

L-1 IDENTITY SOLUTIONS, INC.  
Form SC 13G  
August 15, 2008

OMB APPROVAL  
OMB Number: 3235-0145  
Expires: February 28, 2009  
Estimated average burden  
hours per response...10.4

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

**SCHEDULE 13G**

**Under the Securities and Exchange Act of 1934  
(Amendment No. )\***

L-1 Identity Solutions, Inc.  
(Name of Issuer)  
Common Stock  
(Title of Class of Securities)  
50212A 10 6  
(CUSIP Number)  
August 5, 2008  
(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 in 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 ( 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).

CUSIP No. 50212A 10 6

NAMES OF REPORTING PERSONS:

1

MHR Institutional Partners III LP

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY):

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS):

2

(a)

(b)

SEC USE ONLY:

3

CITIZENSHIP OR PLACE OF ORGANIZATION:

4

Delaware

SOLE VOTING POWER:

5

NUMBER OF 4,859,112

SHARED VOTING POWER:

SHARES BENEFICIALLY OWNED BY 6

SOLE DISPOSITIVE POWER:

EACH REPORTING PERSON 7

4,859,112

SHARED DISPOSITIVE POWER:

WITH: 8

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON:

9

4,859,112

**10** CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS):

o

**11** PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9):

5.7%

**12** TYPE OF REPORTING PERSON (SEE INSTRUCTIONS):

PN

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CUSIP No. 50212A 10 6

NAMES OF REPORTING PERSONS:

1

MHR Institutional Advisors III LLC

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY):

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS):

2

(a)

(b)

SEC USE ONLY:

3

CITIZENSHIP OR PLACE OF ORGANIZATION:

4

Delaware

SOLE VOTING POWER:

5

NUMBER OF 4,859,112

SHARED VOTING POWER:

SHARES BENEFICIALLY OWNED BY 6

SOLE DISPOSITIVE POWER:

EACH REPORTING PERSON 7

4,859,112

WITH: SHARED DISPOSITIVE POWER:

8

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON:

9

4,859,112

**10** CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS):

o

**11** PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9):

5.7%

**12** TYPE OF REPORTING PERSON (SEE INSTRUCTIONS):

OO

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CUSIP No. 50212A 10 6

NAMES OF REPORTING PERSONS:

1

MHR Fund Management LLC

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY):

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS):

2

(a)

(b)

SEC USE ONLY:

3

CITIZENSHIP OR PLACE OF ORGANIZATION:

4

Delaware

SOLE VOTING POWER:

5

NUMBER OF 5,789,456

SHARED VOTING POWER:

SHARES BENEFICIALLY OWNED BY 6

SOLE DISPOSITIVE POWER:

EACH REPORTING PERSON 7

5,789,456

WITH: SHARED DISPOSITIVE POWER:

8

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON:

9

5,789,456

**10** CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS):

o

**11** PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9):

6.7%

**12** TYPE OF REPORTING PERSON (SEE INSTRUCTIONS):

OO

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CUSIP No. 50212A 10 6

NAMES OF REPORTING PERSONS:

1

Mark H. Rachesky, M.D.

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY):

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS):

2

(a)

(b)

SEC USE ONLY:

3

CITIZENSHIP OR PLACE OF ORGANIZATION:

4

United States

SOLE VOTING POWER:

5

NUMBER OF 5,789,456

SHARED VOTING POWER:

SHARES BENEFICIALLY OWNED BY 6

SOLE DISPOSITIVE POWER:

EACH REPORTING PERSON 7

5,789,456

SHARED DISPOSITIVE POWER:

WITH: 8

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON:

9



5,789,456

**10** CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS):

o

**11** PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9):

6.7%

**12** TYPE OF REPORTING PERSON (SEE INSTRUCTIONS):

IN; HC

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**Item 1.**

(a) Name of Issuer:

L-1 Identity Solutions, Inc.

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

177 Broad Street, Fl. 12  
Stamford, CT 06901-5002

**Item 2.**

(a) Name of Persons Filing:

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

1. MHR Institutional Partners III LP (Institutional Partners III);
2. MHR Institutional Advisors III LLC (Institutional Advisors III);
3. MHR Fund Management LLC (Fund Management); and
4. Mark H. Rachesky, MD (Dr. Rachesky).

This statement relates to securities held for the accounts of each of MHR Capital Partners Master Account LP, a limited partnership organized in Anguilla, British West Indies (Master Account), MHR Capital Partners (100) LP (Capital Partners (100)) and Institutional Partners III, each (other than Master Account) a Delaware limited partnership. MHR Advisors LLC (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 held for the accounts of each of Master Account and Capital Partners (100). Institutional Advisors III is the general partner of Institutional Partners III, and, in such capacity, may be deemed to beneficially own the shares of Common Stock held for the account of Institutional Partners III. Fund Management is a Delaware limited liability company that is an affiliate of and has an investment management agreement with Master Account, Capital Partners (100) and Institutional Partners III, 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 shares of Common Stock reported herein and, accordingly, Fund Management may be deemed to beneficially own the shares of Common Stock reported herein which are held for the account of each of Master Account, Capital Partners (100) and Institutional Partners III. Dr. Rachesky is the managing member of Advisors, Institutional Advisors III and Fund Management, and, in such capacity, may be deemed to beneficially own the shares of Common Stock held for the accounts of each of Master Account, Capital Partners (100) and Institutional Partners III.

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

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The address of the principal business office of each of the Reporting Persons is 40 West 57<sup>th</sup> Street, 24<sup>th</sup> Floor, New York, NY 10019.

(c) Citizenship:

1. Institutional Partners III is a Delaware limited partnership.
2. Institutional Advisors III is a Delaware limited liability company.
3. Fund Management is a Delaware limited liability company.
4. Dr. Rachesky is a United States citizen.

(d) Title of Class of Securities:

Common Stock

(e) CUSIP Number:

50212A 10 6

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

**Item 4. Ownership.**

Provide the following information regarding the aggregate number and percentage of the class of securities of the issuer identified in Item 1.

(a) Amount beneficially owned:

As of the date hereof:

1. Master Account may be deemed to be the beneficial owner of 851,816 shares of Common Stock held for its own account.
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2. Capital Partners (100) may be deemed to be the beneficial owner of 78,528 shares of Common Stock held for its own account.
  3. Advisors may be deemed to be the beneficial owner of 930,344 shares of Common Stock. This number consists of (A) 851,816 shares of Common Stock held for the account of Master Account and (B) 78,528 shares of Common Stock held for the account of Capital Partners (100).
  4. Institutional Partners III may be deemed to be the beneficial owner of 4,859,112 shares of Common Stock held for its own account.
  5. Institutional Advisors III may be deemed to be the beneficial owner of 4,859,112 shares of Common Stock. This number consists of 4,859,112 shares of Common Stock held for the account of Institutional Partners III.
  6. Fund Management may be deemed to be the beneficial owner of 5,789,456 shares of Common Stock. This number consists of all of the shares of Common Stock otherwise described in this Item 4(a) by virtue of Fund Management's investment management agreement with Master Account, Capital Partners (100) and Institutional Partners III.
  7. Dr. Rachesky may be deemed to be the beneficial owner of 5,789,456 shares of Common Stock. This number consists of all of the shares of Common Stock otherwise described in this Item 4(a) by virtue of Dr. Rachesky's position as the managing member of each of Fund Management, Advisors and Institutional Advisors III.
- (b) Percent of class:
1. Master Account may be deemed to be the beneficial owner of approximately 1.0% 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 ).
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2. Capital Partners (100) may be deemed to be the beneficial owner of approximately 0.1% 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 1.1% 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. Institutional Partners III may be deemed to be the beneficial owner of approximately 5.7% 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. Institutional Advisors III may be deemed to be the beneficial owner of approximately 5.7% of the total number of shares of Common Stock outstanding, calculated in accordance with Rule 13d-3(d)(1)(i) under the Exchange Act.
  6. Fund Management may be deemed to be the beneficial owner of approximately 6.7% of the total number of shares of Common Stock outstanding, calculated in accordance with Rule 13d-3(d)(1)(i) under the Exchange Act.
  7. Dr. Rachesky may be deemed to be the beneficial owner of approximately 6.7% of the total number of shares of Common Stock outstanding, calculated in accordance with Rule 13d-3(d)(1)(i) under the Exchange Act.
- (c) Number of shares as to which the person has:
1. Master Account
-

- (i) Sole power to vote or to direct the vote: 851,816
  - (ii) Shared power to vote or to direct the vote: 0
  - (iii) Sole power to dispose or to direct the disposition of: 851,816
  - (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: 78,528
    - (ii) Shared power to vote or to direct the vote: 0
    - (iii) Sole power to dispose or to direct the disposition of: 78,528
    - (iv) Shared power to dispose or to direct the disposition of: 0
  - 3. Advisors
    - (i) Sole power to vote or to direct the vote: 930,344
    - (ii) Shared power to vote or to direct the vote: 0
    - (iii) Sole power to dispose or to direct the disposition of: 930,344
    - (iv) Shared power to dispose or to direct the disposition of: 0
  - 4. Institutional Partners III
    - (i) Sole power to vote or to direct the vote: 4,859,112
    - (ii) Shared power to vote or to direct the vote: 0
    - (iii) Sole power to dispose or to direct the disposition of: 4,859,112
    - (iv) Shared power to dispose or to direct the disposition of: 0
  - 5. Institutional Advisors III
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- (i) Sole power to vote or to direct the vote: 4,859,112
  - (ii) Shared power to vote or to direct the vote: 0
  - (iii) Sole power to dispose or to direct the disposition of: 4,859,112
  - (iv) Shared power to dispose or to direct the disposition of: 0
9. Fund Management
- (i) Sole power to vote or to direct the vote: 5,789,456
  - (ii) Shared power to vote or to direct the vote: 0
  - (iii) Sole power to dispose or to direct the disposition of: 5,789,456
  - (iv) Shared power to dispose or to direct the disposition of: 0
10. Dr. Rachesky
- (i) Sole power to vote or to direct the vote: 5,789,456
  - (ii) Shared power to vote or to direct the vote: 0
  - (iii) Sole power to dispose or to direct the disposition of: 5,789,456
  - (iv) Shared power to dispose or to direct the disposition of: 0

**Item 5. Ownership of Five Percent or Less of a Class.**

NOT APPLICABLE

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

The partners of each of Master Account, Capital Partners (100) and Institutional Partners III, including Advisors and Institutional Advisors III, 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, Capital Partners (100) and Institutional Partners III in accordance with their respective ownership interests in Master Account, Capital Partners (100) and Institutional Partners III.

**Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company or Control Person.**

NOT APPLICABLE

**Item 8. Identification and Classification of Members of the Group.**

NOT APPLICABLE

**Item 9. Notice of Dissolution of Group.**

NOT APPLICABLE

**Item 10. Certification.**

By signing below each signatory certifies that, to the best of its knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

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**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.

August 15, 2008

MHR INSTITUTIONAL PARTNERS III LP

By: MHR Institutional Advisors III LLC,  
its General Partner

By: /s/ Hal Goldstein Name: Hal  
Goldstein Title: Vice President MHR  
INSTITUTIONAL ADVISORS III 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

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**EXHIBIT INDEX**

1. Joint Filing Agreement, dated as of August 15, 2008, by and among Institutional Partners III, Institutional Advisors III, Fund Management and Dr. Rachesky.
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**EXHIBIT 1**  
**JOINT FILING AGREEMENT**

The undersigned hereby agree that this Schedule 13G with respect to the shares of common stock of L-1 Identity Solutions, Inc., dated as of August 15, 2008, is, and any amendments thereto (including amendments on Schedule 13D) signed by each of the undersigned shall be, filed on behalf of each of the undersigned pursuant to and in accordance with the provisions of Rule 13d-1(k) under the Securities Exchange Act of 1934.

August 15, 2008

MHR INSTITUTIONAL PARTNERS III LP

By: MHR Institutional Advisors III LLC,  
its General Partner

By: /s/ Hal Goldstein Name: Hal  
Goldstein Title: Vice President MHR  
INSTITUTIONAL ADVISORS III 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