

ALABAMA AIRCRAFT INDUSTRIES FILES LAWSUIT CHALLENGING AIR FORCE'S KC-135 CONTRACT AWARD TO BOEING

Birmingham, AL (June 26, 2008) – Alabama Aircraft Industries, Inc. (AAII) announced today that it will be filing a lawsuit in the United States Court of Federal Claims challenging the United States Air Force's selection of Boeing for a \$1.1 billion contract to maintain the fleet of KC-135 refueling tankers. On December 27, 2007, the Government Accountability Office (GAO) sustained in part a protest filed by AAI. The GAO found that last minute and unexplained changes in Boeing's proposed prices raised issues of price realism and proposal risk. On February 1, the GAO again ruled in AAI's favor on these issues, denying the Air Force Request for Reconsideration.

Despite the GAO's December 27 and February 1 decisions, on June 13 the GAO denied AAI's request for further relief and the Air Force has decided to press forward with an award to Boeing. AAI's firm belief is that, if proposals were evaluated fully and reasonably, it would be selected due to its past contract performance, lower price and consistently higher quality in maintaining the KC-135 fleet. AAI has decided to pursue this matter in Court because the Air Force failed to take appropriate corrective action in response to the GAO's December 27 and February 1 decisions. AAI is asking the Court of Federal Claims to order the Air Force to conduct a full and proper evaluation and to ensure compliance with applicable law.

AAI notes that the Air Force's KC-135 PDM procurement has a long and questionable history and continues to be the subject of allegations of bias, conflicts of interest, and procurement integrity violations. Judicial review should provide a greater opportunity for thorough review of these issues than the limited administrative process at the GAO. AAI believes review by the Court of these, as well as other multiple issues contained within the Complaint, will provide compelling evidence that the current widespread concerns about the acquisition process and the award are valid.

AAI President Ron Aramini issued a statement on the filing of the lawsuit: "We believe that the Air Force's award of the KC-135 maintenance contract to Boeing is

significantly flawed. AAI intends to pursue its right to seek review by the Court with the hope and expectation that, following a full review, the Air Force's award will be overturned and a new competition ordered."

Alabama Aircraft Industries, Inc. (AAII), with executive offices in Birmingham, Alabama, and facilities in Alabama, and California, performs maintenance and modification of aircraft for the U.S. Government. The company also provides aircraft parts and support and engineering services and full service overhaul and repair for a wide range of aircraft. AAI also develops and manufactures rocket vehicles and control systems, and precision components for the aviation industry.

This press release contains forward-looking statements made in reliance on the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements may be identified by their use of words, such as "believe," "expect," "intend," "anticipate," "estimate" and other words and terms of similar meaning, in connection with any discussion of the Company's prospects, financial statements, business, financial condition, revenues, results of operations or liquidity. Factors that could affect the Company's forward-looking statements include, among other things: changes in global or domestic economic conditions; the loss of one or more of the Company's major customers; the Company's ability to obtain additional contracts and perform under existing contracts; the outcome of pending and future litigation and the costs of defending such litigation; financial difficulties experienced by the Company's customers; potential environmental and other liabilities; the inability of the Company to obtain additional financing; material weaknesses in the Company's internal control over financial reporting; regulatory changes that adversely affect the Company's business; loss of key personnel; and other risks detailed from time to time in the Company's SEC reports, including its most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. The Company cautions readers not to place undue reliance on any forward-looking statements, which speak only as of the date on which they are made. The Company does not undertake any obligation to update or revise any forward-looking statements and is not responsible for changes made to this release by wire services or Internet services.

Contact: Doris Sewell
(205) 510-4935