

HALLMARK FINANCIAL SERVICES INC

Form 4

June 02, 2006

FORM 4**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Check this box
if no longer
subject to
Section 16.
Form 4 or
Form 5
obligations
may continue.
See Instruction
1(b).

**STATEMENT OF CHANGES IN 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

OMB APPROVAL

OMB
Number: 3235-0287
Expires: January 31,
2005
Estimated average
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(Print or Type Responses)

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

2. Issuer Name **and** Ticker or Trading
Symbol
HALLMARK FINANCIAL
SERVICES INC [HAF]

5. Relationship of Reporting Person(s) to
Issuer

(Check all applicable)

(Last) (First) (Middle)
300 CRESCENT COURT, STE 1110
(Street)

3. Date of Earliest Transaction
(Month/Day/Year)
05/25/2006

☐ Director ☐ 10% Owner
☒ Officer (give title below) ☐ Other (specify below)
C.E.O. & Chairman

DALLAS, TX 75201

4. If Amendment, Date Original
Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check
Applicable Line)
☐ Form filed by One Reporting Person
☒ Form filed by More than One Reporting
Person

(City) (State) (Zip)

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

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
Common Stock	05/25/2006		C	V Amount (3) 9,863,785	(A) or (D) A \$ 1.28 77,677,072	D (1) (2)	
Common Stock	05/25/2006		C	(4) 9,785,187	A \$ 1.28 87,462,259	D (1) (5)	

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

**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
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SEC 1474
(9-02)

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

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Security (Instr. 3 and 4)	
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount
Convertible Note	\$ 1.28	05/25/2006		C	\$ 12,550,000	05/25/2006	07/27/2007	Common Stock	9
Convertible Note	\$ 1.28	05/25/2006		C	\$ 12,450,000	05/25/2006	07/27/2007	Common Stock	9

Reporting Owners

Reporting Owner Name / Address	Relationships			
	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

06/02/2006

__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

06/02/2006

__Signature of Reporting Person

Date

Newcastle Capital Group, L.L.C., By: /s/ Mark E. Schwarz, its managing member

06/02/2006

Signature of Reporting Person

Date _____

/s/ Mark E. Schwarz

06/02/2006

****Signature of Reporting Person**

Date _____

Newcastle Special Opportunity Fund I, 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

06/02/2006

 **Signature of Reporting Person

Date _____

Newcastle Special Opportunity 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

06/02/2006

 **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).
- (1) 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 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, NCG and Schwarz may be deemed to beneficially own the shares directly owned by any of them.
- (2) Owned by NSOFI.
- (3) Includes 9,804,687 shares issued in respect of the conversion of the entire outstanding principal amount of the convertible note held by NSOFI and 59,098 shares issued in respect of the conversion of accrued and unpaid interest thereon.
- (4) Includes 9,726,562 shares issued in respect of the conversion of the entire outstanding principal amount of the convertible note held by NSOFII and 58,625 shares issued in respect of the conversion of accrued and unpaid interest thereon.
- (5) 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.