

Flagstone Reinsurance Holdings Ltd  
Form SC 13G/A  
February 12, 2010

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 13G**

Under the Securities Exchange Act of 1934

(Amendment No. 3)\*

**Flagstone Reinsurance Holdings Limited**

(Name of issuer)

Common Shares, \$0.01 par value

(Title of class of securities)

G3529T105

(CUSIP number)

December 31, 2009

(Date of event which requires filing of this statement)

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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. G3529T105

1. Names of reporting persons.

I.R.S. Identification Nos. of above persons (entities only).

QVT Financial LP

11-3694008

2. Check the appropriate box if a member of a group (see instructions)

(a)  (b)

3. SEC use only

4. Citizenship or place of organization

Delaware

5. Sole voting power

Number of

shares  6. Shared voting power

beneficially

owned by   
each 7. Sole dispositive power

reporting

person   
with: 8. Shared dispositive power

9. Aggregate amount beneficially owned by each reporting person

1,117,363

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10. Check if the aggregate amount in Row (9) excludes certain shares (see instructions) "

11. Percent of class represented by amount in Row (9)

1.35%

12. Type of reporting person (see instructions)

PN

CUSIP No. G3529T105

1. Names of reporting persons.

I.R.S. Identification Nos. of above persons (entities only).

QVT Financial GP LLC

11-3694007

2. Check the appropriate box if a member of a group (see instructions)

(a)  (b)

3. SEC use only

4. Citizenship or place of organization

Delaware

5. Sole voting power

Number of

shares  6. Shared voting power

beneficially

owned by   
each 7. Sole dispositive power

reporting

person   
with: 8. Shared dispositive power

9. Aggregate amount beneficially owned by each reporting person

1,117,363

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10. Check if the aggregate amount in Row (9) excludes certain shares (see instructions) "

11. Percent of class represented by amount in Row (9)

1.35%

12. Type of reporting person (see instructions)

OO

CUSIP No. G3529T105

1. Names of reporting persons.

I.R.S. Identification Nos. of above persons (entities only).

QVT Associates GP LLC

01-0798253

2. Check the appropriate box if a member of a group (see instructions)

(a)  (b)

3. SEC use only

4. Citizenship or place of organization

Delaware

5. Sole voting power

Number of

shares 0  
6. Shared voting power

beneficially

owned by 1,117,363  
each 7. Sole dispositive power

reporting

person 0  
8. Shared dispositive power  
with:

1,117,363  
9. Aggregate amount beneficially owned by each reporting person

1,117,363

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10. Check if the aggregate amount in Row (9) excludes certain shares (see instructions) "

11. Percent of class represented by amount in Row (9)

1.35%

12. Type of reporting person (see instructions)

OO



**Item 1 (a).** Name of Issuer

Flagstone Reinsurance Holdings Limited (the Issuer )

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

The address of the Issuer s principal executive offices is:  
Crawford House, 23 Church Street, Hamilton HM11, Bermuda

**Item 2 (a).** Name of Person Filing

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

**Item 2 (c).** Citizenship

QVT Financial LP

1177 Avenue of the Americas, 9th Floor

New York, New York 10036

Delaware Limited Partnership

QVT Financial GP LLC

1177 Avenue of the Americas, 9th Floor

New York, New York 10036

Delaware Limited Liability Company

QVT Associates GP LLC

1177 Avenue of the Americas, 9th Floor

New York, New York 10036

Delaware Limited Liability Company

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

Common shares, \$0.01 par value per share (the Common Shares )

**Item 2 (e).** CUSIP Number

The CUSIP number of the Common Shares is G3529T105.

**Item 3. If this statement is filed pursuant to §§ 240.13d-1(b) or 240.13d-2(b) or (c), check whether the person filing is a:**

- (a)  Broker or dealer registered under section 15 of the Act (15 U.S.C. 78o).
- (b)  Bank as defined in section 3(a)(6) of the Act (15 U.S.C. 78c).
- (c)  Insurance company as defined in section 3(a)(19) of the Act (15 U.S.C. 78c).
- (d)  Investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8).
- (e)  An investment adviser in accordance with § 240.13d-1(b)(1)(ii)(E);
- (f)  An employee benefit plan or endowment fund in accordance with § 240.13d-1(b)(1)(ii)(F);
- (g)  A parent holding company or control person in accordance with § 240.13d-1(b)(1)(ii)(G);
- (h)  A savings associations as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C. 1813);

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- (i) " A church plan that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940 (15 U.S.C. 80a-3);
- (j) " A non-U.S. institution in accordance with §240.13d-1(b)(1)(ii)(J);
- (k) " Group, in accordance with §240.13d-1(b)(1)(ii)(K). If filing as a non-U.S. institution in accordance with §240.13d-1(b)(1)(ii)(J), please specify the type of institution: .

**Item 4. Ownership.**

(a) Amount beneficially owned:

QVT Financial LP ( QVT Financial ) is the investment manager for QVT Fund LP (the Fund ), which beneficially owns 861,773 Common Shares. QVT Financial is also the investment manager for Quintessence Fund L.P. ( Quintessence ), which beneficially owns 255,590 Common Shares. QVT Financial has the power to direct the vote and disposition of the Common Shares held by the Fund and Quintessence. Accordingly, QVT Financial may be deemed to be the beneficial owner of the 1,117,363 Common Shares owned by the Fund and Quintessence.

QVT Financial GP LLC, as General Partner of QVT Financial, may be deemed to beneficially own the same number of Common Shares reported by QVT Financial. QVT Associates GP LLC, as General Partner of the Fund and Quintessence, may be deemed to beneficially own the aggregate number of Common Shares owned by the Fund and Quintessence, and accordingly, QVT Associates GP LLC may be deemed to be the beneficial owner of an aggregate amount of 1,117,363 Common Shares.

As of December 31, 2009, the Fund beneficially owned 864,542 shares of Common Stock and Quintessence beneficially owned 256,410 shares of Common Stock. Accordingly, as of December 31, 2009, QVT Financial, QVT Financial GP LLC and QVT Associates GP LLC each may have been deemed to be the beneficial owner of 1,120,952 shares of Common Stock.

Each of QVT Financial and QVT Financial GP LLC disclaims beneficial ownership of the Common Shares owned by the Fund and Quintessence. QVT Associates GP LLC disclaims beneficial ownership of all Common Shares owned by the Fund and Quintessence, except to the extent of its pecuniary interest therein.

The percentage disclosed in Item 11 of the Cover Pages for each reporting person is calculated based upon 82,864,844 Common Shares outstanding, which is the total number of shares issued and outstanding as reported in the Issuer's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 and filed with the Securities and Exchange Commission on November 3, 2009.

(b) Percent of class:

See Item 11 of the Cover Pages to this Schedule 13G.

(c) Number of shares as to which the person has:

(i) Sole power to vote or to direct the vote

0

(ii) Shared power to vote or to direct the vote

See item (a) above.

(iii) Sole power to dispose or to direct the disposition of

0

(iv) Shared power to dispose or to direct the disposition of

See item (a) above.

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

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following .

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

Not Applicable

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

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 I certify that, to the best of my 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.

**SIGNATURE**

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

Dated: February 11, 2010

**QVT FINANCIAL LP**

By QVT Financial GP LLC,  
its General Partner

By: /s/ OREN EISNER  
Name: **Oren Eisner**  
Title: **Authorized Signatory**

**QVT FINANCIAL GP LLC**

By: /s/ OREN EISNER  
Name: **Oren Eisner**  
Title: **Authorized Signatory**

**QVT ASSOCIATES GP LLC**

By: /s/ OREN EISNER  
Name: **Oren Eisner**  
Title: **Authorized Signatory**