

Edgar Filing: Flagstone Reinsurance Holdings Ltd - Form SC 13D/A

Flagstone Reinsurance Holdings Ltd  
Form SC 13D/A  
September 10, 2009

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 13D  
Under the Securities Exchange Act of 1934

(Amendment No. 2) \*

Flagstone Reinsurance Holdings Limited

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(Name of Issuer)

Common Shares, \$0.01 par value per share

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(Title of Class of Securities)

G3529T105

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(CUSIP Number)

Gregory L. Florio, Esq.  
Marathon Asset Management, LP  
One Bryant Park, 38th Floor  
New York, New York 10036  
212.381.0159

with a copy to:  
Robert G. Minion, Esq.  
Lowenstein Sandler PC  
1251 Avenue of the Americas  
New York, New York 10020  
973.597.2424

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(Name, Address and Telephone Number of Person  
Authorized to Receive Notices and Communications)

September 8, 2009

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(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of Sections 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box. [ ]

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Section 240.13d-7 for other parties to whom copies are to be sent.

\*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 disclosures provided in a prior cover page.

The information required on 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).

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Cusip No. G3529T105

1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only):

Marathon Asset Management, LP

2. Check the Appropriate Box if a Member of a Group (See Instructions):

(a) Not  
(b) Applicable

3. SEC Use Only

4. Source of Funds (See Instructions): AF, WC

5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e):

Not Applicable

6. Citizenship or Place of Organization: Delaware

Number of	7. Sole Voting Power:	4,180,608*
Shares Beneficially	8. Shared Voting Power:	0*
Owned by Each Reporting	9. Sole Dispositive Power:	4,180,608*
Person With	10. Shared Dispositive Power:	0*

11. Aggregate Amount Beneficially Owned by Each Reporting Person: 4,180,608\*

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions): Not Applicable

13. Percent of Class Represented by Amount in Row (11): 4.9%\*

14. Type of Reporting Person (See Instructions): IA

\* As of September 8, 2009, Marathon Special Opportunity Master Fund, Ltd. (the "Master Fund") and Marathon Special Opportunity Liquidating Fund, Ltd. (the "Liquidating Fund" and together with the Master Fund, the "Funds") held in the aggregate 4,154,134 shares of common shares, par value \$0.01 per share (the "Shares"), of Flagstone Reinsurance Holdings Limited, a Bermuda exempted company (the "Company"). As of September 8, 2009, the Master Fund held in the aggregate 26,474 restricted share units ("RSU"). Each RSU represents the right to receive without payment to the Company one newly-issued, fully paid and non-assessable Share, subject to the terms and conditions of the RSU Plan and the grant certificate evidencing each grant. In the discretion of the Compensation Committee of the Company, upon vesting, the value of an RSU grant alternatively may be paid in cash, or partly in cash and partly in Shares. Marathon Asset

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Management, LP, a Delaware limited partnership (the "Investment Manager"), serves as the investment manager of the Funds pursuant to one or more Investment Management Agreements between the Investment Manager and the Funds. As a result, the Investment Manager possesses the sole power to vote and the sole power to direct the disposition of all securities of the Company held by the Funds. Accordingly, as of September 8, 2009, for the purposes of Rule 13d-3 under the Securities Exchange Act of 1934, as amended, the Investment Manager is deemed to beneficially own 4,180,608 Shares, or 4.9% of the Shares deemed issued and outstanding as of that date.

Item 5. Interest in Securities of the Issuer.  
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Item 5 is hereby amended and restated in its entirety as follows:

According to the Form 10-Q for the quarterly period ended June 30, 2009, and filed with the Securities and Exchange Commission on August 4, 2009, there were 84,864,844 shares of common shares, par value \$0.01 per share (the "Shares"), of Flagstone Reinsurance Holdings Limited, a Bermuda exempted company (the "Company"), issued and outstanding as of July 31, 2009. As of September 8, 2009, (i) the Funds held in the aggregate 4,154,134 Shares and (ii) the Master Fund held in the aggregate 26,474 restricted share units ("RSU"). Each RSU represents the right to receive without payment to the Company one newly-issued, fully paid and non-assessable Share, subject to the terms and conditions of the RSU Plan and the grant certificate evidencing each grant. In the discretion of the Compensation Committee of the Company, upon vesting, the value of an RSU grant alternatively may be paid in cash, or partly in cash and partly in Shares. Accordingly, as of September 8, 2009, for the purposes of Rule 13d-3 under the Securities Exchange Act of 1934, as amended, the Investment Manager is deemed to beneficially own 4,180,608 Shares, or 4.9% of the Shares deemed issued and outstanding as of that date.

The following table details the transactions since the most recent filing on Schedule 13D in Shares, or securities convertible into, exercisable for or exchangeable for Shares, by the Investment Manager or any other person or entity controlled by the Investment Manager or any person or entity for which the Investment Manager possesses voting or investment control over the securities thereof (each of which was effected in an ordinary brokerage transaction).

Purchases  
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Date	Security	Amount	Price
08/20/2009	Shares	2,100	\$10.8743

Sales  
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Date	Security	Amount	Price
09/08/2009	Shares	99,509	\$10.5292
09/04/2009	Shares	56,378	\$10.5443
08/31/2009	Shares	84,054	\$10.8585
08/28/2009	Shares	25,245	\$10.8656

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08/27/2009	Shares	40,687	\$10.8973
08/26/2009	Shares	152,770	\$10.8979
08/25/2009	Shares	94,399	\$10.899
08/24/2009	Shares	95,120	\$10.8483
08/21/2009	Shares	158,500	\$10.9223
08/20/2009	Shares	53,200	\$10.8825
08/20/2009	Shares	2,807	\$10.87

As of September 8, 2009, the Investment Manager ceased to beneficially own more than 5% of the outstanding Shares.

Signature

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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.

September 10, 2009

MARATHON ASSET MANAGEMENT, LP

By: Marathon Asset Management GP, LLC,  
its general partner

By: /s/ Gregory Florio

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Name: Gregory Florio  
Title: Chief Compliance Officer

Attention: Intentional misstatements or omissions of fact constitute Federal criminal violations (See 18 U.S.C. 1001).