

GRAVES JAMES H  
Form 4  
May 12, 2005

**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 \*  
GRAVES JAMES H

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)  
2100 MCKINNEY AVENUE, SUITE 900  
(Street)

3. Date of Earliest Transaction (Month/Day/Year)  
05/10/2005

Director  10% Owner  
 Officer (give title below)  Other (specify below)

DALLAS, TX 75201

4. If Amendment, Date Original Filed(Month/Day/Year)

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 Indirect Ownership (Instr. 4)
				(A) or (D)	Price		
			Code	V	Amount	(D)	
COMMON STOCK	05/10/2005		M		75,000	A	
					\$ 0.6875		
					323,775	D	

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

**Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

SEC 1474 (9-02)

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

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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
DIRECTOR STOCK OPTION (RIGHT TO BUY)	\$ 0.6875	05/10/2005		M	75,000	(1) 05/16/2005	COMMON STOCK	75,000
DIRECTOR STOCK OPTION (RIGHT TO BUY)	\$ 1					(2) 01/29/2006	COMMON STOCK	50,000
DIRECTOR STOCK OPTION (RIGHT TO BUY)	\$ 0.375					(3) 03/14/2010	COMMON STOCK	50,000

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
GRAVES JAMES H 2100 MCKINNEY AVENUE SUITE 900 DALLAS, TX 75201	X			

## Signatures

STEVEN D. DAVIDSON AS ATTORNEY-IN-FACT FOR JAMES H. GRAVES

05/12/2005

\*\*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) Represents director stock options which became exercisable as to 30,000 shares on November 17, 1995, and as to an additional 7,500 shares on each of May 16, 1996, 1997, 1998, 1999, 2000 and 2001.

(2)

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Represents director stock options which became exercisable as to 20,000 shares on August 1, 1996, and as to an additional 5,000 shares on each of January 30, 1997, 1998, 1999, 2000, 2001 and 2002.

- (3) Represents director stock options which became exercisable as to 20,000 shares on September 15, 2000, and as to an additional 5,000 shares on each of March 15, 2001, 2002, 2003, 2004, 2005 and 2006.

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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