HALLMARK FINANCIAL SERVICES INC

Form 4

January 31, 2006

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF

SECURITIES

OMB Number:

3235-0287

Expires:

January 31, 2005

0.5

response...

Estimated average burden hours per

OMB APPROVAL

if no longer subject to Section 16. Form 4 or Form 5 obligations

may continue.

See Instruction

Check this box

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

1(b).

(Last)

(Print or Type Responses)

1. Name and Address of Reporting Person * NEWCASTLE PARTNERS L P

(First)

(Street)

2. Issuer Name and Ticker or Trading

Symbol

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

HALLMARK FINANCIAL SERVICES INC [HAF]

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

(Middle)

X Director X__ 10% Owner __Other (specify

X_ Officer (give title below)

300 CRESCENT COURT, STE 1110 01/27/2006

4. If Amendment, Date Original

(Instr. 8)

Filed(Month/Day/Year)

C.E.O. & CHAIRMAN 6. Individual or Joint/Group Filing(Check

Applicable Line)

Form filed by One Reporting Person _X_ Form filed by More than One Reporting

(Instr. 4)

Person

DALLAS, TX 75201

(City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)

2. Transaction Date 2A. Deemed (Month/Day/Year) Execution Date, if

3. 4. Securities TransactionAcquired (A) or Code Disposed of (D)

(Instr. 3, 4 and 5)

5. Amount of Securities Beneficially Owned

6. Ownership 7. Nature of Form: Direct Indirect (D) or Indirect Beneficial Ownership (T)

(Instr. 4)

Following Reported Transaction(s)

(A) (Instr. 3 and 4) Code V Amount (D) Price

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

(Month/Day/Year)

Persons who respond to the collection of SEC 1474 information contained in this form are not (9-02)required to respond unless the form displays a currently valid OMB control number.

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

1. Title of Derivative 3. Transaction Date 3A. Deemed 4. 5. Number of 6. Date Exercisable and Security Conversion (Month/Day/Year) Execution Date, if **Transaction**Derivative **Expiration Date** (Instr. 3) or Exercise any Code Securities Acquired (Month/Day/Year)

7. Title an

Underlyin

(Instr. 3 ar

Edgar Filing: HALLMARK FINANCIAL SERVICES INC - Form 4

	Price of Derivative Security		(Month/Day/Year)	(Instr.	8)	(A) or Disposed (D) (Instr. 3, 4, and				
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title
Convertible Note	\$ 1.28	01/27/2006		P		\$ 12,550,000		(3)	07/27/2007	COMM STOC
CONVERTIBLE NOTE	\$ 1.28	01/27/2006		P		\$ 12,450,000		(3)	07/27/2007	COMM STOC

Reporting Owners

Reporting Owner Name / Address	Relationships						
and the second	Director	10% Owner	Officer	Other			
NEWCASTLE PARTNERS L P 300 CRESCENT COURT STE 1110 DALLAS, TX 75201	X	X	C.E.O. & CHAIRMAN				
NEWCASTLE CAPITAL MANAGEMENT LP 300 CRESCENT COURT STE 1110 DALLAS, TX 75201	X	X	C.E.O. & CHAIRMAN				
NEWCASTLE CAPITAL GROUP LLC 300 CRESCENT COURT STE 1110 DALLAS, TX 75201	X	X	C.E.O. & CHAIRMAN				
SCHWARZ MARK E 300 CRESCENT COURT STE 1110 DALLAS, TX 75201	X	X	C.E.O. & CHAIRMAN				

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				
**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	01/31/2006 Date			
**Signature of Reporting Person	Date			
Newcastle Capital Group, L.L.C., By: /s/ Mark E. Schwarz, its managing member	01/31/2006			
**Signature of Reporting Person	Date			
/s/ Mark E. Schwarz	01/31/2006			

Reporting Owners 2

Edgar Filing: HALLMARK FINANCIAL SERVICES INC - Form 4

**Signature of Reporting Person

Date

Newcastle Special Opportunity Fund I, L.P.

01/31/2006

**Signature of Reporting Person

Date

Newcastle Special Opportunity Fund II, L.P.

01/31/2006

**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).
 - 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") AND NEWCASTLE SPECIAL OPPORTUNITY
- (1) FUND II, L.P. ("NSOFII"), 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 AND NCG AND SCHWARZ MAY BE DEEMED TO BENEFICIALLY OWN THE SHARES DIRECTLY OWNED BY ANY OF THEM.
- (2) OWNED BY NSOFI.
- (3) NOTES MAY NOT BE CONVERTED UNTIL STOCKHOLDER APPROVAL THEREOF IS OBTAINED.
- (4) OWNED BY NSOFII.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.

Signatures 3