

The Hallwood Group Incorporated

3710 Rawlins, Suite 1500 • Dallas, Texas 75219 • (214) 528-5588 • Fax: (214) 522-9254

NEWS FOR IMMEDIATE RELEASE

Contact: Mary P. Doyle
Vice President, Investor Relations
Tel: (214) 528-5588 or (800) 225-0135
Fax: (214) 522-9271

HALLWOOD GROUP REPORTS AGREEMENT

Dallas, Texas, May 11, 1999 - The Hallwood Group Incorporated (**NYSE:HWG**) today announced that it has reached an agreement with Brian M. Troup, president and a director of the Company, regarding a separation of their interests. Completion of the Agreement is conditioned on, among other things, a satisfactory refinancing of the \$14,088,000 outstanding principal amount of Hallwood's 7% Collateralized Senior Subordinated Debentures due July 31, 2000 and completion of the previously announced consolidation of Hallwood Group's energy interests with Hallwood Energy Partners, L.P. (AMEX:HEP) and Hallwood Consolidated Resources Corporation (NMS:HCRC) to form a new Hallwood Energy Corporation. Mr. Troup is discontinuing his association with the Company to pursue other interests.

Mr. Troup currently holds options to purchase a total of 37,200 shares of Hallwood's common stock. In addition, a trust of which members of Mr. Troup's family are beneficiaries currently owns 305,196 shares of Hallwood's common stock. Pursuant to the Agreement, upon satisfaction of the conditions, Mr. Troup will surrender his options, the trust will surrender all of its shares of Hallwood's stock to Hallwood, the options and stock will be canceled and Mr. Troup will resign from all positions with Hallwood Group, the general partner of Hallwood Realty

Partners and Hallwood Energy Corporation.

In exchange, Hallwood will transfer to the trust or Mr. Troup 82,608 units of Hallwood Realty Partners, L.P. (AMEX:HRYP), 360,000 shares of common stock of Hallwood Energy Corporation, and all of Hallwood's interest in the Enclave resort in Orlando, Florida and all other condominium hotel projects currently in process. In addition, Hallwood Group will pay Mr. Troup quarterly up to 20% of the net cash flow from its Hallwood Commercial Real Estate, LLC subsidiary, subject to termination in certain events.

Hallwood Realty Partners, L.P. and Hallwood Energy Corporation have agreed to register the trust's or Mr. Troup's shares in those entities upon request by Mr. Troup and Hallwood Group, at Hallwood Group's expense. Hallwood Group will have the right to purchase all of these shares and units at the then current trading price for a period of six months after the effectiveness of the Agreement. Thereafter, Mr. Troup may sell the shares and units subject to certain restrictions, including a right of first refusal in favor of Hallwood Group.

There is no assurance that the conditions to completion of the Agreement will be satisfied or that the Agreement will be completed. Until completion, the parties do not anticipate any change in their relationships.

~ END ~