

# The Hallwood Group Incorporated

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## NEWS FOR IMMEDIATE RELEASE

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### **HALLWOOD GROUP ANNOUNCES BONDHOLDER SOLICITATION TO WAIVE EVENTS OF DEFAULT UNDER INDENTURE FOR 10% DEBENTURES**

**Dallas, Texas September 24, 2001** — The Hallwood Group Incorporated (**HWG-ASE**) (the "Company") today announced that it has initiated a solicitation of holders of record as of September 4, 2001, to waive certain events of default under the Indenture for its 10% Collateralized Subordinated Debentures, due July 31, 2005 (the "Debentures"). Bank One, N.A. is the Trustee under the Indenture. If the holders of a majority of the outstanding principal amount of the Debentures consent to the waivers and direct the Trustee to rescind and annul the acceleration, and the Company complies with the other provisions of the Indenture, including but not limited to, paying all amounts due and payable to the holders of the Debentures and the Trustee, the acceleration will be rescinded and annulled.

Since inception, the Company has made all interest payments on the Debentures on a timely basis and intends to make all future quarterly interest payments when due and the full principal payment at the maturity date on July 31, 2005. Although the Company was prohibited by the Indenture from making the quarterly interest payment due July 31, 2001, the Company is prepared to deposit those funds and all amounts due and owing to the Trustee and its counsel with the Trustee and additional funds to pay interest due through the expiration date of the solicitation period for immediate payment to the bondholders.

As reported in the Company's Form 10-Q for the quarter ended June 30, 2001, the Company's financial condition has been significantly strengthened by the May 2001 all cash sale of its investment in Hallwood Energy Corporation for \$25.5 million. The Company's Senior Secured Term Loan, with a balance of \$14.1 million was fully repaid with a portion of those proceeds. The Company currently has \$12 million of cash on deposit, of which \$6.3 million is restricted (as described in the solicitation materials). In addition to the improved overall financial strength of the Company, the Debentures continue to be collateralized by a subordinated lien on the stock of the Company's Brookwood Companies Incorporated subsidiary.

The Company has engaged The Herman Group, L.P. to act as the solicitation agent. The solicitation period will expire on Friday, October 19, 2001, at 5:00 p.m. New York time, unless extended. Questions about the consent solicitation may be directed to the solicitation agent at 866-559-2775 or Mary Doyle, Vice President - Investor Relations at 800-225-0135.

This press release may contain forward-looking statements within the meaning of federal securities law. Although any forward-looking statement expressed by or on behalf of the Company is, to the knowledge and in the judgement of the officers and directors, expected to

prove true and come to pass, management is not able to predict the future with absolute certainty. Forward-looking statements involve known and unknown risks and uncertainties, which may cause the Company's actual performance and financial results in future periods to differ materially from any projection, estimate or forecasted result. Among others, these risks and uncertainties include: the ability to obtain financing or refinance maturing debt; a potential oversupply of commercial office buildings and industrial parks in the markets served; the level of fees received for leasing, construction and acquisition of real estate properties, lease and rental rates and occupancy levels obtained, the ability to compete successfully with foreign textile products and the ability to generate new products and market new and existing products. These risks and uncertainties are difficult or impossible to predict accurately and many are beyond the control of the Company. Other risks and uncertainties may be described, from time to time, in the Company's periodic reports and filings with the SEC.

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