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HALLMARK FINANCIAL SERVICES INC  
Form DEF 14A  
May 02, 2002

SCHEDULE 14A  
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act  
of 1934 (Amendment No. )

- Filed by Registrant  [X]  
Filed by a Party other than the Registrant  [ ]  
Check the appropriate box:  
 [ ] Preliminary Proxy Statement  
 [ ] Confidential, for Use of the Commission Only (as permitted by  
Rule 14a-6(e) (2))  
 [X] Definitive Proxy Statement  
 [ ] Definitive Additional Materials  
 [ ] Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

(Name of Registrant as Specified In Its Charter)

HALLMARK FINANCIAL SERVICES, INC.

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(Name of Person(s) Filing Proxy Statement, If Other Than the Registrant)

- Payment of Filing Fee (Check the appropriate box):  
 [X] No fee required.  
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(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transactions applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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- [ ] Fee paid previously with preliminary materials.  
 [ ] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

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(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No:

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(3) Filing Party:

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(4) Date Filed:

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HALLMARK FINANCIAL SERVICES, INC.  
14651 Dallas Parkway, Suite 900  
Dallas, Texas 75254

PROXY STATEMENT

FOR

ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD MAY 21, 2002

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SOLICITATION AND REVOCABILITY OF PROXIES

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Hallmark Financial Services, Inc., a Nevada corporation (the "Company"), to be voted at the 2002 Annual Meeting of Shareholders (the "Annual Meeting") to be held on Tuesday, May 21, 2002, at the time and place and for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders (the "Notice"), and at any adjournment(s) thereof. When proxies in the accompanying form are properly executed and received, the shares represented thereby will be voted at the Annual Meeting in accordance with the directions noted thereon. If no direction is indicated on the proxy, the shares represented thereby will be voted for the election of each of the nominees for director and in the discretion of the proxy holder on any other matter that may properly come before the meeting.

Submitting a proxy will not affect a shareholder's right to vote in person at the Annual Meeting. Any shareholder who gives a proxy may revoke it at any time before it is exercised by delivering written notice of revocation to the Company, by substituting a new proxy executed on a later date, or by making a written request in person at the Annual Meeting that the proxy be returned. However, mere attendance at the Annual Meeting will not of itself revoke the proxy.

All expenses of preparing, assembling and mailing this Proxy Statement and the enclosed materials and all costs of soliciting proxies will be paid by the Company. In addition to solicitation by mail, proxies may be solicited by officers and regular employees of the Company by telephone or in person. Such officers and employees who solicit proxies will receive no compensation for their services other than their regular salaries. Arrangements will also be made with brokerage houses and other custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of shares they hold, and the Company may reimburse them for reasonable out-of-pocket expenses they incur in forwarding these materials.

The principal executive offices of the Company are located at 14651 Dallas Parkway, Suite 900, Dallas, Texas 75254. The Company's mailing address is the same as that of its principal executive offices.

This Proxy Statement and the accompanying form of proxy are first being mailed or given to shareholders on or about April 23, 2002. A copy of the Company's Annual Report for the fiscal year ended December 31, 2001, is enclosed herewith. Except as expressly incorporated by reference herein, such Annual Report does not constitute a part of the materials used for the

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solicitation of proxies.

### PURPOSES OF THE MEETING

At the Annual Meeting, the shareholders of the Company will consider and vote on the following matters:

1. Election of five directors to serve until the next annual meeting of shareholders or until their successors are duly elected and qualified; and
2. Transaction of such other business as may properly come before the meeting or any adjournment thereof.

### QUORUM AND VOTING

The record date for the determination of shareholders entitled to notice of and to vote at the Annual Meeting was the close of business on April 10, 2002 (the "Record Date"). On the Record Date, there were 11,049,133 shares of Common Stock of the Company, par value \$0.03 per share (the "Common Stock"), issued and outstanding, each of which is entitled to one vote on all matters to be acted upon at the Annual Meeting. There are no cumulative voting rights. The presence, in person or by proxy, of holders of one-third of the outstanding shares of Common Stock entitled to vote at the meeting is necessary to constitute a quorum to transact business. Assuming the presence of a quorum, directors will be elected by a plurality of the votes cast. The affirmative vote of the holders of a majority of the shares of Common Stock actually voted will be required for the approval of all other matters to come before the Annual Meeting.

Abstentions and broker non-votes will be counted solely for purposes of determining whether a quorum is present at the Annual Meeting. Pursuant to the Bylaws of the Company, abstentions and broker non-votes will not be counted in determining the number of shares voted on any matter and will have no effect on the election of directors or the approval of any proposal submitted to a vote of the shareholders at the Annual Meeting.

### PRINCIPAL SHAREHOLDERS AND STOCK OWNERSHIP OF MANAGEMENT

The following table and the notes thereto set forth certain information regarding the beneficial ownership of the Common Stock as of the Record Date, by (i) each current director and nominee for director of the Company; (ii) all executive officers and current directors of the Company as a group; and (iii) each other person known to the Company to own beneficially more than five percent of the presently outstanding Common Stock. Unless otherwise indicated, the persons identified in the table have sole voting and dispositive power with respect to the shares shown as beneficially owned by them. Except as otherwise indicated, the mailing address for all persons is the same as that of the Company.

Shareholder	No. of Shares Beneficially Owned	Percent of Class Beneficially Owned
----- Linda H. Sleeper 1	383,000	3.4
Raymond A. Kilgore 2	633,047	5.6
John J. DePuma 2	259,571	2.3

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James H. Graves 3	252,500	2.2
George R. Manser 3, 4	203,200	1.8
Scott T. Berlin 5	62,500	0.6
Mark E. Schwarz 6	5,346,501	48.1
All executive officers and current directors, as a group (7 persons) 7	7,140,319	57.8
Ramon D. Phillips 8	836,476	7.3
Thomas G. Berlin 9	1,111,900	10.1

- 
- 1 Includes 380,000 shares which may be acquired pursuant to stock options exercisable on or within 60 days after the Record Date.
  - 2 Includes 230,000 shares which may be acquired pursuant to stock options exercisable on or within 60 days after the Record Date.
  - 3 Includes 175,000 shares which may be acquired pursuant to stock options exercisable on or within 60 days after the Record Date.
  - 4 Includes 9,000 shares held by Mr. Manser's spouse, over which shares Mr. Manser shares voting and dispositive authority.
  - 5 Includes 62,500 shares which may be acquired pursuant to stock options exercisable on or within 60 days after the Record Date. Mr. Berlin disclaims beneficial ownership of all shares owned by his parents, Mr. & Mrs. Thomas G. Berlin.
  - 6 Includes 62,500 shares which may be acquired pursuant to stock options exercisable on or within 60 days after the Record Date and 5,284,001 shares owned by Newcastle Partners, L.P., a limited partnership in which Mr. Schwarz serves as the sole general partner. The address for Newcastle Partners, L.P. is 200 Crescent Court, Suite 670, Dallas, Texas 75201.
  - 7 Includes 1,315,000 shares which may be acquired pursuant to stock options exercisable on or within 60 days after the Record Date.
  - 8 Includes 380,000 shares which may be acquired pursuant to stock options exercisable on or within 60 days after the Record Date.
  - 9 As reported on Schedule 13G filed with the Securities and Exchange Commission on January 21, 2000. Includes 40,600 shares over which Mr. Berlin shares voting and dispositive power with his spouse. The address for Mr. Berlin is 37500 Eagle Road, Willoughby Hills, Ohio 44094. Thomas G. Berlin is the father of Scott T. Berlin.

### ELECTION OF DIRECTORS (Item 1)

At the Annual Meeting, five directors will be elected for a term expiring at the 2003 annual meeting of the Company's shareholders or when their successors are elected and qualify. Directors will be elected by a plurality of the votes cast at the Annual Meeting. Cumulative voting is not permitted in the election of directors.

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The Company's Board of Directors has proposed the election of the following slate of nominees for election as directors at the Annual Meeting. Except as discussed below, none of the nominees was selected on the basis of any special arrangement or understanding with any other person. None of the nominees bears any family relationship to any other nominee or to any executive officer of the Company. In the absence of instructions to the contrary, shares represented by proxy will be voted for the election of each nominee named below. Each nominee has accepted nomination and agreed to serve if elected. If any nominee becomes unable to serve before election, shares represented by proxy may be voted for the election of a substitute nominee designated by the Board of Directors.

The Board of Directors recommends a vote FOR election of each nominee below.

Name	Age	Director Since	Current Position(s) with the Company
-----	---	-----	-----
Mark E. Schwarz	41	2001	Director and Chairman of the Board
Linda H. Sleeper	54	1996	President, Chief Executive Officer and Director
James H. Graves	53	1995	Director
George R. Manser	70	1995	Director
Scott T. Berlin	32	2001	Director

Mark E. Schwarz has served since 1993 as the sole general partner of Newcastle Partners, L.P., a private investment firm. Since 2000, he has also served as the President and sole Managing Member of Newcastle Capital Group, L.L.C., the general partner of Newcastle Capital Management, L.P., a private investment management firm. From 1995 until 1999, Mr. Schwarz was also a Vice President of Sandera Capital Management, L.L.C., a private investment firm associated with the Lamar Hunt family. From 1993 until 1996, Mr. Schwarz was a securities analyst and portfolio manager for SCM Advisors, L.L.C., an investment advisory firm. Mr. Schwarz presently serves as a director of Bell Industries, Inc., a company primarily engaged in providing computer systems integration services; Nashua Corporation, a manufacturer of specialty papers, labels and printing supplies; SL Industries, Inc., a developer of power systems used in a variety of aerospace, computer, datacom, industrial, medical, telecom, transportation and utility equipment applications; Tandycrafts, Inc., a manufacturer of frames, framed art, mirrors, and other wall decor products; and WebFinancial Corporation, a banking and specialty finance company.

Linda H. Sleeper was elected President and Chief Executive Officer in 2000. Ms. Sleeper joined the Company as Vice President of Corporate Development and Administration in 1993 and was promoted to Executive Vice President and Chief Operating Officer in 1994. From 1992 until 1993, Ms. Sleeper was self-employed as a management consultant. From 1989 until 1992, she served as a Vice President for Audisys Corporation, a financial consulting firm, and was Senior Assistant Treasurer of Southmark Corporation from 1988 until 1989. Ms. Sleeper held various offices at Pizza Inn, Inc. from 1979 until 1988, completing her tenure as Vice President of Finance. Ms. Sleeper was an accountant with Peat, Marwick, Mitchell & Co. from 1975 until 1979. She is a certified public accountant.

James H. Graves is a Managing Director and Partner of Erwin, Graves & Associates, LP, a management consulting firm founded in January, 2002.

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Previously, he was a Managing Director of UBS Warburg, Inc., an international financial services firm which provides investment banking, underwriting and brokerage services. He was a Managing Director of Paine Webber Group Inc. prior to its acquisition by UBS Warburg in November 2000, and was Chief Operating Officer of J.C. Bradford & Co. at the time of its acquisition by Paine Webber Group Inc. in June 2000. Mr. Graves had earlier served as Managing Director of J.C. Bradford & Co. and co-manager of its Corporate Finance Department. In these capacities, Mr. Graves has rendered advisory services to the Company. Prior to joining J.C. Bradford & Co. in 1991, Mr. Graves had for 11 years been employed by Dean Witter Reynolds, where he completed his tenure as the head of the Special Industries Group in New York City. Mr. Graves also serves as a director of Cash America International, Inc., a company operating pawn shops and jewelry stores, and is Vice Chairman and a director of Detwiler, Mitchell & Company, a securities brokerage and investment banking firm.

George R. Manser is Chairman of Uniglobe Travel (Capital Cities), Inc., a franchisor of travel agencies, President of Concorde Holding Co., a private investment management company, and a director of State Auto Financial Corp., an insurance holding company that engages primarily in the property and casualty insurance business. Prior to his retirement in 2000, Mr. Manser also served as a director of CheckFree Corporation, a provider of financial electronic commerce services, software and related products, and as an advisory director of J.C. Bradford & Co. From 1995 to 1999, Mr. Manser served as the Director of Corporate Finance of Uniglobe Travel USA, L.L.C., a franchisor of travel agencies, and also served as a director of Cardinal Health, Inc. and AmerLink Corp. From 1984 to 1994, he also served as a director and Chairman of North American National Corporation and its subsidiaries, Pan-Western Life Insurance Company, Brookings International Life Insurance Company and Howard Life Insurance Company.

Scott T. Berlin is a Director focused on the corporate finance and mergers/acquisitions practice at Brown, Gibbons, Lang & Company, an investment banking firm serving middle market companies. Prior to joining Brown, Gibbons, Lang & Company in 1997, Mr. Berlin was a lending officer in the Middle Market Group at The Northern Company.

### Board Committees and Meetings

Standing committees of the Board of Directors of the Company include the Executive Committee, the Audit Committee, the Compensation Committee and the Stock Option Committee.

The Executive Committee is currently comprised of Mr. Schwarz (chairman), Ms. Sleeper, Mr. Graves and Mr. Manser. Between meetings of the Board of Directors, the Executive Committee has the full power and authority of the Board in the management of the business and affairs of the Corporation, except as limited by the Bylaws or statute. The Executive Committee meets periodically between meetings of the Board of Directors and held two such meetings during 2001.

The Audit Committee is currently comprised of Mr. Manser (chairman), Mr. Schwarz, Mr. Graves and Mr. Berlin. The Audit Committee oversees the conduct of the financial reporting process of the Company, including reviewing with management and the outside auditors the audited financial statements included in the Company's Annual Report, the Committee chairman reviewing with the outside auditors the interim financial results included in the Company's quarterly reports filed with the Securities and Exchange Commission, discussing with management and the outside auditors the quality and adequacy of internal controls, and reviewing the independence of the outside auditors. See, Audit Committee Report. The Audit Committee met twice during 2001.

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The Compensation Committee and the Stock Option Committee are currently comprised of Mr. Graves (chairman), Mr. Schwarz and Mr. Berlin. At the direction of the full Board, the Compensation Committee reviews and makes recommendations with respect to compensation of the executive officers of the Company. The Stock Option Committee administers the Company's 1991 Key Employee Stock Option Plan and 1994 Key Employee Long Term Incentive Plan, including the determination of participants therein and the grant of options thereunder. Neither the Compensation Committee nor the Stock Option Committee met during 2001.

The full Board of Directors acts in place of a nominating committee to investigate qualified nominees for election to the Board when vacancies occur. The Board has not implemented any formal procedures for consideration of nominees submitted by shareholders of the Company.

The Board of Directors held four meetings during 2001. Various matters were also approved by the unanimous written consent of the Board of Directors during the last fiscal year. Each director attended at least 75% of the aggregate of (i) the total number of meetings of the Board of Directors and (ii) the total number of meetings held by all committees of the Board on which such director served.

### Director Compensation

Each non-employee director receives a fee of \$1,500 for each Board meeting attended and a fee of \$750 for each committee meeting attended. No other compensation was paid to any non-employee director during 2001.

### Compliance with Section 16(a) of the Securities Exchange Act of 1934

The Company's executive officers, directors and beneficial owners of more than 10% of the Company's Common Stock are required to file reports of ownership and changes of ownership of the Common Stock with the Securities and Exchange Commission. Based solely upon information provided to the Company by individual directors, executive officers and beneficial owners, the Company believes that all such reports were timely filed during and with respect to the fiscal year ended December 31, 2001.

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### AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors of the Company is composed of four independent directors and operates under a written charter adopted by the Board of Directors in accordance with applicable rules of the Securities and Exchange Commission and the American Stock Exchange.

The primary purpose of the Audit Committee is to assist the Board in fulfilling its responsibility to oversee management's conduct of the Company's financial reporting process. In discharging its oversight role, the Audit Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company and is authorized to retain outside counsel, auditors or other experts for this purpose. Subject to any action that may be taken by the full Board, the Audit Committee also has the authority and responsibility to select, evaluate and, where appropriate, replace the Company's independent certified public accountants.

The Company's management is responsible for preparing the Company's

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financial statements and the independent accountants are responsible for auditing those financial statements. The role of the Audit Committee is to monitor and oversee these processes.

In this context, the Audit Committee has reviewed and discussed the consolidated financial statements with both management and the independent accountants. The Audit Committee also discussed with the independent accountants the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees). The Audit Committee received from the independent accountants the written disclosures required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and the Audit Committee discussed with the independent accountants their independence.

Based upon the Audit Committee's review and discussions with management and the independent accountants, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-KSB filed with the Securities and Exchange Commission for the year ended December 31, 2001. The Audit Committee also retained PricewaterhouseCoopers LLP as the Company's independent accountants for the 2002 fiscal year.

Audit Committee: James H. Graves  
----- Mark E. Schwarz  
George R. Manser  
Scott T. Berlin

### EXECUTIVE OFFICERS AND COMPENSATION

#### Executive Officers

The following persons are the executive officers of the Company:

Name	Age	Position(s) with the Company
-----	---	-----
Linda H. Sleeper	54	President, Chief Executive Officer and Director
Raymond A. Kilgore	53	Senior Vice President and Secretary
Johnny J. DePuma	64	Senior Vice President and Chief Financial Officer

No executive officer bears any family relationship to any other executive officer or to any director or nominee for director of the Company. Information concerning the business experience of Linda H. Sleeper is provided under Election of Directors.

Raymond A. Kilgore has served as Senior Vice President of the Company since 1994. He served as a director of the Company from 1988 until 2001. From 1988 until 1994, Mr. Kilgore served as Vice President of the Company, and also served as interim Chief Executive Officer from 1988 until 1989. From 1985 until 1988, Mr. Kilgore was a Vice President of Cash America Investments, Inc. (now known as Cash America International, Inc.).

John J. DePuma joined the Company in 1990 as Vice President and Chief Financial Officer and was promoted to his present position in 1994. For 10 years prior to joining the Company, he was Vice President and Chief Financial Officer of HiLite Industries, Inc., a manufacturer of original equipment auto parts.



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### Summary Compensation Table

The following table sets forth certain information concerning compensation of the Chief Executive Officer and the other executive officers of the Company for the last three fiscal years.

Name and Principal Positions	Year Ended December 31	Salary (\$)	Bonus (\$) <sup>1</sup>
Linda H. Sleeper	2001	195,769	-0-
President and Chief Executive Officer 2	2000	176,923	30,000
	1999	145,800	-0-
Raymond A. Kilgore	2001	109,340	-0-
Senior Vice President and Secretary	2000	106,469	10,000
	1999	101,325	-0-
John J. DePuma	2001	121,938	-0-
Senior Vice President and Chief Financial Officer	2000	119,954	18,000
	1999	111,300	-0-

1 Bonuses are reflected in the year paid, although accrued in the prior year.

2 Prior to her election as President in September 2000 and as Chief Executive Officer in December 2000, Ms. Sleeper served as Executive Vice President and Chief Operating Officer.

### Option Grants in Last Fiscal Year

No stock options or stock appreciation rights were granted to the executive officers during the fiscal year ended December 31, 2001.

### Option Exercises in Last Fiscal Year and Fiscal Year-End Values

None of the executive officers of the Company exercised any options during the fiscal year ended December 31, 2001. The following table shows the value of unexercised options held by the executive officers as of December 31, 2001.

Name	Securities Underlying Unexercised Options (#)		Value of Unexercised In-the-Money Options (\$) <sup>1</sup>	
	Exercisable	Unexercisable	Exercisable	Unexercisable
Linda H. Sleeper	380,000	120,000	11,000	-0-
Raymond A. Kilgore	230,000	20,000	11,000	-0-
Johnny J. DePuma	230,000	20,000	11,000	-0-

1 Values stated are pre-tax and are based upon the closing price of \$0.43 per share of the Common Stock on the American Stock Exchange Emerging Company Marketplace on December 31, 2001, the last trading day of the

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fiscal year.

### Executive Compensation Agreements

The Company previously entered into an Executive Compensation Agreement with each of Linda H. Sleeper, Raymond A. Kilgore, and John J. DePuma. The term of the agreements with Mr. Kilgore and Mr. DePuma expired on December 31, 2000. The term of the agreement with Ms. Sleeper expires December 31, 2002.

The Executive Compensation Agreement with Ms. Sleeper specifies minimum levels of base salary and benefits (including automobile allowance) and the reimbursement of certain expenses. The agreement includes covenants to at all times maintain the confidentiality of the Company's trade secrets and not to compete with the Company during the term of employment and for two years thereafter. Pursuant to the agreement, if the Company terminates Ms. Sleeper without "cause" (as defined therein), or she resigns within six months after a "change of control" (as defined therein), the Company is obligated to pay her a lump sum cash payment equal to the sum of (a) her then current annual salary, plus (b) the highest amount of bonus and other cash compensation received by her during any one of the three preceding fiscal years. The agreement also provides that the Company will, for a period of one year, maintain health insurance for Ms. Sleeper and her family (if applicable) substantially comparable to that available to her immediately prior to the terminating event. In addition, all incentive stock options granted under the Company's 1991 Key Employee Stock Option Plan and 1994 Key Employee Long Term Incentive Plan provide for accelerated vesting in the event of a change of control of the Company.

### OTHER BUSINESS (Item 2)

The Board of Directors knows of no other business to be brought before the Annual Meeting. If, however, any other business should properly come before the Annual Meeting, the persons named in the accompanying proxy will vote the proxy as they in their discretion may deem appropriate, unless they are directed by the proxy to do otherwise.

### INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors has selected PricewaterhouseCoopers LLP ("PWC") as independent certified public accountants to audit the consolidated financial statements of the Company for the 2002 fiscal year. PWC also reported on the Company's consolidated financial statements for the fiscal years ended December 31, 2001, 2000 and 1999. Representatives of PWC are expected to be present at the Annual Meeting, will have the opportunity to make a statement if they so desire and are expected to be available to respond to appropriate questions from shareholders.

### DATE FOR RECEIPT OF SHAREHOLDER PROPOSALS

Any shareholder desiring to submit a proposal for inclusion in the proxy material relating to the 2003 annual meeting of shareholders must do so in writing. The proposal must be received at the Company's principal executive offices by December 24, 2002.

By Order of the Board of Directors,

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/s/ Raymond A. Kilgore  
-----  
Raymond A. Kilgore, Secretary

April 23, 2002  
Dallas, Texas

[FRONT]

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

PROXY  
FOR THE ANNUAL MEETING OF SHAREHOLDERS OF  
HALLMARK FINANCIAL SERVICES, INC.  
TO BE HELD MAY 21, 2002

The undersigned hereby appoints Mark E. Schwarz, Linda H. Sleeper and Raymond A. Kilgore, and each of them individually, as the lawful agents and Proxies of the undersigned, with full power of substitution, and hereby authorizes each of them to represent and vote, as designated below, all shares of Common Stock of Hallmark Financial Services, Inc. held of record by the undersigned as of April 10, 2002, at the Annual Meeting of Shareholders to be held on May 21, 2002, or at any adjournment thereof.

1. ELECTION OF DIRECTORS

[ ] FOR all nominees listed below      [ ] WITHHOLD AUTHORITY to vote for  
(except as marked to the contrary)      all nominees listed below

INSTRUCTIONS: To withhold authority to vote for any nominee, mark the space beside the nominee's name with an "X".

Mark E. Schwarz	_____	George R. Manser	_____
Linda H. Sleeper	_____	Scott T. Berlin	_____
James H. Graves	_____		

2. In their discretion, the Proxies are authorized to vote on any other matter which may properly come before the Annual Meeting or any adjournment thereof.

When properly executed, this proxy will be voted in the manner directed herein by the undersigned shareholder. IF NO DIRECTION IS SPECIFIED, THIS PROXY WILL BE VOTED FOR THE ELECTION OF DIRECTORS PROPOSED IN ITEM 1.

The undersigned hereby revokes all previous proxies relating to the shares covered hereby and confirms all that said Proxies may do by virtue hereof.

[BACK]

Please sign exactly as your name appears below. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person.

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Date: \_\_\_\_\_ , 2002

\_\_\_\_\_  
Signature

PLEASE MARK, SIGN, DATE AND  
RETURN THE PROXY CARD PROMPTLY,  
USING THE ENCLOSED ENVELOPE.

\_\_\_\_\_  
Signature, if held jointly:

PLEASE CHECK THIS BOX IF YOU INTEND TO BE PRESENT AT THE ANNUAL MEETING  
OF SHAREHOLDERS. [  ]