

HALLMARK FINANCIAL SERVICES INC
 Form 3
 December 04, 2006

FORM 3 UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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INITIAL STATEMENT OF 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 Focus Fund II LP (Last) (First) (Middle) 200 CRESCENT COURT, SUITE 1400 (Street) DALLAS, TX 75201 (City) (State) (Zip)	2. Date of Event Requiring Statement (Month/Day/Year) 11/21/2006	3. Issuer Name and Ticker or Trading Symbol HALLMARK FINANCIAL SERVICES INC [HAF]	4. Relationship of Reporting Person(s) to Issuer (Check all applicable) <input checked="" type="checkbox"/> Director <input checked="" type="checkbox"/> 10% Owner <input checked="" type="checkbox"/> Officer <input type="checkbox"/> Other (give title below) (specify below) Executive Chairman	5. If Amendment, Date Original Filed(Month/Day/Year)	6. Individual or Joint/Group Filing(Check Applicable Line) <input type="checkbox"/> Form filed by One Reporting Person <input checked="" type="checkbox"/> Form filed by More than One Reporting Person
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Table I - Non-Derivative Securities Beneficially Owned

1. Title of Security (Instr. 4)	2. Amount of Securities Beneficially Owned (Instr. 4)	3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	4. Nature of Indirect Beneficial Ownership (Instr. 5)
Common Stock	14,579,129	D <u>(1)</u> <u>(2)</u>	^

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly. SEC 1473 (7-02)

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Table II - Derivative Securities Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)	3. Title and Amount of Securities Underlying Derivative Security (Instr. 4) Title	4. Conversion or Exercise Price of Derivative Security	5. Ownership Form of Derivative Security: Direct (D)	6. Nature of Indirect Beneficial Ownership (Instr. 5)
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Date Exercisable	Expiration Date	Amount or Number of Shares	or Indirect (I) (Instr. 5)
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Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Newcastle Focus Fund II LP 200 CRESCENT COURT SUITE 1400 DALLAS, TX 75201	Â X	Â X	Â Executive Chairman	Â
NEWCASTLE PARTNERS L P 200 CRESCENT COURT STE 1400 DALLAS, TX 75201	Â X	Â X	Â Executive Chairman	Â
NEWCASTLE CAPITAL MANAGEMENT LP 200 CRESCENT COURT STE 1400 DALLAS, TX 75201	Â	Â X	Â Executive Chairman	Â
NEWCASTLE CAPITAL GROUP LLC 200 CRESCENT COURT STE 1400 DALLAS, TX 75201	Â	Â X	Â Executive Chairman	Â
SCHWARZ MARK E 200 CRESCENT COURT STE 1400 DALLAS, TX 75201	Â	Â X	Â Executive Chairman	Â

Signatures

Newcastle 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	12/04/2006
_____ **Signature of Reporting Person	Date
Newcastle Capital Management, L.P., By: Newcastle Capital Group, L.L.C. its general partner, By: /s/ Mark E. Schwarz, its managing member	12/04/2006
_____ **Signature of Reporting Person	Date
Newcastle Capital Group, L.L.C., By: /s/ Mark E. Schwarz, its managing member	12/04/2006
_____ **Signature of Reporting Person	Date
/s/ Mark E. Schwarz	12/04/2006
_____ **Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 5(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).

Newcastle Capital Management, L.P. ("NCM") is the general partner of each of Newcastle Partners, L.P. ("NP"), Newcastle Special Opportunity Fund I, L.P. ("NSOFI"), Newcastle Special Opportunity Fund II, L.P. ("NSOFII") and Newcastle Focus Fund II, L.P.

(1) ("NFF"). Newcastle Capital Group, L.L.C. ("NCG") is the general partner of NCM and Mark E. Schwarz ("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 them.

(2) Includes (1) 48,821 shares owned by Mr. Schwarz and 2,084 shares which may be acquired by Mr. Schwarz pursuant to stock options exercisable on or within 60 days; (2) 11,253,394 shares owned by NP; (3) a total of 3,274,830 shares owned by NSOFI and 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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