

Flagstone Reinsurance Holdings Ltd
 Form 4
 October 19, 2007

FORM 4

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

OMB APPROVAL

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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 *

LEHMAN BROTHERS HOLDINGS INC

(Last) (First) (Middle)

745 SEVENTH AVENUE

(Street)

NEW YORK, NY 10019

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol

Flagstone Reinsurance Holdings Ltd [FSR]

3. Date of Earliest Transaction (Month/Day/Year)

10/17/2007

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

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

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

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)			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)	
				Code	V	Amount				(A) or (D)
Common Stock	10/17/2007		P		2,800	A	\$ 14.05	15,832,800	I	See Footnote (1)
Common Stock	10/17/2007		S		2,800	D	\$ 14	15,830,000	I	See Footnote (2)

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

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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. Number of Derivative Securities Owned Beneficially (Instr. 5)
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
LEHMAN BROTHERS HOLDINGS INC 745 SEVENTH AVENUE NEW YORK, NY 10019		X		

Signatures

/s/ Barrett S.
DiPaolo 10/19/2007

**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. By indirect, wholly-owned subsidiaries of the Reporting Person: 5,117,509 shares held by Lehman Brothers Merchant Banking Partners III L.P.; 1,127,932 held by Lehman Brothers Merchant Banking Fund III L.P.; 1,359,223 held by Lehman Brothers Merchant Banking Fund (B) III L.P.; 2,147,199 held by LB I Group Inc.; 172,182 held by Lehman Brothers Co-Investment Capital Partners L.P.; (1) 122,082 held by Lehman Brothers Co-Investment Group L.P.; 4,705,737 held by Lehman Brothers Co-Investment Partners L.P.; 430,000 held by Lehman Brothers Fund of Funds XVIII-Co-Investment Holdings, L.P.; 248,137 held by Lehman Brothers Merchant Banking Capital Partners V L.P.; 400,000 held by Lehman Crossroads Series XVII Master Holding Fund 66, L.P. and 2,800 held by Lehman Brothers Inc.

1. By indirect, wholly-owned subsidiaries of the Reporting Person: 5,117,509 shares held by Lehman Brothers Merchant Banking Partners III L.P.; 1,127,932 held by Lehman Brothers Merchant Banking Fund III L.P.; 1,359,223 held by Lehman Brothers Merchant Banking Fund (B) III L.P.; 2,147,199 held by LB I Group Inc.; 172,182 held by Lehman Brothers Co-Investment Capital Partners L.P.; (2) 122,082 held by Lehman Brothers Co-Investment Group L.P.; 4,705,737 held by Lehman Brothers Co-Investment Partners L.P.; 430,000 held by Lehman Brothers Fund of Funds XVIII-Co-Investment Holdings, L.P.; 248,137 held by Lehman Brothers Merchant Banking Capital Partners V L.P.; and 400,000 held by Lehman Crossroads Series XVII Master Holding Fund 66, L.P.

Remarks:

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See Exhibit 99.1 for Joint Filer Information.

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.