

**NEWS FOR IMMEDIATE RELEASE**

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**HALLWOOD 13.5% DEBENTURES TO PAY INTEREST IN-KIND**

**Dallas, Texas, May 12, 1997** — The Hallwood Group Incorporated (**NYSE:HWG**) announced today that its Board of Directors has voted to pay in-kind annual interest on the Company's 13.5% Subordinated Debentures due July 31, 2009. The payment will apply to all of the 1989 Original Issue, 1991 Series, 1992 Series and 1996 Series.

Interest will be paid on August 15, 1997 to debentureholders of record on July 31, 1997. Certificates are issued in \$100 multiples; odd amounts are paid in cash. Debentures trade net of accrued interest. Under terms of the Trust Indenture, at the Company's option, two interest payments in any five year period may be paid by a new series of debentures, which were originally issued in May 1989. In 1993, 1994 and 1995 interest was paid in cash. In 1996, interest was paid in-kind.

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