

February 2, 2017

e-mail: [gberman@dsi.biz](mailto:gberman@dsi.biz)

To the Creditors of:

BLUEFLY, INC. and  
BLUEFLY Holdings, Inc.  
Delaware corporations,  
42 W. 39<sup>th</sup> Street, New York, NY

RE: NOTICE OF COMMENCEMENT OF GENERAL  
ASSIGNMENT FOR THE BENEFIT OF CREDITORS

Dear Sir and/or Madam:

Please be advised that Bluefly, Inc. and Bluefly Holdings, Inc. (Bluefly) executed a general assignment for the benefit of creditors (the “Assignment”) in favor of DSI Assignments, LLC, (the “Assignee”) in accordance with the applicable provisions of Delaware law governing General Assignments for the Benefit of Creditors, 10 *Del. C. §7381 et. seq.* The petition commencing the Assignment was filed with the Court of Chancery on January 20, 2017. A copy of the petition, Trust Agreement and General Assignment for the benefit of creditors are attached for your information.

Bluefly operates an e-commerce/online marketplace website ([www.bluefly.com](http://www.bluefly.com)) which sells apparel and accessories. In August of 2013, Bluefly entered into a revolving credit and security agreement with PNC Bank, N.A. as agent for lenders, which loan was secured by a lien on all of Bluefly’s assets (the “Credit Agreement”). On January 11, 2017, Total Fashion, Inc. (TFI) and PNC Bank entered into a Purchase agreement whereby TFI purchased the PNC Bank senior secured position and immediately became the Agent under the Credit Agreement.

As of the date of the Assignment, Bluefly owes in excess of \$4.8 million under the Credit Agreement. Additionally, Bluefly owes more than \$17 million on account of certain promissory notes (the “Second Lien Notes”). The Second Lien Notes are also secured by all of Bluefly’s assets but such debt is subordinate to the obligations under the Credit Agreement. The Assignee has investigated the validity and perfection of the secured creditor liens and claims and the Assignee believes that such liens and claims are valid and perfected. Accordingly, the Assignee believes the secured lenders are entitled to the proceeds from any liquidation of Bluefly’s assets. The Assignee has retained the firm of Richards Layton & Finger, LLP to serve as its counsel, and other professionals may be retained as become necessary.

CHICAGO

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Because of the online nature of Bluefly's business, and in an effort to maintain any going concern value in the business, the Assignee has entered into a Management Services Agreement with TFI, whereby TFI has assumed control of the daily post-assignment operations of the business pending a sale of the assets.

Bluefly's management marketed the assets of the business for a sale beginning in 2014. Those efforts were conducted with the assistance of Needham & Company. However as of the beginning of 2017, those efforts had not resulted in a buyer willing to pay an amount for which the senior secured lenders were willing to release their liens.

The Assignee has agreed to make the Bluefly assets available for sale through a motion (the "Motion") now pending before the Court of Chancery. Pursuant to the Motion, the Assignee proposes to sell the Bluefly Assets to TFI in exchange for TFI's credit bid of the secured obligations owed under the Credit Agreement and Second Lien Notes. Anyone interested in potentially bidding on the assets should review the Motion, which is available on the court's docket or through the Assignee's website, [www.dsiassignments.com](http://www.dsiassignments.com), under the Bluefly case tab.

Attached to this notice is an Affidavit of Claim form that must be completed and returned to the Assignee, at its Chicago, IL offices (the address is on the form) no later than **April 30, 2017** along with any documents supporting your claim. Creditors who fail to file their Affidavit of Claim by April 30, 2017 may not be entitled to share in any distribution on account of unsecured claims arising out of the liquidation of Bluefly's assets to the extent there is any value beyond the secured creditors' claims. The filing of an Affidavit of Claim does not guaranty that there will in fact be a recovery for unsecured creditors.

Please feel free to contact Steve Victor ([svictor@dsi.biz](mailto:svictor@dsi.biz)) or John Wheeler ([jwheeler@dsi.biz](mailto:jwheeler@dsi.biz)) by e-mail or telephone at (312) 263-4141, the undersigned ([gberman@dsi.biz](mailto:gberman@dsi.biz)) or by telephone at (213) 617-2717, or Paul Heath, Esq. ([heath@rlf.com](mailto:heath@rlf.com)) by e-mail or telephone at (302) 651-7590 if you have any questions regarding the Assignment.

Very truly yours,

DSI Assignments, LLC, solely in its capacity as Assignee  
for the benefit of creditors of Bluefly, Inc. and Bluefly Holdings, Inc.  
Delaware corporations



By

Geoffrey L. Berman, Senior Managing Director  
Development Specialists, Inc., the sole and managing member

Enclosures