

HALLMARK FINANCIAL SERVICES INC
 Form 4
 July 06, 2009

FORM 4

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

OMB APPROVAL

OMB Number: 3235-0287
 Expires: January 31, 2005
 Estimated average burden hours per response... 0.5

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 *
 NEWCASTLE PARTNERS L P

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)
 07/01/2009

Director 10% Owner
 Officer (give title below) Other (specify below)
 See Explanation

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) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|---|
| | | | Code | V | Amount | (D) | Price |
| Common Stock | 07/01/2009 | | J(4) | | 1,515,151 | D | \$ 0 |
| | | | | | 9,562,161 | I | (1) (2) |
| Common Stock | 07/06/2009 | | J(5) | | 1,159,756 | D | \$ 0 |
| | | | | | 8,402,405 | I | (1) (2) |
| | | | | | | I | (1) (2) (3) |

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 number.

SEC 1474 (9-02)

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) | 8. Price of Derivative Security (Instr. 5) | 9. Number of Derivative Securities Owned Following Transaction (Instr. 5) |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|--|---|
| | | | | 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 |
| NEWCASTLE PARTNERS L P 200 CRESCENT COURT STE 1400 DALLAS, TX 75201 | X | X | | See Explanation |
| NEWCASTLE CAPITAL MANAGEMENT LP 200 CRESCENT COURT STE 1400 DALLAS, TX 75201 | X | X | | See Explanation |
| NEWCASTLE CAPITAL GROUP LLC 200 CRESCENT COURT STE 1400 DALLAS, TX 75201 | X | X | | See Explanation |
| SCHWARZ MARK E 200 CRESCENT COURT STE 1400 DALLAS, TX 75201 | X | X | | See Explanation |
| NEWCASTLE SPECIAL OPPORTUNITY FUND I, L.P. 200 CRESCENT COURT SUITE 1400 DALLAS, TX 75201 | X | X | | See Explanation |
| NEWCASTLE SPECIAL OPPORTUNITY FUND II, L.P. 200 CRESCENT COURT SUITE 1400 DALLAS, TX 75201 | X | X | | See Explanation |

| | | | |
|--|---|---|-----------------|
| Newcastle Focus Fund II LP 200 CRESCENT COURT SUITE 1400 DALLAS, TX 75201 | X | X | See Explanation |
| DETROIT STOKER Co 1510 E. FIRST ST. MONROE, MI 48161 | X | X | See Explanation |
| DSC Services, Inc. 200 CRESCENT COURT SUITE 1400 DALLAS, TX 75201 | X | X | See Explanation |

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 | | | 07/06/2009 |
| | **Signature of Reporting Person | | Date |
| 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 | | | 07/06/2009 |
| | **Signature of Reporting Person | | Date |
| Newcastle Capital Group, L.L.C. its general partner, By: /s/ Mark E. Schwarz, its managing member | | | 07/06/2009 |
| | **Signature of Reporting Person | | Date |
| /s/ Mark E. Schwarz | | | 07/06/2009 |
| | **Signature of Reporting Person | | Date |
| Newcastle Special Opportunity Fund I, 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 | | | 07/06/2009 |
| | **Signature of Reporting Person | | Date |
| Newcastle Special Opportunity Fund II, 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 | | | 07/06/2009 |
| | **Signature of Reporting Person | | Date |
| Focus Fund II, 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 | | | 07/06/2009 |
| | **Signature of Reporting Person | | Date |
| Detroit Stoker Co. | | | 07/06/2009 |
| | **Signature of Reporting Person | | Date |
| DSC Services, Inc. | | | 07/06/2009 |
| | **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).

The Reporting Persons are members of a "group" for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended and accordingly may be deemed to beneficially own Shares of the Issuer's Common Stock owned in the aggregate by the other members of the Section 13(d) group. The Section 13(d) group consists of Newcastle Partners, L.P. ("NP"), Newcastle Capital Management, L.P.

(1) ("NCM"), Newcastle Capital Group, L.L.C. ("NCG"), Newcastle Special Opportunity Fund I, L.P. ("NSOF I"), Newcastle Special Opportunity Fund II, L.P. ("NSOF II"), Newcastle Focus Fund II, L.P. ("NFF"), DSC Services Inc. ("DSC"), the Detroit Stoker Company ("Detroit Stoker") and Mark E. Schwarz ("Schwarz"). Each Reporting Person disclaims beneficial ownership of the shares of the Issuer's Common Stock owned by the other members of the Section 13(d) group except to the extent of its pecuniary interest therein.

NCM is the general partner of each of NP, NSOFI, NSOFII and NFF. NCG is the general partner of NCM, and 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

(2) NP, NSOFI, NSOFII and NFF. In addition, DSC is the parent company of Detroit Stoker, and Schwarz and NCG together own all of the outstanding shares of DSC. Accordingly, each of Schwarz and DSC may be deemed to beneficially own the shares directly owned by Detroit Stoker.

Includes, as of 7/6/09, (1) (a) 51,526 shares of Common Stock and (b) 19,167 options exercisable into shares of Common Stock, held in each case by Schwarz directly, (2) 4,741,859 shares of Common Stock held by NP, (3) a total of 3,274,830 shares of Common Stock held

(3) by NSOFI and NSOFII, (4) 2,400 shares of Common Stock held by NFF and (5) 312,623 shares of Common Stock held by Detroit Stoker. In the aggregate, as of 7/6/09, the members of the Section 13(d) group beneficially own 8,402,405 shares of the Issuer's Common Stock.

(4) Pursuant to the terms of an account management agreement with a third party investor, NCM relinquished voting and dispositive power over the Issuer's Common Stock held in the applicable separate account owned by such investor as of July 1, 2009.

(5) Constitutes a distribution of shares to withdrawing partners of NP as of June 30, 2009.

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.