

Lokuge Ishantha
Form 4
February 16, 2018

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 *
Lokuge Ishantha

(Last) (First) (Middle)

C/O SHUTTERFLY, INC., 2800
BRIDGE PARKWAY

(Street)

REDWOOD CITY, CA 94065

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
SHUTTERFLY INC [SFLY]

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

02/14/2018

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 and Chief Product Officer

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 or Price | | |
| Common Stock | 02/14/2018 | | M ⁽¹⁾ | | 3,000 A \$ 0 | 3,000 | D |
| Common Stock | 02/15/2018 | | S | | 1,098 ⁽²⁾ D \$ 74.34 | 1,902 | D |
| Common Stock | 02/15/2018 | | M ⁽³⁾ | | 4,056 A \$ 0 | 5,958 | D |
| Common Stock | 02/15/2018 | | M ⁽⁴⁾ | | 4,056 A \$ 0 | 10,014 | D |

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

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) Vesting of restricted stock units ("RSUs") granted to the Reporting Person on February 14, 2017.

Represents the aggregate number of shares of the Issuer's common stock sold by the Reporting Person to cover taxes due upon the release and settlement of the RSU's. The Reporting Person did not sell or otherwise dispose of any of the shares reported on this Form 4 for any reason other than to cover required taxes.

(3) Vesting of RSUs granted to the Reporting Person on February 10, 2016.

(4) Vesting of RSUs that were earned by the Reporting Person on February 14, 2017.

(5) Each of these RSUs represents a contingent right to receive one (1) share of Issuer common stock upon settlement for no consideration.

The RSUs vest in 4 equal annual installments, subject to the Reporting Person's continuous service to the Issuer through each such vesting date, with the first installment vesting on February 14, 2018. Vested shares shall be settled within 30 days of the vesting date as set forth in the RSU Award Agreement. These RSUs will expire upon the earlier of the date: (i) when all are settled or (ii) when the Reporting Person ceases to provide services to the Issuer.

(7) These RSUs vest in 4 equal annual installments, subject to the Reporting Person's continuous service to the Issuer through each such vesting date, with the first installment vesting on February 15, 2017. Vested shares shall be settled within 30 days of the vesting date as set forth in the RSU Award Agreement. These RSUs will expire upon the earlier of the date: (i) when all are settled or (ii) when the Reporting Person ceases to provide services to the Issuer.

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

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.