

February 24, 2017

e-mail: gberman@dsi.biz

To the Creditors of:

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

RE: NOTICE OF HEARING ON ASSIGNEE'S MOTION TO SELL ASSETS
State of Delaware Chancery Court

Dear Sir or Madam:

By notice dated February 2, 2017, DSI Assignments LLC (DSI) informed you of the general assignment for the benefit of creditors (the "Assignment") executed by Bluefly Inc. and Bluefly Holdings, Inc. (Bluefly) in favor of DSI (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.* That notice also advised you that the Assignee had entered into a Management Services Agreement with Total Fashion, Inc. ("TFI"), the secured creditor, whereby TFI has assumed control of the daily post-assignment operations of the business pending a sale of the assets and that a sale motion had been filed with the Delaware Chancery Court.

Beginning in 2014, Bluefly management marketed the assets of the business for a sale. 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. Despite the prior sale efforts, after the assignment the Assignee reached out to over twenty parties that had previously expressed an interest in the Bluefly assets to see if they had any interest in a purchase of the Bluefly business now that the company was in the general assignment proceeding.

The result of that outreach was the receipt of two bids for the assets. One bid was deemed acceptable by TFI in its capacity as the senior and junior secured lender. The accepted bid provides approximately \$19 million in consideration but is not enough to satisfy outstanding secured claims in full. The Assignee has filed a motion with the Court of Chancery requesting approval of this offer. **The court has determined that it will hold a hearing on the sale motion on March 6, 2017 at 1:00 p.m. EDT.** A copy of the court's Order as to the hearing is attached. **Any responses or objections to the proposed sale must be filed with the court by March 3, 2017 no later than 12:00 p.m. and served on the following parties at the addresses below:**

LOS ANGELES

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For additional information about the Sale Motion, please refer to the documents that were filed with the Court in connection with the Sale Motion, which are available through the Assignee's website at www.dsiassignments.com . You also may examine the Court files during regular business hours at the office of the Register in Chancery, Court of Chancery, New Castle County Courthouse, 500 North King Street, Wilmington, Delaware. However, you will need to appear in person to inspect documents at the Register's office. The Clerk's office will not mail copies to you. Responses or objections may be served by mail or electronic mail. Please take notice that any party may appear at the hearing. If no responses or objections are filed, the relief in the sale motion may be approved by the Court of Chancery without further notice.

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