

Passmore Jeffrey R
Form 4
May 17, 2018

FORM 4

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

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

OMB APPROVAL

OMB
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(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
____X____ Officer (give title below) ____ Other (specify below)
CHIEF ACCOUNTING OFFICER

FORT WORTH, TX 76102

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

6. Individual or Joint/Group Filing(Check
Applicable Line)
____X____ 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 Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price
COMMON STOCK	05/16/2018		M		21,500	A	\$ 6.61
COMMON STOCK	05/16/2018		S		18,498	D	\$ 9.94 (1)

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

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information contained in this form are not
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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 Security (Instr. 3 and 4)
				Code	V (A) (D)	Date Exercisable Expiration Date	Title
STOCK OPTIONS (RIGHT TO BUY)	\$ 6.61	05/16/2018		M	21,500	(2) 04/01/2019	COMMON STOCK
RESTRICTED STOCK UNITS	(3) (4)					03/31/2020 03/31/2020	COMMON STOCK
RESTRICTED STOCK UNITS	(5) (6)					03/31/2019 03/31/2019	COMMON STOCK
STOCK OPTIONS (RIGHT TO BUY)	\$ 11.46					(7) 05/22/2018	COMMON STOCK

Reporting Owners

Reporting Owner Name / Address	Relationships
	Director 10% Owner Officer Other
Passmore Jeffrey R 777 MAIN STREET SUITE 1000 FORT WORTH, TX 76102	CHIEF ACCOUNTING OFFICER

Signatures

STEVEN D. DAVIDSON AS ATTORNEY-IN-FACT FOR JEFFREY R. PASSMORE 05/17/2018

____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 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 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.

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