

HALLMARK FINANCIAL SERVICES INC

Form 4

January 26, 2009

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 *
SCHWARZ MARK E

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)
200 CRESCENT COURT, STE 1400
(Street)

3. Date of Earliest Transaction
(Month/Day/Year)
01/22/2009

☐ Director ☐ 10% Owner
☒ Officer (give title below) ☐ Other (specify below)
Executive Chairman

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)
Common Stock	01/22/2009		P	V Amount (D) Price 705 A \$ 7.04	12,182,187	D (1) (2)	

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

**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 control
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SEC 1474
(9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)**

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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)	8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Own Follo Repor Trans (Instr
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
SCHWARZ MARK E 200 CRESCENT COURT STE 1400 DALLAS, TX 75201	X	X	Executive Chairman	

Signatures

Newcastle Partners, L.P., By: Newcastle Capital Management, L.P., its general partner, By: Newcastle Capital Group, L.L.C. its general partner, By: /s/ Mark E. Schwarz, its managing member

01/26/2009

__Signature of Reporting Person

Date

Newcastle Capital Management, L.P., By: Newcastle Capital Group, L.L.C. its general partner, By: /s/ Mark E. Schwarz, its managing member

01/26/2009

__Signature of Reporting Person

Date

Newcastle Capital Group, L.L.C., By: /s/ Mark E. Schwarz, its managing member

01/26/2009

__Signature of Reporting Person

Date

s/ Mark E. Schwarz

01/26/2009

__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).

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.

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- (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 NSOFIL, (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.

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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