

HALLMARK FINANCIAL SERVICES INC  
 Form 4  
 April 20, 2005

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

OMB APPROVAL  
 OMB Number: 3235-0287  
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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 \*  
 NEWCASTLE PARTNERS L P

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

5. Relationship of Reporting Person(s) to Issuer  
 (Check all applicable)

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

3. Date of Earliest Transaction (Month/Day/Year)  
 04/18/2005

\_\_\_ Director \_\_\_X\_\_\_ 10% Owner  
 \_\_\_ Officer (give title below) \_\_\_ Other (specify below)

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  
 \_\_\_X\_\_\_ 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 Ownership (Instr. 4)
				(A) or (D)	Price		
COMMON STOCK	04/18/2005		M	50,000 A	\$ 0.375	23,128,269	D <sup>(1)</sup>
COMMON STOCK	04/18/2005		M	100,000 A	\$ 0.6875	23,228,269	D <sup>(1)</sup>

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 number.**

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
DIRECTOR STOCK OPTION (RIGHT TO BUY)	\$ 0.375	04/18/2005		M	50,000	01/07/2003 03/15/2010		COMMON STOCK
DIRECTOR STOCK OPTION (RIGHT TO BUY)	\$ 0.6875	04/18/2005		M	100,000	<sup>(3)</sup> 12/31/2010		COMMON STOCK

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
NEWCASTLE PARTNERS L P 300 CRESCENT COURT SUITE 1110 DALLAS, TX 75201		X		
NEWCASTLE CAPITAL MANAGEMENT LP 300 CRESCENT COURT SUITE 1110 DALLAS, TX 75201		X		
NEWCASTLE CAPITAL GROUP LLC 300 CRESCENT COURT SUITE 1110 DALLAS, TX 75201		X		
SCHWARZ MARK E 300 CRESCENT COURT SUITE 1110 DALLAS, TX 75201	X	X	CHIEF EXECUTIVE OFFICER; PRES.	

## Signatures

STEVEN D. DAVIDSON AS ATTORNEY-IN-FACT FOR EACH REPORTING  
PERSON

04/20/2005

\_\_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 NEWCASTLE PARTNERS, L.P. ("NP"), 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 NP.
- (2) REPRESENTS DIRECTOR STOCK OPTIONS.
- (3) REPRESENTS DIRECTOR STOCK OPTIONS WHICH BECOME EXERCISABLE AS TO 50,000 SHARES ON JULY 1, 2001, AND AS TO AN ADDITIONAL 12,500 SHARES ON EACH OF JANUARY 1, 2002, 2003, 2004, 2005, 2006 AND 2007.

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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