

Keane Martin J III
 Form 4
 December 02, 2008

FORM 4

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

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

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 *
 Keane Martin J III

(Last) (First) (Middle)
 C/O BLUEFLY, INC., 42 WEST
 39TH STREET
 (Street)

NEW YORK, NY 10018

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
 BLUEFLY INC [BFLY]

3. Date of Earliest Transaction
 (Month/Day/Year)
 12/01/2008

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

____ Director _____ 10% Owner
 Officer (give title below) _____ Other (specify below)
 SVP of Ecommerce

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) Price		
Common Stock	12/01/2008		M		10,000 <u>(1)</u>	A	\$ 0 54,072 D
Common Stock	12/01/2008		F		3,200 <u>(2)</u>	D	\$ 1.43 50,872 D

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

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SEC 1474
 (9-02)

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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 or Value of Underlying Securities (Instr. 3 and 4)
Deferred Stock Units	(5)	12/01/2008		M	10,000	(3) (4)	Common Stock	10,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Keane Martin J III C/O BLUEFLY, INC. 42 WEST 39TH STREET NEW YORK, NY 10018			SVP of Ecommerce	

Signatures

/s/ Martin J.
Keane III

12/02/2008

**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) Represents shares of Common Stock distributed in respect of Deferred Stock Units ("DSUs") on October 1, 2008.
- (2) Represents shares of Common Stock retained by Bluefly, Inc. for tax withholding purposes in connection with the distribution of shares of Common Stock in respect of DSUs.

On November 30, 2006, the reporting person was granted 30,000 DSUs under the Bluefly Inc. 2005 Stock Incentive Plan. Such DSUs vest as follows: (i) one-third vest in four equal quarterly installments commencing on December 1, 2006 (the "One-Year DSUs"), (ii) one-third vest in eight equal quarterly installments commencing on December 1, 2006 (the "Two-Year DSUs") and (iii) one-third vest in twelve equal quarterly installments commencing on December 1, 2006 (the "Three-Year DSUs"). The shares of Common Stock underlying such DSUs are generally distributable on the following dates: (i) with respect to the One-Year DSUs only, December 1, 2007, (ii) with respect to the Two-Year DSUs only, December 1, 2008 and (iii) with respect to the Three-Year DSUs only, December 1, 2009.

(4) Not applicable.

(5) One-for-one.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

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