

HALLMARK FINANCIAL SERVICES INC  
 Form 4  
 November 27, 2006

**FORM 4**

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

OMB APPROVAL

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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

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
 SCHWARZ MARK E

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)  
 200 CRESCENT COURT, STE 1400  
 (Street)

3. Date of Earliest Transaction (Month/Day/Year)  
 11/22/2006

Director  10% Owner  
 Officer (give title below)  Other (specify below)  
 Executive 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 Ownership (Instr. 4)
Common Stock	11/22/2006		P	V Amount (A) or (D) Price \$ 9.25	14,581,529	D (1) (2)	

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

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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)**

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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 Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Owned Following Transaction (Instr. 6)
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## Reporting Owners

Reporting Owner Name / Address	Relationships				Amount or Number of Shares
	Director	10% Owner	Officer	Other	
SCHWARZ MARK E 200 CRESCENT COURT STE 1400 DALLAS, TX 75201	X	X	Executive Chairman		
NEWCASTLE PARTNERS L P 200 CRESCENT COURT STE 1400 DALLAS, TX 75201	X	X	Executive Chairman		
NEWCASTLE CAPITAL MANAGEMENT LP 200 CRESCENT COURT STE 1400 DALLAS, TX 75201	X	X	Executive Chairman		
NEWCASTLE CAPITAL GROUP LLC 200 CRESCENT COURT STE 1400 DALLAS, TX 75201	X	X	Executive 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 11/27/2006

Date

\*\*Signature of Reporting Person

Newcastle Capital Management, L.P., By: Newcastle Capital Group, L.L.C. its general partner, By: /s/ Mark E. Schwarz, its managing member 11/27/2006

Date

\*\*Signature of Reporting Person

Newcastle Capital Group, L.L.C., By: /s/ Mark E. Schwarz, its managing member 11/27/2006

\_\_Signature of Reporting Person

Date

/s/ Mark E. Schwarz

11/27/2006

\_\_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"), 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.

Includes (1) 48,821 shares owned by Mr. Schwarz and 2,084 shares which may be acquired by Mr. Schwarz pursuant to stock options

(2) 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, and (4) 2,400 shares owned by NFF.

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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