

SHORETEL, INC.

CHARTER OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

Adopted as of June 1, 2007

I. PURPOSE

The Compensation Committee (the “*Committee*”) of the Board of Directors (the “*Board*”) of ShoreTel, Inc. (the “*Company*”) through delegation from the Board, has principal responsibility to evaluate, recommend, approve and review executive officer compensation arrangements, plans, policies and programs maintained by the Company, and to administer the Company’s equity-based compensation plans, whether adopted prior to or after the date of adoption of this Charter (including issuance of stock options and other equity-based awards granted other than pursuant to a plan). Working with the Nominating and Corporate Governance Committee, the Committee will also consider and make recommendations regarding director compensation. The Committee may also make recommendations to the Board regarding its remaining responsibilities relating to executive compensation.

This charter (this “*Charter*”) sets forth the authority and responsibility of the Committee for evaluating, recommending and approving such executive officer compensation arrangements, plans, policies and programs maintained by the Company, and for reviewing the Company’s cash-based and equity-based compensation plans and arrangements for employees, whether adopted prior to or after the date of adoption of this Charter (including issuance of stock options and other equity-based awards granted other than pursuant to a plan).

The Board has formed the Committee to assist the Board in directing the Company’s affairs and this Charter has been adopted in furtherance of this purpose. While this Charter should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of the Company’s Certificate of Incorporation and Bylaws, it is not intended to establish by its own force any legally binding obligations.

II. MEMBERSHIP

The Committee’s membership shall be determined by the Board based on the recommendations from the Nominating and Corporate Governance Committee and shall consist of at least two directors, with the exact number determined from time to time by the Board. Each member of the Committee will:

- be an “independent director” as defined under the applicable rules, regulations and listing requirements of The Nasdaq Stock Market, as amended from time to time (the “*Exchange Rules*”), except as may otherwise be permitted by such Exchange Rules;
- be a “non-employee director,” as defined in Rule 16b-3 under Section 16 of the Securities Exchange Act of 1934, as amended (the “*Exchange Act*”);

- be an “outside director” under Regulation Section 1.162-27 promulgated under Section 162(m) of the Internal Revenue Code of 1986, as amended;
- be free from any relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment as a Committee member; and
- meet any other requirements imposed by applicable law, regulations or rules, subject to any applicable exemptions and transition provisions.

All members of the Committee will be appointed by, and will serve at the discretion of, the Board. The Board may appoint a member of the Committee to serve as the chairperson of the Committee (the “*Chair*”); if the Board does not appoint a Chair, the Committee members may designate a Chair by their majority vote. The Chair will set the agenda for Committee meetings and conduct the proceedings of those meetings.

III. RESPONSIBILITIES AND DUTIES

The principal responsibilities and duties of the Committee in serving the purposes outlined in Section I of this Charter are set forth below. These duties are set forth as a guide, with the understanding that the Committee may supplement them as appropriate and may establish policies and procedures from time to time that it deems necessary or advisable in fulfilling its responsibilities.

The Committee will:

1. Annually review the Company’s overall compensation strategy, including base, incentive compensation and option grants, to assure that it promotes stockholder interests and supports the Company’s strategic and tactical objectives, and that it provides for appropriate rewards and incentives for the Company’s management and employees.
2. Annually review and approve the corporate goals and objectives to be considered in determining the compensation of the CEO and the Company’s other “executive officers” as defined under Rules 3b-7 and “officers” as defined under Rule 16a-1(f) promulgated under the Exchange Act (collectively with the CEO, the “*Executive Officers*”), and evaluate the performance of the Executive Officers in light of these goals and objectives. Based on this evaluation, including an evaluation of the Company’s performance, the Committee will have the sole authority, subject to any approval by the Board which the Committee or legal counsel determines to be desirable or is required by applicable law or the Exchange Rules, to make decisions respecting (i) salary paid to the Executive Officers, (ii) the grant of all cash-based incentive compensation and equity-based compensation to the Executive Officers, (iii) the entering into or amendment or extension of any offer letter, employment contract or similar arrangement with the Executive Officers, (iv) the entering into or amendment or extension of any of the Executive Officer severance or change in control arrangements, and (v) any other Executive Officer compensation matters; provided that the Committee may take account of the recommendations of the Board (or other members of the Board) with respect to Executive Officer compensation. Among the factors, that the Committee will consider when evaluating Executive Officer compensation are (a) consistency with the Company’s compensation strategy, (b) internal equity considerations, (c) competitive practices, and applicable legal, accounting and

regulatory considerations. The Committee also may take account of the recommendations of the CEO with respect to other Executive Officers for each of the foregoing items. The CEO may not be present during voting or deliberations regarding the CEO's compensation.

3. Annually review and approve or make recommendations to the Board with respect to adoption and approval of, or amendments to, all equity-based incentive compensation plans and arrangements, and aggregate numbers of shares reserved for issuance thereunder after taking into consideration the Company's strategies with respect to equity-based compensation.

4. Review and approve policies and procedures relating to perquisites and expense accounts of the Executive Officers.

5. Interpret and oversee the administration of the equity-based compensation plans and agreements thereunder, and in that capacity:

- advise on the establishment of equity award guidelines and the general type and size of overall equity awards;
- establish parameters for routine equity awards under delegated authority to issue equity awards in connection with new hires, spot awards and promotions specifying limits on the number of shares and the price and type of awards to be granted;
- approve all equity awards to officers and employees not expressly delegated as set forth below;
- amend equity plans (subject to stockholder approval when required) as may be necessary or appropriate to carry out the Company's compensation strategy;
- interpret the equity plans as may be required from time to time;
- when appropriate, modify existing equity awards (with the consent of the grantees) and approve authorized exceptions to provisions of the equity plans; and
- adopt any required or appropriate option or equity award timing policy.

The Committee may delegate to the CEO or the CEO and one or more Executive Officers, working together as a committee of the Committee (the "**Subcommittee**"), within the limits imposed by applicable law and the Exchange Rules, the authority to approve cash awards or make equity grants to employees of the Company or of any subsidiary of the Company who are not directors of the Company or Executive Officers of the Company or any subsidiary, subject to any guidelines or limits specified by the Committee, provided that the Committee shall have fixed the price (or formula for determining the price) and the vesting schedule for such awards of equity grants, approved the form of documentation evidencing such equity grants, and determined the appropriate number of shares or the basis for determining such number of shares by position, compensation level or category of personnel. The CEO or the Subcommittee shall regularly report to the Committee the equity grants so made. Any such delegation may be revoked at any time by the Committee.

6. Meet with the CEO to discuss the incentive compensation programs to be in effect for the Executive Officers and other employees of the Company or any subsidiary and the corporate goals and objectives relevant to those programs and performance targets applicable to the Executive Officers and, where appropriate, other employees of the Company or any subsidiary.

7. Working with the Nominating and Corporate Governance Committee, recommend to the Board, for determination by the Board, the form and amount of cash-based and equity-based compensation to be paid or awarded to the Company's non-employee directors, including compensation for service on the Board or on committees of the Board.

8. Review, discuss and approve the "Compensation Discussion and Analysis" disclosure prepared in response to the requirement of Item 402(b) of Regulation S-K (or any successor disclosure item) promulgated by the Securities and Exchange Commission (the "**Commission**"), based on such review and discussion recommend to the Board whether such "Compensation Discussion and Analysis" disclosure should be included in the Company's annual report on Form 10-K, proxy statement, information statement or similar document, and communicate in the annual compensation committee report to stockholders the disclosures required by Item 407(e)(5) of Regulation S-K (or any successor disclosure item) promulgated by the Commission in the Company's annual report on Form 10-K, proxy statement, information statement or similar document, as the case may be.

9. Periodically review the Company's compliance with regulatory requirements associated with compensation of its directors, officers and employees.

10. The Committee will not approve any arrangement in which the Company, directly or indirectly, extends or maintains credit, arranges for the extension of credit or renews an extension of credit, in the form of a personal loan to or for any director or Executive Officer (or equivalent thereof) of the Company. The Committee will assist the Board and management of the Company in complying with this prohibition.

11. Perform any other activities required by applicable law, rules or regulations, including the Exchange Rules and rules and regulations of the Commission, and take such other actions and perform and carry out any other responsibilities and duties delegated to it by the Board or as the Committee deems necessary or appropriate consistent with its purpose.

IV. STUDIES AND ADVISERS

The Committee may conduct or authorize studies of, or investigations into, matters within the Committee's scope of responsibility, with full access to all books, records, facilities and personnel of the Company. The Committee has the sole authority and right, at the expense of the Company, to retain legal and other consultants, accountants, experts and advisers of its choice to assist the Committee in connection with its functions, including any studies or investigations. The Committee will have the sole authority to approve the fees and other retention terms of such advisers. The Company will provide for appropriate funding, as determined by the Committee, for:

- payment of compensation to any legal and other consultants, accountants, experts and advisers retained by the Committee;
- ordinary administrative expenses of the Committee that are necessary and appropriate in carrying out its functions; and
- the commission of any necessary studies or surveys concerning the levels of executive compensation payable in the industry in which the Company is engaged and in other related industries or obtaining recommendations from outside consultants concerning comparable compensation programs.

V. MEETINGS, ACTIONS WITHOUT A MEETING AND STAFF

The Committee will meet at least twice per year or more frequently, as determined appropriate by the Committee. The Chair, in consultation with the other member(s) of the Committee will set the dates, times and places of such meetings. The Committee will report to the Board from time to time with respect to the activities of the Committee. A quorum of the Committee for the transaction of business will be a majority of its members. Meetings may be held via tele- or video-conference. The Committee may also act by unanimous written consent in lieu of a meeting in accordance with the Company's Bylaws. Subject to the requirements of this Charter, applicable law, the Exchange Rules and the rules and regulations of the Commission, the Committee and the Chair may invite any director, executive or employee of the Company, or such other person, as it deems appropriate in order to carry out its responsibilities, to attend and participate (in a non-voting capacity) in all or a portion of any Committee meeting. The Committee may exclude from all or a portion of its meetings any person it deems appropriate in order to carry out its responsibilities. The Chair will designate a secretary for each meeting, who need not be a member of the Committee. The Secretary of the Company shall provide the Committee such staff support as it may require.

VI. MINUTES AND REPORTS

The Committee will maintain written minutes of its meetings and copies of its actions by written consent, and will cause such minutes and copies of written consents to be filed with the minutes of the meetings of the Board. The Chair will periodically report to the Board on the Committee's deliberations and actions. The minutes of the Committee and actions by the unanimous written consent of the Committee members will be made available to the other members of the Board.

VII. DELEGATION OF AUTHORITY

The Committee may from time to time, as it deems appropriate and to the extent permitted under applicable law, the Exchange Rules and the rules and regulations of the Commission, and the Company's Certificate of Incorporation and Bylaws, form and delegate authority to subcommittees.

VIII. COMPENSATION

Members of the Committee will receive such fees, if any, for their service as Committee members as may be determined by the Board, which may include additional compensation for

the Chair. Such fees may include retainers or per meeting fees and will be paid in such form of consideration as is determined by the Board in accordance with applicable law, the Exchange Rules and the rules of the Commission.

IX. REVIEW OF COMMITTEE COMPOSITION, PERFORMANCE AND CHARTER

The Committee will evaluate the Committee's composition and performance on an annual basis and submit a report to the Board. The Committee will also review and reassess the adequacy of this Charter periodically, and recommend to the Board any changes the Committee determines are appropriate.

X. PUBLICATION

The Company shall make this Charter freely available to stockholders on request and, provided that the Company is subject to the periodic reporting requirements of the Exchange Act, shall publish it on the Company's web site.