

HALLMARK FINANCIAL SERVICES INC  
 Form 4  
 November 13, 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 [HALL]**

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)  
**11/10/2006**

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

**FORT WORTH, TX 76102**

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 Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|
|                                 |                                      |  | Code                           | V   | Amount  | (D)  | Price                             |
| COMMON STOCK                    | 11/10/2006                           |  | P                              |   | 8,000   | A  | \$ 8.95                           |
|                                 |                                      |  |                                |   | 41,036  | 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 |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|----------------------------|
| EMPLOYEE STOCK OPTION (RIGHT TO BUY)       | \$ 11.34   |                                      |  |                                | (1)   | 05/24/2016   | COMMON STOCK  | 20,833                     |
| EMPLOYEE STOCK OPTION (RIGHT TO BUY)       | \$ 7.14  |                                      |  |                                | (2)   | 05/26/2010   | COMMON STOCK  | 16,667                     |
| EMPLOYEE STOCK OPTION (RIGHT TO BUY)       | \$ 3.9   |                                      |  |                                | (3)   | 03/24/2009   | COMMON STOCK  | 15,000                     |

## 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

11/13/2006

\*\*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)

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Represents grant of employee stock options exercisable as to 2,083, 4,167, 6,250 and 8,333 shares on May 25, 2007, 2008, 2009 and 2010, respectively.

- (2) Represents grant of employee stock options exercisable as to 1,667, 3,333, 5,000 and 6,667 shares on May 27, 2006, 2007, 2008 and 2009, respectively.
- (3) Represents grant of employee stock options exercisable as to 3,333, 5,000 and 6,667 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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