

GRAVES JAMES H  
Form 4  
February 06, 2006

**FORM 4** UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL

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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]

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)  
01/26/2006

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 Beneficial Ownership (Instr. 4) |         |   |                        |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|---|---------|---|------------------------|
|                                 |                                      |  |                                | (A) or (D)  | Price   |  |   |         |   |                        |
|                                 |                                      |  |                                | Code  | V   | Amount   | (D)   | Price   |   |                        |
| COMMON STOCK                    | 01/26/2006                           |  | F                              |   | 28,572  | D  | \$ 1.75   | 198,582 | D |                        |
| COMMON STOCK                    | 01/26/2006                           |  | M                              |   | 50,000  | A  | \$ 1  | 248,582 | D |                        |
| COMMON STOCK                    |                                      |  |                                |   |   |  |   | 437,442 | I | By limited partnership |

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

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SEC 1474 (9-02)

displays a currently valid OMB control number.

**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 Security (Instr. 3 and 4) | Amount or Number of Shares |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|----------------------------|
| DIRECTOR STOCK OPTION (RIGHT TO BUY)       | \$ 1   | 01/26/2006                           |  | M                              | 50,000  | <sup>(1)</sup> 01/29/2006                                | COMMON STOCK  | 50                         |
| DIRECTOR STOCK OPTION (RIGHT TO BUY)       | \$ 0.375   |                                      |  |                                |   | 09/15/2000 03/14/2010                                    | COMMON STOCK  | 50                         |

## Reporting Owners

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

## Signatures

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

02/06/2006

\_\_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) 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.

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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