

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

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In re : Chapter 11
: :
MMC Precision Holdings Corp., *et al.*,¹ : Case No. 09-____ (____)
: :
Debtors. : (Jointly Administered)
: :
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AFFIDAVIT OF FRANK C. LUKACS IN SUPPORT OF FIRST-DAY MOTIONS

STATE OF ILLINOIS)
) ss
COUNTY OF TAZEWELL)

1. I am the President and the Chief Executive Officer of Debtor Morton Industrial Group, Inc. ("Operations"), the parent of each of the other above-captioned debtors and debtors in possession (together with Operations, the "Debtors"). I have served in such capacities since October 2007. Prior to my current position, I served as Senior Vice President of Manufacturing and Quality for AGCO Worldwide from October 2003 to September 2007. I received a Bachelors Degree in Industrial Engineering and Masters of Science from the General Motors Institute in 1982 and 1992, respectively.

2. On the date hereof (the "Petition Date"), the Debtors filed with this Court voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"), as well as certain motions and other pleadings (the "First Day Pleadings").

¹ The Debtors are the following 8 entities (the last four digits of their respective taxpayer identification numbers follow in parentheses): MMC Precision Holdings Corp., a Delaware corporation (6899), Morton Industrial Group, Inc., a Delaware corporation (1650), Morton Metalcraft Co., an Illinois corporation (3616), Morton Metalcraft Co. of North Carolina, a North Carolina corporation (0199), Morton Technical Services, Inc., an Illinois corporation (4966), B&W Metal Fabricators, Inc., a North Carolina corporation (1150), Morton Metalcraft Co. of Pennsylvania, a Pennsylvania corporation (4526) and Morton Metalcraft Co. of South Carolina, a South Carolina corporation (2687). The address of each of the Debtors is 1021 W. Birchwood Street, Morton, IL 61550.

I am authorized by the Debtors to submit this Affidavit on their behalf in support of the First Day Pleadings.

3. The First Day Pleadings are intended to enable the Debtors to operate effectively and efficiently during these chapter 11 cases, as well as avoid certain adverse consequences that might otherwise result from the commencement of such cases. Among other things, the First Day Pleadings seek relief aimed at maintaining the confidence of the Debtors' various stakeholders and vendors and the morale of the Debtors' employees. Gaining and retaining the support of these key constituencies is critical to the Debtors' efforts to maximize recovery for their stakeholders. I have reviewed the First Day Pleadings, and it is my belief that the relief sought therein is necessary to: (a) avoid immediate and irreparable harm to, and ensure the uninterrupted operation of, the Debtors' business; and (b) maximize and preserve the value of the Debtors' chapter 11 estates.

4. In my capacity as President and Chief Executive Officer, I am familiar with the Debtors' day-to-day operations, financial condition, business affairs and books and records. Except as otherwise indicated, all facts set forth in this Affidavit are based upon (a) my personal knowledge, (b) my review of relevant documents, (c) information supplied to me by other members of the Debtors' management team or professionals retained by the Debtors, or (d) my opinion based upon my experience and knowledge of the Debtors' operations and financial condition. If called upon, I could and would testify competently to the facts set forth herein.

5. Part I of this Affidavit provides an overview of the Debtors' business. Part II provides a description of the Debtors' corporate and capital structures. Part III provides a discussion of the events that compelled the commencement of these chapter 11 cases, as well as the Debtors' restructuring efforts. Part IV provides an overview of the Debtors' sale efforts,

efforts to obtain debtor-in-possession financing and future plans. Part V affirms and incorporates the facts that support the relief requested in the First Day Pleadings.

Part I

Overview of the Debtors' Business

6. Operations is a Delaware corporation with headquarters in Morton, Illinois. It began its history in 1963 when visionaries - Willis Eigsti, Bob Linder, Sam Melvin, and George Woerner – determined to establish one of the preeminent metal working operations in the United States, founded Morton Metalcraft Co. in Morton, Illinois (“Metalcraft Co.”).

7. On January 20, 1998, Morton Metalcraft Holding Co., the former holding company of Metalcraft Co., merged with and into publicly-held MLX Corp., with MLX Corp. being the surviving corporation with its name changed to Morton Industrial Group, Inc. Subsequent to the merger, Operations’ common stock traded on the OTC Bulletin Board under the ticker symbol “MGRP.OB.”

8. In 2006, 8 years after going public, Operations underwent a major recapitalization. In a transaction led by Brazos Private Equity Partners, LLC (“Brazos”), Operations purchased back its publicly held shares.

9. Consistent with their founding vision, today, the Debtors are recognized as a leading contract manufacturer of highly engineered metal components and subassemblies for a wide range of large and prestigious, construction, industrial, and agricultural original equipment manufacturers (“OEMs”). The Debtors’ products include engine enclosures, panels, platforms, frames, tanks and other components used in backhoes, excavators, tractors, wheel loaders, power generators, turf care equipment and similar industrial equipment. The Debtors’ superior competitive strengths have resulted in strong, focused relationships with customers such as

Deere & Co. (“Deere”), Caterpillar Inc. (“Caterpillar”), JLG Industries, Inc. (“JLG”), Kubota Manufacturing of America and Winnebago Industries, Inc. The Debtors’ largest customers include Deere, Caterpillar and JLG, who together generated over 90% of the Debtors’ 2008 net sales.

10. The Debtors have five manufacturing facilities strategically located in the Midwestern, Northeastern and Southeastern United States in close proximity to the Debtors’ customers’ manufacturing and assembly facilities. Two of the Debtors’ facilities are located in Morton, Illinois, two are located in North Carolina (Welcome and Apex) and one of the Debtors’ facilities is located in Bedford, Pennsylvania. The revenues generated from the facilities located in Morton, Illinois accounted for approximately 65% of the Debtors’ 2008 total revenues.

11. As of February 28, 2009, the Debtors had 993 employees, of which 170 were salaried and 823 were hourly. None of the Debtors’ employees are subject to collective bargaining agreements.

12. For fiscal year ended December 31, 2008, the Debtors had net sales on a consolidated unaudited basis of approximately \$208,883,000. For the fiscal years ended December 31, 2008, 2007 and 2006, the Debtors had net losses on a consolidated unaudited basis of \$6,682,000, \$16,504,000, and \$4,783,000, respectively.

Part II

Corporate and Capital Structure of the Debtors

Corporate Structure

13. MMC Precision Holdings Corp., a Delaware corporation (“Parent”), directly owns 100% of the equity interest in Operations, which in turn, directly owns 100% of the equity interest in each of the following Debtors: (i) Metalcraft Co., an Illinois corporation which operates the Debtors’ main facilities in Morton, Illinois; (ii) Morton Metalcraft Co. of North

Carolina, a North Carolina corporation which operates the Debtors' facilities in Apex, North Carolina; (iii) Morton Metalcraft Co. of Pennsylvania, a Pennsylvania corporation which operates the Debtors' facilities in Bedford, Pennsylvania; (iv) B&W Metal Fabricators, Inc., a North Carolina corporation which operates the Debtors' facilities in Welcome, North Carolina; and (v) Morton Metalcraft Co. South Carolina, a South Carolina corporation which formerly operated the Debtors' operations in South Carolina. The remaining Debtor, Morton Technical Services, Inc., is a wholly-owned subsidiary of Metalcraft Co. whose sole function is to provide support to the Debtors.

Capital Structure

14. As of the date hereof, Operations had 101 shares of common stock outstanding, with par value of \$0.0001 per share and 13,106,114 shares of preferred stock outstanding. As of the Petition Date, there were eight holders of record of Operations' common stock, with Brazos owning approximately 80% of Operations' common stock and preferred stock outstanding.

The Debtors' Debt Structure

15. The Debtors' primary non-trade debt, interest bearing liabilities consist of: (i) a revolving credit facility (the "Pre-Petition Revolving Facility"), (ii) term loans (the "Pre-Petition Term Loans") and (iii) 12% senior subordinated notes due September 30, 2014 (the "Pre-Petition Subordinated Notes"). As of March 15, 2009, the Debtors' interest bearing liabilities totaled \$78,074,333.37, with \$14,400,000 attributable to the Pre-Petition Revolving Facility, \$33,250,000 attributable to the Pre-Petition Term Loans, \$27,414,000 attributable to the Pre-Petition Subordinated Notes, \$2,275,333.37 attributable to letters of credit issued under the Pre-Petition Revolving Facility (the "Pre-Petition Letters of Credit"), and \$735,000 attributable to the

Swap² (as defined below, and together with the Pre-Petition Revolving Facility, the Pre-Petition Term Loans, and the Pre-Petition Letters of Credit, the “Pre-Petition Senior Secured Debt”). These liabilities are described in more detail below.

Pre-Petition Revolving Facility and Pre-Petitions Term Loans

16. On August 25, 2006, Operations and Parent entered into a secured revolving credit facility and a secured term loan (as amended from time to time, the “Pre-Petition Credit Agreement”) with a syndicate of financial institutions led by National City Bank, as administrative agent (“National City” and together with the other financial institutions party thereto, the “Lenders”). On July 28, 2008, the Pre-Petition Credit Agreement was amended and restated (the “Amended and Restated Pre-Petition Credit Agreement”). Pursuant to the Amended and Restated Pre-Petition Credit Agreement, Operations and Parent were permitted to borrow up to a maximum of \$33,250,000 under the Pre-Petition Term Loans and up to a maximum of \$20,000,000 subject to limitations imposed by the borrowing base and the amount of outstanding letters of credit under the Pre-Petition Revolving Facility. In connection with the Pre-Petition Credit Agreement, Operations and Parent granted the Lenders a first lien security interest on substantially all of their then existing and thereafter acquired real and personal property (the “Pre-Petition Lien”).

17. Given the Debtors’ strained liquidity position during the weeks prior to the Petition Date, on February 20, 2009, the Lenders agreed to extend Operations and Parent an additional \$2,000,000 in revolving credit (the “Pre-Petition Supplemental Revolver”) to fund the Debtors’ working capital through March 20, 2009, pursuant to that certain Second Amendment

² The Swap amounts are determined on a quarterly basis; this amount was determined as of December 31, 2008.

and Waiver to the Amended and Restated Pre-Petition Credit Agreement (the “Second Amendment”). The Pre-Petition Supplemental Revolver allowed the Debtors to explore strategic alternatives while continuing operations in the ordinary course of business. Pursuant to the Second Amendment, the Lenders also waived certain defaults of Operations and Parent under the Pre-Petition Credit Agreement, including, but not limited to, failure to make mandatory prepayments and maintain solvency in accordance with the terms of the Pre-Petition Credit Agreement.

18. As of the Petition Date, the Debtors’ indebtedness to the Lenders under the Pre-Petition Credit Agreement was approximately \$47,650,000, exclusive of the Pre-Petition Letters of Credit, the Swap (as defined below), accrued interest, fees, costs and expenses.

19. On August 28, 2006, Operations entered into an Interest Rate Swap Agreement (the “Swap”) with National City effective on October 2, 2006 on \$31,500,000 of its Pre-Petition Term Loan debt in order to manage the risk associated with the variable interest rate under the Pre-Petition Credit Agreement. As of December 31, 2008, the Swap was recorded as a liability of \$735,000.

Pre-Petition Subordinated Notes

20. On August 25, 2006, Operations and Parent issued the Pre-Petition Subordinated Notes in the aggregate principal amount of \$22,375,000 pursuant to that certain Securities Purchase Agreement (as amended from time to time, the “Securities Purchase Agreement”) with MassMutual Corporate Investors, MassMutual Participation Investors, Tower Square Capital Partners II, L.P., Tower Square Capital Partners II-A, L.P. and Tower Square Capital Partners II-B, L.P. (collectively, the “Pre-Petition Subordinated Creditors”). Interest on the Pre-Petition Subordinated Notes is payable quarterly on the last day of each March, June, September and

December in each year. Due to the Debtors' financial condition, they have not paid interest on the Pre-Petition Subordinated Notes since September 2007. The Pre-Petition Subordinated Notes are senior unsecured obligations, ranking equally in right of payment with all of Operations' unsecured senior indebtedness. Operations used the net proceeds from the issuance of the Pre-Petition Subordinated Notes for general corporate purposes, including capital expenditures.

21. Prior to the Petition Date, Operations and Parent consented to and agreed to be bound by that certain Subordination and Intercreditor Agreement, dated as of August 25, 2006, by and among (i) the Pre-Petition Subordinated Creditors; (ii) National City as administrative agent for all of the Lenders and (iii) the other credit parties from time to time party thereto (as amended from time to time, the "Intercreditor Agreement"), which, among other things, generally set forth the relative priorities of the claims and rights of the Lenders and the Pre-Petition Subordinated Creditors. Pursuant to the Intercreditor Agreement, the payment of any and all of the debt under the Securities Purchase Agreement is subordinate and subject in right and time of payment, to the payment in full of all debt under the Pre-Petition Credit Agreement.

Trade Debt and Capital Lease Obligations

22. In addition to the Debtors' secured and unsecured debt, the Debtors have an expansive array of trade creditors that supply raw materials, parts, goods and services. Due to the rapid deterioration in the Debtors' business operations, the Debtors had extended payment terms with many of their trade creditors. As of the Petition Date, the Debtors owe approximately \$14,800,000 to various trade creditors. In addition, the Debtors have approximately \$1,250,000 in capital lease obligations for equipment and machinery used in the Debtors' operations.

Part III

Events Leading to the Commencement of These Cases

23. Several factors have severely impacted the Debtors' business, prompting the liquidity pressures that precipitated the decision to commence these chapter 11 cases. The Debtors incurred significant losses from their continued operations and anticipate experiencing at least a 40% drop off in sales in 2009 compared with 2008. Sales for January and February 2009, compared with comparable data for January and February 2008, are down 32% which has led to an immediate liquidity need. In addition, the Debtors, like so many other businesses, have been severely impacted by deteriorating economic conditions and lack of available credit in the capital and credit markets.

Restructuring Efforts

24. To assist in addressing these financial difficulties, the Debtors retained AlixPartners ("Alix") to assist them with restructuring their debt and raising new capital. These efforts have been successful in both ensuring that the Debtors had adequate short-term liquidity and shoring up commercial relationships with the Debtors' critical suppliers and customers. As to the former, as set forth above, on February 20, 2009, the Debtors secured an additional \$2,000,000 in revolving credit from the Lenders. As to the latter, the Debtors have worked diligently with their suppliers and customers so that the Debtors can continue their production of top-quality components and subassemblies.

25. Notwithstanding the Debtors' diligent pursuit of out-of-court alternatives, in the end, the continued deterioration in the market for their products and the increasing pressure from the Debtors' lenders, vendors and creditors, have required that the Debtors commence these cases to: (a) address their pressing liquidity problems, (b) provide the opportunity to, among other things, stabilize the Debtors' business through structural improvements and the evaluation

and elimination of liabilities that serve only as a drain on the Debtors' profitability and (c) allow the Debtors to work toward a restructuring through a prompt and efficient "going concern" sale of substantially all of their assets pursuant to section 363 of the Bankruptcy Code (the "Sale").

26. The Debtors believe this strategy will allow them to meet several critical objectives including allowing the ongoing operation of the Debtors' business without interruption to supplier and customer relationships.

Part IV

The Debtors' Sale Efforts and Efforts to Obtain Debtor-In-Possession Financing

Efforts to Obtain Postpetition Financing

27. After extensive arm's length negotiations between the Debtors and their advisors on the one hand, and the Lenders on the other hand, the Lenders have agreed to extend the Debtors debtor-in-possession financing (the "DIP Loan") in the amount of \$20,000,000. None of the potential lenders approached by the Debtors was willing to extend credit on a junior priority basis. Court approval of the DIP Loan is absolutely vital to the Debtors' efforts to maximize value for their estates. The Debtors believe that court approval of the DIP Loan will result in sufficient cash to pay the majority of their vendors and meet their other financial obligations during the pendency of these chapter 11 cases and consummation of the Sale as described below.

Sale Efforts

28. With the assistance of Alix, the Debtors have commenced a comprehensive marketing and sale process for the Debtors' assets. In order to facilitate a smooth sale and transition of the Debtors' assets, the Debtors intend to file a motion with this Court to approve bidding procedures for the Sale no later than April 8, 2009. Prior to that time, the Debtors are hopeful of entering into an Asset Purchase Agreement with a stalking horse bidder which is subject to higher and better offers.

29. The Debtors believe that the sale of substantially all of their assets will best serve the constituencies in these cases and is the best alternative available to the Debtors. This path is the only means of preserving the Debtors' business, employees' jobs, vendors' sales, and the sole source for certain unique component products required by the Debtors' customers.

Part V

Facts Relevant to the First Day Pleadings

30. Concurrently with the filing of these chapter 11 cases, the Debtors filed the First Day Pleadings, which request various forms of relief. Generally, the First Day Pleadings have been designed to allow the Debtors to pursue the course of action outlined herein and ultimately, will be critical to the Debtors' ability to achieve maximum recovery for the benefit of the Debtors' stakeholders.

31. I have reviewed each of the First Day Pleadings filed contemporaneously herewith (including the exhibits thereto and supporting memoranda) and incorporate by reference the factual statements set forth in the First Day Pleadings. It is my belief that the relief sought in each of the First Day Pleadings is tailored to meet the goals described above and, ultimately, will be critical to the Debtors' ability to obtain maximum recovery for their creditors.

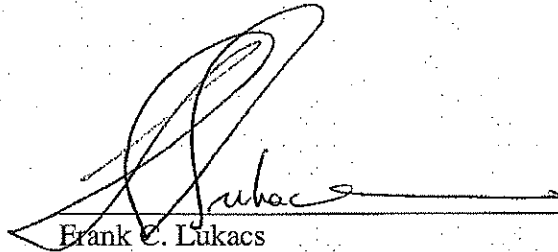
32. It is my further belief that, with respect to those First Day Pleadings requesting the authority to pay discrete prepetition claims (e.g., those First Day Pleadings seeking relief related to the Debtors' obligations to their employees and critical vendor), the relief requested is essential to the Debtors' efforts to maximize recovery for their estates and necessary to avoid immediate and irreparable harm to the Debtors and their employees, customers and affected vendors. Impairment of the Debtors' business operations, or of their relationships with their employees, customers or vendors — at the very time when the smooth operation of those operations and the dedication, confidence or cooperation of those constituencies is most critical

— would clearly imperil the Debtors’ chances of a successful Sale. Any diminution in the Debtors’ ability to maintain their operations in the ordinary course will have an immediate and irreparable harmful impact upon the going concern value of the Debtors’ estates to the detriment of all of the Debtors’ stakeholder constituencies. The Debtors believe that payment of those selected prepetition claims identified in the First Day Pleadings will forestall irreparable harm and that all creditors of the Debtors will ultimately benefit from the relief requested therein.

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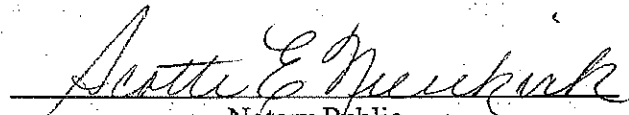
I declare under penalty of perjury that the foregoing is true and correct.

Dated: March 22, 2009
Morton, Illinois



Frank C. Lukacs

Sworn to and subscribed before me, a notary public for the State of Illinois, County of Tazewell,
this 22nd day of March, 2009.



Notary Public