

Keane Martin J III
 Form 4
 February 27, 2007

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)
 02/23/2007

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 E-Commerce

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	02/23/2007		A		24,833 (1)	A	(2) 24,833
						D	

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)

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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)	Amount or Number of Shares
				Code	V (A) (D)	Date Exercisable Expiration Date	Title	
Option (Right to Buy)	\$ 15.09	02/23/2007		D		(3) 01/22/2009	Common Stock	25,000
Option (Right to Buy)	\$ 9.28	02/23/2007		D		(3) 05/31/2009	Common Stock	5,000
Option (Right to Buy)	\$ 9.19	02/23/2007		D		(3) 08/31/2009	Common Stock	20,000
Option (Right to Buy)	\$ 11.22	02/23/2007		D		(3) 12/02/2009	Common Stock	20,000
Option (Right to Buy)	\$ 2.78	02/23/2007		D		(3) 10/12/2010	Common Stock	30,000
Option (Right to Buy)	\$ 1.54	02/23/2007		D		(5) 09/30/2015	Common Stock	20,000
Deferred Stock Units	(6)	02/23/2007		A		(7) (7)	Common Stock	10,278

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 E-Commerce

Signatures

/s/ Martin Keane
J III

02/26/2007

**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) Represents shares of restricted stock, which vest in full on February 23, 2008.
- (2) Restricted stock granted to the reporting person pursuant to the Offer to Exchange, dated January 25, 2007, in exchange for the reporting person forfeiting his right to certain fully vested options to purchase an aggregate of 104,583 shares of Common Stock.
- (3) Fully vested.
- (4) Disposed of pursuant to the reporting person's forfeiture of options as described in footnote (2) above and footnote (7) below.
- (5) 4,583 fully vested. 15,417 vest in monthly installments.
- (6) Not applicable.

The deferred stock units vest as follows: (a) 3,333 will vest in substantially equal quarterly installments over 2 years beginning on the date of grant; and (b) 6,945 will vest in substantially equal quarterly installments over 3 years beginning on the date of grant. There is no expiration date.

- (8) Deferred stock units granted to the reporting person pursuant to the Offer to Exchange, dated January 25, 2007, in exchange for the reporting person forfeiting his right to certain unvested options to purchase an aggregate of 15,417 shares of Common Stock.

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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