

# SECURITIES AND EXCHANGE COMMISSION

## FORM 4

Statement of changes in beneficial ownership of securities

Filing Date: **2009-01-26** | Period of Report: **2009-01-22**  
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(HTML Version on [secdatabase.com](http://secdatabase.com))

### ISSUER

#### HALLMARK FINANCIAL SERVICES INC

CIK: **819913** | IRS No.: **870447375** | State of Incorporation: **NV** | Fiscal Year End: **1231**  
SIC: **6399** Insurance carriers, nec

Mailing Address  
777 MAIN STREET  
STE 1000  
FORT WORTH TX 76102

Business Address  
777 MAIN STREET, SUITE  
1000  
FORT WORTH TX 76102  
8173481600

### REPORTING OWNER

#### SCHWARZ MARK E

CIK: **1208889**  
Type: **4** | Act: **34** | File No.: **001-11252** | Film No.: **09545832**

Mailing Address  
200 CRESCENT COURT  
STE 1400  
DALLAS TX 75201

Business Address  
NEWCASTLE PARTNERS L P  
300 CRESCENT COURT STE  
1110  
DALLAS TX 75201  
214-661-7474

# 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

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

1. Name and Address of Reporting Person <b>SCHWARZ MARK E</b>			2. Issuer Name and Ticker or Trading Symbol <b>HALLMARK FINANCIAL SERVICES INC [HALL]</b>			5. Relationship of Reporting Person(s) to Issuer (Check all applicable) <input checked="" type="checkbox"/> Director <input checked="" type="checkbox"/> 10% Owner <input checked="" type="checkbox"/> Officer (give title <b>Executive Chairman</b> ) <input type="checkbox"/> Other (specify below)		
(Last)	(First)	(Middle)	3. Date of Earliest Transaction (Month/Day/Year) <b>01/22/2009</b>			6. Individual or Joint/Group Filing (Check applicable line) <input checked="" type="checkbox"/> Form Filed by One Reporting Person <input type="checkbox"/> Form Filed by More than One Reporting Person		
200 CRESCENT COURT, STE 1400			4. If Amendment, Date Original Filed(Month/Day/Year)					
(Street) <b>DALLAS, TX 75201</b>								
(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)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	01/22/2009		P		705	A	\$7.04	12,182,187	D (1) (2)	

**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 Securities Underlying Derivative Security (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4)	10. Ownership Form of Derivative Security: Direct (D) or Indirect (I) (Instr. 4)	11. Nature of Indirect Beneficial Ownership (Instr. 4)
				Code	V		(A)	(D)					

**Explanation of Responses:**

1. Newcastle Capital Management, L.P. ("NCM") is the general partner of each of Newcastle Partners, L.P. ("NP"), Newcastle Special Opportunity Fund I, L.P. ("NSOFI"), Newcastle Special Opportunity Fund II, L.P. ("NSOFII"), and Newcastle Focus Fund II, L.P. ("NFF"). Newcastle Capital Group, L.L.C. ("NCG") is the general partner of NCM and Mark E. Schwarz ("Schwarz") is the managing member of NCG. Accordingly, each of NCM, NCG and Schwarz may be deemed to beneficially own the shares directly owned by any of NP, NSOFI, NSOFII and NFF.

2. Mark Schwarz owns (1) 51,526 shares of common stock including shares purchased on September 18, 2008 and (2) 19,167 options exercisable into shares of common stock. In addition, the Reporting Persons may be deemed to beneficially own an additional 12,111,494 non-derivative securities of the Issuer, which includes (1) 7,319,113 shares of common stock owned by NP, (2) a total of 3,274,830 shares of common stock owned by NSOFI and NSOFII, (3) 2,400 shares of common stock owned by NFF and (4) 1,515,151 shares of common stock controlled by NCM pursuant to an account management agreement under which NCM holds the power to vote and dispose of such shares.

### Signatures

<u>Newcastle Partners, L.P., By: Newcastle Capital Management, L.P., its general partner, By:</u>	
<u>Newcastle Capital Group, L.L.C. its general partner, By: /s/ Mark E. Schwarz, its managing member</u>	<u>01/26/2009</u>
<u>Newcastle Capital Management, L.P., By: Newcastle Capital Group, L.L.C. its general partner, By:</u>	
<u>/s/ Mark E. Schwarz, its managing member</u>	<u>01/26/2009</u>
<u>Newcastle Capital Group, L.L.C., By: /s/ Mark E. Schwarz, its managing member</u>	<u>01/26/2009</u>
<u>s/ Mark E. Schwarz</u>	<u>01/26/2009</u>
** Signature of Reporting Person	Date

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

\* 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).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

**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 Number.**