

Flagstone Reinsurance Holdings Ltd  
 Form 3  
 March 29, 2007

**FORM 3 UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

OMB APPROVAL

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**INITIAL STATEMENT OF 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 * Â THORN WRAY T (Last) (First) (Middle)  FLAGSTONE REINSURANCE HOLDINGS LIMITED, Â 23 CHURCH STREET (Street)  HAMILTON, D0Â HM11 (City) (State) (Zip)	2. Date of Event Requiring Statement (Month/Day/Year) 03/29/2007	3. Issuer Name <b>and</b> Ticker or Trading Symbol Flagstone Reinsurance Holdings Ltd [FSR]	4. Relationship of Reporting Person(s) to Issuer  (Check all applicable)  <input checked="" type="checkbox"/> Director <input type="checkbox"/> 10% Owner <input type="checkbox"/> Officer <input type="checkbox"/> Other (give title below)    (specify below)	5. If Amendment, Date Original Filed(Month/Day/Year)	6. Individual or Joint/Group Filing(Check Applicable Line) <input checked="" type="checkbox"/> Form filed by One Reporting Person <input type="checkbox"/> Form filed by More than One Reporting Person
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**Table I - Non-Derivative Securities Beneficially Owned**

1. Title of Security (Instr. 4)	2. Amount of Securities Beneficially Owned (Instr. 4)	3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	4. Nature of Indirect Beneficial Ownership (Instr. 5)
Common Shares	5,504,997	I <u>(1)</u> <u>(2)</u>	By Marathon Special Opportunity Master Fund, Ltd. <u>(1)</u> <u>(2)</u>

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

SEC 1473 (7-02)

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**Table II - Derivative Securities Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)	3. Title and Amount of Securities Underlying Derivative Security	4. Conversion or Exercise	5. Ownership Form of	6. Nature of Indirect Beneficial Ownership (Instr. 5)
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	Date Exercisable	Expiration Date	(Instr. 4)	Amount or Number of Shares	Price of Derivative Security	Derivative Security: Direct (D) or Indirect (I) (Instr. 5)	
			Title				
Restricted Share Units	Â (3)	Â (3)	Common Shares	4,997	\$ 0 (4)	I (1) (2)	By Marathon Special Opportunity Master Fund, Ltd. (1) (2)

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
THORN WRAY T FLAGSTONE REINSURANCE HOLDINGS LIMITED 23 CHURCH STREET HAMILTON, D0Â HM11	Â X	Â	Â	Â

## Signatures

/s/ Wray T. Thorn  
03/29/2007

\_\_Signature of Reporting Person Date

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, *see* Instruction 5(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) The reporting person is a director of Flagstone Reinsurance Holdings Limited (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, LLC (the "Investment Manager"), which serves as the investment manager of Marathon Special Opportunity Master Fund, Ltd. (the "Fund"). The Fund owns 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 Fund, and the reporting person disclaims beneficial ownership of the securities of the Company held by the Fund.
- (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 Fund, if any.
- (3) The Restricted Share Units ("RSUs") vest 100% on the date of the grant.
- (4) Each RSU represents the right to receive without payment to the Company, one newly-issued, fully paid and non-assessable common share of the Company, subject to the terms and conditions of the RSU Plan and the grant certificate evidencing each grant. In the discretion of the Compensation Committee, upon vesting the value of an RSU grant alternatively may be paid in cash, or partly in cash and partly in common shares.

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.