

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF OHIO
WESTERN DIVISION**

IN RE MCSi, INC., SECURITIES LITIGATION	:	Case No. 3:03-cv-015
	:	
	:	HON. WALTER HERBERT RICE
	:	
	:	

**NOTICE OF PENDENCY AND SETTLEMENT OF CLASS
ACTION, HEARING ON PROPOSED SETTLEMENT AND ATTORNEYS'
FEE PETITION AND RIGHT TO SHARE IN SETTLEMENT FUND**

TO: ALL PERSONS WHO PURCHASED OR OTHERWISE ACQUIRED THE COMMON STOCK OF MCSi, INC. ("MCSI" OR THE "COMPANY") DURING THE PERIOD JULY 24, 2001 THROUGH AND INCLUDING FEBRUARY 26, 2003 (THE "CLASS PERIOD") AND WHO SUFFERED DAMAGES THEREBY (THE "CLASS").

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS MAY BE AFFECTED BY PROCEEDINGS IN THIS ACTION. PLEASE NOTE THAT IF YOU ARE A CLASS MEMBER, YOU MAY BE ENTITLED TO SHARE IN THE PROCEEDS OF THE SETTLEMENT DESCRIBED IN THIS NOTICE.

CLAIM DEADLINE: TO CLAIM YOUR SHARE OF THIS FUND, YOU MUST SUBMIT A VALID PROOF OF CLAIM POSTMARKED ON OR BEFORE DECEMBER 11, 2008.

EXCLUSION DEADLINE: ALL REQUESTS TO BE EXCLUDED FROM THE CLASS MUST BE POSTMARKED ON OR BEFORE AUGUST 29, 2008.

SECURITIES BROKERS AND OTHER NOMINEES: PLEASE SEE INSTRUCTIONS IN SECTION XIV, BELOW.

I. SUMMARY OF SETTLEMENT AND RELATED MATTERS

A. Purpose of this Notice

This Notice has been sent to you under Rule 23 of the Federal Rules of Civil Procedure and an Order of the United States District Court for the Southern District of Ohio (the "Court"). This Notice is to inform you of the proposed settlement of this class action litigation (the "Action") and of the hearing to be held by the Court to consider the fairness, reasonableness, and adequacy of the proposed settlement (the "Settlement"). This Notice describes the rights you may have in connection with the Settlement and what steps you may take in relation to the Settlement and the Action.

B. Statement of Lead Plaintiffs' Recovery

Under the federal securities laws, a claimant's recoverable damages are limited to the losses attributable to the alleged securities law violations. Losses that resulted from factors other than an alleged securities law violation (e.g., losses that resulted from overall stock market declines) are not recoverable from the Settlement Fund.

Plaintiffs' Lead Counsel estimate that there were approximately 21.9 million shares of MCSi common stock traded during the Class Period, which may have been damaged as a result of the alleged wrongdoing described in Section IV, below. Defendants, through the Insurer (defined below), have paid or will pay \$2,250,000 (the "Settlement Amount") into an interest-bearing account for the benefit of the Class. Plaintiffs' Lead Counsel estimate that the average recovery per allegedly damaged share of MCSi common stock is approximately \$0.103 per share, before deduction of notice and administration expenses and attorneys' fees and expenses as may be awarded by the Court to Plaintiffs' Lead Counsel, and not including interest earned on the Settlement Amount. However, a Class Member may receive more or less than this average amount depending upon a number of variables, including the person's actual loss based on the price of the MCSi common stock purchased or otherwise acquired during the Class Period, the number of shares purchased or otherwise acquired, the number of shares sold during the Class Period, the price received upon the sale of MCSi common stock, and the number of claimants who submit valid claims. Payments to Class Members will be allocated from the Settlement Fund under the Plan of Allocation described below, or such other Plan of Allocation as may be approved by the Court.

C. Statement of Potential Outcome of Case

The parties disagreed on both liability and damages, and do not agree on the average amount of damages per share that would be recoverable if Lead Plaintiffs ultimately were to prevail on each claim alleged. The issues on which the parties disagree include: whether Defendants made any statement or omission that could be considered materially false or misleading; whether there was any proof that any alleged misstatement or omission by Defendants was made with the requisite fraudulent intent; the amount (if any) by which MCSi shares were allegedly artificially inflated during the Class Period; the effect of various market forces influencing the trading price of MCSi shares during the Class Period; the extent to which external factors, such as general market and industry conditions, influenced the trading price of MCSi shares during the Class Period; the extent to which the various matters that Lead Plaintiffs alleged were materially false or misleading influenced the trading price of MCSi shares during the Class Period; the extent to which the various allegedly adverse material facts that Lead Plaintiffs alleged were omitted influenced the trading price of MCSi shares during the Class Period; whether the statements made or facts allegedly omitted were material or otherwise actionable under the federal securities laws; and whether any defendant is liable in any respect based on any of the allegations of the Amended and Consolidated Class Action Complaint (the "Amended Complaint").

Plaintiffs' Lead Counsel considered that there was a substantial risk that Lead Plaintiffs and the Class might not have prevailed on any or all of their claims, and that there were risks that the decline in the price of MCSi shares could be attributed, in whole or in part, to other factors at various times during the Class Period. For example, Lead Plaintiffs faced the possibility that the Court could have dismissed all or many claims in this case upon a motion for summary judgment, after trial, or appeal. In addition, recoverable damages in this case are limited to losses caused by conduct actionable under applicable law and, had the Action gone to trial, Defendants could have asserted that all or most of the losses of Class Members were caused by non-actionable market factors. Therefore, Lead Plaintiffs could have recovered nothing or substantially less than the amount of the Settlement.

Defendants have denied and continue to deny all charges of wrongdoing or liability against them arising out of any of the conduct, statements, acts or omissions alleged, or that could have been alleged in this Action. Defendants have denied further and continue to deny, *inter alia*, that they made any material misstatement or omission, that they acted with fraudulent intent, that the Lead Plaintiffs or Class Members have suffered damage, that the price of MCSi stock was artificially inflated (by reason of any conduct by Defendants or otherwise), or that any person or entity was harmed by the conduct alleged in this Action. Defendants believe that they had meritorious defenses to the allegations set forth in this Action. Nevertheless, Defendants have concluded that further litigation would be protracted and expensive, and have further taken into consideration the uncertainty and risks inherent in any litigation, particularly in complex cases of this kind. Defendants have therefore concluded that it is desirable that this litigation be settled in the manner and upon the terms and conditions set forth in the Stipulation.

D. Statement of Attorneys' Fees and Costs Sought

Plaintiffs' Counsel intend to apply for an award of attorneys' fees out of the Settlement Fund of up to thirty three and one-third percent (33 1/3%) of the Settlement Amount, and for reimbursement of expenses incurred in prosecuting this Action in an amount up to \$200,000. The requested fees and expenses would amount to approximately \$0.043 per allegedly damaged share in total for fees and expenses. Plaintiffs' Lead Counsel has expended considerable time and effort in prosecuting this litigation. Plaintiffs' Lead Counsel has litigated this case on a contingent fee basis, meaning that they have advanced all of the costs and expenses of the Action with the expectation that, if they were successful in obtaining a recovery for the Class, they would be paid from that recovery. It is common in this type of litigation for counsel to receive a percentage of the common fund recovery as their attorneys' fees. However, the Court may also base its award of attorneys' fees on the hours expended in this litigation multiplied by the hourly rate of the attorneys who worked on the case. The Court has not indicated which method it will apply in this case.

E. Reasons Supporting Lead Plaintiffs' Participation in the Settlement

The principal reason for the Settlement is the benefit – \$2,250,000 in cash, plus interest – to be provided to the Class now. This benefit must be compared to the fact that although Defendants did not move to dismiss the Amended Complaint, the Court could have dismissed all or many claims in this case upon a motion for summary judgment, after trial, or appeal. Consequently, Lead Plaintiffs and their counsel have also taken into account the uncertain outcome and the risk of any litigation, especially complex litigation such as the Action, as well as the difficulties and delays inherent in such litigation. Lead Plaintiffs and their counsel also are mindful of the inherent problems of proving and possible defenses to the violations asserted in the Action, as well as the limited damages recoverable if Lead Plaintiffs were successful.

Although Lead Plaintiffs believe that they have valid claims, the amount offered in settlement, taking into consideration the claims and defenses asserted in the Action, the financial position of MCSi, and the monies available to pay any future recovery, the Settlement is better than the likely alternatives. Lead Plaintiffs faced the risk that a smaller recovery or no recovery might be obtained after a contested trial and likely appeals, possibly years into the future. Consequently, Lead Plaintiffs and their counsel believe that the proposed Settlement confers substantial benefits upon the Class. Based on their evaluation, Lead Plaintiffs and their counsel have determined that the Settlement is in Plaintiffs' and the Class' best interests.

II. NOTICE OF SETTLEMENT FAIRNESS HEARING

A settlement hearing will be held on September 12, 2008 at 4:00 p.m., before the Honorable Walter Herbert Rice, United States District Judge, at the Federal Building, 200 West Second Street, Dayton, Ohio 45402 (the "Settlement Fairness Hearing"). The purpose of the Settlement Fairness Hearing will be to determine: (1) whether the Settlement, consisting of an \$2,250,000 cash fund, plus accrued interest for the benefit of the Class, should be approved as fair, just, reasonable and adequate; (2) whether the proposed plan to distribute the Settlement proceeds described herein (the "Plan of Allocation") is fair, just, reasonable, and adequate; (3) whether Lead Plaintiffs and Lead Counsel have adequately represented the Class; (4) whether Plaintiffs' Counsels' application for an attorneys' fees and expenses award should be approved; and (5) whether the Action should be dismissed with prejudice. The Court may adjourn or continue the Settlement Hearing without further notice to the Class.

III. DEFINITIONS USED IN THIS NOTICE

"Authorized Claimant" means a Class member who submits a timely and valid Proof of Claim form to the Claims Administrator.

"Claims Administrator" means The Garden City Group, Inc., designated by Lead Counsel, subject to Court approval, which shall administer the Settlement.

"Class" and "Class Members" mean, for the purposes of the Settlement only, all persons who purchased or otherwise acquired MCSi common stock between July 24, 2001 through and including February 26, 2003, and were damaged thereby. Excluded from the Class are the Defendants, members of each Defendant's immediate family (parents, spouses, siblings, and children), and any person, firm, trust, corporation, officer, director or other individual or entity in which any Defendant has a controlling interest or which is related to or affiliated with any of them, and the legal representatives, heirs, administrators, successors in interest or assigns of any such excluded party. Finally, any putative Class member who or which properly requests exclusion from the Class will be so excluded.

"Class Period" means, for the purposes of this Stipulation only, the period between July 24, 2001 through and including February 26, 2003.

"Defendants" means Michael E. Peppel ("Peppel") and Ira H. Stanley ("Stanley").

"Defendants' Counsel" means the law firms of Carter Ledyard & Milburn, LLP (Counsel for Defendant Michael E. Peppel), and Morvillo, Abramowitz, Grand, Iason, Anello & Bohrer, P.C. (Counsel for Defendant Ira H. Stanley).

"Effective Date" means the date upon which the Settlement described in this Notice shall become effective.

"Insurer" means Federal Insurance Company.

"Lead Plaintiffs" means Fuller & Thaler Asset Management, Inc. ("Fuller & Thaler") and Paul Bykowski ("Bykowski").

"Lead Counsel" means the law firm of Bernstein Liebhard & Lifshitz, LLP.

"Net Settlement Fund" means the Settlement Fund less the costs of providing Notice to the Class, administrative expenses incurred in connection with the Settlement, including any Taxes, and any attorneys' fees and award of expenses.

"Notice" means this Notice of Pendency of Class Action, Hearing on Proposed Settlement and Attorneys' Fee Petition and Right to Share in Settlement Fund.

“Order and Final Judgment” means the order to be entered by the Court approving the Settlement with substantially the same terms as the suggested order that the Parties upon agreement have jointly submitted to the Court.

“Parties” means Fuller & Thaler Asset Management, Inc., Paul Bykowski, Michael E. Peppel and Ira H. Stanley.

“Plaintiffs” means any of the persons named as plaintiff in the complaints filed and consolidated in the above-captioned action.

“Plaintiffs’ Counsel” means Lead Counsel and all of the other attorneys representing Plaintiffs in the Action.

“Proof of Claim” means the proposed Proof of Claim and Release form attached to this Notice.

“Released Claims” means any and all claims, rights, demands, obligations, controversies, debts, damages, losses, causes of action and liabilities of any kind or nature whatsoever, whether in law or equity, including both known and Unknown Claims (as defined below), suspected or unsuspected, accrued or unaccrued, held at any point from the beginning of time to the date of this Stipulation’s execution, arising out of, connected with, or in any way relating, directly or indirectly, to the subject matters of the Action or the acquisition, ownership or sale of MCSi securities, including any claims that have been or could have been asserted by any Class member in the Action against any or all Released Parties; provided, however, Released Claims shall not include any claim arising out of the violation or breach of the Stipulation.

“Released Parties” means Michael E. Peppel, Ira H. Stanley, MCSi, and each of their respective past or present subsidiaries, parents, successors, predecessors, officers, directors, shareholders, general or limited partners, representatives, affiliates, members, managers, agents, employees, attorneys, advisors and investment advisors, auditors, accountants, insurers, and any person, firm, trust, corporation, officer, director or other individual or entity in which any of them has a controlling interest or which is related to or affiliated with any of them, and the legal representatives, heirs, executors, administrators, successors in interest or assigns of any of them.

“Settled Defense Claims” means all claims of every nature and description, known or unknown, that have been or could have been asserted in the Action or any forum by Defendants, the Released Parties or any of them individually, or the successors and assigns of any of them against any of the Plaintiffs, Lead Plaintiffs, Class Members and their legal representatives, heirs, successors or assigns, and/or their attorneys, which arise out of or relate in any way to the institution, prosecution, or settlement of the Action; provided, however, Settled Defense Claims shall not include any claim arising out of the violation or breach of the Stipulation.

“Settlement” means the settlement described in the Stipulation.

“Settlement Fund” means the fund created by the Insurer, on behalf of the Released Parties, consisting of the sum of two million two hundred fifty thousand dollars (\$2,250,000.00).

“Settlement Hearing” means the hearing held by the Court to determine whether the Settlement is fair, reasonable, adequate and in the Class’s best interests, and should be approved.

“Stipulation” means the Stipulation and Agreement of Settlement signed by the Parties and filed with the Court in this Action on June 11, 2008.

“Taxes” means (a) any taxes on the income of the Settlement Fund, and (b) expenses and costs incurred in connection with the taxation of the Settlement Fund (including, without limitation, expenses of tax attorneys and accountants).

“Unknown Claims” means any and all Released Claims that any Plaintiff or Class member does not know or suspect to exist in his, her or its favor upon the Released Claims’ release, and any Settled Defense Claims that any Defendant does not know or suspect to exist in his, her or its favor upon the Settled Defense Claims’ release, which if known by him, her or it, might have affected his, her or its decision(s) with respect to the Settlement. With respect to any and all Released Claims and Settled Defense Claims, the Parties stipulate and agree that effective as of the Effective Date, Lead Plaintiffs and Defendants expressly waive, and each Class member shall be deemed to have, and by operation of the Judgment shall have waived, any and all provisions, rights and benefits conferred by any law, rules or regulations of any state or territory of the United States or any other country, or principle of common or civil law, which is similar, comparable, or equivalent to Cal. Civ. Code § 1542, which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

Lead Plaintiffs and Defendants acknowledge, and the Class Members by operation of law shall be deemed to have acknowledged, that the inclusion of Unknown Claims in the definition of Released Claims and Settled Defense Claims was separately bargained for and was a key element of the Settlement.

IV. BACKGROUND OF THE ACTION

A. Lead Plaintiffs' Allegations

Until it filed for Chapter 11 bankruptcy protection on June 3, 2003, and then began to liquidate its operations in February 2004, MCSi provided integrated technical services and audio-visual presentation, broadcast, and computer technology products. MCSi did not manufacture any products of its own. Rather, using equipment supplied by vendors, such as Sharp, Hitachi, NEC, and Sony, MCSi assembled integrated systems, primarily audio-visual systems, for its clients. MCSi's ability to secure product from these suppliers was critical to its ability to perform its contracts with customers and generate revenues.

Once considered "high-flying" and "fast growing," MCSi twice made Fortune Magazine's ranking of the 100 Fastest Growing Companies in America, in 2000 and 2001. However, the Amended Complaint alleges that the Company ultimately collapsed under the weight of Defendants' improper accounting and other practices, resulting in: (i) the dismissal of Peppel, MCSi's Class Period Chief Executive Officer, President, and Chairman, and Stanley, MCSi's Class Period Chief Financial Officer and Vice President; (ii) an investigation by the Securities and Exchange Commission (the "SEC"); (iii) the resignation of its outside auditor, PricewaterhouseCoopers, LLP ("PwC"); and (iv) MCSi's bankruptcy and ongoing liquidation.

The Amended Complaint alleges that, both before and during the Class Period, the Company experienced a cash flow crisis, caused in part by an aggressive campaign to acquire other companies. This cash flow crisis strangled MCSi's ability to generate revenues, and created a vicious cycle. Without cash, MCSi failed to timely pay suppliers for products purchased, and suppliers in turn imposed credit holds on the Company, refusing to ship product without first receiving payment. Without the product critical to its business, MCSi could not timely perform its contracts, if it could perform them at all. As a result, MCSi lost many customers and contracts, severely impacting its revenue stream. In an effort to raise cash, MCSi, which was already highly leveraged, held two public offerings during the Class Period within months of each other in 2001. These offerings did not solve MCSi's cash crisis.

Lead Plaintiffs allege that both before and throughout the Class Period, Defendants knowingly and recklessly disseminated materially false and misleading statements that were designed to give the appearance that MCSi was a profitable business operation. In reality, according to the Amended Complaint, MCSi's reported financial results were based on improper accounting practices, leading to the overstatement of revenues, profit margins, goodwill, and rental and net income, and the misstatement of inventory through the manipulation of MCSi's JD Edwards computer system (the "JD Edwards System"), MCSi's central financial system.

Lead Plaintiffs allege that Defendants engaged in a fraudulent scheme of "pre-billing" contracts and purchase orders before a job was completed or even started, thereby prematurely recognizing revenue in violation of generally accepted accounting principles ("GAAP") and SEC Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements." Lead Plaintiffs also allege that the Company overstated rental income and understated operational expenses to falsely inflate profit margins, and that, during 2002, MCSi overstated quarterly income for the first three quarters by failing to write down goodwill for impairment, in violation of GAAP.

Lead Plaintiffs allege that Defendants attempted to conceal these improper practices by creating a duplicate, sanitized set of financial books and records to provide to PwC, MCSi's auditor, and that Defendants artificially wiped out inventory reported in the JD Edwards System to validate the appearance of the increased revenues achieved through improper pre-billing.

Lead Plaintiffs allege that, while Defendants were engaging in these practices, and knowingly issuing false and misleading information about MCSi, its financial condition, and results of operations, Peppel sold 300,000 shares of MCSi stock at an artificially inflated price for more than \$6.8 million in proceeds.

In February 2003, the SEC initiated an investigation of MCSi, issuing a subpoena seeking the production of certain documents. In March 2003, Peppel stepped down as Chairman, and shortly afterward as President and as a

director. In April 2003, Stanley stepped down as CFO and Vice President. In a May 2, 2003 press release (attached as an exhibit to a Form 8-K filed on the same date), MCSi announced that “investors should not rely on MCSi’s historical financial information, including the unaudited information included in MCSi’s press release dated February 26, 2003 and filed on a Current Report on Form 8-K dated such date and the other 2002 quarterly and other financial information included in MCSi’s reports filed with the SEC.”

Lead Plaintiffs also contend that, on June 19, 2003, two weeks after MCSi filed for Chapter 11 protection, PwC informed MCSi’s Board of Directors that it was resigning its position as external auditors. PwC’s letter of resignation cited, inter alia, PwC’s “inability to conclude whether MCSi has taken appropriate and timely remedial action in response to the discovery of potential illegal acts at the Company.”

As a consequence of Defendants’ actions, Lead Plaintiffs claim to have suffered damages by paying artificially inflated prices for MCSi stock. During the Class Period, the price of MCSi stock closed as high as \$24.45 per share (on November 13, 2001). On February 26, 2003, at the end of the Class Period, the stock closed at \$.71 per share.

The Amended Complaint was filed on April 26, 2004, and alleges two claims for relief. The First Claim asserts claims against Peppel and Stanley for violations of Section 10(b) of the Securities Exchange Act of 1934 (the “Exchange Act”), 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC. The Second Claim asserts claims against all Defendants as control persons under Section 20(a) of the Exchange Act, 15 U.S.C. 78t(a).

Generally, the Amended Complaint alleged that Defendants made materially false and misleading statements about MCSi, its operations, businesses, and financial condition. Lead Plaintiffs further alleged that, despite knowledge of the true circumstances, Defendants withheld such information from the market and otherwise caused the misleading statements to be published through its press releases, SEC filings, and other public outlets to the detriment of Plaintiffs and the Class Members who purchased or otherwise acquired MCSi stock during the Class Period. As a consequence of Defendants’ conduct, MCSi’s securities are claimed to have traded at artificially inflated prices.

Defendants deny any wrongdoing whatsoever and this Settlement shall in no event be construed or deemed to be evidence of or an admission or concession on the part of any Defendant with respect to any claim or of any fault or liability or wrongdoing or damage whatsoever, or any infirmity in the defenses that the Defendants have asserted.

B. Procedural History

The captioned securities class action was commenced on January 17, 2003, by the filing of a complaint seeking damages for alleged violations of the federal securities laws. Thereafter, six additional lawsuits were filed against MCSi, Peppel, and Stanley. Before any of the named defendants filed a response to the complaint, MCSi and certain affiliates filed for bankruptcy protection on June 3, 2003, in the United States Bankruptcy Court for the District of Maryland (the “Bankruptcy Court”). As a result, the action was automatically stayed pursuant to Section 362(a) of the Bankruptcy Code. On August 15, 2003, Plaintiffs moved to lift the stay as to Peppel and Stanley. On February 5, 2004, the Court granted Plaintiffs’ motion, consolidated the foregoing lawsuits, and appointed Fuller & Thaler and Bykowski as Lead Plaintiffs.

On April 26, 2004, Lead Plaintiffs filed the Amended Complaint, alleging claims against Peppel and Stanley for misconduct occurring during the Class Period. Lead Plaintiffs did not name MCSi as a defendant because MCSi had filed for bankruptcy protection. On April 21, 2004, five days before Lead Plaintiffs filed the Amended Complaint, MCSi filed a Complaint for Declaratory Relief and Injunctive Relief in the Bankruptcy Court against the plaintiffs in the seven constituent actions consolidated by the Court, seeking to enjoin the prosecution of the consolidated class action. Bankruptcy Judge James F. Schneider orally denied MCSi’s motion for preliminary injunction on May 27, 2004. That decision was later reduced to writing.

Peppel answered the Amended Complaint on June 25, 2004, and Stanley answered the Amended Complaint on July 2, 2004.

On December 2, 2004, Plaintiffs filed a motion for class certification, which Peppel and Stanley opposed on February 28, 2005. Lead Plaintiffs have prepared a reply memorandum in further support of their motion, which they planned to file in the event that the Action did not settle. Consequently, the Court has not yet ruled on Plaintiffs’ motion.

There has been substantial document discovery, though no depositions have been taken. Depositions were scheduled before the Parties’ agreement to mediate their disputes.

On September 19, 2005, the Parties met for a mediation session under the direction of the Honorable Daniel Weinstein (Ret.). A settlement agreement was not reached on that date.

Following the mediation, the parties, with the assistance of Judge Weinstein, continued to negotiate a possible resolution of the Action. On November 21, 2005, the Parties reached an agreement to settle the Action.

V. BACKGROUND OF THE SETTLEMENT

Before entering into the Stipulation, Plaintiffs' Lead Counsel conducted a thorough investigation relating to the events and transactions underlying Lead Plaintiffs' claims.

Lead Plaintiffs' decision to enter into this Settlement was made with knowledge of the facts, circumstances, strengths and weaknesses of Plaintiffs' claims and Defendant's defenses and took into account the substantial expense and length of time necessary to prosecute the Action through trial, post-trial motions, and likely appeals, as well as the significant uncertainties in predicting the outcome of this complex litigation.

Lead Plaintiffs believe that the Settlement described herein confers very substantial benefits upon the Class. Based upon their investigation, the extensive discovery conducted, the mediation session before Judge Weinstein, MCSi's financial condition, the insurance resources available to Defendants, and the extensive discovery conducted to date, Lead Plaintiffs and their counsel have concluded that the terms and conditions of this Stipulation are fair, reasonable, and adequate to the Class, and in its best interests.

Lead Plaintiffs recognized the uncertainty and the risk of the outcome of any litigation, especially complex litigation such as this, and the difficulties and risks inherent in the trial of such an action. Lead Plaintiffs desired to settle the claims of the Class against Defendants on the terms and conditions described herein, which provide substantial benefits to the Class.

This Notice shall not be construed or deemed to be a concession by Lead Plaintiffs of any infirmity in the claims asserted in the Action or as a concession by any or all of the Defendants of any fault, liability or damage to Lead Plaintiffs, the Class or any other person or entity, or any infirmity in any defense any or all Defendants asserted or could have asserted.

Defendants deny any wrongdoing, fault, liability or damage to Lead Plaintiffs or the Class, deny that they engaged in any wrongdoing, deny that they committed any violation of law, and deny that they acted improperly in any way. In view, however, of the uncertainty and risk of the outcome of any litigation (especially complex securities litigation), the difficulties and substantial expense and length of time necessary to defend the proceeding, possibly through conclusion of discovery, possible summary judgment motions, a possible trial, possible post-trial motions and possible appeals, and to eliminate the burden and expense of further litigation, Defendants wish to settle the Action and put the Released Claims to rest, finally and forever, without in any way acknowledging any wrongdoing, fault, liability or damage to Lead Plaintiffs, the Class or any other person or entity.

The amount of damages, if any, that Plaintiffs could prove was also a matter of serious dispute, and the Settlement's use of a Recognized Claim formula for distributing the Settlement proceeds does not constitute a finding, admission or concession that provable damages could be measured by the Recognized Claim formula. No determination has been made by the Court as to liability or the amount, if any, of damages suffered by the Class, nor on the proper measure of any such damages. The determination of damages, like the determination of liability, is a complicated and uncertain process, typically involving conflicting expert opinions.

During the course of the Action, Defendants, in addition to denying any liability, disputed that Plaintiffs and the Class were damaged by any wrongful conduct on their part. The Settlement herein provides an immediate and substantial cash benefit and avoids the risks that liability or damages might not have been proven at trial.

The Court has not determined the merits of the Lead Plaintiffs' claims or the defenses thereto. This Notice does not imply that there has been or would be any finding of violation of the law or that recovery could be had in any amount if the Action were not settled.

VI. TERMS OF THE SETTLEMENT

In full and complete settlement of the claims that have or could have been asserted in this Action, and subject to the terms and conditions of the Stipulation, the Insurer has paid or will pay into an escrow account \$2.25 million (\$2,250,000), which is or will be earning interest for the benefit of the Class.

Pursuant to the Settlement, and on the Effective Date, the Class representatives and the Class Members, on behalf of themselves, their heirs, executors, administrators, successors and assigns, by operation of the Order and Final Judgment, shall be deemed to have fully, finally and forever released, relinquished, abandoned and discharged the Released Parties from the Released Claims, and shall forever be enjoined from prosecuting the Released Parties with respect to each and every Released Claim.

The Settlement will become effective at such time as an Order and Final Judgment entered by the Court approving the Settlement shall become final and not subject to Appeal (i.e., on the Effective Date).

VII. THE RIGHTS OF CLASS MEMBERS

If you are a Class Member, you have the following options pursuant to Rule 23(c)(2) of the Federal Rules of Civil Procedure:

(a) If you wish to remain a member of the Class, you may share in the proceeds of the Settlement, provided that you submit an acceptable Proof of Claim by following the instructions in Section X, below. If you submit a proper Proof of Claim, you WILL be bound by this Settlement and you WILL be entitled to a share of the Settlement Fund. You are not required to retain your own counsel, but may do so at your own expense. If you choose to retain independent counsel, he/she must file an appearance on your behalf by August 29, 2008, and must serve copies of his/her appearance on Plaintiffs' Lead Counsel.

(b) If you do not wish to remain a member of the Class, you may exclude yourself from the Class by following the instructions in Section VIII, below. Persons or entities who exclude themselves from the Class will NOT be bound by this Settlement, but will NOT receive any share of the Settlement Proceeds. If you are a Class Member and you do not properly exclude yourself from the Class, you will be bound by the Settlement and the Order and Final Judgment of the Court, even if you do not submit a Proof of Claim.

(c) If you object to the Settlement, or to Plaintiffs' Lead Counsel's application for fees and expenses, but do not exclude yourself from the Class, you may present your objections under the procedures described in Section XI.

VIII. EXCLUSION FROM THE CLASS

You may request to be excluded from the Class. To do so, you must mail a written request stating that you wish to be excluded from the Class to:

MCSi Securities Litigation
EXCLUSIONS
c/o The Garden City Group, Inc.
P.O. Box 9000 #6503
Merrick, New York 11566-9000

The request for exclusion must state: (1) the name, address, and telephone number of the Person requesting exclusion; (2) the person's purchases or other acquisitions and sales of MCSi common stock made during the Class Period, including the dates, the number of shares, price paid per share for each purchase or other acquisition, and the price received per share for each sale; and (3) that the Person wishes to be excluded from the Class.

YOUR EXCLUSION REQUEST MUST BE POSTMARKED ON OR BEFORE AUGUST 29, 2008.

If you submit a valid and timely request for exclusion, you shall have no rights under the Settlement, shall not share in the distribution of the Net Settlement Fund, and shall not be bound by the Stipulation or the Order and Final Judgment.

IX. PLAN OF ALLOCATION

The Net Settlement Fund will be distributed to Class Members who submit valid, timely Proofs of Claim (i.e., Authorized Claimants) under the Plan of Allocation described below. To the extent there are sufficient funds in the Net Settlement Fund, each Authorized Claimant will receive an amount equal to the Authorized Claimant's claim, as defined below. If, however, the amount in the Net Settlement Fund is not sufficient to permit payment of the total claim of each Authorized Claimant, then each Authorized Claimant shall be paid the percentage of the Net Settlement Fund that each Authorized Claimant's claim bears to the total of the claims of all Authorized Claimants. Payment in this manner shall be deemed conclusive against all Authorized Claimants.

The date of purchase or other acquisition or sale is the “contract” or “trade” date as distinguished from the “settlement” date. The covering purchase of a short sale is not an eligible purchase. The determination of the price paid per share and the price received per share shall be exclusive of all commissions, taxes, fees, and charges.

For purposes of the Plan of Allocation, the terms “sale” and “sold” mean the actual sale of MCSi common stock on a national securities exchange.

In the event a Class Member has more than one purchase or other acquisition or sale of securities, all acquisitions and sales shall be matched on a First In First Out (“FIFO”) basis; Class Period sales will be matched first against any securities held at the beginning of the Class Period and then against acquisitions in chronological order.

An Authorized Claimant’s “Recognized Claim” shall mean:

1. For shares purchased or otherwise acquired on or between July 24, 2001, and February 25, 2002, the following claims for damages shall be allowed:
 - a. For shares sold on or before February 25, 2002, no damages shall be allowed;
 - b. For shares sold on or between February 26, 2002 and February 26, 2003, claims for damages shall be the lesser of: (i) the inflation per share at the time of purchase or other acquisition minus the inflation per share at the time of sale; or, (ii) the difference between the purchase or other acquisition price paid and the selling price received;
 - c. For shares sold on or between February 27, 2003 and May 27, 2003, claims for damages shall be the lesser of: (i) the inflation per share at the time of purchase or other acquisition minus the inflation per share at the time of sale; or, (ii) the difference between the purchase or other acquisition price paid and the average closing price between the end of the Class Period and the date of sale; or
 - d. For shares sold or held after May 27, 2003, claims for damages shall be the lesser of: (i) the inflation per share at the time of purchase or other acquisition; or, (ii) the difference between the purchase or other acquisition price paid and the 90-day average closing price of \$0.32 per share.
2. For shares purchased or otherwise acquired on or between February 26, 2002, and February 26, 2003, the following claims for damages shall be allowed:
 - a. For shares sold on or between February 26, 2002 and February 26, 2003, claims for damages shall be the lesser of: (i) the inflation per share at the time of purchase or other acquisition minus the inflation per share at the time of sale; or, (ii) the difference between the purchase or other acquisition price paid and the selling price received;
 - b. For shares sold on or between February 27, 2003 and May 27, 2003, claims for damages shall be the lesser of: (i) the inflation per share at the time of purchase or other acquisition minus the inflation per share at the time of sale; or, (ii) the difference between the purchase or other acquisition price paid and the average closing price between the end of the Class Period and the date of sale; or
 - c. For shares sold or held after May 27, 2003, claims for damages shall be the lesser of: (i) the inflation per share at the time of purchase or other acquisition; or, (ii) the difference between the purchase or other acquisition price paid and the 90-day average closing price of \$0.32 per share.

A schedule identifying Lead Plaintiffs’ contention of the estimated inflation per share of common stock for each day of the Class Period is available on the internet at the website of the Claims Administrator, The Garden City Group, Inc., at www.gardencitygroup.com.

The Recognized Claim formula is not intended to be an estimate of the amount that a Class Member might have been able to recover after a trial; nor is it an estimate of the amount that will be paid to Authorized Claimants pursuant to the Settlement. The Recognized Claim formula is the basis upon which the Net Settlement Fund will be proportionately allocated to the Authorized Claimants.

Class Members who do not submit acceptable Proofs of Claim will not share in the settlement proceeds. Class Members who do not either submit a request for exclusion or submit an acceptable Proof of Claim will nevertheless be bound by the Settlement and the Order and Final Judgment of the Court dismissing this Action.

Checks will be distributed to Authorized Claimants after all claims have been processed and after the Court has finally approved the Settlement. If any funds remain in the Net Settlement Fund by reason of uncashed checks or otherwise, then, after the Claims Administrator has made reasonable and diligent efforts to have Class Members who are entitled to participate in the distribution of the Net Settlement Fund cash their distribution checks, any balance remaining in the Net Settlement Fund one (1) year after the initial distribution of such funds shall be re-distributed, after payment of any unpaid costs or fees incurred in administering the Net Settlement Fund for such re-distribution, to Class Members who have cashed their checks and who would receive at least \$10.00 from such re-distribution. If after six months after such re-distribution any funds shall remain in the Net Settlement Fund, then such balance shall be contributed to non-sectarian, not-for-profit, 501(c)(3) organization(s) designated by Plaintiffs' Lead Counsel.

The Plan of Allocation was determined by Lead Plaintiffs' damages expert. Defendants take no position with respect to the Plan of Allocation, how it was calculated, or its effect on the fairness to any authorized claimant other than to deny that MCSi shares were artificially affected or inflated by Defendants' conduct and deny any wrongdoing. Defendants have no responsibility or liability for the Plan of Allocation or the distribution of Settlement Fund to Class Members.

X. CLAIM SUBMISSION AND SETTLEMENT ADMINISTRATION

To be eligible to receive any distribution from the Settlement Fund, you must send a properly executed Proof of Claim and Release by first class mail postmarked on or before December 11, 2008, to:

MCSi Securities Litigation
c/o The Garden City Group, Inc.
P.O. Box 9000 #6503
Merrick, New York 11566-9000

All Proofs of Claim must be submitted by the date specified in this Notice unless such period is extended by Order of the Court. Each Class Member's Proof of Claim must:

- (a) be properly completed, submitted, and signed under penalty of perjury;
- (b) be accompanied by adequate supporting documentation for the claimed transactions in the form of broker confirmation slips, broker account statements, an authorized statement from the broker containing the transactional information found in a broker confirmation slip, or such other documentation as is deemed adequate by Plaintiffs' Lead Counsel; and
- (c) include a certification of current authority to act on behalf of the Class Member if the person executing the Proof of Claim is acting in a representative capacity.

Proofs of Claim that do not meet these requirements may be rejected. Before rejecting a Claim, the Claims Administrator may communicate with the submitting Class Member to remedy curable deficiencies in their Proof of Claim forms. If a dispute concerning a claim cannot be otherwise resolved, Plaintiffs' Lead Counsel shall present the request for review to the Court for decision with regard to payment.

All proceedings with respect to the administration, processing and determination of claims and the determination of all controversies relating thereto, including disputed questions of law and fact with respect to the validity of claims, shall be subject to the jurisdiction of the Court.

Each Claimant shall be deemed to have submitted to the jurisdiction of the Court with respect to his/her claim. Each claim will be subject to investigation and discovery concerning the Claimant's status as a Class Member and the validity and amount of the Claimant's claim. No discovery shall be allowed on the merits of the Action or Settlement in connection with processing of the Proofs of Claim. Payment pursuant to the Stipulation shall be deemed final and conclusive against all Class Members.

XI. SETTLEMENT FAIRNESS HEARING

At the Settlement Fairness Hearing, the Court will consider whether the proposed Settlement is fair, reasonable, and adequate, and should be approved. The Court will also consider any objections submitted by Class Members in deciding whether to approve the proposed Settlement and Plan of Allocation for the Settlement proceeds.

To object, the person must send a signed statement explaining that such person objects to the proposed settlement in *In Re MCSi, Inc. Securities Litigation*, Case No. 3:03-cv-015 (WHR). The statement must include the person's name, address, telephone number, and signature. The statement must also identify the date(s), price(s), and number(s) of shares of all purchases or other acquisitions and sales of MCSi common stock made by such person during the Class Period, and state the reasons why the person objects to the Settlement. Such objection must be served and filed so that it is received at least fourteen (14) days before the Settlement Fairness Hearing by each of the following:

BERNSTEIN LIEBHARD & LIFSHITZ, LLP
JEFFREY M. HABER, ESQ.
10 East 40th Street
22nd Floor
New York, New York 10016

Lead Counsel for Lead Plaintiffs and the Class

CARTER LEDYARD & MILBURN LLP
JEFFREY S. BOXER, ESQ.
2 Wall Street
New York, New York 10005

Counsel for Defendant Michael E. Peppel

MORVILLO, ABRAMOWITZ, GRAND, IASON, ANELLO & BOHRER, P.C.
LAWRENCE IASON, ESQ.
565 Fifth Avenue
New York, New York 10017

Counsel for Defendant Ira H. Stanley

CLERK OF THE COURT UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF OHIO
WESTERN DIVISION
Federal Building, Room 712
200 West Second Street
Dayton, Ohio 45402

Only members of the Class who have submitted written objections in this manner will be entitled to be heard at the Settlement Fairness Hearing, unless the Court orders otherwise.

Counsel for the Parties also reserve the right to terminate the Settlement under certain circumstances, including where the Court refuses to approve the Stipulation, declines to enter the Order and Final Judgment, or the Order and Final Judgment is modified or reversed on appeal.

XII. MOTION FOR ATTORNEY'S FEES AND DISBURSEMENTS

At the Settlement Fairness Hearing, Lead Counsel will request the Court to award attorneys' fees of up to 33 1/3% of the Settlement Fund, plus reimbursement of the expenses not to exceed \$200,000 that were advanced in connection with the Action, plus interest thereon.

To date, Plaintiffs' Counsel have not received any payment for their services in conducting this Action on Plaintiffs' and Class members' behalf, nor have counsel been reimbursed for their out-of-pocket expenses. The fees requested by Plaintiffs' Counsel would compensate counsel for their efforts in achieving the Settlement Amount for the Class's benefit, and for their risk in undertaking this representation on a contingency basis. The award of attorneys' fees shall be allocated among Plaintiffs' Counsel in a fashion which, in the opinion of Plaintiffs' Lead Counsel, fairly compensates Plaintiffs' Counsel for their respective contributions in the prosecution of the Action.

XIII. FURTHER INFORMATION

For a more detailed statement of the matters involved in this Action, reference is made to the pleadings, to the Stipulation, to the Orders entered by the Court, and to the other papers filed in the Action, which may be inspected at the Office of the Clerk of the United States District Court for the Southern District of Ohio, Federal Building, Room 712, 200 West Second Street Dayton, Ohio 45402, during regular business hours.

If you have any questions about the Settlement of the Action, you may contact Lead Counsel by writing:

BERNSTEIN LIEBHARD & LIFSHITZ, LLP
JEFFREY M. HABER, ESQ.
10 East 40th Street
22nd Floor
New York, New York 10016

DO NOT TELEPHONE THE COURT.

XIV. SPECIAL NOTICE TO NOMINEES

If you purchased or otherwise acquired any MCSi common stock during the Class Period as nominee for a beneficial owner, then, within ten (10) days after you receive this Notice, you must either: (1) send a copy of this Notice and the Proof of Claim by first class mail to all such Persons; or (2) provide a list of the names and addresses of such Persons to the Claims Administrator:

MCSi Securities Litigation
c/o The Garden City Group, Inc.
P.O. Box 9000 #6503
Merrick, New York 11566-9000

If you choose to mail the Notice and Proof of Claim yourself, you may obtain from the Claims Administrator (without cost to you) as many additional copies of these documents as you will need to complete the mailing.

Regardless of whether you choose to complete the mailing yourself or elect to have the mailing performed for you, you may obtain reimbursement for or advancement of reasonable administrative costs actually incurred or expected to be incurred in connection with forwarding the Notice and Proof of Claim and which would not have been incurred but for the obligation to forward the Notice and Proof of Claim, upon submission of appropriate documentation to the Claims Administrator.

DATED: Dayton, Ohio
June 19, 2008

BY ORDER OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF OHIO.