

American Community Newspapers Inc.

Form SC 13G

February 07, 2008

**Table of Contents**

**SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**SCHEDULE 13G**

**(Rule 13d-102)**

**INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT TO RULES 13d-1(b), (c) AND  
(d) AND AMENDMENTS THERETO FILED PURSUANT TO RULE 13d-2  
(Amendment No \_\_\_\_\_)\***

**American Community Newspapers, Inc.**

(Name of Issuer)

Common Stock

(Title of Class of Securities)

02520T103

(CUSIP Number)

July 2, 2007

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

- Rule 13d-1(b)
- Rule 13d-1(c)
- Rule 13d-1(d)

\* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 ( Exchange Act ) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

**Table of Contents**

**SCHEDULE 13G**

CUSIP No. 02520T103

Page 2 of 12

**1** NAMES OF REPORTING PERSONS  
 I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)  
 MHR CAPITAL PARTNERS MASTER ACCOUNT LP

**2** CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\* Not applicable  
 (a)   
 (b)

**3** SEC USE ONLY

**4** CITIZENSHIP OR PLACE OF ORGANIZATION  
 Anguilla, British West Indies

**5** SOLE VOTING POWER  
 NUMBER OF 1,475,334

**6** SHARES BENEFICIALLY OWNED BY  
 SHARED VOTING POWER  
 -0-

**7** EACH REPORTING PERSON  
 SOLE DISPOSITIVE POWER  
 1,475,334

**8** WITH  
 SHARED DISPOSITIVE POWER  
 -0-

**9** AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

1,475,334

CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES\*

**10**

o

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9

**11**

9.5%

TYPE OF REPORTING PERSON\*

**12**

PN

\* SEE INSTRUCTIONS BEFORE FILLING OUT!

---

**Table of Contents**

**SCHEDULE 13G**

CUSIP No. 02520T103

Page 3 of 12

**1** NAMES OF REPORTING PERSONS  
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

MHR ADVISORS LLC

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\* Not applicable

**2**  
(a)   
(b)

**3** SEC USE ONLY

**4** CITIZENSHIP OR PLACE OF ORGANIZATION  
  
Delaware

**5** SOLE VOTING POWER

NUMBER OF 1,680,000

SHARES BENEFICIALLY OWNED BY **6** SHARED VOTING POWER  
-0-

EACH REPORTING PERSON **7** SOLE DISPOSITIVE POWER  
1,680,000

WITH **8** SHARED DISPOSITIVE POWER  
-0-

**9** AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

1,680,000

CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES\*

**10**

o

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9

**11**

10.7%

TYPE OF REPORTING PERSON\*

**12**

OO

\* SEE INSTRUCTIONS BEFORE FILLING OUT!

---

**Table of Contents**

**SCHEDULE 13G**

CUSIP No. 02520T103

Page 4 of 12

**1** NAMES OF REPORTING PERSONS  
 I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)  
 MHR FUND MANAGEMENT LLC

**2** CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\* Not applicable  
 (a)   
 (b)

**3** SEC USE ONLY

**4** CITIZENSHIP OR PLACE OF ORGANIZATION  
 Delaware

**5** SOLE VOTING POWER  
 NUMBER OF 1,680,000

**6** SHARES BENEFICIALLY OWNED BY  
 SHARED VOTING POWER  
 -0-

**7** EACH REPORTING PERSON  
 SOLE DISPOSITIVE POWER  
 1,680,000

**8** WITH  
 SHARED DISPOSITIVE POWER  
 -0-

**9** AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

1,680,000

CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES\*

**10**

o

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9

**11**

10.7%

TYPE OF REPORTING PERSON\*

**12**

OO

\* SEE INSTRUCTIONS BEFORE FILLING OUT!

---



**Table of Contents**

**SCHEDULE 13G**

CUSIP No. 02520T103 Page 5 of 12

**1** NAMES OF REPORTING PERSONS  
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

MARK H. RACHESKY, M.D.

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\* Not applicable

**2**  
(a)   
(b)

**3** SEC USE ONLY

**4** CITIZENSHIP OR PLACE OF ORGANIZATION  
United States of America

**5** SOLE VOTING POWER

NUMBER OF 1,680,000

SHARES BENEFICIALLY OWNED BY **6** SHARED VOTING POWER  
-0-

EACH REPORTING PERSON **7** SOLE DISPOSITIVE POWER  
1,680,000

WITH **8** SHARED DISPOSITIVE POWER  
-0-

**9** AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

1,680,000

CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES\*

**10**

o

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9

**11**

10.7%

TYPE OF REPORTING PERSON\*

**12**

IN

\* SEE INSTRUCTIONS BEFORE FILLING OUT!

---

**TABLE OF CONTENTS**

Item 1(a). Name of Issuer:

Item 1(b). Address of Issuer's Principal Executive Offices:

Item 2(a). Name of Person Filing

Item 2(b) Address of Principal Business Office, or if none, Residence

Item 2(c) Citizenship

Item 2(d) Title of Class of Securities

Item 2(e) CUSIP Number:

Item 3. If this Statement is Filed Pursuant to Rule 13d-1(b), or Rule 13d-2(b) or (c), Check Whether the Person Filing is a:

Item 4. Ownership

Item 4(a) Amount Beneficially Owned:

Item 4(b) Percentage of Class

Item 4(c) Number of shares as to which such person has

Item 5 Ownership of Five Percent or Less of a Class:

Item 6. Ownership of More than Five Percent on Behalf of Another Person:

Item 7 Identification and Classification of the Subsidiary which Acquired the Security Being Reported on by the Parent Holding Company:

Item 8 Identification and Classification of Members of the Group:

Item 9 Notice of Dissolution of Group:

SIGNATURE

EXHIBIT INDEX

EX-99.1: JOINT FILING AGREEMENT

EX-99.1: JOINT FILING AGREEMENT

---

**Table of Contents**

Item 1(a). Name of Issuer:

American Community Newspapers, Inc. (the Issuer )

Item 1(b). Address of Issuer's Principal Executive Offices:

14875 Landmark Blvd., Suite 110

Addison, TX 75254

Item 2(a). Name of Person Filing:

This statement is filed on behalf of each of the following persons (collectively, the Reporting Persons ):

1. MHR Capital Partners Master Account LP (Master Account );
  2. MHR Advisors LLC (Advisors );
  3. MHR Fund Management LLC (Fund Management ); and
-

**Table of Contents**

4. Mark H. Rachesky, M.D. ( Dr. Rachesky ).

This statement relates to securities held for the accounts of each of Master Account, a limited partnership organized in Anguilla, British West Indies and MHR Capital Partners (100) LP ( Capital Partners (100) ), a Delaware limited partnership. Advisors is the general partner of each of Master Account and Capital Partners (100), and, in such capacity, may be deemed to beneficially own the shares of common stock of the Issuer, par value \$0.0001 per share ( Common Stock ) held for the accounts of each of Master Account and Capital Partners (100). Fund Management is a Delaware limited liability company that is an affiliate of and has an investment management agreement with Master Account and Capital Partners (100), and other affiliated entities, pursuant to which it has the power to vote or direct the vote and to dispose or to direct the disposition of the securities reported herein and, accordingly, Fund Management may be deemed to beneficially own the securities held for the account of each of Master Account and Capital Partners (100). Dr. Rachesky is the managing member of Advisors, and, in such capacity, may be deemed to beneficially own the securities held for the accounts of each of Master Account and Capital Partners (100).

Item 2(b). Address of Principal Business Office, or if none, Residence:

The address of the principal business office of each of Advisors, Fund Management and Dr. Rachesky is 40 West 57th Street, 24th Floor, New York, New York, 10019.

Item 2(c). Citizenship:

1. Master Account is an Anguilla, British West Indies limited partnership.
2. Advisors is a Delaware limited liability company.
3. Fund Management is a Delaware limited liability company.
4. Dr. Rachesky is a United States citizen.

Item 2(d). Title of Class of Securities:

Common Stock

Item 2(e). CUSIP Number:

02520T103

Item 3. If this Statement is Filed Pursuant to Rule 13d-1(b), or Rule 13d-2(b) or (c), Check Whether the Person Filing is a:

- (a)  Broker or dealer registered under section 15 of the Exchange Act.
  - (b)  Bank as defined in section 3(a)(6) of the Exchange Act.
-

**Table of Contents**

- (c) o Insurance company as defined in section 3(a)(19) of the Exchange Act.
- (d) o Investment company registered under section 8 of the Investment Company Act.
- (e) o An investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E); (1)
- (f) o An employee benefit plan or endowment fund in accordance with Rule 13d-1(b)(1)(ii)(F);
- (g) o A parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G);
- (h) o A savings associations as defined in Section 3(b) of the Federal Deposit Insurance Act;
- (i) o A church plan that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act;
- (j) o Group, in accordance with Rule 13d-1(b)(1)(ii)(J).

Item 4. Ownership.

Item 4(a) Amount Beneficially Owned:

As of the date hereof:

1. Master Account may be deemed to be the beneficial owner of 1,475,334 shares of Common Stock held for its own account. This number consists of (A) 491,778 shares of Common Stock and (B) 983,556 shares of Common Stock that can be obtained by Master Account upon exercise of warrants to acquire shares of Common Stock.
  2. Capital Partners (100) may be deemed to be the beneficial owner of 204,666 shares of Common Stock held for its own account. This number consists of (A) 68,222 shares of Common Stock and (B) 136,444 shares of Common Stock that can be obtained by Capital Partners (100) upon exercise of warrants to acquire shares of Common Stock.
  3. Advisors may be deemed to be the beneficial owner of 1,680,000 shares of Common Stock. This number consists of (A) (1) 491,778 shares of Common Stock held for the account of Master Account and (2) 983,556 shares of Common Stock that can be obtained by Master Account upon exercise of warrants to acquire shares of Common Stock, and (B) (1) 68,222 shares of Common Stock held for the account of Capital Partners (100) and (2) 136,444 shares of Common Stock that can be obtained by Capital Partners (100) upon exercise of warrants to acquire shares of Common Stock.
  4. Fund Management may be deemed to be the beneficial owner of 1,680,000 shares of Common Stock. This number consists of (A) (1) 491,778 shares of Common Stock held for the account of Master Account and (2) 983,556 shares of Common Stock that can be obtained by Master Account upon exercise of warrants to acquire shares of Common Stock, and (B) (1) 68,222 shares of Common Stock held for the account of Capital Partners (100) and (2) 136,444 shares of Common Stock that can be obtained by Capital Partners (100) upon exercise of warrants to acquire shares of Common Stock.
  5. Dr. Rachesky may be deemed to be the beneficial owner of 1,680,000 shares of Common Stock. This number consists of (A) (1) 491,778 shares of Common Stock held for the account of Master Account and (2) 983,556 shares of Common Stock that can be obtained by Master Account upon exercise of warrants to acquire shares of Common Stock, and (B) (1) 68,222 shares of Common Stock held for the account of Capital Partners (100) and (2) 136,444 shares of Common Stock that can be obtained by Capital Partners (100) upon exercise of warrants to acquire shares of Common Stock.
-

**Table of Contents**

Item 4(b) Percentage of Class:

The percentages set forth below are calculated based on information contained in the Issuer's Form 10-Q for the quarterly period ended September 30, 2007, which disclosed that there were 14,623,445 shares of Common Stock outstanding as of November 14, 2007.

1. Master Account may be deemed to be the beneficial owner of approximately 9.5% of the total number of shares of Common Stock outstanding, calculated in accordance with Rule 13d-3(d)(1)(i) under the Securities Exchange Act of 1934, as amended (the Exchange Act ).
2. Capital Partners (100) may be deemed to be the beneficial owner of approximately 1.4% of the total number of shares of Common Stock outstanding, calculated in accordance with Rule 13d-3(d)(1)(i) under the Exchange Act.
3. Advisors may be deemed to be the beneficial owner of approximately 10.7% of the total number of shares of Common Stock outstanding, calculated in accordance with Rule 13d-3(d)(1)(i) under the Exchange Act.
4. Fund Management may be deemed to be the beneficial owner of approximately 10.7% of the total number of shares of Common Stock outstanding, calculated in accordance with Rule 13d-3(d)(1)(i) under the Exchange Act.
5. Dr. Rachesky may be deemed to be the beneficial owner of approximately 10.7% of the total number of shares of Common Stock outstanding, calculated in accordance with Rule 13d-3(d)(1)(i) under the Exchange Act.

Item 4(c) Number of shares as to which such person has:

1. Master Account
    - (i) Sole power to vote or to direct the vote: 1,475,334
    - (ii) Shared power to vote or to direct the vote: 0
    - (iii) Sole power to dispose or to direct the disposition of: 1,475,334
    - (iv) Shared power to dispose or to direct the disposition of: 0
  2. Capital Partners (100)
    - (i) Sole power to vote or to direct the vote: 204,666
    - (ii) Shared power to vote or to direct the vote: 0
    - (iii) Sole power to dispose or to direct the disposition of: 204,666
    - (iv) Shared power to dispose or to direct the disposition of: 0
-

**Table of Contents**

3. Advisors
    - (i) Sole power to vote or to direct the vote: 1,680,000
    - (ii) Shared power to vote or to direct the vote: 0
    - (iii) Sole power to dispose or to direct the disposition of: 1,680,000
    - (iv) Shared power to dispose or to direct the disposition of: 0
  4. Fund Management
    - (i) Sole power to vote or to direct the vote: 1,680,000
    - (ii) Shared power to vote or to direct the vote: 0
    - (iii) Sole power to dispose or to direct the disposition of: 1,680,000
    - (iv) Shared power to dispose or to direct the disposition of: 0
  5. Dr. Rachesky
    - (i) Sole power to vote or to direct the vote: 1,680,000
    - (ii) Shared power to vote or to direct the vote: 0
    - (iii) Sole power to dispose or to direct the disposition of: 1,680,000
    - (iv) Shared power to dispose or to direct the disposition of: 0
  - Item 5. Ownership of Five Percent or Less of a Class:

This Item 5 is not applicable.
  - Item 6. Ownership of More than Five Percent on Behalf of Another Person:

The partners of each of Master Account and Capital Partners (100), including Advisors, have the right to participate in the receipt of dividends from, or proceeds from the sale of, the shares of Common Stock held for the accounts of each of Master Account and Capital Partners (100) in accordance with their respective ownership interests in Master Account and Capital Partners (100).
  - Item 7. Identification and Classification of the Subsidiary which Acquired the Security Being Reported on by the Parent Holding Company:

This Item 7 is not applicable.
  - Item 8. Identification and Classification of Members of the Group:

This Item 8 is not applicable.
  - Item 9. Notice of Dissolution of Group:

This Item 9 is not applicable.
-



**Table of Contents**

**SIGNATURE**

After reasonable inquiry and to the best of my knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

February 7, 2008

MHR CAPITAL PARTNERS  
MASTER ACCOUNT LP

by: MHR Advisors LLC, its General Partner

By: /s/ Hal Goldstein  
Name: Hal Goldstein  
Title: Vice President

MHR ADVISORS LLC

By: /s/ Hal Goldstein  
Name: Hal Goldstein  
Title: Vice President

MHR FUND MANAGEMENT LLC

By: /s/ Hal Goldstein  
Name: Hal Goldstein  
Title: Vice President

MARK H. RACHESKY, M.D.

By: /s/ Hal Goldstein, Attorney in Fact

**EXHIBIT INDEX**

1. Joint Filing Agreement, dated as of February 7, 2008, by and among Master Account, Advisors, Fund Management and Dr. Rachesky.