

HALLMARK FINANCIAL SERVICES INC  
 Form 4  
 January 12, 2012

**FORM 4**

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

OMB APPROVAL

OMB Number: 3235-0287  
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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 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 SPECIAL  
 OPPORTUNITY FUND I, 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, SUITE  
 1400  
 (Street)

3. Date of Earliest Transaction  
 (Month/Day/Year)  
 01/11/2012

Director  10% Owner  
 Officer (give title below)  Other (specify below)  
 Chairman / 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  
 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) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|
|                                 |                                      |  |                                | Code V Amount (A) or (D) Price                                    |   |  |                                   |
| Common Stock                    | 01/11/2012                           |  | J <sup>(5)</sup>               | 7,439 A \$ 0  | 507,439   | D  | (2) (3) (4)                       |
| Common Stock                    | 01/11/2012                           |  | J <sup>(1)</sup>               | 507,439 D \$ 0  | 0   | D  | (2) (3) (4)                       |

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

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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)

| 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 |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|--|--|
|  |  |                                      |  |                                |   |  | Title   | Amount or Number of Shares                 |  |
|  |  |                                      |  |                                |   |  | Date Exercisable  | Expiration Date                            |  |
|  |  |                                      |  |                                |   |  | Code  | V (A) (D)                                  |  |

## Reporting Owners

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

DALLAS, TX 75201

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

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

X X Chairman

see attached  
explanation

## Signatures

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

01/12/2012

\_\_Signature of Reporting Person

Date

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

01/12/2012

\_\_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

01/12/2012

\_\_Signature of Reporting Person

Date

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

01/12/2012

\_\_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

01/12/2012

\_\_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

01/12/2012

\_\_Signature of Reporting Person

Date

DSC Services, Inc.

01/12/2012

\_\_Signature of Reporting Person

Date

Detroit Stoker Company, L.L.C.

01/12/2012

\_\_Signature of Reporting Person

Date

/s/ Mark E. Schwarz

01/12/2012

\_\_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 partners of NSOFI as of January 11, 2012.

The Reporting Persons are members of a "group" for the 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. (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"), Mark E. Schwarz ("Schwarz"), John Murray ("Murray") and Clinton J. Coleman ("Coleman"). 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.

(2) 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 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.

(3) Murray and Coleman are officers of NCM.

(4) Constitutes a receipt of 7,439 shares from NSOFII for reimbursement of an advance made by NSOFI to NSOFII.

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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