

HALLMARK FINANCIAL SERVICES INC  
 Form 4  
 October 05, 2006

**FORM 4**

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

OMB APPROVAL

OMB Number: 3235-0287  
 Expires: January 31, 2005  
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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

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

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
**MORRISON MARK J**

2. Issuer Name and Ticker or Trading Symbol  
**HALLMARK FINANCIAL SERVICES INC [HAF]**

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)  
**777 MAIN STREET, SUITE 1000**  
 (Street)

3. Date of Earliest Transaction (Month/Day/Year)  
**10/04/2006**

\_\_\_\_ Director \_\_\_\_\_ 10% Owner  
 Officer (give title below) \_\_\_\_\_ Other (specify below)  
**President; CEO**

**FORT WORTH, TX 76102**

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

(City) (State) (Zip)

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

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|
|                                 |                                      |  | Code                           | V   | Amount  | (A) or (D)   | Price                             |
| COMMON STOCK                    | 10/04/2006                           |  | P                              |   | 10,000  | A  | \$ 9                              |
| COMMON STOCK                    | 10/04/2006                           |  | P                              |   | 6,000   | A  | \$ 8.75                           |
|                                 |                                      |  |                                |   | 27,036  | (1)  | D                                 |
|                                 |                                      |  |                                |   | 33,036  | (1)  | D                                 |

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

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

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | 6. Date Exercisable and Expiration Date (Month/Day/Year) | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | Amount or Number of Shares |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|----------------------------|
| EMPLOYEE STOCK OPTION (RIGHT TO BUY)       | \$ 11.34 <sup>(1)</sup>                                |                                      |  |                                |   | <sup>(2)</sup> 05/24/2016                                | COMMON STOCK  | 20,833 <sup>(1)</sup>      |
| EMPLOYEE STOCK OPTION (RIGHT TO BUY)       | \$ 7.14 <sup>(1)</sup>                                 |                                      |  |                                |   | <sup>(3)</sup> 05/26/2010                                | COMMON STOCK  | 16,667 <sup>(1)</sup>      |
| EMPLOYEE STOCK OPTION (RIGHT TO BUY)       | \$ 3.9 <sup>(1)</sup>                                  |                                      |  |                                |   | <sup>(4)</sup> 03/24/2009                                | COMMON STOCK  | 15,000 <sup>(1)</sup>      |

## Reporting Owners

| Reporting Owner Name / Address   | Relationships |           |                |       |
|--|---------------|-----------|----------------|-------|
|  | Director      | 10% Owner | Officer        | Other |
| MORRISON MARK J<br>777 MAIN STREET<br>SUITE 1000<br>FORT WORTH, TX 76102 |               |           | President; CEO |       |

## Signatures

STEVEN D. DAVIDSON AS ATTORNEY-IN-FACT FOR MARK J. MORRISON

10/05/2006

\*\*Signature of Reporting Person Date

## Explanation of Responses:

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

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

- (1) Adjusted to reflect a one-for-six reverse stock split effected July 31, 2006.
- (2) Represents grant of employee stock options exercisable as to 12,500, 25,000, 37,500 and 50,000 shares on May 25, 2007, 2008, 2009 and 2010, respectively.
- (3) Represents grant of employee stock options exercisable as to 10,000, 20,000, 30,000 and 40,000 shares on May 27, 2006, 2007, 2008 and 2009, respectively.
- (4) Represents grant of employee stock options exercisable as to 20,000, 30,000 and 40,000 shares on March 25, 2006, 2007 and 2008, respectively.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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