accompanying prospectus, including the documents incorporated by reference herein and therein, in making your investment decision. You should also read and consider the information in the documents we have referred you to in the sections of this prospectus supplement and the accompanying prospectus entitled “Where You Can Find More Information” and “Incorporation of Certain Information by Reference.”

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this notes offering and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into the accompanying prospectus. The second part, the accompanying prospectus, provides more general information. Generally, when we refer to this prospectus, we are referring to both parts of this document combined. To the extent there is a conflict between the information contained in this prospectus supplement and the information contained in the accompanying prospectus or any document incorporated by reference therein filed prior to the date of this prospectus supplement, you should rely on the information in this prospectus supplement. If any statement in one of these documents is inconsistent with a statement in another document having a later date — for example, a document incorporated by reference in the accompanying prospectus — the statement in the document having the later date modifies or supersedes the earlier statement.

As used in this prospectus supplement, except as otherwise provided herein or unless the context otherwise requires:

References to “we,” “us,” “our,” and the “Company,” unless the context requires otherwise, and except under the heading “Description of Notes,” are to JMP Group LLC and its consolidated subsidiaries, including JMP Group Inc. and JMP Investment Holdings LLC (“JMP Investment Holdings”).

References to the “issuer” are to JMP Group Inc., the issuer of the notes, which is a wholly owned subsidiary of JMP Group LLC.

References to the “guarantors” are to JMP Group LLC and JMP Investment Holdings, which are the ultimate and direct parent, respectively, of JMP Group Inc., and do not refer to any other subsidiaries of the issuer or the guarantors.

References to the "notes" refer to the 7.25% senior notes due 2027 offered hereby and include the related guarantees except where the context otherwise requires.

References to our 8.00% Senior Notes refer to JMP Group Inc.'s outstanding 8.00% Senior Notes due 2023 and references to our 7.25% Senior Notes refer to JMP Group Inc.'s outstanding 7.25% Senior Notes due 2021 (together with the 8.00% Senior Notes, the "Senior Notes") described under "Description of Certain Indebtedness."

Special Note Regarding Forward-Looking Statements

This prospectus supplement, the accompanying prospectus and the information incorporated by reference herein and therein include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such statements include, without limitation, statements regarding our expectations, hopes or intentions regarding the future. These forward looking statements can often be identified by their use of words such as "expect," "believe," "anticipate," "outlook," "could," "target," "project," "intend," "plan," "seek," "estimate," "should," "may" and "assume," as w such words and similar expressions referring to the future. They also include statements concerning anticipated revenues, income or loss, capital expenditures, dividends, capital structure or other financial terms. For a non-exhaustive list of factors that could cause future results to differ materially from those expressed or implied by forward-looking statements or from historical results, please refer to the "Special Note Regarding Forward-Looking Statements" in our Annual Report on Form 10-K for the year ended December 31, 2016.

Forward-looking statements involve certain risks and uncertainties, many of which are beyond our control. If any of those risks and uncertainties materialize, actual results could differ materially from those discussed in any such forward-looking statement. Additional factors that could cause actual results to differ materially from those discussed in forward-looking statements are those discussed under the heading "Risk Factors" in this prospectus supplement and in other sections of (i) our Annual Report on Form 10-K for the year ended December 31, 2016 or (ii) our other reports filed from time to time with the Securities and Exchange Commission (the "SEC") that are incorporated by reference into this prospectus supplement and the accompanying prospectus. See "Where You Can Find More Information" for information about how to obtain copies of those documents.

All forward-looking statements in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein are made only as of the date of the document in which they are contained, based on information available to us as of the date of that document, and we caution you not to place undue reliance on forward-looking statements in light of the risks and uncertainties associated with them. Except as required by law, we undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Summary

This summary highlights selected information contained elsewhere in this prospectus supplement, the accompanying prospectus and in the documents we incorporate by reference. This summary does not contain all of the information you should consider before making an investment decision. You should read carefully this entire prospectus supplement, the accompanying prospectus and any related free writing prospectus, especially the risks of investing in the notes discussed under "Risk Factors" contained in this prospectus supplement, along with our consolidated financial statements and notes to those consolidated financial statements and the other information incorporated by reference in this prospectus supplement and the accompanying prospectus.

About JMP Group LLC

JMP Group LLC, together with its subsidiaries, including JMP Group Inc., the issuer of the notes offered hereby, is a diversified capital markets firm. We provide investment banking, sales and trading, and equity research services to corporate and institutional clients as well as alternative asset management products and services to institutional investors and high-net-worth individuals. In addition, we manage and invest in corporate credit instruments through collateralized loan obligations and direct investments, and we serve as the investment advisor to a business development company under the Investment Company Act of 1940.

We focus our efforts on small and middle-market companies in the following four growth industries: technology, healthcare, financial services and real estate. Our specialization in these areas has enabled us to develop recognized expertise and to cultivate extensive industry relationships. As a result, we have established our firm as a key advisor for our corporate clients, a trusted resource for institutional investors, and an effective investment manager for our asset management clients. We currently operate from our headquarters in San Francisco and from additional offices in New York, Boston, Chicago, West Palm Beach and the Atlanta and Minneapolis areas.

We provide our corporate clients with a wide variety of services, including strategic financial advice and capital raising solutions, sales and trading support, and equity research coverage. We provide institutional investors with capital markets intelligence and objective, informed investment recommendations about individual equities that are not widely followed. We believe that our concentration on small and middle-market companies, as well as our broad range of product offerings, positions us as a leader in what has traditionally been an underserved and high-growth market.

The selection of our four target industries, the development of multiple products and services, and the establishment of our four revenue-producing business lines—investment banking, sales and trading, equity research and asset management—has created a diversified business model, especially when compared to that of our more specialized

competitors. We have been able to balance fluctuations in revenue streams from our investment banking activities, incentive-based asset management fees and principal investments with more stable revenue streams from our sales and trading commissions and base asset management fees. In addition, our target industries have historically performed, in certain respects, counter-cyclically to one another, allowing us to win business and generate revenues in various economic and capital markets conditions.

About JMP Group Inc.

JMP Group Inc. currently conducts our brokerage business through JMP Securities LLC ("JMP Securities"), our asset management business through Harvest Capital Strategies LLC ("HCS") and HCAP Advisors LLC ("HCAP Advisors"), and our corporate credit business through JMP Credit Advisors LLC ("JMP Credit Advisors").

In 2009, as part of our ongoing efforts to diversify our asset management business, we acquired a corporate credit business, renamed JMP Credit Advisors, that operates as a manager of collateralized loan obligations ("CLOs"). As of September 30, 2017, JMP Credit Advisors managed two CLOs with approximately $812.0 million of assets under management and a $200.0 million warehouse facility used to accumulate loans for a new CLO. In 2011, we launched a specialty finance company that provides customized financing to small and midsized businesses. In May 2013, this specialty finance company converted into a business development company under the Investment Company Act of 1940 named Harvest Capital Credit Corporation ("HCC") and completed an initial public offering. We serve as HCC's investment advisor through HCAP Advisors, our majority-owned subsidiary.

Our Organizational Structure

JMP Group Inc. was incorporated in Delaware in January 2000, and JMP Group LLC was formed in Delaware in August 2014. JMP Group Inc. completed its initial public offering in May 2007 and a reorganization transaction in January 2015, pursuant to which JMP Group Inc. became a wholly owned subsidiary of JMP Group LLC (the "Reorganization Transaction"). As a result of the Reorganization Transaction, JMP Group LLC became the successor issuer to JMP Group Inc. pursuant to Rule 12g-3(a) under the Exchange Act. References to JMP Group LLC in this prospectus supplement, the accompanying prospectus or the documents incorporated by reference herein or therein that include any period before the effectiveness of the Reorganization Transaction shall be deemed to refer to JMP Group Inc.

The following chart summarizes our current organizational structure and outstanding indebtedness as of the date of this prospectus supplement. This chart is provided for illustrative purposes only and does not represent all of our subsidiaries or obligations. See "Description of Certain Indebtedness" for more information.

(a) Guarantors of the 8.00% Senior Notes, the 7.25% Senior Notes and the notes offered hereby.

(b) Issuer of the 8.00% Senior Notes, the 7.25% Senior Notes and the notes offered hereby.

Corporate Information

Our corporate offices are at 600 Montgomery Street, Suite 1100, San Francisco, California 94111, and our web site address is at http://www.jmpg.com. The reference to our website is intended to be an inactive textual reference only, and the information on our web site is not deemed to be part of or incorporated by reference into this prospectus supplement or the accompanying prospectus.

The Offering

The summary below describes the principal terms of the notes. Some of the terms and conditions described below are subject to important limitations and exceptions. See "Description of Notes" for a more detailed description of the terms and conditions of the notes. All capitalized terms not defined herein have the meanings specified in "Description of Notes." Unless otherwise indicated, the information in this prospectus supplement assumes that the underwriters do not exercise their overallotment option to purchase additional notes.

Issuer	JMP Group Inc.
Notes Offered	$50.0 million aggregate principal amount of 7.25% senior notes due 2027 ($57.5 million aggregate principal amount if the underwriters' overallotment option is exercised in full).
Offering Price	100% of the principal amount.
Maturity	The notes will mature on November 15, 2027, unless redeemed prior to maturity.
Interest Rate and Payment Dates	Interest of 7.25% per annum on the principal amount of the notes will be payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, commencing on February 15, 2018, and at maturity.
Guarantees	The notes will be unconditionally guaranteed, jointly and severally, on a senior unsecured basis, by JMP Group LLC, the ultimate parent of JMP Group Inc., and JMP Investment Holdings, the direct parent of JMP Group Inc.
Ranking	The notes will be the senior unsecured obligations of JMP Group Inc., will rank equally in right of payment with all of its existing and future senior unsecured indebtedness, including its 8.00% Senior Notes and 7.25% Senior Notes, and will be senior to any other indebtedness expressly made subordinate to the notes. The notes will be effectively subordinated in right of payment to all of the existing and future secured obligations of JMP Group Inc. to the extent of the value of the assets securing such indebtedness. The guarantees will be the senior unsecured obligations of each guarantor and will rank equal in right of payment to all of such guarantor's existing and future senior indebtedness, including its guarantees of JMP Group Inc.'s 8.00% Senior Notes and 7.25% Senior Notes, effectively subordinate in right of payment to all of its existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness and senior in right of payment to any of its future subordinated indebtedness.

The notes will not be guaranteed by any of the subsidiaries of JMP Group Inc. or any of the other subsidiaries of the guarantors. The notes and the related guarantees will be structurally subordinated to all existing and future indebtedness and liabilities of JMP Group Inc.'s subsidiaries and effectively subordinated to all existing and future indebtedness and other liabilities of the guarantors' subsidiaries other than JMP Group Inc.

	As of September 30, 2017, we had $101.3 million aggregate principal amount of consolidated outstanding indebtedness, consisting of $46.0 million of JMP Group Inc.'s 8.00% Senior Notes, $48.3 million of JMP Group Inc.'s 7.25% Senior Notes and $7.0 million of borrowings under the JMP Credit Advisors CLO V Ltd. ("CLO V") warehouse facility. JMP Group LLC and JMP Investment Holdings are guarantors of JMP Group Inc. with respect to the Senior Notes. This amount does not include indebtedness of JMP Credit Advisors CLO III Ltd. ("CLO III") and JMP Credit Advisors CLO IV Ltd. ("CLO IV"), which indebtedness is consolidated in our financial statements, together with the loans collateralizing the indebtedness of CLO III and CLO IV, for financial reporting purposes. As of September 30, 2017, the issuer and the guarantors have no other indebtedness, excluding intercompany indebtedness. For further discussion, see "Description of Certain Indebtedness."
Optional Redemption	We may redeem the notes, in whole or in part, on or after November 28, 2020, at our option, at any time and from time to time, prior to maturity at a price equal to 100% of their principal amount, plus accrued and unpaid interest to, but not including, the date of redemption. See "Description of Notes—Optional Redemption" for additional details.
Use of Proceeds	We intend to use a portion of the net proceeds from this offering to redeem some or all of our outstanding 7.25% Senior Notes or 8.00% Senior Notes or both, and the remainder, if any, will be used for general corporate purposes. For additional information, see "Use of Proceeds."
Further Issuances	JMP Group Inc. may create and issue further notes ranking equally and ratably with the notes in all respects, so that such further notes shall constitute and form a single series with the notes and shall have the same terms as to status, redemption or otherwise as the notes; provided that such further notes are fungible for United States federal income tax purposes with the notes.
Listing	We intend to apply to list the notes on the NYSE. We expect trading in the notes to begin within 30 days of November 28, 2017, the original issue date.
Form and Denomination	The notes will be issued in fully registered form in denominations of $25 and integral multiples thereof.
Trustee and Paying Agent	U.S. Bank National Association.
Governing Law	The indenture and the notes will be governed by the laws of the State of New York.
Risk Factors	Investment in the notes involves risk. See "Risk Factors" and all other information included in this prospectus supplement, and the documents incorporated by reference for a discussion of factors that should be considered before investing in the notes.

Extended Settlement	It is expected that delivery of the notes will be made against payment therefor on or about November 28, 2017, which is the fifth business day following the date of this prospectus supplement (such settlement cycle being referred to as "T+5"). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the notes on the date of pricing or the next two succeeding business days will be required, by virtue of the fact that the notes initially will settle in T+5, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to make such trades should consult their own advisor.
Conflicts of Interest	JMP Securities LLC, our wholly owned subsidiary, is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA"), and will participate in distributions of the offered securities. Therefore, a "conflict of interest" exists for JMP Securities LLC within the meaning of FINRA Rule 5121(f)(5)(B). Additionally, JMP Securities LLC and one or more of its affiliates, as defined in FINRA Rule 5121, will have a conflict of interest as defined in FINRA Rule 5121(f)(5)(c)(ii) due to the receipt of more than 5% of the net offering proceeds. Accordingly, this offering will be conducted pursuant to FINRA Rule 5121. In accordance with that rule, no "qualified independent underwriter" is required because JMP Securities LLC is not primarily responsible for managing the offering. To comply with FINRA Rule 5121, client accounts over which JMP Securities LLC or any affiliate has investment discretion are not permitted to purchase the notes, either directly or indirectly, without the specific written approval of the accountholder. See "Underwriting (Conflicts of Interest)—Conflicts of Interest."

Risk Factors

Before you invest in our notes, you should know that making such an investment involves significant risks, including the risks described below. You should carefully consider the following information about these risks, together with the other information contained in this prospectus supplement, the accompanying prospectus and the information incorporated by reference herein and therein, including risk factors contained in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2016, before purchasing the notes offered pursuant to this prospectus supplement. The risks that we have highlighted here are not the only ones that we face. For example, additional risks presently unknown to us or that we currently consider immaterial or unlikely to occur could also impair our operations. If any of the risks actually occurs, our business, financial condition or results of operations could be negatively affected and you could lose all or part of your investment.

Risks Relating to This Offering

Increased leverage as a result of this offering may harm our financial condition and results of operations.

As of September 30, 2017, we had $101.3 million aggregate principal amount of consolidated outstanding indebtedness, consisting of $46.0 million of our 8.00% Senior Notes, $48.3 million of our 7.25% Senior Notes and $7.0 million of borrowings under the CLO V warehouse facility. This amount does not include asset-backed securities of CLO III and CLO IV, which are consolidated in our financial statements, together with the loans collateralizing the asset-backed securities of CLO III and CLO IV, for financial reporting purposes, even though CLO III and CLO IV are bankruptcy remote entities with no recourse to us. Although we intend to use a portion of the net proceeds from this offering to redeem some or all of our outstanding 7.25% Senior Notes or 8.00% Senior Notes or both, the amount and timing of any such redemption is at our discretion. See “Use of Proceeds.” Our level of indebtedness could have important consequences to you, because:

- it could affect our ability to satisfy our financial obligations, including those relating to the notes;
- a substantial portion of our cash flows from operations will have to be dedicated to interest and principal payments and may not be available for operations, working capital, capital expenditures, expansion, acquisitions or general corporate or other purposes;
- it may impair our ability to obtain additional financing in the future;
- it may limit our ability to refinance all or a portion of our indebtedness on or before maturity;

it may limit our flexibility in planning for, or reacting to, changes in our business and industry; and

it may make us more vulnerable to downturns in our business, our industry or the economy in general.

Our operations may not generate sufficient cash to enable us to service our debt. If we fail to make a payment on the notes, we could be in default on the notes, and this default could cause us to be in default on our other outstanding indebtedness. Conversely, a default on our other outstanding indebtedness may cause a default under the notes. See "Description of Certain Indebtedness." In addition, we may incur additional indebtedness in the future, and, as a result, the related risks that we now face, including those described above, could intensify. A default, if not waived, could result in acceleration of the debt outstanding under the related agreement. If that should occur, we may not be able to pay all such debt or to borrow sufficient funds to refinance it. Even if new financing were then available, it may not be on terms that are acceptable to us. The indenture for the notes will not restrict our ability to incur additional indebtedness.

The notes and the guarantees will be unsecured and will be effectively subordinated to all of JMP Group Inc.'s and the guarantors' existing and future secured indebtedness.

The notes will be unsecured and will be effectively subordinated in right of payment to all of JMP Group Inc.'s existing or future secured indebtedness to the extent of the value of the assets securing such indebtedness. In addition, the guarantees from JMP Group LLC and JMP Investment Holdings are unsecured and will be effectively subordinated in right of payment to any existing or future secured indebtedness of the guarantors to the extent of the value of the assets securing such indebtedness. We may incur additional secured indebtedness in the future. Upon any distribution to our creditors in a bankruptcy, liquidation or reorganization or similar proceeding relating to us or our property, the holders of our secured debt will be entitled to exercise the remedies available to a secured lender under applicable law and pursuant to the instruments governing such debt and to be paid in full from the assets securing that secured debt before any payment may be made with respect to the notes. In that event, because the notes will not be secured by any of our assets, it is possible that there will be no assets from which claims of holders of the notes can be satisfied or, if any assets remain, that the remaining assets will be insufficient to satisfy those claims in full or at all. If the value of such remaining assets is less than the aggregate outstanding principal amount of the notes and all other debt ranking equally in right of payment with the notes, we may be unable to satisfy our obligations under the notes. In addition, if we fail to meet our payment or other obligations under any secured debt we have or may incur, the holders of such secured debt would be entitled to foreclose on our assets securing that secured debt and liquidate those assets. Accordingly, we may not have sufficient funds to pay amounts due on the notes. As a result, you may lose a portion or the entire value of your investment in the notes.

Claims of noteholders will be effectively subordinated to the claims of JMP Group Inc.'s and the guarantors' subsidiaries' creditors.

The notes are the obligations of JMP Group Inc. and the guarantees are the obligations of JMP Group LLC, the ultimate parent of JMP Group Inc., and JMP Investment Holdings, the direct parent of JMP Group Inc., but the notes will not be the obligations of any subsidiaries of JMP Group Inc. or any other party. None of JMP Group Inc.'s subsidiaries nor any of the other subsidiaries of JMP Group LLC or JMP Investment Holdings will guarantee the notes and the notes are not required to be guaranteed by any subsidiary JMP Group Inc. or the guarantors may acquire or create in the future. JMP Group LLC is a holding company and JMP Group Inc. and JMP Investment Holdings are intermediate holding subsidiaries of JMP Group LLC. Substantially all of our operations are conducted through our subsidiaries. As a result, our cash flow and our ability to service our debt, including the notes, depend upon the earnings of our subsidiaries. In addition, we depend on the distribution of earnings, loans or other payments by our subsidiaries to us. Our subsidiaries are separate and distinct legal entities. Our subsidiaries have no obligation to pay any amounts due on the notes or to provide us with funds to pay our obligations, whether by dividends, distributions, loans or other payments. In addition, any payment of dividends, distributions, loans or advances by our subsidiaries to us would be subject to regulatory or contractual restrictions. See "Description of Certain Indebtedness" in this prospectus supplement. Payments to us by our subsidiaries also will be contingent upon our subsidiaries' earnings and business considerations.

Our right to receive any assets of any of our subsidiaries upon their liquidation or reorganization, and, therefore, the right of the holders of the notes to participate in those assets, will be effectively subordinated to the claims of those subsidiaries' creditors, including senior and subordinated debtholders and general trade creditors. Except to the extent we are a creditor with recognized claims against our subsidiaries, all claims of creditors of our subsidiaries will have priority over our equity interests in such subsidiaries (and therefore the claims of our creditors, including holders of the notes) with respect to the assets of such subsidiaries. Even if we are recognized as a creditor of one or more of our subsidiaries, our claims would still be effectively subordinated to any security interests in the assets of any such subsidiary and to any indebtedness or other liabilities of any such subsidiary senior to our claims. Consequently, the notes will be structurally subordinated to all indebtedness and other liabilities of any of our subsidiaries and any subsidiaries that we may in the future acquire or establish. Our subsidiaries may incur substantial indebtedness in the future, all of which would be structurally senior to the notes.

We have made only limited covenants in the indenture governing the notes, and these limited covenants may not protect your investment.

The indenture governing the notes does not:

require us to maintain any financial ratios or specific levels of net worth, revenues, income or cash flows and, accordingly, does not protect holders of the notes in the event that we experience significant adverse changes in our

financial condition or results of operations;

limit our subsidiaries' ability to incur indebtedness which would effectively rank senior to the notes;

limit our ability to incur secured indebtedness or indebtedness that is equal in right of payment to the notes;

restrict our subsidiaries' ability to issue securities that would be senior to the equity interests of our subsidiaries held by us;

restrict our ability to repurchase our securities;

- restrict our ability to pledge our assets or those of our subsidiaries; or

- restrict our ability to make investments or to pay dividends or make other payments in respect of our common stock or other securities ranking junior to the notes.

Furthermore, the indenture for the notes contains only limited protections in the event of a change in control and does not require us to repurchase the notes upon a change of control. We could engage in many types of transactions, such as acquisitions, refinancings or recapitalizations that could substantially affect our capital structure and the value of the notes. For these reasons, you should not consider the covenants in the indenture or the repurchase features of the notes as a significant factor in evaluating whether to invest in the notes.

We may redeem the notes before maturity, and you may be unable to reinvest the proceeds at the same or a higher rate of return.

We may redeem all or a portion of the notes at any time on or after November 28, 2020. The redemption price will equal the principal amount being redeemed, plus accrued and unpaid interest to the redemption date. See “Description of the Notes—Optional Redemption.” If a redemption does occur, you may be unable to reinvest the money you receive in the redemption at a rate that is equal to or higher than the rate of return on the notes.

If an active trading market does not develop for the notes, you may be unable to sell your notes or to sell your notes at a price that you deem sufficient.

The notes are a new issue of securities for which there is currently no public market. Although we intend to apply to list the notes on the NYSE, we cannot assure you that the notes will be approved for listing. The notes have not been approved for listing as of the date of this prospectus supplement. We have been informed by the underwriters that they intend, but are not obligated, to make a market for the notes should the notes not be approved for listing. If such a market were to develop, on the NYSE or otherwise, the notes could trade at prices which may be higher or lower than the initial offering price depending on many factors independent of our creditworthiness, including, among other things:

- the time remaining to the maturity of the notes;

- their subordination to the existing and future liabilities of our company and our subsidiaries;

the outstanding principal amount of the notes; and

the level, direction and volatility of market interest rates generally.

Our credit rating may not reflect all risks of your investment in the notes.

The credit rating assigned to the notes is limited in scope, and does not address all material risks relating to an investment in the notes, but rather reflects only the view of the rating agency at the time the rating is issued. There can be no assurance that such credit rating will remain in effect for any given period of time or that a rating will not be lowered, suspended or withdrawn entirely by the rating agency, if, in such rating agency's judgment, circumstances so warrant. Credit ratings are not a recommendation to buy, sell or hold any security. An agency's rating should be evaluated independently of any other agency's rating. Actual or anticipated changes or downgrades in our credit rating, including any announcement that our rating is under further review for a downgrade, could affect the market value of the notes and increase our corporate borrowing costs.

Selected Historical Financial Information

The following historical condensed consolidating financial information as of and for the year ended December 31, 2016, is derived from the audited consolidated financial statements of JMP Group LLC incorporated by reference into this prospectus supplement. The historical condensed consolidating financial information as of and for the nine months ended September 30, 2017, is derived from the unaudited condensed consolidated financial statements of JMP Group LLC incorporated by reference into this prospectus supplement. In the opinion of management, the interim financial information provided herein reflects all adjustments (consisting of normal and recurring adjustments) necessary for a fair statement of the data for the periods presented. Interim results are not necessarily indicative of the results to be expected for the entire fiscal year.

When you read this historical consolidated financial information, it is important that you also read the audited consolidated financial statements and related notes, as well as the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in the Annual Report on Form 10-K of JMP Group LLC for the year ended December 31, 2016, and the unaudited condensed consolidated financial statements and related notes, as well as the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in the Quarterly Report on Form 10-Q of JMP Group LLC for the quarterly period ended September 30, 2017, which is incorporated by reference into this prospectus supplement and the accompanying prospectus. See "Where You Can Find Additional Information."

JMP Group Inc., a wholly owned subsidiary of JMP Group LLC, is the primary obligor of our 8.00% Senior Notes and our 7.25% Senior Notes and the issuer and primary obligor of the notes offered hereby. In connection with the Reorganization Transaction, on January 1, 2015, JMP Group LLC and JMP Investment Holdings LLC became guarantors of JMP Group Inc. with respect to the Senior Notes. JMP Group LLC and JMP Investment Holdings LLC will also be guarantors of the notes offered hereby. These guarantees are full and unconditional. The notes will not be guaranteed by any of the subsidiaries of JMP Group Inc. or any of the other subsidiaries of JMP Group LLC or JMP Investment Holdings LLC. One of the non-guarantor subsidiaries, JMP Securities, is subject to certain regulations, which require the maintenance of minimum net capital. This requirement may limit the issuer's access to this subsidiary's assets.

The following condensed consolidating financial statements present the condensed consolidated statements of financial condition, condensed consolidated statements of operations and condensed consolidated statements of cash flows of JMP Group LLC, JMP Group Inc., JMP Investment Holdings LLC, the subsidiaries of JMP Group LLC which are not guarantors of the 8.00% Senior Notes, 7.25% Senior Notes or the notes offered hereby ("Non-Guarantor Subsidiaries"), the elimination of entries necessary to consolidate or combine JMP Group Inc. with JMP Investment Holdings LLC and the Non-Guarantor Subsidiaries ("Eliminations") and all entities on a consolidated basis, as of and for the nine months ended September 30, 2017, and as of and for the year ended December 31, 2016. These statements are presented in accordance with the disclosure requirements under SEC Regulation S-X Rule 3-10.

Condensed Consolidated Statements of Financial Condition

(Unaudited)

(Dollars in thousands)

	As of September 30, 2017					
	JMP Group LLC	JMP Group Inc.	JMP Investment Holdings LLC	Non-Guarantor Subsidiaries	Eliminations	Consolidated JMP Group LLC
Assets						
Cash and cash equivalents	$ 8,828	$ 1,759	$ 19,065	$ 57,841	$ -	$ 87,493
Restricted cash and deposits	-	1,471	-	60,493	-	61,964
Receivable from clearing broker	-	-	-	20,384	-	20,384
Investment banking fees receivable, net of allowance for doubtful accounts	-	-	-	14,692	-	14,692
Marketable securities owned, at fair value	-	-	10,582	11,905	(472)	22,015
Incentive fee receivable	-	-	-	19	-	19
Other investments	-	4,962	11,386	10,225	-	26,573
Loans held for investment, net of allowance for loan losses	-	-	4,905	13,842	-	18,747
Loans collateralizing asset-backed securities issued, net of allowance for loan losses	-	-	-	756,166	-	756,166
Interest receivable	-	-	7	2,044	-	2,051
Collateral posted for derivative transaction	-	-	-	-	-	-
Fixed assets, net	-	-	-	2,459	-	2,459
Deferred tax assets	-	12,287	-	-	-	12,287
Other assets	(4,558)	137,579	(9,516)	37,133	(154,457)	6,181
Investment in subsidiaries	224,303	73,338	19,047	-	(316,688)	-
Total assets	$ 228,573	$ 231,396	$ 55,476	$ 987,203	$ (471,617)	$ 1,031,031
Liabilities and Equity						
Liabilities:						
Marketable securities sold, but not yet purchased, at fair value	$ -	$ -	$ -	$ 21,001	$ -	$ 21,001
Accrued compensation	750	2,039	869	24,627	-	28,285
Asset-backed securities issued	-	-	-	737,780	-	737,780
Interest payable	-	1,506	-	6,051	-	7,557
Note payable	137,603	-	-	15,000	(152,603)	-
CLO V warehouse facility	-	-	-	7,000	-	7,000

Bond payable	-	92,573	-	-	(472)	92,101
Deferred tax liability	-	1,993	-	400	-	2,393
Other liabilities	1,406	20,944	-	(252)	(1,747)	20,351
Total liabilities	$139,759	$119,055	$ 869	$ 811,607	$ (154,822)	$ 916,468
Total members' (deficit) equity	88,814	112,341	40,036	176,526	(317,007)	100,710
Nonredeemable Non-controlling Interest	$-	$-	$ 14,571	$ (930)	$ 212	$ 13,853
Total equity	$88,814	$112,341	$ 54,607	$ 175,596	$ (316,795)	$ 114,563
Total liabilities and equity	**$228,573**	**$231,396**	**$ 55,476**	**$ 987,203**	**$ (471,617)**	**$ 1,031,031**

Condensed Consolidated Statements of Financial Condition

(Audited)

(Dollars in thousands)

	As of December 31, 2016					
	JMP Group LLC	JMP Group Inc.	JMP Investment Holdings LLC	Non-Guarantor Subsidiaries	Eliminations	Consolidated JMP Group LLC
Assets						
Cash and cash equivalents	$255	$1,763	$5,060	$78,414	$-	$85,492
Restricted cash and deposits	-	1,471	-	226,185	-	227,656
Receivable from clearing broker	-	-	-	6,586	-	6,586
Investment banking fees receivable, net of allowance for doubtful accounts	-	-	-	5,681	-	5,681
Marketable securities owned, at fair value	-	-	10,877	8,317	(472)	18,722
Incentive fee receivable	-	-	-	499	-	499
Other investments	-	5,126	9,838	17,905	-	32,869
Loans held for sale	-	-	-	32,488	-	32,488
Loans held for investment, net of allowance for loan losses	-	-	-	1,930	-	1,930
Loans collateralizing asset-backed securities issued, net of allowance for loan losses	-	-	-	654,127	-	654,127
Interest receivable	-	-	72	3,429	(72)	3,429
Collateral posted for derivative transaction	-	-	-	25,000	-	25,000
Fixed assets, net	-	-	-	3,143	-	3,143
Deferred tax assets	-	7,942	-	-	-	7,942
Other assets	(1,045)	141,905	(8,957)	42,597	(154,234)	20,266
Investment in subsidiaries	252,486	74,166	117,537	-	(444,189)	-
Total assets	$251,696	$232,373	$134,427	$1,106,301	$(598,967)	$1,125,830
Liabilities and Equity						
Liabilities:						
Marketable securities sold, but not yet purchased, at fair value	$-	$-	-	$4,747	$-	$4,747
Accrued compensation	90	150	-	35,918	-	36,158
Asset-backed securities issued	-	-	-	825,854	-	825,854
Interest payable	-	1,506	-	4,811	-	6,317
Note payable	137,603	-	-	15,000	(152,603)	-

Bond payable	-	92,258	-	-	(473)	91,785
Deferred tax liability	-	3,232	-	640	-	3,872
Other liabilities	1,520	22,706	313	(1,142)	(1,594)	21,803
Total liabilities	$139,213	$119,852	$313	$885,828	$(154,670)	$990,536
Total members' (deficit) equity	112,483	112,521	117,532	221,350	(444,509)	119,377
Nonredeemable Non-controlling Interest	$-	$-	$16,582	$(877)	$212	$15,917
Total equity	$112,483	$112,521	$134,114	$220,473	$(444,297)	$135,294
Total liabilities and equity	**$251,696**	**$232,373**	**$134,427**	**$1,106,301**	**$(598,967)**	**$1,125,830**

Condensed Consolidated Statements of Operations

(Unaudited)

(Dollars in thousands)

	For the Nine Months Ended September 30, 2017					
	JMP Group LLC	JMP Group Inc.	JMP Investment Holdings LLC	Non-Guarantor Subsidiaries	Eliminations	Consolidated JMP Group LLC
Revenues						
Investment banking	$-	$-	$ -	$ 54,813	$ -	$ 54,813
Brokerage	-	-	-	15,127	-	15,127
Asset management fees	-	-	-	14,197	(119)	14,078
Principal transactions	-	(394)	(72)	(3,142)	-	(3,608)
Loss on sale, payoff and mark-to-market of loans	-	-	-	1,208	-	1,208
Net dividend income	-	3	512	302	-	817
Other income	-	-	-	921	-	921
Equity earnings of subsidiaries	(8,738)	2,805	(123)	-	6,056	-
Non-interest revenues	(8,738)	2,414	317	83,426	5,937	83,356
Interest income	1,207	3,417	107	30,964	(6,032)	29,663
Interest expense	(3,417)	(6,820)	(7)	(20,501)	6,096	(24,649)
Net interest income	(2,210)	(3,403)	100	10,463	64	5,014
Gain (loss) repurchase/early retirement of debt	210	-	-	(5,542)	-	(5,332)
Provision for loan losses	-	-	(20)	(3,468)	-	(3,488)
Total net revenues after provisions for loan losses	(10,738)	(989)	397	84,879	6,001	79,550
Non-interest expenses						
Compensation and benefits	1,580	2,850	779	63,804	-	69,013
Administrative	415	335	97	5,271	(119)	5,999
Brokerage, clearing and exchange fees	-	-	-	2,288	-	2,288
Travel and business development	103	-	-	2,632	-	2,735
Communications and technology	2	8	-	3,140	-	3,150
Occupancy	-	-	-	3,339	-	3,339
Professional fees	1,670	209	-	1,230	-	3,109
Depreciation	-	-	-	891	-	891
Other	-	53	138	1,802	-	1,993
Total non-interest expenses	3,770	3,455	1,014	84,397	(119)	92,517
	(14,508)	(4,444)	(617)	482	6,120	(12,967)

Net income (loss) before income tax expense						
Income tax expense (benefit)	-	(2,583)	-	2,414	-	(169)
Net income (loss)	(14,508)	(1,861)	(617)	(1,932)	6,120	(12,798)
Less: Net income (loss) attributable to nonredeemable non-controlling interest	-	-	693	1,019	-	1,712
Net income (loss) attributable to JMP Group LLC	$(14,508)	$(1,861)	$ (1,310)	$ (2,951)	$ 6,120	$ (14,510)

Condensed Consolidated Statements of Operations

(Audited)

(Dollars in thousands)

	For the Year Ended December 31, 2016					
	JMP Group LLC	**JMP Group Inc.**	**JMP Investment Holdings LLC**	**Non-Guarantor Subsidiaries**	**Eliminations**	**Consoli JMP Group LLC**
Revenues						
Investment banking	$-	$-	$-	$55,353	$-	$55,353
Brokerage	-	-	-	23,755	-	23,755
Asset management fees	-	-	-	27,185	(394)	26,791
Principal transactions	-	1,337	5,541	9,304	-	16,182
Loss on sale, payoff and mark-to-market of loans	-	-	-	(1,918)	-	(1,918
Net dividend income	-	-	966	33	-	999
Other income	-	-	87	1,320	-	1,407
Equity earnings of subsidiaries	10,823	(2,484)	18,257	-	(26,596)	-
Non-interest revenues	10,823	(1,147)	24,851	115,032	(26,990)	122,56
Interest income	1,478	4,557	681	48,655	(8,587)	46,784
Interest expense	(4,555)	(9,098)	-	(27,724)	8,587	(32,79
Net interest income	(3,077)	(4,541)	681	20,931	-	13,994
Provision for loan losses	-	-	-	(1,586)	-	(1,586
Total net revenues after provisions for loan losses	7,746	(5,688)	25,532	134,377	(26,990)	134,97

Non-interest expenses							
Compensation and benefits	2,178		3,725	2,355	92,975	-	101,23
Administrative	476		497	235	6,210	(394)	7,024
Brokerage, clearing and exchange fees	-		-	-	3,110	-	3,110
Travel and business development	132		-	-	4,639	-	4,771
Communications and technology	5		10	-	4,157	-	4,172
Occupancy	-		-	-	3,901	-	3,901
Professional fees	2,028		494	12	1,865	-	4,399
Depreciation	-		-	-	1,280	-	1,280
Other	-		8	138	2,127	-	2,273
Total non-interest expenses	4,819		4,734	2,740	120,264	(394)	132,16
Net income (loss) before income tax expense	2,927		(10,422)	22,792	14,113	(26,596)	2,814
Income tax expense (benefit)	-						

The FDA and comparable foreign agencies may withdraw any approvals we obtain. Further, if there is a later discovery of unknown problems or if we fail to comply with other applicable regulatory requirements at any stage in the regulatory process, the FDA may restrict or delay our marketing of a product or force us to make product recalls. In addition, the FDA could impose other sanctions such as fines, injunctions, civil penalties or criminal prosecutions. To market our products outside the U.S., we also need to comply with foreign regulatory requirements governing human clinical trials and marketing approval for pharmaceutical products. Other than the approval of NitroMist , the FDA and foreign regulators have not yet approved any of our products under development for marketing in the U.S. or elsewhere. If the FDA and other regulators do not approve any one or more of our products under development, we will not be able to market such products.

WE EXPECT TO FACE UNCERTAINTY OVER REIMBURSEMENT AND HEALTHCARE REFORM.

In both the U.S. and other countries, sales of our products will depend in part upon the availability of reimbursement from third-party payers, which include government health administration authorities, managed care providers and private health insurers. Third-party payers are increasingly challenging the price and examining the cost effectiveness of medical products and services.

OUR STRATEGY INCLUDES ENTERING INTO COLLABORATION AGREEMENTS WITH THIRD PARTIES FOR CERTAIN OF OUR PRODUCT CANDIDATES AND WE MAY REQUIRE ADDITIONAL COLLABORATION AGREEMENTS. IF WE FAIL TO ENTER INTO THESE AGREEMENTS OR IF WE OR THE THIRD PARTIES DO NOT PERFORM UNDER SUCH AGREEMENTS, IT COULD IMPAIR OUR ABILITY TO COMMERCIALIZE OUR PROPOSED PRODUCTS.

Our strategy for the completion of the required development and clinical testing of certain of our product candidates and for the manufacturing, marketing and commercialization of such product candidates includes entering into collaboration arrangements with pharmaceutical companies to market, commercialize and distribute the products.

Through June 30, 2007, we entered into strategic license agreements with: (i) Hana Biosciences, for the marketing rights in the U.S. and Canada for our ondansetron oral spray, (ii) Par for the marketing rights in the U.S. and Canada for our nitroglycerin oral spray, (iii) Manhattan Pharmaceuticals, in connection with propofol, and (iv) Velcera, in connection with veterinary applications for currently marketed veterinary drugs. Subsequent to June

30, 2007, the following events occurred with respect our strategic license agreements:

On July 10, 2007, Manhattan Pharmaceuticals announced that as part of its change in strategic focus it intends to pursue appropriate out-licensing opportunities for this product candidate.

On July 31, 2007, we entered into a Product Development and Commercialization Sublicense Agreement with Hana Biosciences and Par, or the Sublicense Agreement, pursuant to which Hana Biosciences granted a non-transferable, non-sublicenseable, royalty-bearing, exclusive sublicense to Par to develop and commercialize Zensana , our oral spray version of ondansetron. In connection therewith, we and Hana Biosciences amended and restated their existing License and Development Agreement, as amended, relating to the development and commercialization of Zensana , or the Amended and Restated License Agreement, to coordinate certain of the terms of the Sublicense Agreement. Under the terms of the Sublicense Agreement, Par is responsible for all development, regulatory, manufacturing and commercialization activities of Zensana in the United States and Canada, with us able to collaborate on development in certain instances. We retain our rights to Zensana outside of the United States and Canada. In addition, under the terms of the Amended and Restated License Agreement, Hana Biosciences relinquished its right to reduced royalty rates to us until such time as Hana Biosciences had recovered one-half of its costs and expenses incurred in developing Zensana from sales of Zensana or payments or other fees from a sublicense and we agreed to surrender for cancellation all 73,121 shares of the Hana Biosciences common stock acquired by us in connection with execution of the original License Agreement.

On July 31, 2007, we and Par agreed to terminate the Development, Manufacturing and Supply Agreement, dated July 28, 2004, or the DMS Agreement, relating to NitroMist . Under the DMS Agreement, Par had exclusive rights to market, sell and distribute NitroMist in the U.S. and Canada, with us entitled to royalty payments based upon a percentage of net sales. We are currently investigating strategic partners for the commercialization of NitroMist .

On May 19, 2008, we entered into a European partnership for our ondansetron oral spray for the treatment of nausea with BioAlliance Pharma SA. This product is currently in clinical development in North America under sub-license to Par, who have announced their intent to file a new drug application before the end of 2008. The agreement with BioAlliance resulted in an immediate non-refundable license fee to us of $3

million, with up to an aggregate of $24 million in additional milestones in addition to royalties expected upon the approval and commercialization of the product by BioAlliance.

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Our success depends upon obtaining additional collaboration partners and maintaining our relationships with our current partners. In addition, we may depend on our partners expertise and dedication of sufficient resources to develop and commercialize proposed products. We may, in the future, grant to collaboration partners, rights to license and commercialize pharmaceutical products developed under collaboration agreements. Under these arrangements, our collaboration partners may control key decisions relating to the development of the products. The rights of our collaboration partners could limit our flexibility in considering alternatives for the commercialization of such product candidates. If we fail to successfully develop these relationships or if our collaboration partners fail to successfully develop or commercialize such product candidates, it may delay or prevent us from developing or commercializing our proposed products in a competitive and timely manner and would have a material adverse effect on our business.

IF WE CANNOT PROTECT OUR INTELLECTUAL PROPERTY, OTHER COMPANIES COULD USE OUR TECHNOLOGY IN COMPETITIVE PRODUCTS. IF WE INFRINGE THE INTELLECTUAL PROPERTY RIGHTS OF OTHERS, OTHER COMPANIES COULD PREVENT US FROM DEVELOPING OR MARKETING OUR PRODUCTS.

We seek patent protection for our technology so as to prevent others from commercializing equivalent products in substantially less time and at substantially lower expense. The pharmaceutical industry places considerable importance on obtaining patent and trade secret protection for new technologies, products and processes. Our success will depend in part on our ability and that of parties from whom we license technology to:

- defend our patents and otherwise prevent others from infringing on our proprietary rights; protect our trade secrets; and
- operate without infringing upon the proprietary rights of others, both in the U.S. and in other countries.

The patent position of firms relying upon biotechnology is highly uncertain and involves complex legal and factual questions for which important legal principles are unresolved. To date, the U.S. Patent and Trademark Office, or USPTO, has not adopted a consistent policy regarding the breadth of claims that the USPTO allows in biotechnology patents or the degree of protection that these types of patents afford. As a result, there are risks that we may not develop or obtain rights to products or processes that are or may seem to be patentable.

Section 505(b)(2) of the FFDCA was enacted as part of the Drug Price Competition and Patent Term Restoration

Act of 1984, otherwise known as the Hatch-Waxman Act. Section 505(b)(2) permits the submission of an NDA where at least some of the information required for approval comes from studies not conducted by or for the applicant and for which the applicant has not obtained a right of reference. For example, the Hatch-Waxman Act permits an applicant to rely upon the FDA s findings of safety and effectiveness for an approved product. The FDA may also require companies to perform one or more additional studies or measurements to support the change from the approved product. The FDA may then approve the new formulation for all or some of the label indications for which the referenced product has been approved, or a new indication sought by the Section 505(b)(2) applicant.

To the extent that the Section 505(b)(2) applicant is relying on the FDA s findings for an already-approved product, the applicant is required to certify to the FDA concerning any patents listed for the approved product in the FDA s Orange Book publication. Specifically, the applicant must certify that: (1) the required patent information has not been filed (paragraph I certification); (2) the listed patent has expired (paragraph II certification); (3) the listed patent has not expired, but will expire on a particular date and approval is sought after patent expiration (paragraph III certification); or (4) the listed patent is invalid or will not be infringed by the manufacture, use or sale of the new product (paragraph IV certification). If the applicant does not challenge the listed patents, the Section 505(b)(2) application will not be approved until all the listed patents claiming the referenced product have expired, and once any pediatric exclusivity expires. The Section 505(b)(2) application may also not be approved until any non-patent exclusivity, such as exclusivity for obtaining approval of a new chemical entity, listed in the Orange Book for the referenced product has expired.

If the applicant has provided a paragraph IV certification to the FDA, the applicant must also send notice of the paragraph IV certification to the NDA holder and patent owner once the NDA has been accepted for filing by the FDA. The NDA holder and patent owner may then initiate a legal challenge to the paragraph IV certification. The filing of a patent infringement lawsuit within 45 days of their receipt of a paragraph IV certification automatically prevents the FDA from approving the Section 505(b)(2) NDA until the earliest of 30 months, expiration of the patent, settlement of the lawsuit or a decision in an infringement case that is favorable to the Section 505(b)(2) applicant. Thus, a Section 505(b)(2) applicant may invest a significant amount of time and expense in the development of its products only to be subject to significant delay and patent litigation before its products may be commercialized. Alternatively, if the NDA holder or

patent owner does not file a patent infringement lawsuit within the required 45-day period, the applicant s NDA will not be subject to the 30-month stay.

Notwithstanding the approval of many products by the FDA pursuant to Section 505(b)(2), over the last few years, certain brand-name pharmaceutical companies and others have objected to the FDA s interpretation of Section 505(b)(2). If the FDA changes its interpretation of Section 505(b)(2), this could delay or even prevent the FDA from approving any Section 505(b)(2) NDA that we submit.

Our partner, Hana Biosciences, submitted an NDA under Section 505(b)(2) for Zensana in June 2006. The safety and efficacy of the drug will be based on a demonstration of the bioequivalence of Zensana to oral ondansetron, marketed under the trade name Zofran®. This Zofran® formulation is protected by one unexpired patent, which is scheduled to expire in September 2011, and is subject to a period of pediatric exclusivity expiring in March 2012. Additionally, this Zofran® formulation was covered by another patent which, after pediatric exclusivity, expired in December 2006. Hana Biosciences Section 505(b)(2) NDA contained a paragraph III certification acknowledging that the now expired patent would expire in December 2006, and a paragraph IV certification to the patent which is due to expire in March 2012. Based on the paragraph IV certification, it is possible that the NDA holder or the patent owner will sue us and/or Hana Biosciences for patent infringement, and that the FDA will be prevented from approving our application until the earliest of 30 months, settlement of the lawsuit, or a decision in an infringement case that is favorable to us. Hana Biosciences has announced that it has not received any objections related to these patent certifications. On March 23, 2007, Hana Biosciences announced its plan to withdraw, without prejudice, its pending NDA for Zensana with the FDA.

We have received a request for information from a third party in response to the information we have set forth in the paragraph IV certification of the NDA we have filed for NitroMist. Such request no longer has any effect on PDUFA dates for such NDA. However, the request may be a precursor for a patent infringement claim by such third party. We do not believe that we have infringed on any intellectual property rights of such party and if such a claim is filed, we intend to vigorously defend our rights in response to such claim.

EVEN IF WE OBTAIN PATENTS TO PROTECT OUR PRODUCTS, THOSE PATENTS MAY NOT BE SUFFICIENTLY BROAD AND OTHERS COULD COMPETE WITH US.

We, and the parties licensing technologies to us, have filed various U.S. and foreign patent applications with respect to the products and technologies under our development, and the USPTO and foreign patent offices have issued patents with respect to our products and technologies. These patent applications include

international applications filed under the Patent Cooperation Treaty. Currently, we have eight patents which have been issued in the U.S. and 71 patents which have been issued outside of the U.S. Additionally, we have over 90 patents pending around the world. Our pending patent applications, those we may file in the future and those we may license from third parties, may not result in the USPTO or any foreign patent office issuing patents. Also, if patent rights covering our products are not sufficiently broad, they may not provide us with sufficient proprietary protection or competitive advantages against competitors with similar products and technologies. Furthermore, if the USPTO or foreign patent offices issue patents to us or our licensors, others may challenge the patents or circumvent the patents, or the patent office or the courts may invalidate the patents. Thus, any patents we own or license from or to third parties may not provide any protection against competitors.

Furthermore, the life of our patents is limited. Such patents, which include relevant foreign patents, expire on various dates. We have filed, and when possible and appropriate, will file, other patent applications with respect to our product candidates and processes in the U.S. and in foreign countries. We may not be able to develop additional products or processes that will be patentable or additional patents may not be issued to us. See also Risk Factors - If We Cannot Meet Requirements Under our License Agreements, We Could Lose the Rights to our Products.

INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES COULD LIMIT OUR ABILITY TO MARKET OUR PRODUCTS.

Our commercial success also significantly depends on our ability to operate without infringing the patents or violating the proprietary rights of others. The USPTO keeps U.S. patent applications confidential while the applications are pending. As a result, we cannot determine which inventions third parties claim in pending patent applications that they have filed. We may need to engage in litigation to defend or enforce our patent and license rights or to determine the scope and validity of the proprietary rights of others. It will be expensive and time consuming to defend and enforce patent claims. Thus, even in those instances in which the outcome is favorable to us, the proceedings can result in the diversion of substantial resources from our other activities. An adverse determination may subject us to significant liabilities or require us to seek licenses that third parties may not grant to us or may only grant at rates that diminish or deplete the profitability of the products to us. An adverse determination could also require us to alter our products or processes or cease altogether any related research and development activities or product sales.

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IF WE CANNOT MEET REQUIREMENTS UNDER OUR LICENSE AGREEMENTS, WE COULD LOSE THE RIGHTS TO OUR PRODUCTS.

We depend, in part, on licensing arrangements with third parties to maintain the intellectual property rights to our products under development. These agreements may require us to make payments and/or satisfy performance obligations in order to maintain our rights under these licensing arrangements. All of these agreements last either throughout the life of the patents, or with respect to other licensed technology, for a number of years after the first commercial sale of the relevant product.

In addition, we are responsible for the cost of filing and prosecuting certain patent applications and maintaining certain issued patents licensed to us. If we do not meet our obligations under our license agreements in a timely manner, we could lose the rights to our proprietary technology.

In addition, we may be required to obtain licenses to patents or other proprietary rights of third parties in connection with the development and use of our products and technologies. Licenses required under any such patents or proprietary rights might not be made available on terms acceptable to us, if at all.

WE RELY ON CONFIDENTIALITY AGREEMENTS THAT COULD BE BREACHED AND MAY BE DIFFICULT TO ENFORCE.

Although we believe that we take reasonable steps to protect our intellectual property, including the use of agreements relating to the non-disclosure of confidential information to third parties, as well as agreements that purport to require the disclosure and assignment to us of the rights to the ideas, developments, discoveries and inventions of our employees and consultants while we employ them, the agreements can be difficult and costly to enforce. Although we seek to obtain these types of agreements from our consultants, advisors and research collaborators, to the extent that they apply or independently develop intellectual property in connection with any of our projects, disputes may arise as to the proprietary rights to this type of information. If a dispute arises, a court may determine that the right belongs to a third party, and enforcement of our rights can be costly and unpredictable. In addition, we will rely on trade secrets and proprietary know-how that we will seek to protect in part by confidentiality agreements with our employees, consultants, advisors or others. Despite the protective measures we employ, we still face the risk that:

- they will breach these agreements;
- any agreements we obtain will not provide adequate remedies for this type of breach or that our trade secrets or proprietary know-how will otherwise

become known or competitors will independently develop similar technology; and
our competitors will independently discover our proprietary information and trade secrets.

WE ARE DEPENDENT ON EXISTING MANAGEMENT AND BOARD MEMBERS.

Our success is substantially dependent on the efforts and abilities of the principal members of our management team and our directors. Decisions concerning our business and our management are and will continue to be made or significantly influenced by these individuals. The loss or interruption of their continued services could have a materially adverse effect on our business operations and prospects. Although our employment agreements with members of management generally provide for severance payments that are contingent upon the applicable officer s refraining from competition with us, the loss of any of these persons services could adversely affect our ability to develop and market our products and obtain necessary regulatory approvals, and the applicable noncompetition provisions can be difficult and costly to monitor and enforce. Further, we do not maintain key-man life insurance.

On January 4, 2007, Mr. Barry Cohen ceased to serve as Vice President, Business and New Product Development.

On February 2, 2007, we announced the election of Mr. Mark J. Baric as a member of our Board, effective February 1, 2007.

On February 22, 2007, our Board appointed Deni M. Zodda, Ph.D. as Senior Vice President and Chief Business Officer.

On July 23, 2007, our Board accepted the resignation of Jan H. Egberts, M.D., President, Chief Executive Officer and Director, effective July 25, 2007.

On July 23, 2007, our Board appointed Steven B. Ratoff, our current Chairman, as Interim President and Chief Executive Officer, effective July 25, 2007.

On December 14, 2007, our Board renewed the employment agreement of Michael E. Spicer, as Chief Financial Officer and Corporate Secretary, effective December 20, 2007.

Our future success also will depend in part on the continued service of our key scientific and management personnel and our ability to identify, hire and retain additional personnel, including scientific, development and manufacturing staff.

RISKS RELATED TO OUR COMMON STOCK

WE RECEIVED NOTICE FROM THE AMERICAN STOCK EXCHANGE THAT WE FAILED TO COMPLY WITH CERTAIN OF ITS CONTINUED LISTING STANDARDS, WHICH MAY RESULT IN A DELISTING OF OUR COMMON STOCK FROM THE EXCHANGE.

Our common stock is currently listed for trading on the American Stock Exchange, or AMEX, and the continued listing of our common stock on the AMEX is subject to our compliance with a number of listing standards. These listing standards include the requirement for maintaining stockholders equity of at least $6,000,000. As of June 30, 2008 and December 31, 2007, our net worth position was $626,000 and $4,174,000, respectively, which are each below the minimum net worth continued listing requirement. On May 14, 2008, we received a notice from AMEX providing notification that we are not in compliance with Section 1003(a)(iii) of the AMEX Company Guide with stockholder s equity of less than $6,000,000 and losses from continuing operations and net losses in the five most recent fiscal years and Section 1003(a)(iv) of the AMEX Company Guide in that we have sustained losses which are so substantial in relation to our overall operations or our existing financial resources, or our financial condition has become so impaired that it appears questionable, in the opinion of the AMEX, as to whether we will be able to continue operations and/or meet our obligations as they mature. We submitted a plan to the AMEX on June 12, 2008 advising of the actions we have taken, and will take, that would bring us into compliance with Section 1003(a)(iii) by November 16, 2009 and Section 1003(a)(iv) by November 14, 2008. On July 30, 2008, AMEX notified us that the AMEX had completed its review of our proposed plan of compliance and supporting documentation and has determined that, although we are not in compliance with the continued listing standards of the AMEX, we have made a reasonable demonstration of our ability to regain compliance with the continued listing standards by the end of the plan periods, which completion dates are November 14, 2008 with respect to Section 1003(a)(iv) and November 16, 2009 with respect to Section 1003(a)(iii). Therefore, the AMEX is continuing our listing pursuant to an extension, subject to certain conditions.

There can be no assurance that we will be able to make progress consistent with our plan to regain compliance with AMEX s continued listing standards in a timely manner, or at all. We may appeal a staff determination to initiate delisting proceedings in accordance with Section 1010 and Part 12 of the AMEX Company Guide.

On May 6, 2008, we entered into a binding Securities Purchase Agreement, as amended pursuant to Amendment No. 1 to the Securities Purchase Agreement, dated May 28, 2008, to sell up to $4,000,000 of secured convertible promissory notes and accompanying warrants. On May 30, 2008, we closed on the initial portion of such financing for $1,475,000 of convertible notes and warrants. In addition, during the second quarter, we entered into a European partnership for our ondansetron oral spray with BioAlliance Pharma S.A., as a result of which we received an immediate non-refundable license fee of $3,000,000. We may also enter into additional agreements during the remainder of 2008. The combined amounts of such agreements could be sufficient to cure the deficiency in net worth position as of December 31, 2007 and June 30, 2008. We are currently reviewing several alternative sources of capital, which if successfully implemented may allow us to satisfy the AMEX listing standards. There can be no assurances that we will be able to obtain any additional capital, or on terms favorable to us, or that we will be able to maintain our continued listing on the AMEX.

If our common stock were no longer listed on the AMEX, investors might only be able to trade on the OTC Bulletin Board® or in the Pink Sheets® (a quotation medium operated by Pink Sheets LLC). This would impair the liquidity of our securities not only in the number of shares that could be bought and sold at a given price, which might be depressed by the relative illiquidity, but also through delays in the timing of transactions and reduction in media coverage.

WE ARE INFLUENCED BY CURRENT STOCKHOLDERS, OFFICERS AND DIRECTORS.

Our directors, executive officers and principal stockholders and certain of our affiliates have the ability to influence the election of our directors and most other stockholder actions. As of June 30, 2008, management and our affiliates currently beneficially own, including shares they have the right to acquire, approximately 20% of the common stock on a fully-diluted basis. This determination of affiliate status is not necessarily a conclusive determination for other purposes. Specifically, Dr. Rosenwald has the ability to exert significant influence over the election of the Board and other matters submitted to our stockholders for approval. Dr. Rosenwald has the ability to designate an individual to serve on our Board and has exercised such ability by designating Mr. J. Jay Lobell to serve on the Board. Although Mr. Lobell is a designee of Dr. Rosenwald s, he does not have any voting or dispositive control over the shares held directly or indirectly by Dr. Rosenwald. On December 14, 2005 based upon the recommendation of the Corporate Governance and Nominating Committee, the Board elected Mr. Lobell as a member of the Board. Pursuant to the listing standards of the AMEX, Mr. Lobell has been deemed to be an independent director by our Board on September 15, 2006.

Such positions may discourage or prevent any proposed takeover of us, including transactions in which our stockholders might otherwise receive a premium for their shares over the then current market prices. Our directors, executive officers and principal stockholders may influence corporate actions, including influencing elections of directors and significant corporate events.

THE MARKET PRICE OF OUR STOCK AND OUR EARNINGS MAY BE ADVERSELY AFFECTED BY MARKET VOLATILITY.

The market price of our common stock, like that of many other development stage pharmaceutical or biotechnology companies, has been and is likely to continue to be volatile. In addition to general economic, political and market conditions, the price and trading volume of our common stock could fluctuate widely in response to many factors, including:

- announcements of the results of clinical trials by us or our competitors;
- adverse reactions to products;
- governmental approvals, delays in expected governmental approvals or withdrawals of any prior governmental approvals or public or regulatory agency concerns regarding the safety or effectiveness of our products;
- changes in the U.S. or foreign regulatory policy during the period of product development;
- developments in patent or other proprietary rights, including any third party challenges of our

intellectual property rights;
announcements of technological innovations by us or our competitors;
announcements of new products or new contracts by us or our competitors;
actual or anticipated variations in our operating results due to the level of development expenses and other factors;
changes in financial estimates by securities analysts and whether our earnings meet or exceed the estimates;
conditions and trends in the pharmaceutical and other industries;
new accounting standards; and

the occurrence of any of the risks set forth in these Risk Factors and other reports, including this prospectus and other filings filed with the Securities and Exchange Commission from time to time.

Our common stock has been listed for quotation on the AMEX since May 11, 2004 under the symbol NVD . Prior to May 11, 2004, our common stock was traded on the OTC Bulletin Board® of the National Association of Securities Dealers, Inc. During the twelve-month period ended June 30, 2008, the closing price of our common stock has ranged from $0.21 to $1.11. We expect the price of our common stock to remain volatile. The average daily trading volume in our common stock varies significantly. For the twelve-month period ended June 30, 2008, the average daily trading volume in our common stock was approximately 139,521 shares. Our relatively low average volume and low average number of transactions per day may affect the ability of our stockholders to sell their shares in the public market at prevailing prices and a more active market may never develop.

In the past, following periods of volatility in the market price of the securities of companies in our industry, securities class action litigation has often been instituted against companies in our industry. If we face securities litigation in the future, even if without merit or unsuccessful, it would result in substantial costs and a diversion of management attention and resources, which would negatively impact our business.

BECAUSE THE AVERAGE DAILY TRADING VOLUME OF OUR COMMON STOCK IS LOW, THE ABILITY TO SELL OUR SHARES IN THE SECONDARY TRADING MARKET MAY BE LIMITED.

Because the average daily trading volume of our common stock on the AMEX is low, the liquidity of our common stock may be impaired. As a result, prices for shares of our common stock may be lower than might otherwise prevail if the average daily trading volume of our common stock was higher. The average daily trading volume of our common stock may be low relative to the stocks of exchange-listed companies, which could limit investors ability to sell shares in the secondary trading market.

WE LIKELY WILL ISSUE ADDITIONAL EQUITY SECURITIES, WHICH WILL DILUTE CURRENT STOCKHOLDERS SHARE OWNERSHIP.

We likely will issue additional equity securities to raise capital and through the exercise of options and warrants that are outstanding or may be outstanding. These additional issuances will dilute current stockholders share ownership.

PENNY STOCK REGULATIONS MAY IMPOSE CERTAIN RESTRICTIONS ON MARKETABILITY OF OUR SECURITIES.

The SEC has adopted regulations which generally define a penny stock to be any equity security that has a market price of less than $5.00 per share or an exercise price of less than $5.00 per share, subject to certain exceptions. As a result, our common stock is subject to rules that impose additional sales practice requirements on broker dealers who sell such securities to persons other than established customers and accredited investors (generally those with assets in excess of $1,000,000 or annual income exceeding $200,000, or $300,000 together with their spouse). For transactions covered by such rules, the broker dealer must make a special suitability determination for the purchase of such securities and have received the purchaser s written consent to the transaction prior to the purchase. Additionally, for any transaction involving a penny stock, unless exempt, the rules require the delivery, prior to the transaction, of a risk disclosure document mandated by the SEC relating to the penny stock market. The broker dealer must also disclose the commission payable to both the broker dealer and the registered

representative, current quotations for the securities and, if the broker dealer is the sole market maker, the broker dealer must disclose this fact and the broker dealer s presumed control over the market. Finally, monthly statements must be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks. Broker-dealers must wait two business days after providing buyers with disclosure materials regarding a security before effecting a transaction in such security. Consequently, the penny stock rules restrict the ability of broker dealers to sell our securities and affect the ability of investors to sell our securities in the secondary market and the price at which such purchasers can sell any such securities, thereby affecting the liquidity of the market for our common stock.

Stockholders should be aware that, according to the SEC, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. Such patterns include:

- control of the market for the security by one or more broker-dealers that are often related to the promoter or issuer;
- manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases;
- boiler room practices involving high pressure sales tactics and unrealistic price projections by inexperienced sales persons;
- excessive and undisclosed bid-ask differentials and markups by selling broker-dealers; and
- the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, along with the inevitable collapse of those prices with consequent investor losses.

Our management is aware of the abuses that have occurred historically in the penny stock market.

ADDITIONAL AUTHORIZED SHARES OF OUR COMMON STOCK AND PREFERRED STOCK AVAILABLE FOR ISSUANCE MAY ADVERSELY AFFECT THE MARKET.

We are authorized to issue a total of 200,000,000 shares of common stock and 1,000,000 shares of preferred stock. Such securities may be issued without the approval or other consent of our stockholders. As of June 30, 2008, there were 60,692,260 shares of common stock issued and outstanding. However, the total number of shares of our common stock issued and outstanding does not include shares reserved in anticipation of the exercise of options or warrants, or the conversion of our convertible notes. As of June 30, 2008, we had outstanding stock options and warrants to purchase approximately 37.2 million shares of common stock, the exercise prices of which range between $0.295 per share and $3.18 per share, and we have reserved shares of our common stock for issuance in connection with the potential exercise thereof.

In addition, and not included in the above, on May 6, 2008, we entered into a binding Securities Purchase Agreement with ProQuest Investments II, L.P., ProQuest Investments II Advisors Fund, L.P., and ProQuest Investments III, L.P., referred to herein as the Purchasers, as amended pursuant to Amendment No. 1 to the Securities Purchase Agreement, dated May 28, 2008, between the Company and the Purchasers, to sell up to $4,000,000 of secured convertible promissory notes and accompanying warrants. In connection with this agreement, $1,475,000 of secured convertible notes and accompanying warrants were funded on May 30, 2008. The convertible notes are convertible into 5,000,000 shares of our common stock. We issued 3,000,000 warrants, which are subject to a cap of 19.99% that will prevent the exercise of such warrants if such exercise would cause the investor beneficially own more than 19.99% of the total shares outstanding at the time of such exercise. The warrants have an exercise price of $0.369 per share, and are included in the total outstanding stock options and warrants to purchase approximately 37.2 million shares of common stock noted above.

The following table provides an overview of our stock options and corresponding plans, as of June 30, 2008:

Plan	Shares Authorized	Options Outstanding at June 30, 2008	Remaining Shares Available for Issuance	Comments
1992 Stock Option	500,000	40,000		Plan Closed

Plan 1997 Stock Option Plan	500,000	50,000		Plan Closed
Plan 1998 Stock Option Plan	3,400,000	1,504,300	1,600,700	
2006 Equity Incentive Plan	6,000,000	4,113,500	686,500	
Non-Plan	n/a	2,453,200	n/a	
Total		**8,161,000**	**2,287,200**	

To the extent such options or warrants are exercised, the holders of our common stock will experience further dilution.

In addition, in the event that any future financing should be in the form of, be convertible into or exchangeable for, equity securities, and upon the exercise of options and warrants, investors may experience additional dilution.

See Risk Factors - Our Additional Financing Requirements Could Result In Dilution To Existing Stockholders included herein. The exercise of the outstanding derivative securities will reduce the percentage of common stock held by our stockholders in relation to our aggregate outstanding capital stock. Further, the terms on which we could obtain additional capital during the life of the derivative securities may be adversely affected, and it should be expected that the holders of the derivative securities would exercise them at a time when we would be able to obtain equity capital on terms more favorable than those provided for by such derivative securities. As a result, any issuance of additional shares of our common stock may cause our current stockholders to suffer significant dilution which may adversely affect the market.

In addition to the above referenced shares of our common stock which may be issued without stockholder approval, we have 1,000,000 shares of authorized preferred stock, the terms of which may be fixed by our Board. We presently have no issued and outstanding shares of preferred stock and while we have no present plans to issue any shares of preferred stock, our Board has the authority, without stockholder approval, to create and issue one or more series of such preferred stock and to determine the voting, dividend and other rights of holders of such preferred stock. The issuance of any of such series of preferred stock may have an adverse effect on the holders of our common stock.

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SHARES ELIGIBLE FOR FUTURE SALE MAY ADVERSELY AFFECT THE MARKET.

From time to time, certain of our stockholders may be eligible to sell all or some of their shares of our common stock by means of ordinary brokerage transactions in the open market pursuant to Rule 144, promulgated under the Securities Act of 1933, as amended, subject to certain limitations. In general, pursuant to Rule 144, a stockholder (or stockholders whose shares are aggregated) who has satisfied a six-month holding period may, under certain circumstances, sell within any three month period a number of securities which does not exceed the greater of 1% of the then outstanding shares of common stock or the average weekly trading volume of the class during the four calendar weeks prior to such sale. Rule 144 also permits, under certain circumstances, the sale of securities, without any limitation, by our stockholders that are non-affiliates that have satisfied a one-year holding period. Any substantial sale of our common stock pursuant to Rule 144 or pursuant to any resale prospectus may have a material adverse effect on the market price of our common stock.

LIMITATION ON DIRECTOR/OFFICER LIABILITY.

As permitted by Delaware law, our certificate of incorporation limits the liability of our directors for monetary damages for breach of a director s fiduciary duty except for liability in certain instances. As a result of our charter provision and Delaware law, stockholders may have limited rights to recover against directors for breach of fiduciary duty. In addition, our certificate of incorporation provides that we shall indemnify our directors and officers to the fullest extent permitted by law.

WE HAVE NO HISTORY OF PAYING DIVIDENDS ON OUR COMMON STOCK.

We have never paid any cash dividends on our common stock and do not anticipate paying any cash dividends on our common stock in the foreseeable future. We plan to retain any future earnings to finance growth. If we decide to pay dividends to the holders of our common stock, such dividends may not be paid on a timely basis.

PROVISIONS OF OUR CERTIFICATE OF INCORPORATION AND DELAWARE LAW COULD DETER A CHANGE OF OUR MANAGEMENT WHICH COULD DISCOURAGE OR DELAY OFFERS TO ACQUIRE US.

Provisions of our certificate of incorporation and Delaware law may make it more difficult for someone to acquire control of us or for our stockholders to remove existing management, and might discourage a third party from offering to acquire us, even if a change in control or in management would be beneficial to our stockholders. For example, our certificate of

incorporation allows us to issue shares of preferred stock without any vote or further action by our stockholders. Our Board has the authority to fix and determine the relative rights and preferences of preferred stock. Our Board also has the authority to issue preferred stock without further stockholder approval, including large blocks of preferred stock. As a result, our Board could authorize the issuance of a series of preferred stock that would grant to holders the preferred right to our assets upon liquidation, the right to receive dividend payments before dividends are distributed to the holders of our common stock and the right to the redemption of the shares, together with a premium, prior to the redemption of our common stock.

SALES OF LARGE QUANTITIES OF OUR COMMON STOCK, INCLUDING THOSE SHARES ISSUABLE IN CONNECTION WITH PRIVATE PLACEMENT TRANSACTIONS, COULD REDUCE THE PRICE OF OUR COMMON STOCK.

In May 2008, we sold securities in the first closing of a private placement transaction resulting in the issuance of notes convertible into 5,000,000 shares of our common stock, and warrants to purchase 3,000,000 shares of our common stock. The sale of the notes and warrants resulted in gross proceeds to us of $1,475,000, before deducting certain fees and expenses.

In December 2006, we sold securities in a private placement transaction resulting in the issuance of 9,823,983 shares of our common stock, and warrants to purchase 4,383,952 shares of our common stock. The sale of the shares of common stock and warrants resulted in gross proceeds to us of approximately $14.2 million, prior to offering expenses.

On July 20, 2006, we filed a shelf registration statement on Form S-3 registering for sale by us of up to 14,000,000 shares of our common stock. Such shelf registration statement was declared effective by the SEC on August 2, 2006. We may offer and sell such shares from time to time, in one or more offerings in amounts and at prices, and on terms determined at the time of the offering. Such offerings of our common stock may be made through agents we select or through underwriters and dealers we select. If we use agents, underwriters or dealers, we will name them and describe their compensation at the time of the offering. As of the filing date of this prospectus, such shelf registration statement is no longer effective.

In April 2006, we sold securities in a private placement transaction resulting in the issuance of 8,092,796 shares of our common stock, and warrants to purchase 2,896,168 shares of our common stock. The sale of the shares of common stock and warrants resulted in gross proceeds to us of approximately $11.8 million, prior to offering expenses.

In May 2005, we sold securities in a private placement transaction resulting in the issuance of 6,733,024 shares of our common stock, and certain warrants to purchase 2,693,210 shares of our common stock. The sales of the shares of common stock and warrants resulted in gross proceeds to us of $7.1 million, prior to offering expenses.

The offering of, and/or resale of our common stock and the exercise of the warrants described immediately above in this risk factor are subject to currently effective registration statements filed by us on Forms S-3. There can be no assurance as to the prices at which our common stock will trade in the future, although they may continue to fluctuate significantly. Prices for our common stock will be determined in the marketplace and may be influenced by many factors, including the following:

- The depth and liquidity of the markets for our common stock;
- Investor perception of us and the industry in which we participate; and
- General economic and market conditions.

Any sales of large quantities of our common stock could reduce the price of our common stock. The holders of the shares may sell such shares at any price and at any time, as determined by such holders in their sole discretion without limitation. If any such holders sell such shares in large quantities, our common stock price may decrease and the public market for our common stock may otherwise be adversely affected because of the additional shares available in the market.

As of June 30, 2008, we have 60,692,260 shares of common stock issued and outstanding and approximately 37.2 million shares of common stock issuable upon the exercise of outstanding stock options and warrants. In addition, and not included in the above, on May 6, 2008, we entered into a binding Securities Purchase Agreement with ProQuest Investments II, L.P., ProQuest Investments II Advisors Fund, L.P., and ProQuest Investments III, L.P., referred to herein as the Purchasers, as amended pursuant to Amendment No. 1 to the Securities Purchase Agreement, dated May 28, 2008, between the Company and the Purchasers, to sell up to $4,000,000 of secured convertible promissory notes and accompanying warrants. In connection with this agreement, $1,475,000 of secured convertible notes and accompanying warrants were funded on May 30, 2008. The convertible notes are convertible into 5,000,000 shares of our common stock. We issued 3,000,000 warrants, which are subject to a cap of

19.99% that will prevent the exercise of such warrants if such exercise would cause the investor beneficially own more than 19.99% of the total shares outstanding at the time of such exercise. The warrants have an exercise price of $0.369 per share, and are included in the total outstanding stock options and warrants to purchase approximately 37.2 million shares of common stock noted above. In the event we wish to offer and sell shares of our common stock in excess of the 200,000,000 shares of common stock currently authorized by our certificate of incorporation, we will first need to receive stockholder approval. Such stockholder approval has the potential to adversely affect the timing of any potential transactions

THE SECURITIES ISSUED IN OUR DECEMBER 2006 PRIVATE PLACEMENT AND OUR MAY 2008 PRIVATE PLACEMENT ARE RESTRICTED SECURITIES.

At the time of the offer and sale of the common stock and the shares of common stock underlying the convertible notes and the warrants, as applicable, in our December 2006 private placement and May 2008 private placement,, the common stock was not registered under the Securities Act or the securities laws of any state. Accordingly, these securities may not be sold or otherwise transferred unless such sale or transfer is subsequently registered under the Securities Act and applicable state securities laws or unless exemptions from such registration are available. The registration statement covering these securities was declared effective by the SEC on January 26, 2007 and July 16, 2008, respectively. Notwithstanding our registration obligations regarding these securities, investors may be required to hold these securities for an indefinite period of time. All investors who purchase these securities are required to make representations that it will not sell, transfer, pledge or otherwise dispose of any of the securities in the absence of an effective registration statement covering such transaction under the Securities Act and applicable state securities laws, or the receipt by us of an opinion of counsel to the effect that registration is not required.

WE HAVE BROAD DISCRETION AS TO THE USE OF THE PROCEEDS FROM THE MAY 2008 PRIVATE PLACEMENT AND MAY USE THE PROCEEDS IN A MANNER WITH WHICH YOU DISAGREE.

Our Board and management will have broad discretion over the use of the net proceeds of the May 2008 private placement. Stockholders may disagree with the judgment of the Board and management regarding the application of the proceeds of the May 2008 private placement. We cannot predict that investments of the proceeds will yield a favorable, or any, return.

WE MAY INCUR SIGNIFICANT COSTS FROM CLASS ACTION LITIGATION DUE TO OUR EXPECTED STOCK VOLATILITY.

In the past, following periods of large price declines in the public market price of a company s stock, holders of that stock occasionally have instituted securities class action litigation against the company that issued the stock. If any of our stockholders were to bring this type of lawsuit against us, even if the lawsuit is without merit, we could incur substantial costs defending the lawsuit. The lawsuit also could divert the time and attention of our management, which would hurt our business. Any adverse determination in litigation could also subject us to significant liabilities.

THE UNCERTAINTY CREATED BY CURRENT ECONOMIC CONDITIONS AND POSSIBLE TERRORIST ATTACKS AND MILITARY RESPONSES THERETO COULD MATERIALLY ADVERSELY AFFECT OUR ABILITY TO SELL OUR PRODUCTS, AND PROCURE NEEDED FINANCING.

Current conditions in the domestic and global economies continue to present challenges. We expect that the future direction of the overall domestic and global economies will have a significant impact on our overall performance. Fiscal, monetary and regulatory policies worldwide will continue to influence the business climate in which we operate. If these actions are not successful in spurring continued economic growth, we expect that our business will be negatively impacted, as customers will be less likely to buy our products, if and when we commercialize our products. The potential for future terrorist attacks or war as a result thereof has created worldwide uncertainties that make it very difficult to estimate how the world economy will perform going forward.

OUR INABILITY TO MANAGE THE FUTURE GROWTH THAT WE ARE ATTEMPTING TO ACHIEVE COULD SEVERELY HARM OUR BUSINESS.

We believe that, given the right business opportunities, we may expand our operations rapidly and significantly. If rapid growth were to occur, it could place a significant strain on our management, operational and financial resources. To manage any significant growth of our operations, we will be required to undertake the following successfully:

- We will need to improve our operational and financial systems, procedures and controls to support our expected growth and any inability to do so will adversely impact our ability to grow our business. Our current and planned systems, procedures and controls may not be adequate to support our future operations and expected growth. Delays or problems associated with any improvement or expansion of our operational systems and controls could adversely impact our relationships with customers and harm our reputation and brand.
- We will need to attract and retain qualified personnel, and any failure to do so may impair our ability to offer new products or grow our business. Our success will depend on our ability to attract, retain and motivate managerial, technical, marketing, and administrative personnel. Competition for such employees is intense, and we may be unable to successfully attract, integrate or retain sufficiently qualified personnel.

If we are unable to hire, train, retain or manage the necessary personnel, we may be unable to successfully introduce new products or otherwise implement our business strategy. If we are unable to manage growth effectively, our business, results of operations and financial condition could be materially adversely affected.

WE MAY BE OBLIGATED, UNDER CERTAIN CIRCUMSTANCES, TO PAY LIQUIDATED DAMAGES TO HOLDERS OF OUR COMMON STOCK.

We have entered into agreements with the holders of our common stock that requires us to continuously maintain as effective, a registration statement covering the underlying shares of common stock. Such registration statements were declared effective on July 16, 2008, January 26, 2007, May 30, 2006 and July 28, 2005 and must continuously remain effective for a specified term. If we fail to continuously maintain such a registration statement as effective throughout the specified term, we may be subject to liability to pay liquidated damages.

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ITEM 5. OTHER EVENTS

On May 14, 2008, we received notice from the AMEX indicating that we are not in compliance with certain of the AMEX continued listing standards. Specifically, the AMEX has notified us that we are not in compliance with Section 1003(a)(iii) of the AMEX Company Guide with stockholders equity of less than $6,000,000 and losses from continuing operations and net losses in our five most recent fiscal years, and Section 1003(a)(iv) of the AMEX Company Guide in that we have sustained losses which are so substantial in relation to our overall operations or our existing financial resources, or our financial condition has become so impaired that it appears questionable, in the opinion of the AMEX, as to whether we will be able to continue operations and/or meet our obligations as they mature. This notice was based on a review by the AMEX of our Form 10-K, as amended, for the period ended December 31, 2007.

In order for us to maintain our AMEX listing, we were required to submit a plan by June 13, 2008, advising the AMEX of the actions we have taken, or will take, that will bring us into compliance with Section 1003(a)(iv) by November 14, 2008, and Section 1003(a)(iii) by November 16, 2009. The plan may include specific milestones, quarterly financial projections, and details related to any strategic initiatives we plan to complete. The AMEX Listing Qualifications Department management will evaluate the plan, and make a determination as to whether we have made a reasonable demonstration of an ability to regain compliance with the continued listing standards within the specified timeframe.

We informed the AMEX that we intended to submit such a plan, and the plan was submitted on June 12, 2008.

On July 30, 2008, AMEX notified us that the AMEX had completed its review of our proposed plan of compliance and supporting documentation and has determined that, although we are not in compliance with the continued listing standards of the AMEX, we have made a reasonable demonstration of our ability to regain compliance with the continued listing standards by the end of the plan periods, which completion dates are November 14, 2008 with respect to Section 1003(a)(iv) and November 16, 2009 with respect to Section 1003(a)(iii). Therefore, the AMEX is continuing our listing pursuant to an extension, subject to certain

conditions.

We will be subject to periodic review by the AMEX during the plan periods and must continue to provide the AMEX with updates in conjunction with the initiatives of the plan as appropriate or upon request, and failure to make progress consistent with the plan or to regain compliance with the continued listing standards by the end of the plan period could result in delisting from the AMEX.

There can be no assurance that we will be able to make progress consistent with our plan to regain compliance with AMEX s continued listing standards in a timely manner, or at all. We may appeal a staff determination to initiate delisting proceedings in accordance with Section 1010 and Part 12 of the AMEX Company Guide.

AMEX has also informed us that our stock symbol will become subject to the indicator .BC to denote noncompliance with the above listing standards. The indicator will not change our trading symbol, but will be disseminated as an extension of the symbol whenever the trading symbol is transmitted with a quotation or trade. The indicator will remain in effect until such time as we have regained compliance with all applicable continued listing standards.

ITEM 6. EXHIBITS

INDEX TO EXHIBITS

The following exhibits are included with this Quarterly Report. All management contracts or compensatory plans or arrangements are marked with an asterisk.

EXHIBIT NO.	DESCRIPTION	METHOD OF FILING
4.1	Form of Convertible Note.	Incorporated by reference to Exhibit 4. Company s Current Report on Form 8 the SEC on June 3, 2008
4.2	Form of Warrant.	Incorporated by reference to Exhibit 4. Company s Current Report on Form 8 the SEC on June 3, 2008
10.1	Securities Purchase Agreement, dated May 6, 2008, by and among the Company, ProQuest Investments II, L.P., ProQuest Investments II Advisors Fund, L.P. and ProQuest Investments III, L.P.	Incorporated by reference to Exhibit 10 Company s Current Report on Form 8 the SEC on June 3, 2008
10.2	Amendment No. 1 to the Securities Purchase Agreement, dated May 28, 2008, by and among the Company, ProQuest Investments II, L.P., ProQuest Investments II Advisors Fund, L.P. and ProQuest Investments III, L.P.	Incorporated by reference to Exhibit 10 Company s Current Report on Form 8 the SEC on June 3, 2008
10.3	Security and Pledge Agreement, dated May 6, 2008, by and among the Company, ProQuest Investments II, L.P., ProQuest Investments II Advisors Fund, L.P. and ProQuest Investments III, L.P. as secured parties and ProQuest Investments III, L.P. as collateral agent.	Incorporated by reference to Exhibit 10 Company s Current Report on Form 8 the SEC on June 3, 2008
10.4+	License Agreement, dated May 19, 2008, by and among the Company and BioAlliance Pharma SA.	Filed herewith.
10.5+	Supply Agreement, dated July 7, 2008, by and among the Company and BioAlliance Pharma SA.	Filed herewith.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
32.1	Certifications of the Chief Executive Officer and Chief Financial Officer under 18 USC 1350, Section 1330 as adopted, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Furnished.

+Confidential treatment requested. Confidential materials omitted and filed separately with the Securities

and Exchange Commission.

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.

NovaDel Pharma Inc.

Date: August 7, 2008	By:	/s/ STEVEN B. RATOFF Steven B. Ratoff Interim President and Chief Executive Officer (principal executive officer)
Date: August 7, 2008	By:	/s/ MICHAEL E. SPICER Michael E. Spicer Chief Financial Officer (principal financial and accounting officer)