

HALLMARK FINANCIAL SERVICES INC  
 Form 4  
 March 27, 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 \*  
 DAVIS BROOKLAND F

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)  
 03/24/2006

\_\_\_\_ Director \_\_\_\_\_ 10% Owner  
 Officer (give title below) \_\_\_\_\_ Other (specify below)  
 PRESIDENT OF SUBSIDIARY

FORT WORTH, TX 76102

(City) (State) (Zip)

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

**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)		
				(A) or (D)	Price				
COMMON STOCK	03/24/2006		M	V	20,000	A	\$ 0.57	392,489	D
COMMON STOCK	03/27/2006		M	V	5,000	A	\$ 0.65	397,489	D

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

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SEC 1474 (9-02)

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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)
EMPLOYEE STOCK OPTION (RIGHT TO BUY)	\$ 0.65	03/27/2006		M	5,000	<sup>(1)</sup> 03/27/2008	COMMON STOCK 5
EMPLOYEE STOCK OPTION (RIGHT TO BUY)	\$ 0.57	03/24/2006		M	20,000	<sup>(2)</sup> 01/26/2009	COMMON STOCK 20
EMPLOYEE STOCK OPTION (RIGHT TO BUY)	\$ 1.19					<sup>(3)</sup> 05/26/2010	COMMON STOCK 10

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
DAVIS BROOKLAND F 777 MAIN STREET SUITE 1000 FORT WORTH, TX 76102			PRESIDENT OF SUBSIDIARY	

## Signatures

STEVEN D. DAVIDSON AS ATTORNEY-IN-FACT FOR BROOKLAND F.  
DAVIS

03/27/2006

\*\*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 employee stock options exercisable as to 10,000 shares on September 27, 2003, and as to an additional 5,000 shares on each of March 27, 2004, 2005 and 2006.

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- (2) Represents employee stock options exercisable as to 10,000, 20,000, 30,000 and 40,000 shares on January 26, 2005, 2006, 2007 and 2008, respectively.
- (3) Represents 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.

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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