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AAII / PEMCO AVIATION GROUP, INC. ANNOUNCES FILING OF PROTEST
ON KC-135 AWARD

Birmingham, AL (September 21, 2007) – Alabama Aircraft Industries, Inc. d/b/a Pemco Aviation Group, Inc. (NASDAQ: PAGI) announced today that its Birmingham, Alabama military division, Alabama Aircraft Industries, Inc. – Birmingham d/b/a Pemco Aeroplex, Inc., filed a bid protest at the U.S. Government Accountability Office (GAO) on September 19, 2007. The protest challenges the actions of the U.S. Air Force in awarding a contract to Boeing Aerospace Operations (Boeing) to provide Programmed Depot Maintenance (PDM) for KC-135 aircraft. Pemco believes that the award to Boeing violated both applicable law and the rules that the Air Force had established for the competition. Through its bid protest, Pemco is asking that the Air Force terminate the award to Boeing and redirect the award to Pemco.

Ron Aramini, President and Chief Executive Officer stated, “After receiving the government’s debrief and looking at all the available data, we feel strongly that the contract should have been awarded to Pemco. This is a very serious matter and we are going to fight to ensure all evidence is fully and fairly evaluated.”

Alabama Aircraft Industries, Inc., or AAI, formerly known as Pemco Aviation Group, Inc., with executive offices in Birmingham, Alabama, and facilities in Alabama and California, performs maintenance and modification of aircraft for the U.S. Government and foreign and domestic customers. 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.

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