

SHUTTERFLY, INC.

**CORPORATE GOVERNANCE PRINCIPLES
FOR
THE BOARD OF DIRECTORS**

A. *INTRODUCTION*

The Board of Directors of Shutterfly, Inc. (the “Company”) has adopted these governance principles (the “Principles”) to assist it in following corporate practices that serve the best interests of the Company and its stockholders. The Board intends that these Principles serve as a flexible framework within which the Board may conduct its business, not as a set of binding legal obligations. The Principles should be interpreted in the context of all applicable laws, the Company’s charter documents and other governing legal documents.

B. *VOTING FOR DIRECTORS*

In accordance with the Company’s Bylaws, if none of our stockholders provides the Company notice of an intention to nominate one or more candidates to compete with the Board's nominees in a director election, or if our stockholders have withdrawn all such nominations by the tenth (10th) day before the Company mails its notice of meeting to the stockholders, a nominee must receive more votes cast for than against his or her election or re-election in order to be elected or re-elected to the Board. The Board expects a director to tender his or her resignation if he or she fails to receive the required number of votes for re-election. The Board shall nominate for election or re-election as director only candidates who agree to tender, promptly following the annual meeting at which they are elected or re-elected as director, irrevocable resignations that will be effective upon (a) the failure to receive the required vote at the next annual meeting at which they face re-election and (b) Board acceptance of such resignation. In addition, the Board shall fill director vacancies and new directorships only with candidates who agree to tender, promptly following their appointment to the Board, the same form of resignation tendered by other Directors in accordance with this Section B.

If an incumbent director fails to receive the required vote for re-election, the Governance Committee will act on an expedited basis, and in any event within 90 days following certification of the stockholder vote, to determine whether to accept the Director's resignation and will submit such recommendation for prompt consideration by the Board. The Board expects the director whose resignation is under consideration to abstain from participating in any decision regarding that resignation. The Governance Committee and the Board may consider any factors they deem relevant in deciding whether to accept a Director's resignation.