

Knowles Corp  
Form DEFC14A  
April 18, 2019  
SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)  
of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under Rule 14a-12

**Knowles Corporation**

(Name of Registrant as Specified In Its Charter)

Caligan Partners LP

Caligan Partners CV I LP

David Johnson

Samuel J. Merksamer

Falcon Edge Capital, LP

Falcon Edge Global Master Fund, LP

Moraine Master Fund, LP

Richard Gerson

Jonathan Christodoro

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rule 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

**DATED APRIL 18, 2019**

**KNOWLES CORPORATION**

1151 Maplewood Drive

Itasca, Illinois 60143

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**PROXY STATEMENT**

**OF**

**Caligan Partners LP Falcon Edge Capital, LP**

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**PLEASE SIGN, DATE AND MAIL THE ENCLOSED GOLD PROXY CARD TODAY**

This Proxy Statement and the enclosed **GOLD** proxy card are being furnished by Caligan Partners LP and certain of its affiliates (as identified on Annex I, the “Caligan Parties”), Falcon Edge Capital, LP and certain of its affiliates (as identified on Annex I, the “Falcon Edge Parties,” and, together with the Caligan Parties, the “Caligan/Falcon Edge Group,” “we” or “us”), and the nominees named in Proposal 1 (the “Nominees” and, together with the Caligan/Falcon Edge Group, the “Participants”) in connection with the solicitation of proxies from the stockholders of Knowles Corporation, a Delaware corporation (“Knowles” or the “Company”).

We believe that while Knowles has tremendous assets, Knowles has not been a successful investment for stockholders and that execution failures and lapses in accountability have directly caused the 54% share price decline.<sup>1</sup> We believe the nominees will bring a much needed stockholder voice to the current board of directors of the Company (the “Board”). We are therefore seeking your support at the upcoming 2019 annual meeting of stockholders (the “Annual Meeting”), to be held on May 31, 2019 at 9:00 a.m. local time, at 1001 Page Mill Road Building 1, Palo Alto, California 94304, unless adjourned or postponed to a later date, with respect to the following (each, a “Proposal” and, collectively, the “Proposals”):

This Proxy Statement and **GOLD** proxy card are first being mailed or given to the Company's stockholders on or about April 18, 2019.

<sup>1</sup> The S&P Capital IQ dividend adjusted share price from February 14, 2014 to January 9, 2019 (the day before Caligan & Falcon Edge began material purchases of Knowles shares representing in excess of 20% of the average daily volume), shows that an investment in Knowles shares lost ~54% of its value to date.

<b>Proposal</b>	<b>Our Recommendation</b>
<p>1. To elect the Caligan/Falcon Edge Group’s slate of two director nominees — Jonathan Christodoro and Samuel J. Merksamer (each, a “Nominee” and collectively, the “Nominees”) — and the Company’s nominee for election at the Annual Meeting other than Hermann Eul and Donald Macleod (the “Excluded Company Nominees”), to serve as directors and hold office until the annual meeting of stockholders to be held in 2020 and until their successors are duly elected and qualified.</p>	<p><b>FOR ALL</b> of the Nominees and the Company’s nominee for election at the Annual Meeting other than the “Excluded Company Nominees”</p>
<p>2. To ratify the appointment of PricewaterhouseCoopers LLP as the Company’s independent registered public accounting firm for 2019.</p>	<p><b>FOR</b></p>
<p>3. To vote on the Company’s advisory resolution on the compensation of its named executive officers. To approve an amendment to the Company’s Amended and Restated Certificate of Incorporation, as amended</p> <p>4. (the “Charter”) to eliminate the supermajority shareholder vote requirement to amend certain provisions of the Charter.</p>	<p><b>No Recommendation</b></p>
<p>5. To approve an amendment to the Charter to eliminate the supermajority shareholder vote requirement to amend the Company’s Amended and Restated By-Laws (the “Bylaws”).</p>	<p><b>FOR</b></p>
<p>To transact any other business that may properly come before the meeting or any postponement or adjournment thereof.</p>	

The Board is currently composed of nine directors divided into three classes. The Company is in the process of declassifying the Board. The terms of at least two Class III directors expire at the Annual Meeting and, according to the Company’s proxy statement for the Annual Meeting (the “Company’s Proxy Statement”), there will be three directors elected at the Annual Meeting. Through this Proxy Statement and enclosed **GOLD** proxy card, we are soliciting proxies to elect the Nominees named herein to serve as directors, who if elected would only constitute a minority of the Board. Therefore, we are “rounding out” our slate by permitting stockholders who vote on the enclosed **GOLD** proxy card to also have the opportunity to vote for the nominee who has been nominated by the Company other than the Excluded Company Nominees. Stockholders will therefore be able to vote for the total number of directors up for election at the Annual Meeting. The names, backgrounds and qualifications of the Company’s nominees, and other information about them, can be found in the Company’s Proxy Statement. There is no assurance that any of the Company’s nominees will serve as directors if any or all of our Nominees are elected.

The Company has set the record date for determining stockholders entitled to notice of and to vote at the Annual Meeting (the “Record Date”) as April 8, 2019. Stockholders of record at the close of business on the Record Date will be entitled to vote at the Annual Meeting. At the close of business on the Record Date, there were 90,871,265 shares of common stock, par value \$0.01 per share (“Common Stock”), outstanding according to the Company’s Proxy Statement

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filed with the Securities and Exchange Commission (the “SEC”) on April 15, 2019. As of the close of business on April 17, 2019, the Participants beneficially owned 6,651,906 shares of Common Stock in the aggregate, as further described in Annex I.

We urge you to sign, date and return the **GOLD** proxy card “**FOR ALL**” of the Nominees to the Board and for the Company’s nominee for election at the Annual Meeting other than the Excluded Company Nominees, “**FOR**” Proposal 2, “**FOR**” Proposal 4 and “**FOR**” Proposal 5. We are not making any recommendation with respect to Proposal 3.



**This proxy solicitation is being made by the Caligan/Falcon Edge Group and the Nominees, and not on behalf of the Board or management of the Company or any other third party.** We are not aware of any other matters to be brought before the Annual Meeting other than as described herein. Should other matters be brought before the Annual Meeting, the persons named as proxies in the enclosed **GOLD** proxy card will vote on such matters in their discretion.

**If you have already voted using the Company's white proxy card, you have every right to change your vote by completing and mailing the enclosed GOLD proxy card in the enclosed pre-paid envelope or by voting via Internet or by telephone by following the instructions on the GOLD proxy card.** Only the latest validly executed proxy that you submit will be counted; any proxy may be revoked at any time prior to its exercise at the Annual Meeting by following the instructions under "Can I change my vote or revoke my proxy?" in the Questions and Answers section.

**For instructions on how to vote and other information about the proxy materials, see the Questions and Answers section starting on page 18.**

**We urge you to promptly sign, date and return your GOLD proxy card.**

**If you have any questions or require any assistance with voting your shares, please contact our proxy solicitor, D.F. King & Co., Inc. ("D.F. King"), toll free at (877) 896-3199 or collect at (212) 269-5550.**

## **BACKGROUND OF THIS PROXY SOLICITATION**

We invested in the Company because we believe its shares are undervalued and represent an attractive, long-term opportunity to capture many of the secular tailwinds of the Company's end-markets; increasing microphone adoption in internet connected devices as voice as a user interface becomes more ubiquitous, the long-term demographic trends of an increasingly aging population and their need for assisted hearing devices and a capital efficient and well-run, but non-core, asset in the Company's ceramic capacitors and filters segment. We made our investment after almost a year of diligence in the Company after concluding that the Company's massive underperformance since its spin from Dover (the "Spin") did not fundamentally change the prospects of Knowles' three core businesses.

On January 28, the Caligan/Falcon Edge Group contacted the Company's head of Investor Relations, Mike Knapp, to inform him that we intended to nominate directors ahead of the Company's nominating deadline on January 31, 2019, and requested a call with the Company's Chief Executive Officer and President, Jeff Niew ("Mr. Niew"). We had a call with Mr. Niew later that day to inform him that we had acquired a significant stake in Knowles and that we intended to nominate directors prior to the Company's deadline on January 31, 2019. After Mr. Niew suggested that the Company could not openly communicate with us in the time leading up to an earnings call, we suggested that if the deadline for stockholder nominations were delayed it would provide us with the opportunity to have an in-person, private discussion with Mr. Niew and the Company's Chairman, Donald Macleod ("Mr. Macleod"), before we would be compelled to formally nominate and announce directors.

On January 29, we had another call with Mr. Niew where we discussed an outline of an agreement whereby the Company would delay the nominating deadline and we would agree not to make our position public until February 15, 2019, until we met with Mr. Niew and Mr. Macleod the week of February 11<sup>th</sup>.

On the morning of January 30, we received an email from the Company informing us that we would be receiving a draft of an extension to the nominating deadline in the coming hours. Later that day, the Caligan/Falcon Edge Group had a conversation with Mr. Niew where he informed us that the Board had met and did not agree to an extension. However, the Company informed us that it did not intend to disclose our nomination, at which time we also informed the Company that we would not be making any public disclosure until after our in-person meeting.

On February 13, we met with Mr. Niew and Mr. Macleod to discuss our perspective on the Company, its underperformance, the drivers of its underperformance and a path forward to improve credibility with the investor community by increasing transparency around Intelligent Audio, conducting a strategic review of the Company's Precision Devices segment and adding stockholder representatives to the Board.

On February 25, at the request of Mr. Niew we flew to San Francisco to attend a second in-person meeting with him and Mr. Macleod to hear their responses to the items we had raised. Mr. Niew stated that the Company would not be increasing transparency with the investor community and that the Board had considered a sale but decided to retain

Precision Devices and that they had no interest in adding any of our nominees to the Board. Mr. Macleod offered to issue a positive press release regarding the Group.

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<sup>2</sup>. The S&P Capital IQ dividend adjusted share price from February 14, 2014 to January 9, 2019 (just before the Spin to the day before Caligan & Falcon Edge began material purchases of Knowles shares representing in excess of 20% of the average daily volume), shows that an investment in Knowles shares lost ~54% of its value to date.

On February 27, we had a phone call with Mr. Niew where we expressed disappointment in the direction of our dialogue. Mr. Niew said he would communicate this to the Board.

On March 5, we had a phone call with Mr. Niew where we continued to express our dissatisfaction with the Company's response to our discussions. Mr. Niew stated that the Board discussed adding an additional director to the Board, to be chosen by the Board without further stockholder input. Later that afternoon, we sent a letter to the Board outlining our view of the Company, emphasizing reasons for its underperformance and highlighting strategic actions that we believe the Company could take to create value and build trust between stockholders and the Company's leadership.

On March 7, we had a call with Mr. Niew where he communicated that while the Board disagreed with characterizations in our letter, to avoid a contested election, the Board offered to add either Mr. Merksamer or Mr. Christodoro to the Board, subject to the selection of either one by the members of the Governance & Nominating Committee ("GNC"). Later on March 7, representatives of Caligan and Falcon Edge scheduled time to speak to Mr. Niew and proposed that the Caligan/Falcon Edge Group would add one director to Knowles' Board immediately and have the option to add one additional director, at its discretion, after the Company's release of its 2Q 2019 earnings in exchange for a two-year standstill. Additionally, the Caligan/Falcon Edge Group asked to enter into a confidentiality agreement between the Company and the Caligan/Falcon Edge Group so that information could be shared amongst Caligan/Falcon Edge Group participants. Mr. Niew said he would bring the proposal to the Board.

On March 8, representatives of the Caligan/Falcon Edge Group emailed Mr. Niew to alert the Company that the Caligan/Falcon Edge Group would be filing a Schedule 13D on Monday, March 11. Mr. Niew requested additional information and eventually a call was scheduled. On the call, Mr. Niew asked what ownership the Caligan/Falcon Edge Group would be reporting, what the Item 4 description of the Schedule 13D would say and if the Schedule 13D would include the nomination notice. The Caligan/Falcon Edge Group provided the requested detail to Mr. Niew. Mr. Niew promised a response to the Caligan/Falcon Edge Group's proposal by Monday, March 11, 2019.

On March 11, Mr. Niew rejected our proposal and reiterated that the Company would be willing to appoint only one of the Nominees to the Board. Mr. Niew's proposals did not provide any additional terms to a settlement. The Caligan/Falcon Edge Group filed its Schedule 13D shortly before the 5:30 p.m. deadline. That week, the Caligan/Falcon Edge Group spoke with several sell-side analysts and received inbound calls from some of the Company's stockholders, all of whom expressed dissatisfaction with the Company's current direction.

On March 14, Mr. Niew emailed the Caligan/Falcon Edge Group and set an arbitrary 24-hour deadline for the Caligan/Falcon Edge Group to accept the Board's proposal to appoint one of the Nominees to the Board.

On March 15, the Caligan/Falcon Edge Group and the Company discussed the framework for a settlement with the Company that would have resulted in (1) the appointment to the Board of one of the Nominees, to be selected by the Caligan/Falcon Edge Group; (2) an agreement that the Company and the Caligan/Falcon Edge Group would enter into a customary non-disclosure agreement so that the Nominee appointed to the Board and the members of the Caligan/Falcon Edge Group could freely share information regarding the Company; and (3) reimbursement of costs incurred in connection with the nomination of the Nominees and the negotiation of a settlement agreement, which the Caligan/Falcon Edge Group estimated to be approximately \$300,000. During this call, Mr. Niew stated that he would bring these terms to the Board to see if it made sense to begin drafting a term sheet outlining the framework for a settlement and that the Board would be holding a meeting during the upcoming weekend to approve these terms.

On March 18, the Company's counsel sent a draft of a term sheet as a follow up to the March 15 call. The Caligan/Falcon Edge Group was surprised to see that the term sheet did not reflect the terms that had been discussed on March 15 and included many provisions that were not in line with market practices and instead gave the Company the sole discretion to choose the Nominee to be appointed to the Board.

In response, on the same day, the Caligan/Falcon Edge Group revised the term sheet to reflect the terms that were part of the framework for a settlement discussed on March 15 and customary/market terms for certain other provisions and returned the updated term sheet to the Company's counsel.

On the night of March 20, the Company essentially rejected almost all of the Caligan/Falcon Edge Group's comments to the settlement agreement and reverted to a term sheet filled with the same non-market and overly burdensome terms that the Caligan/Falcon Edge Group had previously objected to.

On that same night, in response to what we believed to be the Company's unproductive markup of the term sheet, the Caligan/Falcon Edge Group's counsel requested that Mr. Niew or other members of management and the Caligan/Falcon Edge Group and their respective counsel have an all-hands call to discuss how to move forward to avoid a proxy contest and reach a constructive resolution. The Company's counsel finally responded that management would not participate in any discussions to facilitate a resolution of any of the open terms in the term sheet.

On March 21, in the interest of coming to a swift and fair resolution, Caligan/Falcon Edge Group's counsel responded to the Company's counsel with a list of what it believed were material open items in the term sheet that needed to be discussed and requested a call with the Company's counsel.

On March 22, the Caligan/Falcon Edge Group and its counsel held a call with the Company's counsel, but without the Company's management. On this call, the Caligan/Falcon Edge Group continued to ask for a market-standard one annual meeting standstill. Company's counsel acknowledged that certain of the Company's major terms, were not market-standard for cooperation agreements with stockholders, yet stated that there was no opportunity to reach a more market-standard solution. Following the call, the Caligan/Falcon Edge Group sent an email to Mr. Niew, copying the Company's counsel, detailing the call and, later that same day, the Caligan/Falcon Edge Group submitted a completed questionnaire with all of the information that the Company requested for Mr. Merksamer and expressed Mr. Merksamer's willingness to meet with the Board's GNC the following week.

On March 24, Mr. Niew responded to the Caligan/Falcon Edge Group by email, stating that the Board was unwilling to agree to market-standard terms and that any agreement must include an off-market two-year standstill.

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On March 25, Mr. Merksamer and Mr. Niew had a call to discuss the two-year standstill. While Mr. Niew repeated that the Company would not accept anything less than an off-market two-year standstill, Mr Merksamer agreed to, despite the impasse, meet in-person with members of the GNC in Palo Alto, California on March 28.

Also on March 25, the Caligan/Falcon Edge Group sent a letter to the Board requesting the use of a universal proxy card so that shareholders would be able to vote via proxy for their preferred directors from both the Company's slate of nominees and the Caligan/Falcon Edge Group's Nominees.

On March 28, Mr. Merksamer flew to Palo Alto to meet with the GNC in an effort to facilitate a settlement.

On March 29, the Caligan/Falcon Edge Group sent a letter to the Board calling for the company to (1) provide transparency to stockholders on Intelligent Audio, (2) conduct a strategic review of Knowles' Precision Devices segment and (3) add the Nominees to the Board. The Caligan/Falcon Edge Group also emailed Mr. Niew to let him know that the letter would be released publicly, which it was later that day.

On March 30, the GNC sent Mr. Merksamer a letter with follow-up questions from their March 28 meeting.

On April 1, Mr. Merksamer sent a letter to the GNC, responding to the factual questions in their March 30 letter.

On each of April 3 and 5, the Caligan/Falcon Edge Group held a call with Mr. Niew to discuss the status of settlement negotiations, but on both occasions acknowledged a likely impasse over the length of the standstill.

On April 5, the Board sent a letter to the Caligan/Falcon Edge Group denying our request to implement a universal proxy card, thereby preventing stockholders from voting on their preferred choice of directors all on one proxy card. That evening, the Company filed its preliminary proxy statement.

On April 8, the Caligan/Falcon Edge Group issued a letter to stockholders, in the form of a press release, detailing the omission of key financial disclosures in the Company's Proxy Statement. The Caligan/Falcon Edge Group filed its preliminary proxy statement that afternoon.

On April 12, the Caligan/Falcon Edge Group held a call with Mr. Niew where they discussed appointing Mr. Christodoro to the Board. Mr. Niew asked Mr. Merksamer to have Mr. Christodoro complete a questionnaire and meet with the GNC. There were no substantive discussions on the impasse over material issues.

On April 15, the Caligan/Falcon Edge Group spoke to Mr. Niew and suggested an in-person meeting to make progress on the impasse on discussions. The Company filed the Company's Proxy Statement that day.

After the market close on April 16, Mr. Merksamer spoke to Mr. Niew, who communicated that the Company was going to send a revised term sheet shortly. The Company and the Caligan/Falcon Edge Group had discussions regarding the term sheet on April 17.



## **PROPOSAL 1: ELECTION OF DIRECTORS**

According to public information, the Board currently consists of nine directors divided into three classes. The Company is in the process of declassifying the Board and the terms of three Class III directors expire at the Annual Meeting. According to the Company's Proxy Statement, there will be three directors elected at the Annual Meeting. We are seeking your support at the Annual Meeting to elect our Nominees, each of whom is independent of the Company. We are "rounding out" our slate of Nominees by permitting stockholders to also vote for the Company's nominee for election at the Annual Meeting, other than the Excluded Company Nominees, by voting on the white proxy card. Even if all of the Nominees are elected, the Nominees will represent a minority of the members of the Board, and therefore there can be no assurance that they can implement the actions that they believe are necessary to enhance stockholder value.

If successful in our proxy solicitation, the Board will be composed of our Nominees — Jonathan Christodoro and Samuel J. Merksamer — along with the Company's nominee for election at the Annual Meeting other than the Excluded Company Nominees, and incumbent directors Keith L. Barnes, Didier Hirsch, Ronald Jankov, Ye Jane Li, Richard K. Lochridge and Jeffrey S. Niew. If elected, each of the Nominees will serve one-year terms until the next annual meeting of stockholders and until their successors have been duly elected and qualified. There is no assurance that any incumbent director will serve as a director if one or more of the Nominees are elected to the Board.

**Stockholders who return the GOLD proxy card will only be able to vote for the Nominees listed on the card and the Company's nominee for election other than the Excluded Company Nominees.** You can only vote for all of the Company's director nominees by signing and returning the white proxy card provided by the Company, by requesting a legal proxy and casting your ballot in person by attending the Annual Meeting or by voting via the Internet or toll-free telephone number provided in the Company's Proxy Statement. You should refer to the Company's Proxy Statement for the names, background, qualifications and other information concerning the Company's director nominees.

**Nominees:**

**JONATHAN CHRISTODORO**

*Age; Address* 42; 660 Madison Avenue, New York, New York 10173

*Occupation* Partner at Patriot Global Management, LP

Mr. Jonathan Christodoro is a Partner at Patriot Global Management, LP, an investment manager. Previously, Mr. Christodoro served as a Managing Director of Icahn Capital LP, the entity through which Carl C. Icahn manages investment funds, from July 2012 to February 2017. Mr. Christodoro was responsible for identifying, analyzing and monitoring investment opportunities and portfolio companies for Icahn Capital. Prior to joining Icahn, Mr. Christodoro served in various investment and research roles. Mr. Christodoro began his career as an investment banking analyst at Morgan Stanley, where he focused on merger and acquisition transactions across a variety of industries.

*Experience*

Mr. Christodoro has served as a director of SandRidge Energy, Inc. since June 2018. Mr. Christodoro has served as a director of Xerox Corporation since May 2018 and previously served as a director of Xerox from June 2016 to December 2017. Mr. Christodoro has served as a director of PayPal Holdings, Inc. since July 2015. Further, Mr. Christodoro has served as a director of Enzon Pharmaceuticals, Inc. since October 2013 and as the Chairman of Enzon's Board of Directors since November 2013. Mr. Christodoro also served as a director of Herbalife Ltd. since April 2013, where he is a member of the nominating and corporate governance committee and the compensation committee. Mr. Christodoro was previously a director of the following public companies: Lyft Inc. from May 2015 to March 2019; Cheniere Energy, Inc. from August 2015 to August 2017; American Railcar Industries, Inc. from June 2015 to February 2017; Hologic Inc. from December 2013 to March 2016; eBay, Inc. from March 2015 to July 2015; and Talisman Energy Inc. from December 2013 to May 2015.

Mr. Christodoro is committed to resigning from boards to remain in compliance with Institutional Shareholder Services and Glass Lewis policies.

Mr. Christodoro received an M.B.A from the University of Pennsylvania's Wharton School of Business with Distinction, majoring in Finance and Entrepreneurial Management. Mr. Christodoro received a B.S. in Applied Economics and Management Magna Cum Laude from Cornell University. He also served in the United States Marine Corps.

*Service on  
Other  
Boards*

SandRidge Energy, Inc (2018 – Present); Xerox Corporation (2018 – Present; 2016 – 2017); PayPal Holdings, Inc. (2015 – Present); Enzon Pharmaceuticals, Inc. (2013 – Present); Herbalife Ltd. (2013 – Present); Lyft, Inc. (2015 – 2019); (Cheniere Energy, Inc. (2015 – 2017); American Railcar Industries, Inc. (2015 – 2017); Hologic Inc. (2013 – 2016); eBay, Inc. (2015 – 2015); Talisman Energy Inc. (2013 – 2015)

*Skills &  
Qualifications*

Mr. Christodoro's qualifications to serve as a director include his financial and entrepreneurial acumen, his experience serving on the boards of directors of a number of public companies as well as his extensive investment, research and investment banking background.

**samuel J. merksamer**

*Age; Address* 38; 520 Madison Avenue, New York, New York 10022

*Occupation* Partner at Caligan Partners LP

Mr. Samuel J. Merksamer is a Partner at Caligan Partners LP, an investment manager. Previously, Mr. Merksamer served as a Managing Director of Icahn Capital LP, the entity through which Carl C. Icahn manages investment funds, from May 2008 to December 2016. Mr. Merksamer was responsible for identifying, analyzing and monitoring investment opportunities and portfolio companies for Icahn Capital. From January 2003 until May 2008, Mr. Merksamer was an analyst at Airlie Opportunity Capital Management, a hedge fund management company, where he focused on high yield and distressed investments.

*Experience*

Mr. Merksamer has served as director of Transocean Ltd. since May 2013, where he is currently a member of the finance committee as well as the health, safety and environment committee. Mr. Merksamer previously served as a director of the following public companies: American International Group, Inc. from May 2016 to May 2018; Navistar International Corporation from December 2012 to August 2017; Cheniere Energy Inc. from August 2015 to August 2017; Hertz Global Holdings, Inc. from June 2014 to June 2017; Transocean Partners LLC from June 2014 to August 2016; Hologic Inc. from December 2013 to March 2016; Talisman Energy Inc. from December 2013 to May 2015; CVR Energy, Inc. from May 2012 to September 2014; CVR Refining, GP, LLC from January 2012 to May 2014; Federal-Mogul Holdings Corporation from September 2010 to January 2014; American Railcar Industries, Inc. from June 2011 to June 2013; Viskae Companies from January 2010 to April 2013; and Dynegy Inc. from March 2011 to September 2012.

*Service on Other Boards*

Mr. Merksamer received an A.B. in Economics from Cornell University in 2002. Transocean Ltd. (2013 – Present); American International Group, Inc. (2016 – 2018); Navistar International Corporation (2012 – 2017); Cheniere Energy Inc. (2015 – 2017); Hertz Global Holdings, Inc. (2014 – 2017); Transocean Partners LLC (2014 – 2016); Hologic Inc. (2013 – 2016); Talisman Energy Inc. (2013 – 2015); CVR Energy, Inc. (2012 – 2014); CVR Refining, GP, LLC (2012 – 2014); Federal-Mogul Holdings Corporation (2010 – 2014); American Railcar Industries, Inc. (2011 – 2013); Viskae Companies (2010 – 2013); Dynegy Inc. (2011 – 2012)

*Skills & Qualifications*

Mr. Merksamer's qualifications to serve as a director include his experience serving as a director for numerous public and private companies and his in-depth expertise and knowledge of capital markets, finance, private investing and executive management.

We urge stockholders to vote **FOR ALL** of the Nominees and the nominee who has been nominated by the Company other than the Excluded Company Nominees on the **GOLD** proxy card.

None of the organizations or corporations referenced above is a parent, subsidiary or other affiliate of the Company. We believe that, if elected, each of the Nominees will be considered an independent director of the Company under (i) the Company's Standards for Classification as an Independent Director, as adopted February 6, 2014; (ii) Section 303A of the New York Stock Exchange's Listed Company Rules (the "NYSE Rules"); and (iii) paragraph (a)(1) of Item 407 of Regulation S-K. Under the NYSE Rules, however, a final determination as to the independence of the Nominees will not be made until after their election and appointment to the Board.

We refer stockholders to the Company's Proxy Statement for the biographies and other important information regarding the members of the Board in the classes of directors that are not up for election at the Annual Meeting.

Mr. Christodoro has entered into a nominee agreement pursuant to which Caligan Partners LP ("Caligan") and, indirectly, Falcon Edge Capital, LP ("Falcon Edge") have agreed to pay the costs of soliciting proxies in connection with the Annual Meeting and to defend and indemnify him against, and with respect to, any losses that may be incurred by him in the event he becomes a party to litigation based on his nomination as a candidate for election to the Board and the solicitation of proxies in support of his election. The Nominees will not receive any compensation from Caligan, Falcon Edge or their affiliates for their services as directors of the Company if elected. If elected, the Nominees will be entitled to such compensation from the Company as is consistent with the Company's practices for services of non-employee directors.

Each of the Nominees has agreed to being named as a Nominee in this proxy statement and has confirmed his or her willingness to serve on the Board if elected. The Caligan/Falcon Edge Group does not expect that any of the Nominees will be unable to stand for election, but, in the event that a Nominee is unable to or for good cause will not serve, the shares of Common Stock represented by the **GOLD** proxy card will be voted for a substitute candidate selected by the Caligan/Falcon Edge Group. If the Caligan/Falcon Edge Group determines to add or substitute nominees, whether because the Company expands the size of the Board subsequent to the date of this Proxy Statement or for any other reason, it will file an amended proxy statement and proxy card that, as applicable, identifies the additional or substitute nominees, discloses that such nominees have consented to being named in the revised proxy statement and to serve if elected and includes biographical and other information about such nominees required by the rules of the SEC.

***Vote Required.***

According to the Charter and the Bylaws, in contested elections such as this one, directors shall be elected by a plurality of the votes cast (meaning that the three director nominees who receive the highest number of shares voted "FOR" their election by the common stockholders will be elected to the Board). Abstentions will have no effect on the outcome of Proposal 1. Broker non-votes will not be treated as votes cast (and therefore will have no effect on Proposal 1).

**We urge you to sign and return our GOLD proxy card.** If you have already voted using the Company's white proxy card, you have every right to change your vote by completing and mailing the enclosed **GOLD** proxy card in the enclosed pre-paid envelope or by voting via Internet or by telephone by following the instructions on the **GOLD** proxy card. Only the latest validly executed proxy that you submit will be counted; any proxy may be revoked at any time prior to its exercise at the Annual Meeting by following the instructions under "Can I change my vote or revoke my proxy?" If you have any questions or require any assistance with voting your shares, please contact our proxy solicitor, D.F. King, toll free at (877) 896-3199 or collect at (212) 269-5550.

The

**We Recommend a Vote FOR ALL of the Nominees on the GOLD proxy card.**

**PROPOSAL 2: RATIFICATION OF THE COMPANY'S SELECTION OF INDEPENDENT PUBLIC ACCOUNTING FIRM**

According to the Company's Proxy Statement, the Board has determined that it is desirable to request the approval of the appointment of its independent registered public accounting firm by the stockholders of the Company. The Company's Proxy Statement indicates that the Audit Committee of the Board has appointed PricewaterhouseCoopers LLP ("PwC") as the Company's independent registered public accounting firm to audit the Company's financial statements for 2019. PwC has audited the financial statements of the Company since 2013.

The Company's Proxy Statement states that if stockholders do not ratify the appointment, the Audit Committee will reconsider whether to retain PwC, and may decide to retain the firm notwithstanding the vote. Even if the appointment is ratified, the Audit Committee, in its discretion, may change the appointment at any time during the year if it determines that such a change would be in the best interests of the Company or its stockholders.

***Vote Required.***

According to the Company's Proxy Statement, the approval of Proposal 2 requires the affirmative vote of a majority of all of the votes present, in person or by proxy, and entitled to vote at the Annual Meeting. Abstentions will be treated as shares that are present and entitled to vote and therefore will count as votes against Proposal 2. Broker non-votes will not be counted as votes present and entitled to vote and therefore will not be counted in determining the outcome of this Proposal 2.

**We Recommend a Vote FOR Proposal 2 on the GOLD proxy card.**

### **PROPOSAL 3: ADVISORY VOTE ON THE COMPENSATION OF NAMED EXECUTIVE OFFICERS**

According to the Company's Proxy Statement, the Company will provide stockholders with the opportunity to cast a non-binding advisory vote on the compensation of the Company's Named Executive Officers ("NEOs"). The Company's Proxy Statement states that the Company's current policy is to provide stockholders with an opportunity to vote on the compensation of its NEOs each year at its annual meeting of stockholders. While this vote is advisory in nature, the Company's Proxy Statement states that the Board "value[s] the opinions of [its] stockholders and, to the extent there is any significant vote against the NEO compensation as disclosed in [the Company's] Proxy Statement, [it] will consider [the] stockholders' concerns and the Compensation Committee will evaluate whether any actions are necessary to address those concerns."

According to the Company's Proxy Statement, the Company will request a non-binding, advisory vote on a resolution substantially in the following form:

RESOLVED, that Knowles' stockholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in Knowles' Proxy Statement for the 2019 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the Summary Compensation Table and the other related tables and disclosures.

We are not making any recommendation on this matter.

We encourage all stockholders to review the Company's proxy disclosures in the Company's Proxy Statement in detail.

According to the Company's Proxy Statement, the stockholder vote on this Proposal 3 will not be binding on the Company or the Board, and it will not be construed as overruling any decision by the Company or the Board, or creating or implying any change to, or additional fiduciary duties for, the Company or the Board.

#### ***Vote Required.***

According to the Company's Proxy Statement, the approval of Proposal 3 requires the affirmative vote of a majority of all of the votes present, in person or by proxy, and entitled to vote at the Annual Meeting. Abstentions will be treated as shares that are present and entitled to vote and therefore will count as votes against Proposal 3. Broker non-votes will not be counted as votes present and entitled to vote and therefore will not be counted in determining the outcome of this Proposal 3.

**We Are Making No Recommendation with Respect to Proposal 3.**



## **PROPOSAL 4: AMENDMENT TO THE CHARTER TO REMOVE CHARTER SUPERMAJORITY VOTING PROVISION**

Currently, the Charter requires that the amendment of certain sections of the Charter requires supermajority (80%) shareholder approval. According to the Company's Proxy Statement, the Board has determined, and the Caligan/Falcon Edge Group also believes, that unless otherwise required by Delaware law, the appropriate voting standard to replace all supermajority shareholder vote requirements is a majority of the shares outstanding, which provides that any action is authorized by an affirmative vote of a majority of the shares of Common Stock outstanding. Adopting this standard in place of the supermajority shareholder vote standard balances the opportunity for shareholders to participate meaningfully in the corporate governance of the Company with the desire to protect the interests of all shareholders from action that may only be in the interest of a small percentage of shareholders.

### ***Current Shareholder Vote Requirement***

Article THIRTEENTH of the Charter provides that the affirmative vote of the holders of at least 80% of the voting stock then outstanding of the Company shall be required to amend, alter, change or adopt any provision inconsistent with the purpose and intent of Paragraph (b)(2) of Article FOURTH (Cumulative Voting) and Articles FIFTH (Board of Directors), SIXTH (Exculpation), SEVENTH (Indemnification), EIGHTH (Action by Written Consent), NINTH (Special Meetings), ELEVENTH (Bylaw Amendments) or THIRTEETH (Charter Amendments) of the Charter.

### ***Text and Legal Effect of Proposed Amendment***

If Proposal 4 is approved, Article THIRTEENTH of the Charter will be amended to reduce the shareholder vote requirement for amendment, alternation, change or repeal of all provisions of the Charter to an affirmative vote of a majority of the outstanding shares of the Common Stock, which is the lowest approval standard permitted by the Delaware General Corporation Law.

A copy of the proposed amended Article THIRTEENTH of the Charter marked to show all changes proposed under this Proposal 4 against the current text of Article THIRTEENTH Charter is attached as Appendix B to the Company's Proxy Statement, with deletions indicated by strikeout and additions indicated by underline. The current provisions of Article THIRTEENTH of the Charter and the proposed amendment to Article THIRTEENTH of the Charter described above are qualified in their entirety by reference to the actual text as set forth in Appendix B.

We believe that stockholders should vote **"FOR"** this Proposal 4.

***Vote Required.***

According to the Company's Proxy Statement, the approval of Proposal 4 requires the affirmative vote of at least 80% of the outstanding shares of Common Stock. Abstentions will be treated as shares that are present and entitled to vote and therefore will count as votes against Proposal 4. Broker non-votes will not be counted as votes present and entitled to vote and therefore will not be counted in determining the outcome of this Proposal 4.

**We Recommend a Vote FOR Proposal 4 on the GOLD proxy card.**

## **PROPOSAL 5: AMENDMENT TO THE CHARTER TO REMOVE THE BYLAWS SUPERMAJORITY AMENDMENT PROVISION**

Currently, the Charter requires that the amendment of the Bylaws requires supermajority (80%) shareholder approval. According to the Company's Proxy Statement, the Board has determined, and the Caligan/Falcon Edge Group also believes, that unless otherwise required by Delaware law or as provided in the Bylaws, the appropriate voting standard to replace all supermajority shareholder vote requirements is a majority of the shares outstanding, which provides that any action is authorized by an affirmative vote of a majority of the shares of Common Stock outstanding. Adopting this standard in place of the supermajority shareholder vote standard balances the opportunity for shareholders to participate meaningfully in the corporate governance of the Company with the desire to protect the interests of all shareholders from action that may only be in the interest of a small percentage of shareholders.

### ***Current Shareholder Vote Requirement***

Article ELEVENTH of the Charter provides that the Bylaws may be adopted, amended, altered or repealed by the affirmative vote of the holders of at least 80% of the voting stock then outstanding.

### ***Text and Legal Effect of Proposed Amendment***

If Proposal 5 is approved, the vote requirements for shareholders to amend the Bylaws will be revised to provide that the Bylaws may be adopted, amended, altered or repealed by the affirmative vote of a majority of the outstanding shares of the Common Stock.

A copy of the proposed amended Article ELEVENTH of the Charter marked to show all changes proposed under this Proposal 5 against the current Article ELEVENTH of the Charter is attached as Appendix C to the Company's Proxy Statement, with deletions indicated by ~~strikeout~~ and additions indicated by underline. The current provisions of Article ELEVENTH of the Charter and the proposed amendment to Article ELEVENTH of the Charter described above are qualified in their entirety by reference to the actual text as set forth in Appendix C.

According to the Company's Proxy Statement, if the proposed amended Article ELEVENTH is adopted by the shareholders, the Board will promptly consider conforming amendments to Article IX, Section 9.1 of the Bylaws.

We believe that stockholders should vote **"FOR"** this Proposal 5.

***Vote Required.***

According to the Company's Proxy Statement, the approval of Proposal 5 requires the affirmative vote of at least 80% of the outstanding shares of Common Stock. Abstentions will be treated as shares that are present and entitled to vote and therefore will count as votes against Proposal 5. Broker non-votes will not be counted as votes present and entitled to vote and therefore will not be counted in determining the outcome of this Proposal 5.

**We Recommend a Vote FOR Proposal 5 on the GOLD proxy card.**

## QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING

### *Who is entitled to vote?*

Only holders of Common Stock at the close of business on the Record Date, April 8, 2019, are entitled to notice of and to vote at the Annual Meeting. Stockholders who sold shares of Common Stock before the Record Date (or acquire them without voting rights after the Record Date) may not vote such shares of Common Stock. Stockholders of record on the Record Date will retain their voting rights in connection with the Annual Meeting even if they sell such shares of Common Stock after the Record Date (unless they also transfer their voting rights). According to the Company's Proxy Statement, the only outstanding class of securities of the Company entitled to vote at the Annual Meeting is the Common Stock.

### *How do I vote my shares?*

**Shares held in record name.** If your shares of Common Stock are registered in your own name, please vote today by signing, dating and returning the enclosed **GOLD** proxy card in the postage-paid envelope provided. Execution and delivery of a proxy by a record holder of shares of Common Stock will be presumed to be a proxy with respect to all shares held by such record holder unless the proxy specifies otherwise.

**Shares beneficially owned or held in "street" name.** If you hold your shares of Common Stock in "street" name with a broker, bank, dealer, trust company or other nominee, only that nominee can exercise the right to vote with respect to the shares of Common Stock that you beneficially own through such nominee and only upon receipt of your specific instructions. Accordingly, it is critical that you promptly give instructions to your broker, bank, dealer, trust company or other nominee to vote in favor of the election of the Nominees. Please follow the instructions to vote provided on the enclosed **GOLD** proxy card. If your broker, bank, dealer, trust company or other nominee provides for proxy instructions to be delivered to them by telephone or Internet, instructions will be included on the enclosed **GOLD** proxy card. We urge you to confirm in writing your instructions to the person responsible for your account and provide a copy of those instructions by emailing them to KN@dfking.com or mailing them to The Caligan/Falcon Edge Group, c/o D.F. King, 48 Wall Street, 22nd Floor, New York, New York 10005, so that we will be aware of all instructions given and can attempt to ensure that such instructions are followed.

**Note:** Shares of Common Stock represented by properly executed **GOLD** proxy cards will be voted at the Annual Meeting as marked and, in the absence of specific instructions, "**FOR ALL**" two of the Nominees and the Company's nominee other than the Excluded Company Nominees listed in Proposal 1, "**FOR**" Proposal 2, to "**ABSTAIN**" from voting on Proposal 3, "**FOR**" Proposal 4 and "**FOR**" Proposal 5 set forth in this Proxy Statement.

***How should I vote on each proposal?***

The Caligan/Falcon Edge Group recommends that you vote your shares on the **GOLD** proxy card as follows:

**“FOR ALL”** Nominees standing for election to the Board named in this Proxy Statement and for the Company’s nominee for election at the Annual Meeting other than the Excluded Company Nominees (Proposal 1);

**“FOR”** the ratification of the Company’s selection of independent registered public accounting firm (Proposal 2);

**“FOR”** an amendment to the Charter to eliminate the supermajority shareholder vote requirement to amend certain provisions of the Charter (Proposal 4); and

**“FOR”** an amendment to the Charter to eliminate the supermajority shareholder vote requirement to amend the Bylaws (Proposal 5).

The Caligan/Falcon Edge Group is making no recommendation with respect to the advisory proposal to approve the compensation of the Company’s executive officers (Proposal 3).

*How many shares must be present to hold the Annual Meeting?*

Under the Bylaws, the holders of a majority of the voting power of the Company's capital stock issued and outstanding and entitled to vote, present in person or represented by proxy, shall constitute a quorum at the Annual Meeting for the transaction of business. According to the Company's Proxy Statement, abstentions and broker non-votes will be counted for purposes of determining whether a quorum is present. For more information on broker non-votes, see "What are "broker non-votes" and what effect do they have on the proposals?" below.

*What vote is needed to approve each proposal?*

**Proposal 1 – Election of Directors.** According to the Charter and Bylaws, in contested elections such as this one, directors shall be elected by a plurality of the votes cast (meaning that the three director nominees who receive the highest number of shares voted "FOR" their election by the common stockholders will be elected to the Board). Abstentions will have no effect on Proposal 1. Broker non-votes will not be treated as votes cast and therefore will have no effect on Proposal 1.

**THE ONLY WAY TO SUPPORT ALL OF THE CALIGAN/FALCON EDGE GROUP NOMINEES IS TO SUBMIT YOUR VOTING INSTRUCTIONS "FOR ALL" THE NOMINEES AND THE COMPANY'S NOMINEE FOR ELECTION TO THE BOARD OTHER THAN THE EXCLUDED COMPANY NOMINEES ON THE GOLD PROXY CARD. PLEASE DO NOT SIGN OR RETURN A WHITE PROXY CARD FROM THE COMPANY, EVEN IF YOU INSTRUCT TO "ABSTAIN" ON THEIR DIRECTOR NOMINEES. DOING SO WILL REVOKE ANY PREVIOUS VOTING INSTRUCTIONS YOU PROVIDED ON THE GOLD PROXY CARD.**

**Proposals 2 and 3.** According to the Company's Proxy Statement, the approval of each of Proposals 2 and 3 requires the affirmative vote of a majority of all of the votes present, in person or by proxy, and entitled to vote at the Annual Meeting. Abstentions will be treated as shares that are present and entitled to vote and therefore will count as votes against Proposals 2 and 3. Broker non-votes will not be counted as votes present and entitled to vote and therefore will not be counted in determining the outcome of Proposals 2 and 3.

**Proposals 4 and 5.** According to the Company's Proxy Statement, the approval of each of Proposals 4 and 5 requires the affirmative vote of at least 80% of the outstanding shares of Common Stock. Abstentions will be treated as shares that are present and entitled to vote and therefore will count as votes against Proposals 4 and 5. Broker non-votes will not be counted as votes present and entitled to vote and therefore will not be counted in determining the outcome of Proposals 4 and 5.

*What are "broker non-votes" and what effect do they have on the proposals?*

Generally, broker non-votes occur when shares held by a broker bank, or other nominee in "street name" for a beneficial owner are not voted with respect to a particular proposal because the broker, bank or other nominee has not received

voting instructions from the beneficial owner and lacks discretionary voting power to vote those shares with respect to that particular proposal. If your shares are held in the name of a brokerage firm, and the brokerage firm has not received voting instructions from the beneficial owner of the shares with respect to that proposal, the brokerage firm cannot vote the shares on that proposal unless it is a “routine” matter. Under the rules and interpretations of the New York Stock Exchange, there are no “routine” proposals in a contested proxy solicitation. Because the Caligan/Falcon Edge Group has initiated a contested proxy solicitation, there will be no “routine” matters at the Annual Meeting.

Broker non-votes, if any, with respect to the proposals set forth in this Proxy Statement will not count as votes cast, present and entitled to vote and therefore will not be counted in determining the outcome of any of Proposals 1, 2, 3, 4 and 5.

***What should I do if I receive a proxy card from the Company?***

You may receive proxy solicitation materials from Knowles, including an opposition proxy statement and white proxy card. We are not responsible for the accuracy of any information contained in any proxy solicitation materials used by the Company or any other statements that it may otherwise make.



**We recommend that you disregard any proxy card or solicitation materials that may be sent to you by the Company. Voting “WITHHOLD” for any of the Company’s nominees on its proxy card or voting “ABSTAIN” is not the same as voting for the Nominees because a vote withheld or abstained for any of the Company’s nominees will not count as a vote “FOR” the Caligan/Falcon Edge Group Nominees. If you have already voted using the Company’s white proxy card, you have every right to change your vote by completing and mailing the enclosed GOLD proxy card in the enclosed pre-paid envelope or by voting via Internet or by telephone by following the instructions on the GOLD proxy card. Only the latest validly executed proxy that you submit will be counted; any proxy may be revoked at any time prior to its exercise at the Annual Meeting by following the instructions below under “Can I change my vote or revoke my proxy?”**

**If you have any questions or require any assistance with voting your shares, please contact our proxy solicitor, D.F. King, toll free at (877) 896-3199 or collect at (212) 269-5550.**

*Can I change my vote or revoke my proxy?*

If you are the stockholder of record, you may change your proxy instructions or revoke your proxy at any time before your proxy is voted at the Annual Meeting. Proxies may be revoked by any of the following actions:

- signing, dating and returning the enclosed GOLD proxy card (the latest dated proxy is the only one that counts);
- delivering a written revocation or a later dated proxy for the Annual Meeting to The Caligan/Falcon Edge Group, c/o D.F. King, 48 Wall Street, 22nd Floor, New York, New York 10005 or to the secretary of the Company; or
- attending the Annual Meeting and voting in person (although attendance at the Annual Meeting will not, by itself, revoke a proxy).

If your shares are held in a brokerage account by a broker, bank or other nominee, you should follow the instructions provided by your broker, bank or other nominee. If you attend the Annual Meeting and you beneficially own shares of Common Stock but are not the record owner, your mere attendance at the Annual Meeting WILL NOT be sufficient to revoke your prior given proxy card. You must have written authority from the record owner to vote your shares held in its name at the meeting. Contact D.F. King, toll free at (877) 896-3199 or collect at (212) 269-5550 fo