

Flagstone Reinsurance Holdings Ltd  
 Form 4  
 August 27, 2009

**FORM 4**

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

OMB APPROVAL

OMB Number: 3235-0287  
 Expires: January 31, 2005  
 Estimated average burden hours per response... 0.5

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**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
**THORN WRAY T**

2. Issuer Name and Ticker or Trading Symbol  
**Flagstone Reinsurance Holdings Ltd [FSR]**

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)

3. Date of Earliest Transaction (Month/Day/Year)  
**08/12/2009**

Director  10% Owner  
 Officer (give title below)  Other (specify below)

**C/O FLAGSTONE REINSURANCE HOLDINGS LTD, CRAWFORD HOUSE, 23 CHURCH STREET**

(Street)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

**HAMILTON, D0 HM 11**

(City) (State) (Zip)

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	(A) or (D)	Price	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
Common Shares	08/12/2009		J <sup>(1)</sup>	11,529	D	\$ 11.2262	5,325,372	I <sup>(2)</sup> <sup>(3)</sup>	See footnotes <sup>(2)</sup> <sup>(3)</sup>
Common Shares	08/12/2009		J <sup>(1)</sup>	15,508	D	\$ 11.2554	5,309,864	I <sup>(2)</sup> <sup>(3)</sup>	See footnotes <sup>(2)</sup> <sup>(3)</sup>
Common Shares	08/13/2009		J <sup>(1)</sup>	11,253	D	\$ 11.1456	5,298,611	I <sup>(2)</sup> <sup>(3)</sup>	See footnotes <sup>(2)</sup> <sup>(3)</sup>

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Common Shares	08/14/2009	J <sup>(1)</sup>	76	D	\$ 11.22	5,298,535	I <sup>(2)</sup> <sup>(3)</sup>	See footnotes <sup>(2)</sup> <sup>(3)</sup>
Common Shares	08/17/2009	J <sup>(1)</sup>	22,492	D	\$ 11.0009	5,276,043	I <sup>(2)</sup> <sup>(3)</sup>	See footnotes <sup>(2)</sup> <sup>(3)</sup>
Common Shares	08/18/2009	J <sup>(1)</sup>	81,647	D	\$ 11.0596	5,194,396	I <sup>(2)</sup> <sup>(3)</sup>	See footnotes <sup>(2)</sup> <sup>(3)</sup>
Common Shares	08/19/2009	J <sup>(1)</sup>	179,693	D	\$ 10.9789	5,014,703	I <sup>(2)</sup> <sup>(3)</sup>	See footnotes <sup>(2)</sup> <sup>(3)</sup>
Common Shares	08/20/2009	J <sup>(4)</sup>	2,100	A	\$ 10.8743	5,016,803	I <sup>(2)</sup> <sup>(3)</sup>	See footnotes <sup>(2)</sup> <sup>(3)</sup>
Common Shares	08/20/2009	J <sup>(1)</sup>	2,807	D	\$ 10.87	5,013,996	I <sup>(2)</sup> <sup>(3)</sup>	See footnotes <sup>(2)</sup> <sup>(3)</sup>
Common Shares	08/20/2009	J <sup>(1)</sup>	53,200	D	\$ 10.8825	4,960,796	I <sup>(2)</sup> <sup>(3)</sup>	See footnotes <sup>(2)</sup> <sup>(3)</sup>
Common Shares	08/21/2009	J <sup>(1)</sup>	158,500	D	\$ 10.9223	4,802,296	I <sup>(2)</sup> <sup>(3)</sup>	See footnotes <sup>(2)</sup> <sup>(3)</sup>
Common Shares	08/24/2009	J <sup>(1)</sup>	95,120	D	\$ 10.8483	4,707,176	I <sup>(2)</sup> <sup>(3)</sup>	See footnotes <sup>(2)</sup> <sup>(3)</sup>

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474  
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**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**  
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Own Follo Repo Trans (Instr
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	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Code	V	(A)	(D)	

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
THORN WRAY T C/O FLAGSTONE REINSURANCE HOLDINGS LTD CRAWFORD HOUSE, 23 CHURCH STREET HAMILTON, D0 HM 11	X			

## Signatures

/s/ Wray T.  
Thorn

08/27/2009

\*\*Signature of  
Reporting Person

Date

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
- \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Represents a sale by Marathon Special Opportunity Master Fund, Ltd. (the "Master Fund") and/or Marathon Special Opportunity Liquidating Fund, Ltd. (the "Liquidating Fund" and together with the Master Fund, the "Funds").  
  
As of August 24, 2009, the Funds held, in the aggregate, 4,707,176 common shares of Flagstone Reinsurance Holdings Limited (the "Company"). The reporting person is a director of the Company. The reporting person does not individually hold or otherwise beneficially own any securities of the Company. The reporting person is an employee of Marathon Asset Management, LP (formerly known as Marathon Asset Management, LLC, the "Investment Manager"), which serves as the investment manager of the Funds. The Funds own certain securities of the Company, all of which are subject to the sole voting and investment authority of the Investment Manager. Thus, for the purposes of Reg. Section 240.13d-3, the Investment Manager is deemed to beneficially own the securities of the Company held by the Funds, and the reporting person disclaims beneficial ownership of the securities of the Company held by the Funds.
- (2) The Investment Manager, in its capacity as the holder of sole voting and investment authority of more than 5% of the common shares of the Company pursuant to Reg. 13d-3, separately files statements pursuant to Section 13 of the Securities Exchange Act of 1934, as amended. The reporting person's interest in the securities reported herein is limited to the extent of his pecuniary interest in the Funds, if any.
- (3) Represents a purchase by the Master Fund and/or the Liquidating Fund.
- (4)

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.