

Passmore Jeffrey R  
 Form 4  
 May 17, 2018

**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 \*  
 Passmore Jeffrey R

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)  
 05/16/2018

\_\_\_\_ Director \_\_\_\_\_ 10% Owner  
 Officer (give title below) \_\_\_\_\_ Other (specify below)  
 CHIEF ACCOUNTING OFFICER

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	05/16/2018		M	V	21,500 A \$ 6.61	25,498	D
COMMON STOCK	05/16/2018		S		18,498 D \$ 9.94	7,000	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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Represents the weighted average price of transactions effected at prices ranging from \$9.90 per share to \$9.96 per share. Upon written request by the SEC, the Issuer or a security holder of the Issuer, the Reporting Person will provide full information regarding the number of shares sold at each separate price.

- (2) Represents employee stock options exercisable in seven equal annual installments commencing April 1, 2010.

Each restricted stock unit represents the right to receive shares of common stock upon satisfaction of vesting requirements and performance criteria. The performance criteria for one-half of the restricted stock units is based on the compound average annual growth rate ("CAAGR") in book value per share from January 1, 2017 to December 31, 2019, and earns a percentage of a share of common stock per restricted stock unit, as follows: (i) CAAGR less than 7% earns 0%; (ii) 7% CAAGR earns 50%; (iii) 8% CAAGR earns 67%; (iv) 9% CAAGR earns 83%; (v) 10% CAAGR earns 100%; (vi) 11% CAAGR earns 117% shares; (vii) 12% CAAGR earns 133%; and (viii) 13% or greater CAAGR earns 150%.

- (3) Each restricted stock unit represents the right to receive shares of common stock upon satisfaction of vesting requirements and performance criteria. The performance criteria for one-half of the restricted stock units is based on the consolidated net combined ratio ("CR%") for the period from January 1, 2017 to December 31, 2019, and earns a percentage of a share of common stock per restricted stock unit, as follows: (a) CR% greater than 96% earns 0%; (b) 95% CR% earns 50%; (c) 94% CR% earns 60%; (d) 93% CR% earns 80%; (e) 92% CR% earns 100%; (f) 90% CR% earns 110%; (g) 89% CR% earns 120%; (h) 88% CR% earns 135%; and (i) less than 87% CR% earns 150%.

- (4) Each restricted stock unit represents the right to receive shares of common stock upon satisfaction of vesting requirements and performance criteria. The performance criteria for one-half of the restricted stock units is based on the compound average annual growth rate ("CAAGR") in book value per share from January 1, 2016 to December 31, 2018, and earns a percentage of a share of common stock per restricted stock unit, as follows: (i) CAAGR less than 7% earns 0%; (ii) 7% CAAGR earns 50%; (iii) 8% CAAGR earns 67%; (iv) 9% CAAGR earns 83%; (v) 10% CAAGR earns 100%; (vi) 11% CAAGR earns 117% shares; (vii) 12% CAAGR earns 133%; and (viii) 13% or greater CAAGR earns 150%.

- (5) Each restricted stock unit represents the right to receive shares of common stock upon satisfaction of vesting requirements and performance criteria. The performance criteria for one-half of the restricted stock units is based on the consolidated net combined ratio ("CR%") for the period from from January 1, 2016 to December 31, 2018, and earns a percentage of a share of common stock per restricted stock unit, as follows: (a) CR% greater than 96% earns 0%; (b) 95% CR% earns 50%; (c) 94% CR% earns 60%; (d) 93% CR% earns 80%; (e) 92% CR% earns 100%; (f) 90% CR% earns 110%; (g) 89% CR% earns 120%; (h) 88% CR% earns 135%; and (i) less than 87% CR% earns 150%.

- (6) Represents employee stock options exercisable as to 2,500, 5,000, 7,500 and 10,000 shares on May 22, 2009, 2010, 2011 and 2012, respectively.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.