

Form PTO-1594 (Rev. 07/05)
OMB Collection 0651-0027 (exp. 6/30/2008)

U.S. DEPARTMENT OF COMMERCE
United States Patent and Trademark Office

RECORDATION FORM COVER SHEET TRADEMARKS ONLY

To the Director of the U. S. Patent and Trademark Office: Please record the attached documents or the new address(es) below.

1. Name of conveying party(ies):

Bluefly, Inc.

- ☐ Individual(s) ☐ Association
☐ General Partnership ☐ Limited Partnership
☒ Corporation- State: DE
☐ Other _____

Citizenship (see guidelines) _____

Additional names of conveying parties attached? ☐ Yes ☒ No

3. Nature of conveyance)/Execution Date(s) :

Execution Date(s) 7/26/05

- ☐ Assignment ☐ Merger
☒ Security Agreement ☐ Change of Name
☐ Other _____

2. Name and address of receiving party(ies)

Additional names, addresses, or citizenship attached? ☐ Yes ☒ No

Name: Wells Fargo Retail Finance, LLC

Internal _____

Address: _____

Street Address: One Boston Place - 18th Floor

City: Boston

State: MA

Country: US Zip: 02108

- ☐ Association Citizenship _____
☐ General Partnership Citizenship _____
☐ Limited Partnership Citizenship _____
☐ Corporation Citizenship _____
☒ Other Limited Liability Company Citizenship DE

If assignee is not domiciled in the United States, a domestic representative designation is attached: ☐ Yes ☒ No
 (Designations must be a separate document from assignment)

4. Application number(s) or registration number(s) and Identification or description of the Trademark.

A. Trademark Application No.(s)
76/448511

B. Trademark Registration No.(s)

2769397; 2579760; 2419337; 2427015; 2384259; 2721628;
2545644; 2789058; 2285615

Additional sheet(s) attached? ☐ Yes ☒ No

C. Identification or Description of Trademark(s) (and Filing Date if Application or Registration Number is unknown):

5. Name & address of party to whom correspondence concerning document should be mailed:

Name: Christopher E. Kondracki

Internal Address: _____

Street Address: 2001 Jefferson Davis Hwy.
Suite 1007

City: Arlington

State: VA Zip: 22202

Phone Number: 703-415-1555

Fax Number: 703-415-1557

Email Address: _____

6. Total number of applications and registrations involved:

10

7. Total fee (37 CFR 2.6(b)(6) & 3.41) \$265.00

- ☐ Authorized to be charged by credit card
☒ Authorized to be charged to deposit account
☐ Enclosed

8. Payment Information:

a. Credit Card Last 4 Numbers _____
Expiration Date _____

b. Deposit Account Number 19-3545

Authorized User Name Christopher E. Kondracki

9. Signature:

Christopher E. Kondracki
Signature

Christopher E. Kondracki

Name of Person Signing

8/10/05

Date

Total number of pages including cover sheet, attachments, and document: 15

Documents to be recorded (including cover sheet) should be faxed to (571) 273-0140, or mailed to:
Mail Stop Assignment Recordation Services, Director of the USPTO, P.O. Box 1450, Alexandria, VA 22313-1450

CH \$265.00 193545 76448511

INTELLECTUAL PROPERTY SECURITY AGREEMENT

INTELLECTUAL PROPERTY SECURITY AGREEMENT (this "**Agreement**") dated as of July 26, 2005 by and between **BLUEFLY, INC.**, a Delaware corporation (the "**Grantor**") with its principal executive offices at 42 West 39th Street, New York, New York 10018, and **WELLS FARGO RETAIL FINANCE, LLC**, a Delaware limited liability company (the "**Lender**") with offices at One Boston Place – 18th Floor, Boston, Massachusetts, in consideration of the mutual covenants contained herein and benefits to be derived herefrom.

WITNESSETH:

Reference is made to the Loan and Security Agreement dated of even date herewith (as amended, modified, supplemented or restated hereafter, the "**Loan Agreement**") by and between the Grantor and the Lender. Capitalized terms used herein and not defined herein shall have the meanings assigned to such terms in the Loan Agreement.

The Lender has agreed, among other things, to make Revolving Credit Loans to the Grantor pursuant to, and upon the terms and subject to the conditions specified in, the Loan Agreement. The obligations of the Lender to make Revolving Credit Loans are each conditioned upon, among other things, the execution and delivery by the Grantor of an agreement in the form hereof to secure the Liabilities.

Accordingly, the Grantor and the Lender (and each of their respective successors or assigns), hereby agree as follows:

1. **DEFINITIONS:** As used herein, the following terms shall have the following meanings:

"**Copyrights**" shall mean all copyrights and like protections in each work of authorship or derivative work thereof of the Grantor, whether registered or unregistered and whether published or unpublished, including, without limitation, the copyrights listed on **EXHIBIT A** annexed hereto and made a part hereof, together with all registrations and recordings thereof, all applications in connection therewith, and any goodwill of the business connected with, and symbolized by, any of the foregoing.

"**Copyright Licenses**" shall mean all agreements, whether written or oral, providing for the grant by or to Grantor of any right to use any Copyright, including, without limitation, the agreements listed on **EXHIBIT A** annexed hereto and made a part hereof.

"**Copyright Office**" shall mean the United States Copyright Office or any other federal governmental agency which may hereafter perform its functions.

"**Intellectual Property**" shall have the meaning assigned to such term in Section 3 hereof.

"**IP Collateral**" shall have the meaning assigned to such term in Section 2 hereof.

"Licenses" shall mean, collectively, the Copyright Licenses, Patent Licenses and Trademark Licenses.

"Ordinary Course Agreements" shall mean marketing, promotional, software license, technology services or similar agreements pursuant to which the Grantor acquires a License to use Intellectual Property entered into in the ordinary course of business.

"Patents" shall mean all letters patent and applications for letters patent of the Grantor, and the inventions and improvements therein disclosed, and any and all divisions, reissues and continuations of said letters patent including, without limitation the patents listed on **EXHIBIT B** annexed hereto and made a part hereof.

"Patent Licenses" shall mean all agreements, whether written or oral, providing for the grant by or to Grantor of any right to manufacture, use or sell any invention covered by a Patent, including, without limitation, the agreements listed on **EXHIBIT B** annexed hereto and made a part hereof.

"PTO" shall mean the United States Patent and Trademark Office or any other federal governmental agency which may hereafter perform its functions.

"Trademarks" shall mean all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade dress, trade styles, service marks, designs, logos and other source or business identifiers of the Grantor, whether registered or unregistered, including, without limitation, the trademarks listed on **EXHIBIT C** annexed hereto and made a part hereof, together with all registrations and recordings thereof, all applications in connection therewith, and any goodwill of the business connected with, and symbolized by, any of the foregoing.

"Trademark Licenses" shall mean all agreements, whether written or oral, providing for the grant by or to Grantor of any right to use any Trademark, including, without limitation, the agreements listed on **EXHIBIT C** annexed hereto and made a part hereof.

2. **GRANT OF SECURITY INTEREST:** In furtherance and as confirmation of the security interest granted by the Grantor to the Lender under the Loan Agreement, and as further security for the payment or performance, as the case may be, in full of the Liabilities, Grantor hereby ratifies such security interest and grants to the Lender a continuing security interest, with a power of sale (which power of sale shall be exercisable only following the occurrence of and the during the continuance of an Event of Default), in all of the present and future right, title and interest of the Grantor in and to the following property, and each item thereof, whether now owned or existing or hereafter acquired or arising, together with all products, proceeds, substitutions, and accessions of or to any of the following property (collectively, the "IP Collateral"):

- (a) All Copyrights and Copyright Licenses.
- (b) All Patents and Patent Licenses.
- (c) All Trademarks and Trademark Licenses.

- (d) All renewals of any of the foregoing.
- (e) All General Intangibles connected with the use of, or related to, any and all Intellectual Property (including, without limitation, all goodwill of the Grantor and its business, products and services appurtenant to, associated with, or symbolized by, any and all Intellectual Property and the use thereof).
- (f) All income, royalties, damages and payments now and hereafter due and/or payable under and with respect to any of the foregoing, including, without limitation, payments under all Licenses entered into in connection therewith and damages and payments for past or future infringements or dilutions thereof.
- (g) The right to sue for past, present and future infringements and dilutions of any of the foregoing.
- (h) All of the Grantor's rights corresponding to any of the foregoing throughout the world.

For purposes of clarification, the IP Collateral shall not include any Non-Assignable Contractual Interest (as such term is defined in the Loan Agreement).

3. **PROTECTION OF INTELLECTUAL PROPERTY BY GRANTORS:** Except as set forth below in this Section 3, the Grantor shall undertake the following with respect to each of the items respectively described in Sections 2(a), (b), (c), (d) and (e) (collectively, the "Intellectual Property"):

- (a) Pay all renewal fees and other fees and costs associated with maintaining the Intellectual Property and with the processing of the Intellectual Property and take all other reasonable and necessary steps to maintain each registration of the Intellectual Property.
- (b) Take all actions reasonably necessary to prevent any of the Intellectual Property from becoming forfeited, abandoned, dedicated to the public, invalidated or impaired in any way.
- (c) At the Grantor's sole cost, expense, and risk, pursue the reasonably prompt, diligent processing of each application for registration which is the subject of the security interest created herein and not abandon or delay any such efforts.
- (d) At the Grantor's sole cost, expense, and risk, take any and all action which the Grantor reasonably deems appropriate under the circumstances to protect the Intellectual Property from infringement, misappropriation or dilution, including, without limitation, the prosecution and defense of infringement actions.

Notwithstanding the foregoing, so long as no Event of Default has occurred and is continuing, and no Material Adverse Change would result therefrom, Grantor shall not have an obligation to use or to maintain any Intellectual Property to the extent that such Intellectual Property is not then reasonably necessary for the conduct of Grantor's business.

4. **GRANTOR'S REPRESENTATIONS AND WARRANTIES:** The Grantor represents and warrants that:

- (a) **EXHIBIT A** is a true, correct and complete list of all registered Copyrights and Copyright Licenses owned by the Grantor as of the date hereof, other than the Ordinary Course Agreements.
- (b) **EXHIBIT B** is a true, correct and complete list of all Patents and Patent Licenses owned by the Grantor as of the date hereof, other than the Ordinary Course Agreements.
- (c) **EXHIBIT C** is a true, correct and complete list of all Trademarks and Trademark Licenses owned by the Grantor as of the date hereof, other than the Ordinary Course Agreements.
- (d) Except as set forth in **EXHIBITS A, B and C**, none of the Intellectual Property is the subject of any licensing or franchise agreement pursuant to which Grantor is the licensor or franchisor, other than non-exclusive limited trademark and/or copyright licenses granted in the ordinary course of business in connection with marketing and similar commercial agreements.
- (e) All IP Collateral is, and shall remain, free and clear of all liens, Encumbrances, or security interests in favor of any Person, other than Permitted Encumbrances and liens in favor of the Lender.
- (f) The Grantor owns, or is licensed to use, all Intellectual Property necessary for the conduct of its business as currently conducted. No material claim has been asserted and is pending by any Person challenging or questioning the use by Grantor of any of its Intellectual Property or the validity or effectiveness of any of its Intellectual Property, nor does Grantor know of any valid basis for any such claim, except as otherwise set forth in the Loan Agreement. The Grantor considers that the use by the Grantor of the Intellectual Property does not infringe the rights of any Person in any material respect. No holding, decision or judgment has been rendered by any governmental authority which would limit, cancel or question the validity of Grantor's rights in, any Intellectual Property in any respect that could reasonably be expected to result in a Material Adverse Change on the business or the property of Grantor.
- (g) The Grantor shall give the Lender written notice (with reasonable detail) within ten (10) days following the occurrence of any of the following:
 - (i) The Grantor's obtaining rights to, and filing applications for registration of, any new Intellectual Property, or otherwise acquiring ownership of any newly registered Intellectual Property (other than the Grantor's right to sell products containing the trademarks of others in the ordinary course of the Grantor's business and rights acquired as a result of Ordinary Course Agreements).

- (ii) The Grantor's becoming entitled to the benefit of any registered Intellectual Property whether as licensee or licensor (other than the Grantor's right to sell products containing the trademarks of others in the ordinary course of the Grantor's business and rights acquired as a result of Ordinary Course Agreements).
- (iii) The Grantor's entering into any new Licenses, other than Ordinary Course Agreements.
- (iv) The Grantor's knowing or having reason to know that any application or registration relating to any Intellectual Property material to Grantor's business may become forfeited, abandoned or dedicated to the public, or of any adverse determination or development (including, without limitation, the institution of, or any such determination or development in, any proceeding in the PTO, the Copyright Office or any court or tribunal) regarding the Grantor's ownership of, or the validity of, any Intellectual Property or the Grantor's right to register the same or to own and maintain the same.

5. AGREEMENT APPLIES TO FUTURE INTELLECTUAL PROPERTY:

- (a) The provisions of this Agreement shall automatically apply to any such additional property or rights described in subsections (i), (ii) and (iii) of Section 4(g), above, all of which shall be deemed to be and treated as "Intellectual Property" within the meaning of this Agreement.
- (b) Upon the reasonable request of the Lender, the Grantor shall execute and deliver, and have recorded, any and all agreements, instruments, documents and papers as the Lender may request to evidence the Lender's security interest in any Copyright, Patent or Trademark and the goodwill and General Intangibles of the Grantor relating thereto or represented thereby (including, without limitation, filings with the PTO, the Copyright Office or any similar office), and the Grantor hereby constitutes the Lender as its attorney-in-fact to execute and file all such writings for the foregoing purposes, all acts of such attorney being hereby ratified and confirmed; *provided, however*, the Lender's taking of such action shall not be a condition to the creation or perfection of the security interest created hereby.

6. GRANTOR'S RIGHTS TO ENFORCE INTELLECTUAL PROPERTY: Prior to the Lender's giving of notice to the Grantor following the occurrence of and during the continuance of an Event of Default, the Grantor shall have the exclusive right to sue for past, present and future infringement of the Intellectual Property including the right to seek injunctions and/or money damages, in an effort by the Borrowers to protect the Intellectual Property against encroachment by third parties, *provided, however*.

- (a) The Grantor provide the Lender with written notice of any such suit for enforcement of any Intellectual Property.
- (b) Any money damages awarded or received by the Grantor on account of such suit (or the threat of such suit) shall constitute IP Collateral.

- (c) Following the occurrence and during the continuance of any Event of Default, the Lender, by notice to the Grantor may terminate or limit the Grantor's rights under this Section 6.

7. LENDER'S ACTIONS TO PROTECT INTELLECTUAL PROPERTY: In the event of:

- (a) the Grantor's failure, within five (5) days of written notice from the Lender, to cure any failure by the Grantor to observe or perform any of the Grantor's covenants, agreements or other obligations hereunder; and/or
- (b) the occurrence and continuance of any other Event of Default,

the Lender, acting in its own name or in that of the Grantor, may (but shall not be required to) act in the Grantor's place and stead and/or in the Lender's own right in connection therewith.

8. RIGHTS UPON DEFAULT: Upon the occurrence and during the continuance of any Event of Default, the Lender may exercise all rights and remedies of a secured party upon default under the Uniform Commercial Code as adopted in the Commonwealth of Massachusetts, with respect to the Intellectual Property, in addition to which, in connection with the exercise of any such rights and remedies, the Lender may sell, license, assign, transfer, or otherwise dispose of the Intellectual Property. The Lender shall give the Grantor at least ten (10) days' prior written notice, by authenticated record, of any such intended disposition of the Intellectual Property. Any person may conclusively rely upon an affidavit of an officer of the Lender that an Event of Default has occurred and is continuing and that the Lender is authorized to exercise such rights and remedies.

9. LENDER AS ATTORNEY IN FACT:

- (a) The Grantor hereby irrevocably constitute and designate the Lender as and for the Grantor's attorney in fact, effective following the occurrence and during the continuance of any Event of Default:
 - (i) To supplement and amend from time to time **EXHIBITS A, B and C** of this Agreement to include any new or additional Intellectual Property of the Grantor.
 - (ii) To exercise any of the rights and powers referenced herein.
 - (iii) To execute all such instruments, documents, and papers as the Lender determines to be appropriate in connection with the exercise of such rights and remedies and to cause the sale, license, assignment, transfer, or other disposition of the Intellectual Property.
- (b) The within grant of a power of attorney, being coupled with an interest, shall be irrevocable until this Agreement is terminated by a duly authorized officer of the Lender.
- (c) The Lender shall not be obligated to do any of the acts or to exercise any of the powers authorized by Section 9(a), but if the Lender elects to do any such act or

to exercise any of such powers, it shall not be accountable for more than it actually receives as a result of such exercise of power, and shall not be responsible to Grantor for any act or omission to act except for any act or omission to act as to which there is a final determination made in a judicial proceeding (in which proceeding the Lender has had an opportunity to be heard) which determination includes a specific finding that the subject act or omission to act had been grossly negligent or in actual bad faith.

10. LENDER'S RIGHTS:

- (a) Any use by the Lender of the Intellectual Property, as authorized hereunder in connection with the exercise of the Lender's rights and remedies under this Agreement and under the Loan Agreement shall be coextensive with the Grantor's rights thereunder and with respect thereto and without any liability for royalties or other related charges.
- (b) None of this Agreement, the Loan Agreement, or any act, omission, or circumstance taken or arising hereunder may be construed as directly or indirectly conveying to the Lender any rights in and to the Intellectual Property, which rights are effective only following the occurrence of any Event of Default.

11. INTENT: This Agreement is being executed and delivered by the Grantor for the purpose of registering and confirming the grant of the security interest of the Lender in the IP Collateral with the PTO and the Copyright Office. It is intended that the security interest granted pursuant to this Agreement is granted as a supplement to, and not in limitation of, the security interest granted to the Lender under the Loan Agreement. All provisions of the Loan Agreement shall apply to the IP Collateral. The Lender shall have the same rights, remedies, powers, privileges and discretions with respect to the security interests created in the IP Collateral as in all other Collateral. In the event of a conflict between this Agreement and the Loan Agreement, the terms of this Agreement shall control with respect to the IP Collateral and the Loan Agreement with respect to all other Collateral.

12. CHOICE OF LAWS: It is intended that this Agreement take effect as a sealed instrument and that all rights and obligations hereunder, including matters of construction, validity, and performance, shall be governed by the laws of the Commonwealth of Massachusetts.

[Signature Page Follows]

IN WITNESS WHEREOF, the Grantor and the Lender respectively have caused this Agreement to be executed by their respective duly authorized officers as of the date first above written.

GRANTOR:

BLUEFLY, INC.

By: _____

Name: _____

Title: _____

TPA CR
PATRICK C BARRY
COO/CFO

LENDER:

WELLS FARGO RETAIL FINANCE, LLC

By: _____

Name: _____

Title: _____

TRADEMARK

REEL: 003172 FRAME: 0357

IN WITNESS WHEREOF, the Grantor and the Lender respectively have caused this Agreement to be executed by their respective duly authorized officers as of the date first above written.

GRANTOR:

BLUEFLY, INC.

By: 

Name:

PATRICK C BARRY

Title:

COO/CFO

LENDER:

WELLS FARGO RETAIL FINANCE, LLC

By: 

Name:

David Mulvaney

Title:

J.P.

TRADEMARK

REEL: 003172 FRAME: 0358

EXHIBIT A**List of Copyrights and Copyright Licenses****Copyright Registrations and Applications**

<u>Title</u>	<u>Serial No.</u>	<u>Registration No.</u>	<u>Registration Date</u>
None			

Copyright Licenses

EXHIBIT B**List of Patents and Patent Licenses****Patents and Patent Applications**

<u>Title</u>	<u>Serial No.</u>	<u>Patent No.</u>	<u>Date of Filing</u>	<u>Date of Issuance</u>
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None

Patent Licenses

None

EXHIBIT C**List of Trademarks and Trademark Licenses****Trademark Registrations and Applications**

<u>Title:</u>	<u>Application / Registration No.:</u>	<u>Issue Date:</u>	<u>Country:</u>
BLUEFLY	1109089 630657	01/20/05	Canada
BLUEFLY	001796218	Pending	European Community
BLUEFLY & Design	000907253 000907253	10/03/00	European Community
BLUEFLY	D00200103656	Pending	Indonesia
BLUEFLY	D00200103657 497713	01/31/02	Indonesia
BLUEFLY	1066228 4310588	08/27/99	Japan
BLUEFLY & Design	1067650	08/27/99	Japan

4310590

BLUEFLY	20052008	Pending	Korea
BLUEFLY	574781	Pending	Thailand
BLUEFLY	75/499,951 2,769,397	09/30/03	United States
BLUEFLY	75/981,821 2,579,760	06/11/02	United States
FABULOUS FASHION. FIERCE PRICES.	75/942,462 2,419,337	01/09/01	United States
FLYPAPER	75/942,461 2,427,015	02/06/01	United States
MISCELLANEOUS DESIGN (BLUEFLY)	75/979,444 2,384,259	09/05/00	United States
MISCELLANEOUS DESIGN (BLUEFLY)	75/532,287 2,721,628	06/03/03	United States

MISCELLANEOUS DESIGN (BLUEFLY)	76/448,511	Pending	United States
MYCATALOG	75/646,723 2,545,644	03/12/02	United States
PLEASE.COM AGAIN	75/717,239 2,789,058	12/02/03	United States
THE OUTLET STORE IN YOUR HOME	75/598,456 2,285,615	10/12/99	United States

Trademark Licenses

None

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