

HALLMARK FINANCIAL SERVICES INC

Form 4

January 11, 2011

**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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2005  
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response... 0.5

(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)  
01/07/2011

\_\_\_\_ Director \_\_\_\_ 10% Owner  
\_\_\_\_ Officer (give title \_\_\_\_X\_\_\_\_ Other (specify  
below) below)  
see attached 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  
\_X\_ 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 (Instr. 4)
Common Stock	01/07/2011		J <sup>(1)</sup>	V Amount (A) or (D) Price	219,135 D \$ 0 3,539,075	D <sup>(2)</sup> <sup>(3)</sup>	

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  
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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 Repo Trans (Instr
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Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Code	V	(A)	(D)

## Reporting Owners

Reporting Owner Name / Address	Relationships
	Director 10% Owner Officer Other
NEWCASTLE PARTNERS L P 200 CRESCENT COURT STE 1400 DALLAS, TX 75201	see attached explanation
NEWCASTLE CAPITAL MANAGEMENT LP 200 CRESCENT COURT STE 1400 DALLAS, TX 75201	see attached explanation
NEWCASTLE CAPITAL GROUP LLC 200 CRESCENT COURT STE 1400 DALLAS, TX 75201	see attached explanation
Newcastle Focus Fund II LP 200 CRESCENT COURT SUITE 1400 DALLAS, TX 75201	see attached explanation
NEWCASTLE SPECIAL OPPORTUNITY FUND II, L.P. 200 CRESCENT COURT SUITE 1400 DALLAS, TX 75201	see attached explanation
NEWCASTLE SPECIAL OPPORTUNITY FUND I, L.P. 200 CRESCENT COURT SUITE 1400 DALLAS, TX 75201	see attached explanation
	X X Chairman

SCHWARZ MARK E  
200 CRESCENT COURT  
STE 1400  
DALLAS, TX 75201  
see attached  
explanation

DETROIT STOKER Co  
1510 E. FIRST ST.  
MONROE, MI 48161  
see attached  
explanation

DSC Services, Inc.  
200 CRESCENT COURT  
SUITE 1400  
DALLAS, TX 75201  
see attached  
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  
01/11/2011

\_\_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  
01/11/2011

\_\_Signature of Reporting Person  
Date

Newcastle Capital Group, L.L.C. its general partner, By: /s/ Mark E. Schwarz, its managing member  
01/11/2011

\_\_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  
01/11/2011

\_\_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  
01/11/2011

\_\_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  
01/11/2011

\_\_Signature of Reporting Person  
Date

/s/ Mark E. Schwarz  
01/11/2011

\_\_Signature of Reporting Person  
Date

Detroit Stoker Company, L.L.C.  
01/11/2011

\_\_Signature of Reporting Person  
Date

DSC Services, Inc.  
01/11/2011

\_\_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) Constitutes a distribution of shares to withdrawing partners of NP as of December 31, 2010.

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.

- (2) ("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"), Detroit Stoker Company, LLC ("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

- (3) 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.

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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