

External Communication For Direct Partners:

Dear Partner:

You may have received higher than expected returns on Elite Series 2 since launch last November 2019. In response, on an exceptional basis for a limited period of time until June 2021, we will issue partners credits for faulty Elite Series 2 Controllers, returned to you, which exceed your allowance rates and are returned by customers during the retailer published and customer facing return period.

This change will have no impact on your existing return terms and conditions with customers, nor should your return policies be changed as a result of this exception.

As a reminder, Microsoft already supports your business with allowance payments related to product returns which may occur from time to time. In the case of *Elite Wireless Controller Series 2* returns, we continue to follow our current operations guide; however, we are making a limited exception in this instance where you may now receive a credit for certain faulty Elite Wireless Controller Series 2 under the following guidelines:

- MSFT will issue partners credits for faulty Elite Series 2 Wireless Controller which are returned to retailers during the retailers published consumer facing returns window and which exceed the retail partner's established allowance percentage as defined in the Product Guides or the applicable Retail Distribution Agreement.
- This credit exception to the allowance percentage is effective from July 1st, 2020 until June 31st, 2021.

Returns should be collected, and the quantity reported to your appropriate Microsoft Account Channel Manager quarterly. Any faulty controllers returned by customers must be destroyed in accordance with Microsoft's current operations guide, and Certificate of Destruction (COD) must be provided to Microsoft. This destruction authorization does not represent a change to existing or future policy.

Thank you for your continued partnership. We will continue to review the situation based on our collective insights. We trust this will give you the confidence to support your customers during this important trading period.

New Manufacturer's Limited Hardware for Elite Series 2 Controllers:

In addition to the above policy, Microsoft is changing the warranty period of its Elite 2 Series controllers and extending it from 90 days to 1 year, to ensure customers' satisfaction with our products.

Thank you for your partnership.