

Flagstone Reinsurance Holdings Ltd  
Form SC 13G/A  
February 12, 2008

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

**Washington, D.C. 20549**

**SCHEDULE 13G**

**Under the Securities Exchange Act of 1934**

**(Amendment No. 1)\***

**Flagstone Reinsurance Holdings Limited**

**(Name of Issuer)**

**Common Shares, \$0.01 par value**

**(Title of Class of Securities)**

**G3529T105**

**(CUSIP Number)**

**December 31, 2007**

**(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

0

Shares

6. Shared Voting Power

Beneficially

Owned by

5,505,016

Each

7. Sole Dispositive Power

Reporting

Person

0

8. Shared Dispositive Power

With:

5,505,016

9. Aggregate Amount Beneficially Owned by Each Reporting Person

5,505,016

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)

11. Percent of Class Represented by Amount in Row (9)

6.45%

12. Type of Reporting Person (See Instructions)

PN

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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

0

Shares

6. Shared Voting Power

Beneficially

Owned by

5,505,016

Each

7. Sole Dispositive Power

Reporting

Person

0

8. Shared Dispositive Power

With:

5,505,016

9. Aggregate Amount Beneficially Owned by Each Reporting Person

5,505,016

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)

11. Percent of Class Represented by Amount in Row (9)

6.45%

12. Type of Reporting Person (See Instructions)

OO

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CUSIP No. G3529T105

1. Names of Reporting Persons.

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

**QVT Fund LP**

98-0415217

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

Cayman Islands

5.  Sole Voting Power

Number of

0

Shares

6.  Shared Voting Power

Beneficially

Owned by

4,705,559

Each

7.  Sole Dispositive Power

Reporting

Person

0

8.  Shared Dispositive Power

With:

4,705,559

9. Aggregate Amount Beneficially Owned by Each Reporting Person

4,705,559

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)

..

11. Percent of Class Represented by Amount in Row (9)

5.52%

12. Type of Reporting Person (See Instructions)

PN

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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

0

Shares

6. Shared Voting Power

Beneficially

Owned by

5,461,471

Each

7. Sole Dispositive Power

Reporting

Person

0

8. Shared Dispositive Power

With:

5,461,471

9. Aggregate Amount Beneficially Owned by Each Reporting Person

5,461,471

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)

11. Percent of Class Represented by Amount in Row (9)

6.40%

12. Type of Reporting Person (See Instructions)

OO

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- 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 Fund LP  
Walkers SPV, Walkers House  
Mary Street  
George Town, Grand Cayman, KY1 9001 Cayman Islands  
Cayman Islands Limited Partnership  
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);
  - (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) .. Group, in accordance with § 240.13d-1(b)(1)(ii)(J).



**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 4,705,559 Common Shares. QVT Financial is also the investment manager for Quintessence Fund L.P. ( Quintessence ), which beneficially owns 755,912 Common Shares. QVT Financial is also the investment manager for a separate discretionary account managed for Deutsche Bank AG (the Separate Account ), which holds 43,545 Common Shares. QVT Financial has the power to direct the vote and disposition of the Common Shares held by the Fund, Quintessence and the Separate Account. Accordingly, QVT Financial may be deemed to be the beneficial owner of the 5,505,016 Common Shares owned by the Fund and Quintessence, and held in the Separate Account.

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 5,461,471 Common Shares.

Each of QVT Financial and QVT Financial GP LLC disclaims beneficial ownership of the Common Shares owned by the Fund and Quintessence and held in the Separate Account. 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 85,297,891 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, 2007.

(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.

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**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, 2008

**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 FUND LP**

By QVT Associates GP LLC,  
its General Partner

By: /s/ Oren Eisner  
Name: Oren Eisner  
Title: Authorized Signatory

**QVT ASSOCIATES GP LLC**

By: /s/ Oren Eisner  
Name: Oren Eisner  
Title: Authorized Signatory

EXHIBIT A

JOINT FILING AGREEMENT

The undersigned hereby agree that the statement on Schedule 13G 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, as amended.

Dated: February 11, 2008

**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 FUND LP**

By QVT Associates GP LLC,  
its General Partner

By: /s/ Oren Eisner  
Name: Oren Eisner  
Title: Authorized Signatory

**QVT ASSOCIATES GP LLC**

By: /s/ Oren Eisner  
Name: Oren Eisner  
Title: Authorized Signatory