

HALLMARK FINANCIAL SERVICES INC  
 Form 3  
 December 04, 2006

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

OMB APPROVAL

OMB Number: 3235-0104  
 Expires: January 31, 2005  
 Estimated average burden hours per response... 0.5

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

**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)

**Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

**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)	4. Conversion or Exercise Price of Derivative Security	5. Ownership Form of Derivative Security: Direct (D)	6. Nature of Indirect Beneficial Ownership (Instr. 5)
		Title			

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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