

Specialty Underwriters Alliance, Inc.  
Form SC 13D/A  
January 16, 2009

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

SCHEDULE 13D  
(Rule 13d-101)

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT  
TO § 240.13d-1(a) AND AMENDMENTS THERETO FILED PURSUANT TO  
§ 240.13d-2(a)

(Amendment No. 2)1

Specialty Underwriters' Alliance Inc.  
(Name of Issuer)

Common Stock, par value \$.01 per share  
(Title of Class of Securities)

84751T309

(CUSIP Number)

STEVEN WOLOSKY, ESQ.  
OLSHAN GRUNDMAN FROME ROSENZWEIG & WOLOSKY LLP  
Park Avenue Tower  
65 East 55th Street  
New York, New York 10022  
(212) 451-2300

(Name, Address and Telephone Number of Person  
Authorized to Receive Notices and Communications)

January 14, 2009  
(Date of Event Which Requires Filing of This Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§ 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box " .

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See § 240.13d-7 for other parties to whom copies are to be sent.

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1 The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be “filed” for the purpose of Section 18 of the Securities Exchange Act of 1934 (“Act”) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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CUSIP NO. 84751T309

1 NAME OF REPORTING PERSON

Hallmark Financial Services, Inc.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a)  (b)

3 SEC USE ONLY

4 SOURCE OF FUNDS

WC, OO

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e)

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Nevada

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER
		1,429,615
	8	SHARED VOTING POWER
		0
	9	SOLE DISPOSITIVE POWER
		1,429,615
	10	SHARED DISPOSITIVE POWER
		0

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

1,429,615

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

9.9%

14 TYPE OF REPORTING PERSON

IC, CO

CUSIP NO. 84751T309

1 NAME OF REPORTING PERSON

American Hallmark Insurance Company of Texas

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a)  (b)

3 SEC USE ONLY

4 SOURCE OF FUNDS

WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e)

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Texas

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER
		1,308,615
	8	SHARED VOTING POWER
		0
	9	SOLE DISPOSITIVE POWER
		1,308,615
	10	SHARED DISPOSITIVE POWER
		0

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

1,308,615

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

9.1%

14 TYPE OF REPORTING PERSON

IC, CO

CUSIP NO. 84751T309

1 NAME OF REPORTING PERSON

Hallmark Specialty Insurance Company

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a)  (b)

3 SEC USE ONLY

4 SOURCE OF FUNDS

WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e)

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Oklahoma

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER
		100,000
	8	SHARED VOTING POWER
		0
	9	SOLE DISPOSITIVE POWER
		100,000
	10	SHARED DISPOSITIVE POWER
		0

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

100,000

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

0.7%

14 TYPE OF REPORTING PERSON

IC, CO

CUSIP NO. 84751T309

1 NAME OF REPORTING PERSON

C. Gregory Peters

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A (a) x  
GROUP (b) o

3 SEC USE ONLY

4 SOURCE OF FUNDS

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e) ..

6 CITIZENSHIP OR PLACE OF ORGANIZATION

USA

NUMBER OF	7	SOLE VOTING POWER
SHARES		
BENEFICIALLY		0
OWNED BY	8	SHARED VOTING POWER
EACH		
REPORTING		0
PERSON WITH	9	SOLE DISPOSITIVE POWER
	10	0
		SHARED DISPOSITIVE POWER

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

0

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES ..

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

0%

14 TYPE OF REPORTING PERSON

IN

CUSIP NO. 84751T309

1 NAME OF REPORTING PERSON

Mark E. Pape

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A (a) x  
GROUP (b) o

3 SEC USE ONLY

4 SOURCE OF FUNDS

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e) ..

6 CITIZENSHIP OR PLACE OF ORGANIZATION

USA

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER
	8	0 SHARED VOTING POWER
	9	0 SOLE DISPOSITIVE POWER
	10	0 SHARED DISPOSITIVE POWER
		0

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

0

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES ..

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

0%

14 TYPE OF REPORTING PERSON

IN

CUSIP NO. 84751T309

1 NAME OF REPORTING PERSON

Robert M. Fishman

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A (a) x  
GROUP (b) o

3 SEC USE ONLY

4 SOURCE OF FUNDS

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e) ..

6 CITIZENSHIP OR PLACE OF ORGANIZATION

USA

NUMBER OF	7	SOLE VOTING POWER
SHARES		
BENEFICIALLY		0
OWNED BY	8	SHARED VOTING POWER
EACH		
REPORTING		0
PERSON WITH	9	SOLE DISPOSITIVE POWER
	10	0
		SHARED DISPOSITIVE POWER

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

0

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES ..

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

0%

14 TYPE OF REPORTING PERSON

IN



CUSIP NO. 84751T309

The following constitutes Amendment No. 2 (“Amendment No. 2”) to the Schedule 13D filed by the undersigned. This Amendment No. 2 amends the Schedule 13D as specifically set forth.

Item 2. Identity and Background.

Items 2(a), 2(b) and 2(c) This Statement is jointly filed by Hallmark Financial Services, Inc., a Nevada corporation (“Hallmark”), American Hallmark Insurance Company of Texas, a Texas corporation (“AHIC”), Hallmark Specialty Insurance Company, an Oklahoma corporation (“HSIC”), C. Gregory Peters, Mark E. Pape and Robert M. Fishman (collectively, the “Reporting Persons”). Each of the Reporting Persons is party to that certain Joint Filing and Solicitation Agreement as further described in Item 6. Accordingly, the Reporting Persons are hereby filing a joint Schedule 13D.

Because AHIC and HSIC are wholly-owned subsidiaries of Hallmark, Hallmark may be deemed, pursuant to Rule 13d-3 of the Securities Exchange Act of 1934, as amended (the “Act”), to be the beneficial owner of all the shares of Common Stock of the Company held by AHIC and HSIC. Set forth on Schedule A annexed hereto is the name and present principal occupation or employment and the name, principal business and address of any corporation or organization in which such employment is conducted of the directors and executive officers of each of Hallmark, AHIC and HSIC, as of the date hereof.

The principal business address of Hallmark, AHIC and HSIC is 777 Main Street, Suite 1000, Fort Worth, TX 76102. The principal business address of Mr. Peters is 3657 Briarpark Drive, Houston, TX 77042. The principal business address of Mr. Pape is 12050 Meadow Lake, Copper Canyon, TX 76226. The principal business address of Mr. Fishman is 2316 Clover Lane, Northfield, IL 60093.

The principal business of Hallmark, AHIC and HSIC is marketing, distributing, underwriting, and servicing of property and casualty insurance products for businesses and individuals in the United States. The principal occupation of Mr. Peters is serving as the President and Chief Executive Officer of Remote Knowledge, Inc., a provider of satellite-based high speed broadband equipment and services to the maritime industry. The principal occupation of Mr. Pape is serving as a partner of Tatum LLC, an executive services firm. The principal occupation of Mr. Fishman is insurance executive.

Item 2(d) During the last five years, none of the Reporting Persons or the persons listed in Schedule A annexed hereto has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors).

Item 2(e) During the last five years, none of the Reporting Persons or the persons listed in Schedule A annexed hereto has been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction, and as a result of such proceeding, was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

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Item 2(f) Hallmark, AHIC and HSIC are organized under the laws of Nevada, Texas and Oklahoma respectively. Messrs. Peters, Pape and Fishman are citizens of the United States.

Item 4. Purpose of Transaction.

Item 4 is hereby amended to add the following:

On January 14, 2009, Hallmark delivered a letter to the Company nominating C. Gregory Peters, Mark E. Pape and Robert M. Fishman (collectively, the "Nominees"), as set forth therein, for election to the Company's Board of Directors at the Company's 2009 annual meeting of stockholders, or any other meeting of stockholders held in lieu thereof, and any adjournments, postponements, reschedulings or continuations thereof (the "Annual Meeting"). A copy of the letter is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Item 5. Interest in Securities of the Issuer.

Item 5(a)-(c) is hereby amended in its entirety to read as follows:

(a) The aggregate percentage of shares of Common Stock reported to be owned by the Reporting Persons is based upon 14,437,355 shares outstanding, which is the total number of shares of Common Stock outstanding as reported in the Company's Form 10-Q for the quarter ended September 30, 2008 as filed with the Securities and Exchange Commission on November 7, 2008.

As of the filing date of this Amendment No. 2, AHIC owned 1,308,615 shares of Common Stock, representing approximately 9.1% of the Company's issued and outstanding Common Stock.

As of the filing date of this Amendment No. 2, HSIC owned 100,000 shares of Common Stock, representing approximately 0.7% of the Company's issued and outstanding Common Stock.

As of the filing date of this Amendment No. 2, Hallmark owned 21,000 shares of Common Stock, representing approximately 0.1% of the Company's issued and outstanding Common Stock. As the parent of AHIC and HSIC, Hallmark may be deemed to beneficially own an additional 1,308,615 shares of Common Stock owned by AHIC and an additional 100,000 shares of Common Stock owned by HSIC, representing (together with shares owned directly by Hallmark) an aggregate of 1,429,615 shares of Common Stock or approximately 9.9% of the issued and outstanding Common Stock.

Messrs. Peters, Pape and Fishman do not currently own any Shares directly. Each of Messrs. Peters, Pape and Fishman, by virtue of his status as a director nominee of Hallmark, may be deemed to beneficially own the Shares beneficially owned by Hallmark. Messrs. Peters, Pape and Fishman each disclaim beneficial ownership of such Shares.

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(b) Each of the Reporting Persons has the sole power to vote and dispose of the shares of Common Stock reported as owned by them in this Statement.

(c) No transactions in the Company's shares of Common Stock by the Reporting Persons occurred during the past 60 days.

Item 6. Contracts, Arrangements, Understandings or Relationships With Respect to Securities of the Issuer.

Item 6 is hereby amended to add the following:

On January 12, 2009, the Reporting Persons entered into a Joint Filing and Solicitation Agreement in which, among other things, (a) the parties agreed to the joint filing on behalf of each of them of statements on Schedule 13D with respect to the securities of the Company, (b) the parties agreed to solicit proxies or written consents for the election of the Nominees, or any other person(s) nominated by Hallmark, to the Company's Board of Directors at the Annual Meeting (the "Solicitation"), and (c) Hallmark agreed to bear all expenses incurred in connection with the Reporting Persons' activities, including approved expenses incurred by any of the parties in connection with the Solicitation, subject to certain limitations. A copy of the Joint Filing and Solicitation Agreement is attached hereto as Exhibit 99.2 and is incorporated herein by reference.

Pursuant to individual letter agreements, Hallmark has agreed to indemnify Messrs. Peters, Pape and Fishman against claims arising from the Solicitation and any related transactions. The form of indemnification letter agreement is attached hereto as Exhibit 99.3 and is incorporated herein by reference.

Item 7. Materials to be Filed as Exhibits.

Item 7 is hereby amended to add the following exhibits:

99.1 Letter from Hallmark Financial Services, Inc. to Specialty Underwriters' Alliance Inc., dated January 13, 2009, nominating directors.

99.2 Joint Filing and Solicitation Agreement by and among Hallmark Financial Services, Inc., American Hallmark Insurance Company of Texas, Hallmark Specialty Insurance Company, C. Gregory Peters, Mark E. Pape and Robert M. Fishman, dated January 12, 2009.

99.3 Form of Indemnification Letter Agreement.

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SIGNATURES

After due inquiry and to the best of his knowledge and belief, each of the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: January 15, 2009

Hallmark Financial Services, Inc.

By: /s/ Mark E. Schwarz  
Name: Mark E. Schwarz  
Title: Executive Chairman

American Hallmark Insurance Company of Texas

By: /s/ Mark E. Schwarz  
Name: Mark E. Schwarz  
Title: Director

Hallmark Specialty Insurance Company

By: /s/ Mark E. Schwarz  
Name: Mark E. Schwarz  
Title: Director

By: /s/ C. Gregory Peters  
Name: C. Gregory Peters

By: /s/ Mark E. Pape  
Name: Mark E. Pape

By: /s/ Robert M. Fishman  
Name: Robert M. Fishman

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## SCHEDULE A

## Directors and Executive Officers of Hallmark Financial Services, Inc.

Name and Position	Present Principal Occupation	Business Address
Mark E. Schwarz, Director & Executive Chairman	Insurance Company Executive (Hallmark Financial Services) and Principal, Newcastle Capital Management, L.P., a private investment management firm	Newcastle Capital Management, L.P. 200 Crescent Ct., Ste. 1400 Dallas, TX 75201
Scott T. Berlin, Director	Managing Director, Brown Gibbons Lang & Company, LLC, an investment banking firm serving middle market companies	Brown Gibbons Lang & Company, LLC 1111 Superior Ave., Ste. 900 Cleveland, OH 44114
George R. Manser, Director	Retired Insurance Company Executive	707 S. Gulfstream Ave., #1102 Sarasota, FL 34236
James H. Graves, Director	Partner, Erwin, Graves & Associates, L.P., a management consulting firm	Erwin, Graves & Associates, L.P. 8201 Preston Rd, Suite 200 Dallas, TX 75225
Mark J. Morrison, President & CEO	Insurance Company Executive	Hallmark Financial Services, Inc. 777 Main St., Ste. 1000 Ft. Worth, TX 76102
Jeffrey R. Passmore, Senior Vice President and Chief Accounting Officer	Insurance Company Executive	Hallmark Financial Services, Inc. 777 Main St., Ste. 1000 Ft. Worth, TX 76102
Kevin T. Kasitz, Executive Vice President and Chief Operating Officer	Insurance Company Executive	Hallmark Financial Services, Inc. 777 Main St., Ste. 1000 Ft. Worth, TX 76102
Brookland F. Davis, Executive Vice President	Insurance Company Executive	Hallmark Financial Services, Inc. 777 Main St., Ste. 1000 Ft. Worth, TX 76102
Donald E. Meyer, President of Operating Unit	Insurance Company Executive	Hallmark Financial Services, Inc. 777 Main St., Ste. 1000 Ft. Worth, TX 76102
Chris Jones President of Operating Unit	Insurance Company Executive	Hallmark Financial Services, Inc. 777 Main St., Ste. 1000 Ft. Worth, TX 76102

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## Directors and Executive Officers of American Hallmark Insurance Company of Texas

Name and Position	Present Principal Occupation	Business Address
Mark E. Schwarz, Director	Insurance Company Executive (Hallmark Financial Services) and Principal, Newcastle Capital Management, L.P., a private investment management firm	Newcastle Capital Management, L.P. 200 Crescent Ct., Ste. 1400 Dallas, TX 75201
Mark J. Morrison, Director & Executive Vice President	Insurance Company Executive	Hallmark Financial Services, Inc. 777 Main St., Ste. 1000 Ft. Worth, TX 76102
Brookland F. Davis, Director	Insurance Company Executive	Hallmark Financial Services, Inc. 777 Main St., Ste. 1000 Ft. Worth, TX 76102
Kevin T. Kasitz, Director & President	Insurance Company Executive	Hallmark Financial Services, Inc. 777 Main St., Ste. 1000 Ft. Worth, TX 76102
Jeffrey R. Passmore, Director, CFO & Treasurer	Insurance Company Executive	Hallmark Financial Services, Inc. 777 Main St., Ste. 1000 Ft. Worth, TX 76102
Cecil R. Wise, Director & Secretary	Insurance Company Executive	Hallmark Financial Services, Inc. 777 Main St., Ste. 1000 Ft. Worth, TX 76102
Christopher J. Kenney, Director & Vice President	Insurance Company Executive	Hallmark Financial Services, Inc. 777 Main St., Ste. 1000 Ft. Worth, TX 76102

CUSIP NO. 84751T309

## Directors and Executive Officers of Hallmark Specialty Insurance Company

Name and Position	Present Principal Occupation	Business Address
Mark E. Schwarz, Director	Insurance Company Executive (Hallmark Financial Services) and Principal, Newcastle Capital Management, L.P., a private investment management firm	Newcastle Capital Management, L.P. 200 Crescent Ct., Ste. 1400 Dallas, TX 75201
Mark J. Morrison, Director & Vice President	Insurance Company Executive	Hallmark Financial Services, Inc. 777 Main St., Ste. 1000 Ft. Worth, TX 76102
Donald E. Meyer, Director & President	Insurance Company Executive	TGA Insurance Managers, Inc. 7411 John Smith Dr., Ste. 1400 San Antonio, TX 78229
Jeffrey R. Passmore, Director & Chief Financial Officer	Insurance Company Executive	Hallmark Financial Services, Inc. 777 Main St., Ste. 1000 Ft. Worth, TX 76102
Kevin T. Kasitz, Director & Vice President	Insurance Company Executive	Hallmark Financial Services, Inc. 777 Main St., Ste. 1000 Ft. Worth, TX 76102
Marcelo A. Borrego, Treasurer	Insurance Company Executive	TGA Insurance Managers, Inc. 7411 John Smith Dr. Ste. 1400 San Antonio, TX 78229
Cecil R. Wise, Secretary	Insurance Company Executive	Hallmark Financial Services, Inc. 777 Main St., Ste. 1000 Ft. Worth, TX 76102