Knowles Corp
Form S-4
May 19, 2015

As filed with the Securities and Exchange Commission on May 19, 2015

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

Knowles Corporation

(Exact name of registrant as specified in its charter)

Delaware	**3651**	**90-1002689**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(IRS Employer Identification Number)**

1151 Maplewood Drive

Itasca, Illinois 60143

(630) 250-5100

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Jeffrey S. Niew

President & Chief Executive Officer

Knowles Corporation

1151 Maplewood Drive

Itasca, Illinois 60143

(630) 250-5100

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies of communications to:

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Senior Vice President,

General Counsel & Secretary Knowles Corporation

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Itasca, Illinois 60143

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(650) 493-6811

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this registration statement becomes effective and the other conditions to the consummation of the exchange offer described in the enclosed prospectus have been satisfied (or waived if permissible).

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ¨

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer) ¨

Exchange Act Rule 14d-1(d) (Cross Border Third-Party Tender Offer) ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be	Proposed Maximum	Proposed Maximum	Amount of Registration Fee (3)

	Registered [1]	Offering Price Per Share	Aggregate Offering Price [2]	
Common Stock, $0.01 par value per share	4,009,561	N/A	$65,241,019.74	$7,581.01

(1) Represents the estimated maximum number of shares of common stock of Knowles Corporation (Knowles) that may be issued upon consummation of the exchange offer for each outstanding share of common stock of Audience, Inc. (Audience), and the subsequent merger of Orange Subsidiary, Inc., a wholly owned subsidiary of Knowles, with and into Audience. Such number is equal to the product of (i) 29,125,451 (which represents the number of shares of Audience common stock issued and outstanding as of May 15, 2015, plus the aggregate number of shares of Audience common stock issuable upon exercise and conversion of all outstanding stock options and restricted stock units as of such date) and (ii) 0.1376652 (which represents the maximum fraction of a share of Knowles common stock issuable for each share of Audience common stock to be exchanged in the offer and the subsequent merger).

(2) Pursuant to Rule 457(c) and Rule 457(f), and solely for the purpose of calculating the registration fee, the proposed maximum aggregate offering price of the securities being registered was calculated as the product of (i) 29,125,451 (which represents the number of shares of Audience common stock issued and outstanding as of May 15, 2015, plus the aggregate number of shares of Audience common stock issuable upon exercise and conversion of all outstanding stock options and restricted stock units as of such date) and (ii) $4.74 (which represents the average of the high and low sales prices of Audience, Inc. common stock as reported on the NASDAQ Global Select Market on May 12, 2015), minus $72,813,628, the estimated minimum aggregate amount of cash to be paid by Knowles in the exchange offer and subsequent merger (which is equal to the product of 29,125,451 and $2.50).

(3) Determined in accordance with Section 6(b) of the Securities Act by multiplying the proposed maximum aggregate offering price by 0.0001162.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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THE INFORMATION IN THIS PROSPECTUS/OFFER TO EXCHANGE MAY CHANGE. WE MAY NOT COMPLETE THE OFFER AND ISSUE THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS/OFFER TO EXCHANGE IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY JURISDICTION WHERE THE OFFER OR SALE IS NOT PERMITTED.

PRELIMINARY PROSPECTUS/OFFER TO EXCHANGE, DATED MAY 19, 2015

OFFER TO EXCHANGE

Each Outstanding Share of Common Stock of

AUDIENCE, INC.

for

$2.50 in Cash and $2.50 in Fair Market Value of Shares of Common Stock of

KNOWLES CORPORATION

(subject to the adjustment procedures and collar as described in this

prospectus/offer to exchange and the related letter of transmittal)

made by

ORANGE SUBSIDIARY, INC.,

a wholly owned subsidiary of Knowles Corporation

THE OFFER COMMENCED ON TUESDAY, MAY 19, 2015. THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT (ONE MINUTE AFTER 11:59 P.M.), EASTERN TIME, ON WEDNESDAY, JUNE 17, 2015, UNLESS THE OFFER IS EXTENDED.

Pursuant to an Agreement and Plan of Merger, dated as of April 29, 2015, as amended from time to time (the merger agreement), by and among Knowles Corporation, a Delaware corporation (Knowles), Orange Subsidiary, Inc., a Delaware corporation and wholly owned subsidiary of Knowles (the Purchaser), and Audience, Inc., a Delaware corporation (Audience), Purchaser is offering to purchase each outstanding share of common stock, $0.001 par value per share, of Audience, for consideration (the offer consideration) consisting of:

$2.50 in cash, without interest, and

a number of shares of Knowles common stock, par value $0.01 per share, equal to the amount obtained by dividing $2.50 by the volume weighted average of the sale prices for Knowles common stock as reported on the New York Stock Exchange for each of the 10 consecutive trading days ending on and including the second trading day prior to the final expiration date of the offer,

subject in each case to the adjustment procedures and collar described in this prospectus/offer to exchange and the related letter of transmittal (which, together with any amendments or supplements hereto or thereto, collectively constitute the offer described herein).

The offer is the first step in Knowles plan to acquire all of the outstanding equity interests of Audience. Following the purchase by Purchaser of shares of Audience common stock sufficient to satisfy the requirements under Delaware law to effect a short-form merger, and subject to the satisfaction or waiver of each of the conditions to such merger set forth in the merger agreement, Purchaser will be merged with and into Audience (the merger), with Audience surviving the merger as a wholly owned subsidiary of Knowles. As a result of the merger, each then-outstanding share of Audience common stock held by persons other than Knowles or Purchaser and their subsidiaries, and stockholders of Audience who have properly preserved their appraisal rights, if any, under applicable law, will be converted into the right to receive the merger consideration described herein. For a discussion of the treatment of Audience common stock, stock options and other rights to acquire Audience common stock in the merger, please carefully read The Offer beginning on page 50 of this prospectus/offer to exchange.

See Risk Factors beginning on page 14 of this prospectus/offer to exchange for a discussion of certain factors that you should consider in connection with the offer to exchange your shares of Audience common stock for the consideration described herein.

Knowles common stock is traded on the New York Stock Exchange under the symbol KN and Audience common stock is traded on the NASDAQ Global Select Market under the symbol ADNC. You are encouraged to obtain current market quotations for Knowles common stock and Audience common stock in connection with your decision whether to tender your shares for exchange. Please carefully review the entire prospectus/offer to exchange, including the merger agreement attached as Annex A to this prospectus/offer to exchange.

Neither the Securities and Exchange Commission (the SEC) nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus/offer to exchange. Any representation to the contrary is a criminal offense.

THE DATE OF THIS PROSPECTUS/OFFER TO EXCHANGE IS MAY 19, 2015

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On April 29, 2015, the Audience board of directors, by the unanimous vote of the Audience directors present at the meeting, (i) determined that the merger agreement and the transactions contemplated thereby, including the offer and the merger, are advisable and in the best interests of Audience and Audience s stockholders, (ii) approved and authorized the merger agreement and the transactions contemplated thereby, including the offer and the merger, and (iii) recommended that Audience s stockholders accept the offer and tender their shares of Audience common stock pursuant to the offer. Accordingly, the Audience board of directors recommends that the stockholders of Audience accept the offer and tender their shares of Audience common stock pursuant to the offer. The factors considered by the Audience board of directors in making the determinations and the recommendation described above are described in Audience s Solicitation/Recommendation Statement on Schedule 14D-9, which has been filed with the SEC and is being mailed to you and other Audience stockholders together with this prospectus/offer to exchange. Audience stockholders are encouraged to review carefully the Schedule 14D-9, together with this prospectus/offer to exchange.

The offer is conditioned upon, among other things, there being validly tendered and not validly withdrawn prior to the expiration time of the offer (as it may be extended) shares of Audience common stock that, together with any shares of Audience common stock then owned by Knowles and its subsidiaries, including Purchaser, represent more than 50% of the sum of (x) the aggregate number of shares of Audience common stock outstanding immediately prior to the acceptance of shares of Audience common stock for exchange pursuant to the offer, including shares of Audience common stock subject to Audience restricted stock units or deemed issued pursuant to Audience s employee stock purchase plan plus (y) the aggregate number of shares of Audience common stock issuable to holders of Audience stock options from which Audience has received notices of exercise immediately prior to the acceptance of shares of Audience common stock for exchange pursuant to the offer (and as to which shares of Audience common stock have not yet been issued to such exercising holders of Audience stock options), but excluding shares of Audience common stock that have been tendered in the offer pursuant to guaranteed delivery procedures (the foregoing condition is referred to as the minimum condition or the short-form merger threshold in this prospectus/offer to exchange). The offer is also subject to other conditions described under The Offer Conditions to the Offer beginning on page 59 of this prospectus/offer to exchange.

IMPORTANT INFORMATION

Purchaser is not asking you for a proxy and you are requested not to send Purchaser a proxy. Any solicitation of proxies following the acceptance for exchange of Audience common stock pursuant to the offer will be made pursuant to separate proxy solicitation materials complying with the requirements of Section 14(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act).

Any Audience stockholder who desires to tender all or any portion of such stockholder s shares of Audience common stock to Purchaser in the offer should either:

complete and sign the letter of transmittal (or a photocopy of it) for the offer, which is enclosed with this prospectus/offer to exchange, in accordance with the instructions contained in the letter of transmittal (having such stockholder s signature on the letter of transmittal guaranteed if required by Instructions 1 and 5 to the letter of transmittal), mail or deliver the letter of transmittal (or a photocopy of it) and any other required documents to the depositary for the offer, Computershare (the Depositary), which will serve as the Exchange Agent (as defined in the merger agreement) for the offer, and either deliver the certificates representing such shares to the Depositary along with the letter of transmittal (or a photocopy of it) or tender such shares by book-entry transfer by following the procedures described under The Offer Procedures for Tendering Shares of Audience Common Stock in the Offer beginning on page 52 of this prospectus/offer to exchange, in each case prior to the expiration time (as defined in this prospectus/offer to exchange) of the offer; or

request such stockholder s broker, dealer, bank, trust company or other nominee to effect the transaction for such stockholder. Any Audience stockholder with shares of Audience common stock registered in the name of a broker, dealer, bank, trust company or other nominee must contact that institution in order to tender such shares to Purchaser in the offer.

Any Audience stockholder who desires to tender shares of Audience common stock to Purchaser in the offer and whose certificates representing such shares are not immediately available, or who cannot comply in a timely manner with the procedures for tendering shares by book-entry transfer, or who cannot deliver all required documents to the Depositary prior to the expiration time of the offer, may tender such shares to Purchaser in the offer by following the procedures for guaranteed delivery described under The Offer Procedures for Tendering Shares of Audience Common Stock in the Offer of this prospectus/offer to exchange.

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Each of Knowles and Audience file annual, quarterly and current reports, proxy statements and other information with the SEC. This prospectus/offer to exchange incorporates important business and financial information about Knowles and Audience from documents that are filed with the SEC but are not included in or delivered with this document. This information is available to you without charge upon your written or oral request. You may read and copy any reports, statements or information that the companies file at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-732-0330 for further information on the Public Reference Room. Knowles and Audience s SEC filings are also available to the public from commercial document retrieval services and at the Internet web site maintained by the SEC at www.sec.gov. You may also obtain copies of this information from Knowles website, www.knowles.com, or by sending a request to Knowles Corporation, Attention: Corporate Secretary, 1151 Maplewood Drive, Itasca, Illinois 60143, or from Audience s website, www.audience.com, as applicable. Information contained on Knowles or Audience s respective websites does not constitute part of this prospectus/offer to exchange.

You may also request copies of these documents from Purchaser, without charge, excluding all exhibits, unless Purchaser has specifically incorporated by reference an exhibit in this prospectus/offer to exchange. You may obtain documents incorporated by reference in this prospectus/offer to exchange by requesting them in writing or by telephone from Georgeson Inc. (the Information Agent) at the address set forth below. You can also contact the Information Agent at its address and telephone number listed below for answers to your questions regarding the transaction.

Georgeson Inc.

480 Washington Blvd., 26th Floor

Jersey City, NJ 07310

All Stockholders Call Toll-Free: (888) 497-9677

In order to receive timely delivery of any SEC filings or documents incorporated by reference, you must make your request no later than June 10, 2015.

You should rely only on the information contained in, or incorporated by reference into, this prospectus/offer to exchange and the Schedule 14D-9 of Audience that has been mailed to you together with this prospectus/offer to exchange in deciding whether to tender your shares of Audience common stock in the offer. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this prospectus/offer to exchange or the Schedule 14D-9. You should not assume that the information contained in, or incorporated by reference into, this prospectus/offer to exchange is accurate as of any date other than the date of this prospectus/offer to exchange.

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QUESTIONS AND ANSWERS REGARDING THE TRANSACTION

For the purposes of this section, Questions and Answers Regarding the Transaction, the terms we and our refer to Orange Subsidiary, Inc. The following are some of the questions you, as an Audience stockholder, may have about the offer and the merger and our answers to those questions. This section provides important and material information about the offer and the merger that is described in more detail elsewhere in this prospectus/offer to exchange, but this section and the Summary may not include all of the information about the offer and the merger that is important to you. We urge you to carefully read the remainder of this prospectus/offer to exchange and the letter of transmittal for the offer because the information in this section and the Summary is not complete. We have included cross-references in this section to other sections of this prospectus/offer to exchange to direct you to the sections of this prospectus/offer to exchange in which a more complete description of the topics covered in this section appear.

Who is offering to buy my Audience shares? (Page 89)

Our name is Orange Subsidiary, Inc., a Delaware corporation (Purchaser), and we are offering to buy your shares of common stock of Audience, Inc., a Delaware corporation (Audience). We were organized as a wholly owned subsidiary of Knowles Corporation, a Delaware corporation (Knowles), for the sole purpose of making an offer to purchase all of the outstanding shares of common stock of Audience. The offer is being made pursuant to an Agreement and Plan of Merger, dated as of April 29, 2015, by and among Knowles, us and Audience (the merger agreement). Our principal executive offices are located at 1151 Maplewood Drive, Itasca, Illinois 60143.

Knowles is market leader and global supplier of advanced micro-acoustic solutions and specialty components serving the mobile communications, consumer electronics, medical technology, military, aerospace and industrial markets. It has a leading position in micro-electro-mechanical systems microphones, speakers and receivers which are used in smartphones, tablets and mobile handsets. It is also a leading manufacturer of transducers used in hearing aids and other medical devices and has a strong position in oscillators (timing devices) and capacitor components which enable various types of communication. Knowles focus on the customer, combined with unique technology, rigorous testing and global scale, helps to deliver innovative solutions and consistently dependable and precise products. Knowles was incorporated as a Delaware corporation in June 2013. It became an independent, publicly traded company as a result of a spin-off from Dover Corporation in February 2014. Knowles principal executive offices are located at 1151 Maplewood Drive, Itasca, Illinois 60143, and its telephone number is (630) 250-5100. See Information Relating to Knowles and Purchaser.

Who is Audience? (Page 87)

Audience is a leading provider of intelligent voice and audio solutions that improve voice quality and the user experience in mobile devices. Its technologies, based in auditory neuroscience, improve the mobile voice experience, as well as enhance speech-based services and audio quality for multimedia. Audience s products have been shipped in more than 500 million devices worldwide. Audience has developed purpose-built processors that combine science and technology to function like human hearing and sensing. Its low power, hardware-accelerated digital signal processors and audio codecs and associated algorithms substantially improve user experience through interpretation of sound, motion and other sensor types. Audience was incorporated in July 2000 in the State of California under the name Applied Neurosystems Corporation and reincorporated as a Delaware corporation under the name Audience, Inc. in June 2011. Audience completed its initial public offering in May 2012. Audience s principal executive offices are located at 331 Fairchild Drive, Mountain View, California 94043, and its telephone number is (650) 254-2800. See Information Relating to Audience.

How many shares of Audience common stock are you offering to purchase and how much are you offering to pay? (Page 50)

We are making an offer to purchase all of the outstanding shares of Audience common stock, $0.001 par value per share. We are offering to pay, for each share of Audience common stock that is validly tendered and not validly withdrawn, consideration consisting of (i) $2.50 in cash, without interest, and (ii) a number of shares of Knowles common stock, par value $0.01 per share, equal to the amount obtained by dividing $2.50 by the volume weighted average of the sale prices for Knowles common stock as reported on the New York Stock Exchange for each of the 10 consecutive trading days ending on and including the second trading day prior to the final expiration date of the offer (the closing date average price), in each case subject to the adjustment procedures as described in this prospectus/offer to exchange and the related letter of transmittal. Notwithstanding the foregoing, the closing date average price shall be no greater than $23.35 and no less than $18.16.

Audience stockholders who otherwise would be entitled to receive a fractional share of Knowles common stock will instead receive an amount in cash (without interest) equal to the amount of such fraction multiplied by the closing date average price.

Between the date of the merger agreement and the date of consummation of the merger, if the number of outstanding shares of Audience or Knowles common stock are changed into a different number or class of shares by reason of any reclassification, stock split (including a reverse stock split), recapitalization, split-up, combination, exchange of shares, readjustment or other similar transaction, or a stock dividend or stock distribution thereon is declared with a record date within said period, then the offer consideration will be appropriately adjusted to achieve the same economic effect as contemplated by the merger agreement prior to such event.

Will I have to pay any fees or commissions if my shares are accepted for exchange in the offer? (Page 50)

If you are the record owner of your shares and you tender them to us in the offer, you will not have to pay any brokerage fees or similar expenses. If you own your shares through a broker, dealer, bank, trust company or other nominee, and your broker, dealer, bank, trust company or other nominee tenders your shares in the offer on your behalf, your broker, dealer, bank, trust company or other nominee may charge you a fee for doing so. You should consult your broker, dealer, bank, trust company or other nominee to determine whether it will charge you a fee for tendering your shares in the offer.

What are your plans if you successfully complete the offer but do not acquire all of the outstanding shares of Audience common stock in the offer? (Page 57)

If we consummate the offer, we intend to merge with and into Audience (the merger) as soon as practicable following the consummation of the offer. As a result of the merger, Audience will become a wholly owned subsidiary of Knowles. Our obligation to merge with Audience following the consummation of the offer is conditioned on, among other things, no order or injunction preventing the consummation of the merger having been issued by any court and remaining in effect and there being no legal requirement making consummation of the merger illegal. If we successfully consummate the offer, we expect to hold a sufficient number of shares of Audience common stock to ensure the completion of the merger. No vote of Audience s stockholders will be necessary for us to complete the merger if we consummate the offer.

Has the Audience board of directors approved the offer and the merger? (Page 33)

Yes. On April 29, 2015, the members of the Audience board of directors, by unanimous vote of the Audience directors present at the meeting:

determined that the merger agreement and the transactions contemplated thereby, including the offer and the merger, are advisable and in the best interests of Audience and Audience s stockholders;

approved and authorized the merger agreement and the transactions contemplated thereby, including the offer and the merger; and

recommended that Audience s stockholders accept the offer and tender their shares of Audience common stock pursuant to the offer.

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Accordingly, the Audience board of directors recommends that you accept the offer and tender your shares of Audience common stock.

The factors considered by the Audience board of directors in making the determinations and the recommendation described above are described in Audience s Solicitation/Recommendation Statement on Schedule 14D-9, which has been filed with the SEC and is being mailed to you and other Audience stockholders together with this prospectus/offer to exchange. The Schedule 14D-9 is also available on the SEC s website at www.sec.gov and on Audience s website at www.audience.com. We urge all Audience stockholders to review carefully the Schedule 14D-9 and this prospectus/offer to exchange.

Are Knowles business, prospects and financial condition relevant to my decision to tender my shares in the offer?

Yes. Shares of Audience common stock accepted for exchange in the offer will be exchanged in part for shares of Knowles common stock; therefore, you should consider Knowles business and financial condition before you decide to tender your shares of Audience common stock in the offer. In considering Knowles business and financial condition, you should review the documents incorporated by reference in this prospectus/offer to exchange because they contain detailed business, financial and other information about Knowles.

How long do I have to tender my shares of Audience common stock in the offer? (Page 51)

Unless we extend the offer, you will have until 12:00 midnight (one minute after 11:59 p.m.), Eastern Time, on June 17, 2015 to tender your shares of Audience common stock in the offer. If you cannot deliver everything that is required to tender your shares by that time, you may be able to use a guaranteed delivery procedure to tender your shares.

How long will it take to consummate the offer and the merger?

The offer is scheduled to expire at 12:00 midnight (one minute after 11:59 p.m.), Eastern Time, on June 17, 2015. We hope to consummate the offer by the end of the day on June 18, 2015, the business day after the initial expiration date. However, we may decide, or be required, to extend the offer if certain conditions to the offer have not been satisfied by the initial expiration date.

We expect to complete the merger on the same day as we consummate the offer. Because consummation of the offer and the merger is subject to various conditions, we cannot predict the exact timing of consummation of the offer or the merger or whether the offer or the merger will be completed at all.

Under what circumstances must you extend the offer beyond its original expiration time? (Page 51)

Subject to Knowles (and Audience s) termination rights under the merger agreement: (1) if, at any time as of which the offer is scheduled to expire, any condition to the offer has not been satisfied or waived, we are required to extend the offer on one or more occasions for additional successive periods of up to 10 business days per extension (but not beyond July 31, 2015, as such date may be extended to September 1, 2015 in certain circumstances); and (2) we are required to extend the offer at any time or from time to time for any period required by any rule, regulation, interpretation or position of the SEC or the staff of the SEC applicable to the offer. If we extend the offer, we will inform the Depositary and will publicly announce the extension not later than 9:00 a.m., Eastern Time, on the business day after the day on which the offer was previously scheduled to expire.

What are the most significant conditions to the offer? (Page 59)

We are not obligated to purchase any shares of Audience common stock that are tendered in the offer unless, prior to the expiration time of the offer, the number of shares validly tendered and not validly withdrawn,

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together with any shares of Audience common stock then owned by Knowles and its subsidiaries, including us, immediately prior to the acceptance for exchange of shares pursuant to the offer, represent more than 50% of the sum of (x) the aggregate number of shares of Audience common stock then outstanding, including shares of Audience common stock subject to Audience restricted stock units or deemed issued pursuant to Audience s employee stock purchase plan plus (y) the aggregate number of shares of Audience common stock issuable to holders of Audience stock options from which Audience has received notices of exercise immediately prior to the acceptance of shares of Audience common stock for exchange pursuant to the offer (and as to which shares of Audience common stock have not yet been issued to such exercising holders of Audience stock options), but excluding shares of Audience common stock that have been tendered in the offer pursuant to guaranteed delivery procedures. The offer is also subject to other conditions described under The Offer Conditions to the Offer.

The offer is not subject to any financing condition, but it is subject to a number of other conditions, including conditions with respect to the accuracy of Audience s representations and warranties in the merger agreement, Audience s compliance with its covenants set forth in the merger agreement, no material adverse effect with respect to Audience having occurred and be continuing, the receipt of all necessary approvals, authorizations and consents of any governmental entity, the absence of any order or injunction preventing the acquisition of or payment for Audience common stock pursuant to the offer or consummation of the merger having been issued by any court and remaining in effect, there being no legal requirement making the acquisition of, or payment for, Audience common stock pursuant to the offer or consummation of the merger illegal, the absence of any legal proceeding by a governmental body challenging or seeking to restrain or prohibit the acquisition of, or payment for, shares of Audience common stock pursuant to the offer or consummation of the merger, at least five of the six employment arrangements with Audience employees being in full force and effect, the effectiveness of the registration statement of which this prospectus/offer to exchange is a part and the shares of Knowles common stock to be issued as part of the offer consideration being approved for listing on the New York Stock Exchange (see The Offer Conditions to the Offer).

Subject to applicable law, we can waive any condition to the offer without Audience s consent, other than the minimum condition, the effectiveness of the registration statement and the approval of the Knowles common stock for listing on the New York Stock Exchange.

How do I tender my shares of Audience common stock for exchange in the offer? (Page 52)

To tender all or any portion of your shares of Audience common stock for exchange in the offer, you must either deliver the certificate or certificates representing your tendered shares, together with the letter of transmittal (or a photocopy of it) enclosed with this prospectus/offer to exchange, properly completed and duly executed, together with any required signature guarantees, and any other required documents, to the Depositary, or tender your shares using the book-entry procedure described herein prior to the expiration time of the offer.

If you hold your shares of Audience common stock in street name through a broker, dealer, bank, trust company or other nominee and you wish to tender all or any portion of your shares of Audience common stock in the offer, the broker, dealer, bank, trust company or other nominee that holds your shares must tender them to us on your behalf through the Depositary.

If you cannot deliver an item that is required to be delivered to the Depositary by the expiration time of the offer, you may obtain up to three additional trading days to do so by having a broker, bank or other fiduciary that is a member of the Securities Transfer Agent s Medallion Program, the Stock Exchanges Medallion Program or other eligible institution guarantee that the missing items will be received by the Depositary within three New York Stock Exchange trading days. You may use the Notice of Guaranteed Delivery enclosed with this prospectus/offer to exchange for this purpose. To tender shares of Audience common stock in this manner, however, the Depositary must receive the missing items within this three trading day period.

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Can I withdraw shares that I previously tendered in the offer? (Page 55)

Yes. You can withdraw any of the shares of Audience common stock that you previously tendered in the offer at any time until the expiration time of the offer, as it may be extended. Further, if we have not accepted your shares for exchange by July 18, 2015, you can withdraw them at any time after that date. Once we accept your tendered shares for exchange upon the expiration of the offer, however, you will no longer be able to withdraw them.

To withdraw any shares of Audience common stock that you previously tendered in the offer, you (or, if your shares are held in street name, the broker, dealer, bank, trust company or other nominee that holds your shares) must deliver a written notice of withdrawal (or a photocopy of one), with the required information, to the Depositary while you still have the right to withdraw your shares.

Have any stockholders of Audience already agreed to tender their shares in the offer? (Page 86)

Yes. As inducement to Knowles to enter into the merger agreement, each member of the Audience board of directors, certain members of Audience s senior management and funds associated with Tallwood Venture Capital, a venture capital firm affiliated with one of Audience s directors, have signed a Tender and Support Agreement, covering all of the shares of Audience common stock beneficially owned by such persons, as well as any additional shares of which such persons may become the beneficial owner. These Tender and Support Agreements provide that the signatories thereof will tender their Audience common stock in the offer and, if necessary, will vote any remaining shares that they own for the merger. In addition, under the terms of the Tender and Support Agreements, each such person has also agreed to certain restrictions on the transferability of its shares and the transferability of certain voting rights. As of May 15, 2015, the persons who executed the Tender and Support Agreements beneficially owned in the aggregate 7,318,614 shares of Audience common stock (including shares issuable upon the exercise of stock options and restricted stock units beneficially owned by such persons). Of such shares, an aggregate of 4,991,854 shares are currently outstanding and therefore subject to the Tender and Support Agreements. The shares subject to the Tender and Support Agreements represent approximately 21.1% of the shares of Audience common stock outstanding as of May 15, 2015. See Other Agreements Related to the Transaction.

Do the officers and members of the board of directors of Audience have interests in the offer and the merger that are different from stockholders generally? (Page 68)

You should be aware that some of the officers and directors of Audience may be deemed to have interests in the merger that are different from, or in addition to, your interests as an Audience stockholder. These interests may be deemed to exist because of agreements that the officers have previously entered into with Audience that provide for severance payments and the acceleration of stock options and restricted stock units in the event of a change in control, which would be triggered by the offer as well as the merger. In addition, certain of Audience s officers will be employed by Knowles following the merger. See also Item 3 Past Contacts, Transactions, Negotiations and Agreements in Audience s Solicitation/Recommendation Statement on Schedule 14D-9, which has been filed with the SEC and is being mailed to you and other stockholders of Audience together with this prospectus/offer to exchange.

If I decide not to tender my shares of Audience common stock in the offer, how will the consummation of the merger affect my shares? (Page 70)

If we obtain ownership of shares of Audience common stock representing the short-form merger threshold and we consummate the merger, each then-outstanding share of Audience common stock held by persons other than Knowles or us and our respective subsidiaries, and stockholders of Audience who have properly preserved their appraisal rights, if any, under applicable law, will be converted into the right to receive the merger consideration described under The

Merger Agreement What Audience Stockholders will Receive in the Merger, which will be equivalent to the consideration provided to those Audience stockholders who participate in the offer. The effects of the merger on outstanding Audience stock options and restricted stock units are described under The Merger Agreement Treatment of Audience Stock Options and Restricted Stock Units.

Are dissenters or appraisal rights available in either the offer or the merger? (Page 58)

No appraisal rights are available to the holders of Audience shares in connection with the offer. However, if the merger is consummated, the holders of Audience shares immediately prior to the effective time of the merger who (1) did not tender Audience shares in the offer; (2) follow the procedures set forth in Section 262 of the Delaware General Corporation Law (the DGCL); and (3) do not thereafter withdraw their demand for appraisal of such shares or otherwise lose their appraisal rights, in each case in accordance with the DGCL, will be entitled to have their shares appraised by the court and receive payment of the fair value of such shares, exclusive of any element of value arising from the accomplishment or expectation of the merger, together with a fair rate of interest, as determined by such court.

The fair value of any Audience shares could be based upon considerations other than, or in addition to, the price paid in the offer and the market value of such shares. You should recognize that the value so determined could be higher or lower than, or the same as, the consideration payable in the offer and the merger. You should also be aware that the opinion of an investment banking firm as to the fairness from a financial point of view of the consideration payable in a sale transaction, such as the offer and the merger, are not opinions as to fair value under applicable Delaware law.

Why does the cover page state that this offer may be changed and that the shares of Knowles common stock may not be sold until the registration statement filed with the SEC is effective? Does this mean that the offer has not commenced?

No. Completion of this prospectus/offer to exchange and effectiveness of the registration statement are not necessary for the offer to commence. The offer commenced on May 19, 2015. However, we will not be entitled to accept for exchange and to deliver consideration for shares of Audience common stock tendered pursuant to the offer until the registration statement has been declared effective by the SEC, among other conditions to the consummation of the offer.

What are the United States federal income tax consequences of having my shares of Audience common stock accepted for exchange in the offer or converted in the merger? (Page 65)

The receipt of shares of Knowles common stock and cash for shares of Audience common stock pursuant to the offer or the merger generally will be a fully taxable transaction for U.S. federal income tax purposes. In general, a beneficial owner of Audience common stock who receives shares of Knowles common stock and cash in exchange for shares of Audience common stock in the offer or merger will recognize gain or loss equal to the difference, if any, between (a) the sum of (i) the fair market value of the shares of Knowles common stock received (determined at the time the offer is consummated or the merger is effective, as the case may be) and (ii) the amount of cash received and (b) the holder s adjusted tax basis in the shares of Audience common stock exchanged for the right to receive shares of Knowles common stock and cash in the offer or merger. Gain or loss will be determined separately for each block of shares of Audience common stock (that is, shares acquired for the same cost in a single transaction).

You should read the discussion under Material United States Federal Income Tax Consequences and should consult your own tax advisor for a full understanding of the tax consequences of the offer and the merger to you.

What is the market value of my shares of Audience common stock? (Page 102)

On April 29, 2015, the last trading day before Knowles and Audience announced that they had entered into the merger agreement, the last sales price of Audience common stock reported on the NASDAQ Global Select Market was $5.49 per share; therefore, the offer consideration valued at $5.00 per share represents a discount of approximately 9% on the last closing price of shares of Audience common stock prior to announcement of the

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merger agreement. On May 15, 2015, the last practicable day prior to the date of this prospectus/offer to exchange, the last sales price of Audience common stock reported on the NASDAQ Global Select Market was $4.80 per share. We advise you to obtain recent quotations for shares of Audience common stock and shares of Knowles common stock when deciding whether to tender your shares in the offer. In addition, you should also consider Knowles financial condition by reviewing the sections of this prospectus/offer to exchange entitled Summary Selected Consolidated Historical Financial Data of Knowles and Risk Factors and the documents incorporated by reference into this prospectus/offer to exchange because they contain detailed business, financial and other information about Knowles.

Are there any regulatory clearances or approvals required to complete the offer? (Page 61)

Yes. Our acceptance of the tendered shares of Audience common stock in the offer and consummation of the offer and the merger is subject to approval under the Monopoly Regulation and Fair Trade Act as enforced by the Korea Fair Trade Commission. In addition, the SEC must declare the registration statement, of which this prospectus/offer to exchange is a part, effective.

Whom can I contact if I have questions about the offer or the merger? (Page 115)

You should contact the Information Agent for the offer at the address and telephone number listed below if you have any questions about the offer or the merger.

Georgeson Inc.

480 Washington Blvd., 26th Floor

Jersey City, NJ 07310

All Stockholders Call Toll-Free: (888) 497-9677

In addition, please see Where You Can Find Additional Information beginning on page 115 of this prospectus/offer to exchange for instructions on how to obtain additional information about Knowles, Audience, the offer and the merger.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

Some of the statements in this prospectus/offer to exchange are, and statements in other material filed or to be filed with the SEC (as well as information included in oral statements or other written statements made or to be made by Knowles) will be, forward-looking within the meaning of the Securities Act and the Exchange Act. These forward-looking statements include, but are not limited to, statements regarding Knowles plans to acquire Audience, its financing of such acquisition, its expected future performance (including expected results of operations and financial guidance), and the combined company s future financial condition, operating results, strategy and plans. Generally, the words will, may, should, continue, believe, expect, intend, anticipate or similar expressi forward-looking statements.

Forward-looking statements should not be read as a guarantee of future performance or results and will not necessarily be accurate indications of the times at, or by which, such performance or results will be achieved. Forward-looking information is based on information available at the time and/or management s good faith belief with respect to future events, and is subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements.

You should understand that the following important factors, in addition to those discussed under Risk Factors and in the documents that are incorporated herein by reference, could affect the future results of Knowles, Audience and the combined company following the consummation of the offer and the merger and could cause those results or other outcomes to differ materially from those expressed or implied in the forward-looking statements:

- uncertainties as to the timing of the offer and the merger;
- uncertainties as to how many of the holders of shares of common stock of Audience will tender their shares into the offer;
- the possibility that various closing conditions for the offer or the proposed merger may not be satisfied or waived, including that a governmental entity may prohibit, delay or refuse to grant approval for the consummation of the offer or the merger;
- the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement;
- the effects of disruption from the offer or the proposed merger making it more difficult for Knowles to maintain relationships with employees (including potential difficulties in employee retention), collaboration parties, other business partners or governmental entities;
- legal proceedings that may be instituted against Knowles and others following announcement of the business combination;

- other business effects, including the effects of industrial, legal, regulatory, economic or political conditions outside of Knowles control;

- the amount of the costs, fees, expenses and charges related to the offer and the merger;

- the inherent uncertainty associated with financial or other projections; and

- business expansion or cost savings expected to result from the proposed acquisition may not be fully realized or realized within the expected time-frame.

Forward-looking statements speak only as of the date the statements were made and, except as required by law, including Rule 14d-3(b)(1) under the Exchange Act, Knowles assumes no obligation to update forward-looking information to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information.

SUMMARY

This section summarizes material information presented in greater detail elsewhere in this prospectus/offer to exchange. However, this summary does not contain all of the information that may be important to Audience stockholders. Audience stockholders are urged to read carefully the entire prospectus/offer to exchange and the other documents referred to and incorporated by reference in this prospectus/offer to exchange to fully understand the offer and the merger. In particular, Audience stockholders should read the merger agreement, which is attached as Annex A. You may obtain the information incorporated by reference into this prospectus/offer to exchange by following the instructions in the section entitled Where You Can Find Additional Information beginning on page 115.

The Offer (Page 50)

Purchaser, Knowles and Audience entered into an Agreement and Plan of Merger on April 29, 2015 (the merger agreement), pursuant to which Purchaser, a wholly owned subsidiary of Knowles, is offering to exchange cash and shares of Knowles common stock for all of the outstanding shares of Audience common stock. Each share of Audience common stock validly tendered and not validly withdrawn in the offer will be exchanged for consideration (the offer consideration) in the form of (i) $2.50 in cash, without interest, and (ii) a number of shares of Knowles common stock, par value $0.01 per share, equal to the amount obtained by dividing $2.50 by the volume weighted average of the sale prices for Knowles common stock as reported on the New York Stock Exchange for each of the 10 consecutive trading days ending on and including the second trading day prior to the final expiration date of the offer (the closing date average price), in each case, subject to adjustment as described in this prospectus/offer to exchange and the related letter of transmittal. Notwithstanding the foregoing, the closing date average price shall be no greater than $23.35 and no less than $18.16. The effects of the merger on options to acquire Audience common stock and Audience restricted stock units are discussed elsewhere in this prospectus/offer to exchange (see The Merger Agreement Treatment of Audience Stock Options and Restricted Stock Units beginning on page 71).

Audience has informed Knowles and Purchaser that, as of May 15, 2015, there were issued and outstanding 23,603,003 shares of Audience common stock, par value $0.001 per share. Based on this number and assuming for illustration that no additional shares of Audience common stock are issued and no Audience stock options, no Audience restricted stock units and no other rights to acquire Audience common stock vest after May 15, 2015, then as of May 15, 2015, the minimum condition would be satisfied if at least 11,801,502 shares of Audience common stock are validly tendered and not validly withdrawn prior to the expiration time of the offer. This figure includes the shares of Audience common stock held by the persons who agreed to tender their shares pursuant to the Tender and Support Agreements, as more fully described below (see Other Agreements Related to the Transaction beginning on page 86).

The initial expiration date for the offer is June 17, 2015. In certain circumstances, Knowles is required to or may extend the offer beyond this date.

Purpose of the Offer (Page 57)

The purpose of the offer is for Knowles to acquire control of, and ultimately the entire equity interest in, Audience. The offer is the first step in Knowles plan to acquire all of the outstanding equity interests of Audience.

The Merger (Page 70)

Following the purchase by Purchaser of shares of Audience common stock sufficient to satisfy the requirements under Delaware law to effect a short-form merger, and subject to the satisfaction or waiver of each

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of the conditions to such merger set forth in the merger agreement, Purchaser will be merged with and into Audience, with Audience surviving the merger as a wholly owned subsidiary of Knowles.

The merger agreement provides that, upon consummation of the merger, each then-outstanding share of Audience common stock held by persons other than Knowles or Purchaser and their subsidiaries, and stockholders of Audience who have properly preserved their appraisal rights, if any, under applicable law, will be converted into the right to receive the merger consideration described under The Merger Agreement What Audience Stockholders will Receive in the Merger, which will be equivalent to the consideration provided to those Audience stockholders who participate in the offer. The effects of the merger on outstanding Audience stock options and restricted stock units are described under The Merger Agreement Treatment of Audience Stock Options and Restricted Stock Units. Such merger will not require a vote or any further action by the holders of shares of Audience common stock.

Tender and Support Agreements (Page 86)

As inducement to Knowles to enter into the merger agreement, each member of the Audience board of directors, certain members of Audience s senior management and funds associated with Tallwood Venture Capital, a venture capital firm affiliated with one of Audience s directors, have signed a Tender and Support Agreement, covering all of the shares of Audience common stock beneficially owned by such persons, as well as any additional shares of which such persons may become the beneficial owner. These Tender and Support Agreements provide that the signatories thereof will tender their Audience common stock in the offer and, if necessary, will vote any remaining shares that they own for the merger. In addition, under the terms of the Tender and Support Agreements, each such person has also agreed to certain restrictions on the transferability of its shares and the transferability of certain voting rights. As of May 15, 2015, the persons who executed the Tender and Support Agreements beneficially owned in the aggregate 7,318,614 shares of Audience common stock (including shares issuable upon the exercise of stock options and restricted stock units beneficially owned by such persons). Of such shares, an aggregate of 4,991,854 shares are currently outstanding and therefore subject to the Tender and Support Agreements. The shares subject to the Tender and Support Agreements represent approximately 21.1% of the shares of Audience common stock outstanding as of May 15, 2015.

Information Relating to Knowles and Purchaser (Page 89)

Knowles Corporation

1151 Maplewood Drive

Itasca, Illinois 60143

(630) 250-5100

Knowles is market leader and global supplier of advanced micro-acoustic solutions and specialty components serving the mobile communications, consumer electronics, medical technology, military, aerospace and industrial markets. It has a leading position in micro-electro-mechanical systems microphones, speakers and receivers which are used in smartphones, tablets and mobile handsets. It is also a leading manufacturer of transducers used in hearing aids and other medical devices and has a strong position in oscillators (timing devices) and capacitor components which enable various types of communication. Knowles focus on the customer, combined with unique technology, rigorous testing and global scale, helps to deliver innovative solutions and consistently dependable and precise products. Knowles was incorporated as a Delaware corporation in June 2013. It became an independent, publicly traded company as a result of a spin-off from Dover Corporation in February 2014. Knowles principal executive offices are located at 1151

Maplewood Drive, Itasca, Illinois 60143, and its telephone number is (630) 250-5100.

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Orange Subsidiary, Inc.

c/o Knowles Corporation

1151 Maplewood Drive

Itasca, Illinois 60143

(630) 250-5100

Purchaser is a direct wholly owned subsidiary of Knowles and was incorporated on April 24, 2015 in the State of Delaware. Purchaser has not engaged in any operations and exists solely to make the offer and otherwise facilitate the transaction.

Information Relating to Audience (Page 87)

Audience, Inc.

331 Fairchild Drive

Mountain View, California 94043

(650) 254-2800

Audience is a leading provider of intelligent voice and audio solutions that improve voice quality and the user experience in mobile devices. Its technologies, based in auditory neuroscience, improve the mobile voice experience, as well as enhance speech-based services and audio quality for multimedia. Audience s products have been shipped in more than 500 million devices worldwide. Audience has developed purpose-built processors that combine science and technology to function like human hearing and sensing. Its low power, hardware-accelerated digital signal processors and audio codecs and associated algorithms substantially improve user experience through interpretation of sound, motion and other sensor types. Audience was incorporated in July 2000 in the State of California under the name Applied Neurosystems Corporation and reincorporated as a Delaware corporation under the name Audience, Inc. in June 2011. Audience completed its initial public offering in May 2012. Audience s principal executive offices are located at 331 Fairchild Drive, Mountain View, California 94043, and its telephone number is (650) 254-2800.

Timing of the Offer; Extension (Page 51)

The offer commenced on May 19, 2015 and is currently scheduled to expire on June 17, 2015, but may be extended under the circumstances described below.

Subject to the terms of the merger agreement, the offer shall be extended by Purchaser for a period or periods not to exceed 10 business days each (but not beyond July 31, 2015, as such date may be extended to September 1, 2015 in certain circumstances) if any of the conditions to the offer shall not have been satisfied or waived, or if and to the extent required by the SEC or any other applicable law.

During an extension, all shares of Audience common stock previously tendered and not validly withdrawn will remain subject to the offer, subject to each Audience stockholder s right to withdraw its shares of Audience common stock. Under certain circumstances, if the offer has not been consummated by July 31, 2015, Audience or Knowles may terminate the merger agreement.

No subsequent offering period will be available pursuant to the offer.

Withdrawal Rights (Page 55)

Shares of Audience common stock tendered pursuant to the offer may be withdrawn at any time prior to the expiration date of the offer, as it may be extended.

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Procedures for Tendering Shares of Audience Common Stock in the Offer (Page 52)

For an Audience stockholder to validly tender shares of Audience common stock pursuant to the offer, a properly completed and duly executed letter of transmittal or manually executed copy of that document, along with any required signature guarantees, or an agent s message in connection with a book-entry transfer, and any other required documents, must be transmitted to and received by Computershare, the Depositary, at one of the addresses indicated on the letter of transmittal.

In addition, certificates for tendered shares of Audience common stock must be received by the Depositary, or the shares of Audience common stock must be tendered pursuant to the procedures for book-entry tender, in each case before the expiration date of the offer.

Acceptance for Exchange of Audience Stock; Delivery of Cash and Knowles Common Stock (Page 56)

Upon the terms of, and subject to the conditions to, the offer, including the terms and conditions of any extension or amendment, Knowles is required to accept for exchange, and to deliver cash and shares of Knowles common stock in exchange for, shares of Audience common stock validly tendered and not validly withdrawn, promptly after the expiration date of the offer.

Interests of Certain Persons (Page 68)

When you consider the recommendation of the Audience board of directors that Audience stockholders tender their shares in the offer, you should be aware that some of Audience s officers and directors may have interests in the transaction that are different from, or in addition to, yours. These interests are described more fully in the section entitled Interests of Certain Persons in the Transaction.

Regulatory Matters (Page 61)

Under the Monopoly Regulation and Fair Trade Act (the Korean Antitrust Laws), the offer and the merger cannot be completed until Knowles receives the required approvals thereunder. Pursuant to the requirements of the Korean Antitrust Laws, Knowles filed a Business Combination Report with the Korea Trade Commission on May 12, 2015.

At any time before or after consummation of the merger, notwithstanding the termination or expiration of the waiting period under the Korean Antitrust Laws, the Korean Fair Trade Commission could take such action under as it deems necessary under the applicable statutes, including seeking to enjoin the completion of the merger, seeking divestiture of substantial assets of the parties, or requiring the parties to license, or hold separate, assets or terminate existing relationships and contractual rights. At any time before or after the completion of the merger, and notwithstanding the termination or expiration of the waiting period under the Korean Antitrust Laws, any state or foreign regulatory body could take such action under the antitrust laws as it deems necessary. Such action could include seeking to enjoin the completion of the merger or seeking divestiture of substantial assets of the parties, or requiring the parties to license, or hold separate, assets or terminate existing relationships and contractual rights. Private parties may also seek to take legal action under the antitrust laws under certain circumstances.

There can be no assurance that a challenge to the offer on antitrust grounds will not be made, or if such a challenge is made, what the result will be.

Source and Amount of Funds (Page 68)

The offer and merger are not conditioned upon any financing arrangements or contingencies. Knowles intends to use borrowings under its existing credit facilities and cash on hand to finance the cash portion of the offer and the merger, the costs and expenses related to the offer and the merger and the ongoing working capital

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and other general corporate requirements of the combined organization after consummation of the merger. Knowles expects that the funds available pursuant to the arrangements described above will be sufficient to complete the offer and the merger.

Dissenters and Appraisal Rights (Page 58)

Audience stockholders are not entitled to dissenters or appraisal rights in connection with the offer. If you choose not to tender your shares of Audience common stock in the offer, however, and we purchase shares of Audience common stock in the offer, appraisal rights will be available to you at the time we complete the merger. If you choose to exercise appraisal rights in connection with the merger, and you comply with the applicable requirements under Delaware law (which include not voting in favor of the approval of the principal terms of the merger agreement or the merger, in the event that a stockholder vote is necessary), you will be entitled to have your shares appraised by the court and to receive payment of the fair value of such shares, exclusive of any element of value arising from the accomplishment or expectation of the merger, together with a fair rate of interest, as determined by such court. The fair value may be greater than, less than or the same as the consideration payable in the offer or payable in the merger (which is equivalent in amount to the consideration payable in the offer). These procedures are described more fully in the section entitled The Offer Purpose of the Transaction; Plans for Audience; The Merger; Appraisal Rights Appraisal Rights.

You are urged to read the appraisal rights provisions of the Delaware General Corporation Law, which are attached as Annex D to this prospectus/offer to exchange.

Comparison of Knowles Stockholders Rights and Audience Stockholder Rights (Page 104)

After the offer and the merger, Audience stockholders who receive shares of Knowles common stock in the offer and merger will become Knowles stockholders and their rights as stockholders will be governed by the certificate of incorporation and bylaws of Knowles. There are a number of differences between the certificate of incorporation and bylaws of Knowles and Audience. These differences are discussed under the section entitled Comparison of Rights of Knowles Stockholders and Audience Stockholders.

Material United States Federal Income Tax Consequences (Page 65)

The receipt of shares of Knowles common stock and cash for shares of Audience common stock pursuant to the offer or the merger generally will be a fully taxable transaction for U.S. federal income tax purposes. In general, a beneficial owner of Audience common stock who receives shares of Knowles common stock and cash in exchange for shares of Audience common stock in the offer or merger will recognize gain or loss equal to the difference, if any, between (a) the sum of (i) the fair market value of the shares of Knowles common stock received (determined at the time the offer is consummated or the merger is effective, as the case may be) and (ii) the amount of cash received and (b) the holder s adjusted tax basis in the shares of Audience common stock exchanged for the right to receive shares of Knowles common stock and cash in the offer or merger. Gain or loss will be determined separately for each block of shares of Audience common stock (that is, shares acquired for the same cost in a single transaction).

Each Audience stockholder should read the discussion under Material United States Federal Income Tax Consequences and should consult its own tax advisor for a full understanding of the tax consequences of the offer and the merger to such Audience stockholder.

Accounting Treatment (Page 64)

In accordance with accounting principles generally accepted in the United States, Knowles will account for the acquisition of shares of Audience common stock in the transaction under the acquisition method of accounting for business combinations.

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Comparative Market Price Data (Page 102)

Knowles common stock trades on the New York Stock Exchange under the symbol KN. Audience common stock trades on the NASDAQ Global Select Market under the symbol ADNC.

The following table contains historical closing prices per share for Knowles common stock and Audience common stock on April 29, 2015, the last full trading day before the public announcement of Knowles proposal to acquire Audience, and May 15, 2015, the last practicable day before the date of this prospectus/offer to exchange. The implied value per share of the Audience common stock consideration in the offer on each of the specified dates represents (i) $2.50 plus (ii) the closing sales price of a share of Knowles common stock on that date multiplied by the fraction obtained by dividing $2.50 by the volume weighted average of the sale prices for Knowles common stock as reported on the New York Stock Exchange for each of the 10 consecutive trading days ending on and including that date.

	Knowles Common Stock (NYSE)	Audience Common Stock (NASDAQ)	Per Share Implied Value of Offer
April 29, 2015	$ 19.93	$ 5.49	$ 5.18
May 15, 2015	$ 19.01	$ 4.80	$ 5.05

The market prices of shares of Knowles common stock and Audience common stock will fluctuate prior to the expiration of the offer and thereafter, and may be different on the expiration date of the offer from the prices set forth above, and for Audience stockholders tendering shares in the offer, at the time they receive cash and shares of Knowles common stock.

SUMMARY SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF KNOWLES

The following table sets forth certain consolidated financial data of Knowles as of the dates and for each of the periods indicated. The consolidated financial data for the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013 are derived from Knowles audited consolidated financial statements that are incorporated by reference into this prospectus/offer to exchange. The consolidated financial data for the years ended December 31, 2011 and 2010 and as of December 31, 2012 and 2011 are derived from Knowles audited consolidated financial statements that are not included or incorporated by reference into this prospectus/offer to exchange. The consolidated financial data as of December 31, 2010 are derived from Knowles unaudited consolidated financial statements that are not included or incorporated by reference into this prospectus/offer to exchange. The consolidated financial data for the three months ended March 31, 2015 and 2014 and as of March 31, 2015 are derived from Knowles unaudited consolidated condensed financial statements incorporated by reference into this prospectus/offer to exchange. In Knowles opinion, these unaudited consolidated condensed financial statements include all adjustments (consisting of normal recurring adjustments) necessary for a fair statement of Knowles financial position and results of operations for these periods. The consolidated historical financial data may not be indicative of the results of operations or financial position of Knowles that may be expected in the future.

The selected consolidated historical financial data below should be read in conjunction with Knowles consolidated financial statements and the related notes to those financial statements and the Management s Discussion and Analysis of Financial Condition and Results of Operations section included in its Annual Report on Form 10-K for the year ended December 31, 2014 and its Quarterly Report on Form 10-Q for the three months ended March 31, 2015, which have been filed with the SEC and are incorporated by reference into this prospectus/offer to exchange. See Where You Can Find Additional Information beginning on page 115.

Statement of Earnings Data	**Three Months Ended March 31,**		**Year Ended December 31,**				
(in millions, except for share and per share amounts):	**2015**	**2014**	**2014**	**2013**	**2012**	**2011 (1)**	**2010**
Revenue	$ 238.6	$ 273.4	$ 1,141.3	$ 1,214.8	$ 1,118.0	$ 983.3	$ 730.4
Gross profit	53.8	83.1	232.7	427.9	407.0	378.0	334.6
Net (loss) earnings	$ (15.8)	$ 7.6	$ (87.0)	$ 105.8	$ 79.1	$ 98.5	$ 109.3
Adjusted for:							
Interest expense, net (2)	2.4	0.7	6.6	42.0	56.5	39.9	20.3
Provision (benefit from) for income taxes	3.5	2.5	31.9	(4.3)	(0.2)	7.1	7.5
EBIT (3)	$ (9.9)	$ 10.8	$ (48.5)	$ 143.5	$ 135.4	$ 145.5	$ 137.1
Basic and diluted (loss) earnings per share	$ (0.19)	$ 0.09	$ (1.02)	$ 1.24	$ 0.93	$ 1.16	$ 1.29
	85,107,579	85,023,862	85,046,042	85,019,159	85,019,159	85,019,159	85,019,159

Basic shares outstanding (4)							
Diluted shares outstanding (4)	85,107,579	85,126,796	85,046,042	85,019,159	85,019,159	85,019,159	85,019,159

Balance Sheet Data	**As of March 31,**	**Year Ended December 31,**				
(in millions):	**2015**	**2014**	**2013**	**2012**	**2011 (1)**	**2010**
Total assets	$ 1,894.3	$ 1,998.5	$ 2,170.1	$ 2,051.1	$ 2,000.7	$ 1,034.3
Total third party debt and lease obligations (5)(6)	402.7	407.0	1.6	2.3		
Notes payable to Former Parent, net	N/A	N/A	N/A	528.8	1,419.4	440.5

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Other Data	Three Months Ended March 31,		Year Ended December 31,				
(in millions):	2015	2014	2014	2013	2012	2011 [1]	2010
Depreciation and amortization	$ 32.5	$ 33.4	$ 169.9	$ 130.9	$ 114.9	$ 84.8	$ 54.4
Capital expenditures	$ 14.7	$ 18.8	92.3	91.3	145.6	96.3	32.9

	Three Months Ended March 31,		Year Ended December 31,	
	2015	2014	2014	2013
Ratio of earnings to fixed charges [7]	NM	6.9x	NM	3.0x

(1) On July 4, 2011, Knowles completed the stock acquisition of the Sound Solutions business line from NXP Semiconductors N.V. (NXP). The Consolidated Statements of Earnings and Consolidated Balance Sheets include the results of operations, net assets acquired and depreciation and amortization expense related to Sound Solutions since the date of acquisition.

(2) On January 27, 2014, Knowles entered into five-year credit facilities totaling $500.0 million and borrowed $400.0 million on February 28, 2014 to finance a cash payment to Dover Corporation (Dover) in connection with the spin-off from Dover. The interest expense, net for the period ending December 31, 2014 relates to these borrowings. The interest expense, net during all other periods presented relate to interest expense on the net notes payable to Dover that were settled during the fourth quarter of 2013 in anticipation of the Separation. See Management s Discussion and Analysis of Financial Condition and Results of Operations Borrowings and Lines of Credit in Knowles Annual Report on Form 10-K for the year ended December 31, 2014 for additional information related to its post-separation debt.

(3) EBIT is defined as net earnings plus (i) interest expense and (ii) income taxes. EBIT is not presented in accordance with accounting principles generally accepted in the United States of America (GAAP) and may not be comparable to similarly titled measures used by other companies. Knowles uses EBIT as a supplement to its GAAP results of operations in evaluating certain aspects of its business and its board of directors and executive management team focus on EBIT as a key measure of performance for business planning purposes. This measure assists Knowles in comparing its performance between various reporting periods on a consistent basis, as this measure removes from operating results the impact of items that, in Knowles opinion, do not reflect its core operating performance. Knowles believe that its presentation of EBIT is useful because it provides investors and securities analysts with the same information that Knowles uses internally for purposes of assessing core operating performance.

(4) On February 28, 2014, the distribution date, Dover stockholders of record as of the close of business on February 19, 2014 received one share of Knowles common stock for every two shares of Dover s common stock held as of the record date. Basic and diluted earnings per common share and the average number of common shares outstanding were calculated using the number of Knowles common shares outstanding immediately following the distribution.

(5) On January 27, 2014, Knowles entered into a $200.0 million five-year senior secured revolving credit facility, as well as a $300.0 million five-year senior secured term loan facility, which are referred to collectively as the Credit Facilities. In connection with the separation from Dover, Knowles incurred $100.0 million of borrowings under the revolving credit facility and $300.0 million of borrowings under the term loan facility, in each case to finance a cash payment to Dover immediately prior to the separation. On December 31, 2014, Knowles amended the Credit Facilities to increase the amount of the revolving credit facility to $350.0 million but incurred no additional borrowings. See Management s Discussion and Analysis of Financial Condition and Results of Operations Borrowings and Lines of Credit in Knowles Annual Report on Form 10-K for the year ended December 31, 2014 for additional information related to its post-separation debt.

(6) Also includes current portion of long-term debt and capital lease obligations.

(7) For purposes of calculating the Ratio of Earnings to Fixed Charges, earnings consist of income from continuing operations before income taxes and fixed charges. Fixed charges consist of interest expense and interest portion of rent expense. The ratio is not meaningful (NM) for the three months ended March 31, 2015 and the year ended December 31, 2014 as earnings were inadequate to cover fixed charges by $12.3 million and $55.1 million, respectively.

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SUMMARY SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF AUDIENCE

The following table sets forth certain consolidated financial data of Audience as of the dates and for each of the periods indicated. The consolidated financial data for the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013 are derived from Audience s audited consolidated financial statements that are incorporated by reference into this prospectus/offer to exchange. The consolidated financial data for the years ended December 31, 2011 and 2010 and as of December 31, 2012, 2011 and 2010 are derived from Audience s audited consolidated financial statements that are not included or incorporated by reference into this prospectus/offer to exchange. The consolidated financial data for the three months ended March 31, 2015 and 2014 and as of March 31, 2015 are derived from Audience s unaudited consolidated condensed financial statements incorporated by reference into this prospectus/offer to exchange. In Audience s opinion, these unaudited consolidated condensed financial statements include all adjustments (consisting of normal recurring adjustments) necessary for a fair statement of Audience s financial position and results of operations for these periods. The consolidated historical financial data may not be indicative of the results of operations or financial position of Audience that may be expected in the future.

The selected consolidated historical financial data below should be read in conjunction with Audience s consolidated financial statements and the related notes to those financial statements and the Management s Discussion and Analysis of Financial Condition and Results of Operations section included in its Annual Report on Form 10-K for the year ended December 31, 2014 and its Quarterly Report on Form 10-Q for the three months ended March 31, 2015, which have been filed with the SEC and are incorporated by reference into this prospectus/offer to exchange. See Where You Can Find Additional Information beginning on page 115.

	Three Months Ended March 31,		Year Ended December 31,				
	2015	2014	2014 (1)	2013	2012	2011	2010
Consolidated Statements of Operations Data *(in thousands, except per share data):*							
Revenue	$ 18,445	$ 35,960	$ 113,340	$ 160,131	$ 143,905	$ 97,668	$ 47,920
Gross profit	7,858	18,596	56,768	88,864	81,658	51,961	28,606
Income (loss) from operations	(16,906)	(5,837)	(71,334)	4,262	14,867	9,146	4,944
Interest income (expense), net	6	18	38	157	164	(8)	(17)
Other expense, net	(393)	(33)	(347)	(280)	(586)	(843)	(139)
Income (loss) before income taxes	(17,293)	(5,852)	(71,643)	4,139	14,445	8,295	4,788
Net income (loss)	$ (17,554)	$ (7,337)	$ (73,611)	$ 2,070	$ 15,597	$ 8,295	$ 4,788
Net income (loss) per share:							
Basic	$ (0.75)	$ (0.33)	$ (3.25)	$ 0.10	$ 0.73	$ 0.16	$
Diluted	$ (0.75)	$ (0.33)	$ (3.25)	$ 0.09	$ 0.65	$ 0.14	$
Weighted average shares used in computing net income (loss) per share:							
Basic	23,367	22,221	22,683	21,467	13,377	948	620
Diluted	23,367	22,221	22,683	23,197	15,687	3,384	620

	As of March 31,		As of December 31,			
	2015	**2014** [(1)]	**2013**	**2012**	**2011**	**2010**
Consolidated Balance Sheet Data *(in thousands):*						
Cash, cash equivalents and short-term investments	$ 44,274	$ 55,183	$ 139,546	$ 127,638	$ 15,983	$ 12,095
Working capital	66,313	79,680	146,242	132,951	34,696	25,073
Total assets	102,108	114,842	179,419	170,859	49,865	36,741
Total liabilities	20,222	17,559	20,038	24,924	13,962	10,758
Capital stock	197,531	195,374	183,862	172,482	78,081	76,397
Total stockholders equity (deficit)	81,886	97,283	159,381	145,935	(38,445)	(48,365)

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(1) On July 11, 2014, Audience acquired Sensor Platforms for approximately $41 million. As part of the purchasing accounting, $20.7 million was allocated to goodwill and $19.0 million was allocated to intangible assets, of which $18.0 million related to developed technology and $1.0 million related to customer relationships. As a result of a significant drop in the trading prices of Audience common stock in the public stock market during the three months ended December 31, 2014, Audience performed impairment analyses on both its goodwill and long-lived assets as of November 1, 2014. Based on the results of the impairment analyses, Audience recorded impairment charges of $20.7 million for goodwill, $10.5 million for the developed technology intangible asset and $0.1 million for the customer relationships intangible asset. The total impairment charge of $31.3 million is shown as a separate line item in operating expenses.

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SUMMARY SELECTED UNAUDITED PRO FORMA

CONDENSED COMBINED FINANCIAL DATA

The following summary selected unaudited pro forma combined financial statements have been prepared to reflect the acquisition of Audience by Knowles. The summary selected unaudited pro forma combined statements of earnings combine the historical statements of earnings of Knowles and Audience for the three months ended March 31, 2015 and the year ended December 31, 2014, giving effect to the merger as if it had occurred on January 1, 2014. The summary selected unaudited pro forma combined balance sheet combines the historical consolidated balance sheets of Knowles and Audience as of March 31, 2015, giving effect to the merger as if it had occurred on March 31, 2015. The historical consolidated financial information has been adjusted to reflect factually supportable items that are directly attributable to the acquisition and, with respect to the statement of income only, expected to have a continuing impact on the combined results.

The pro forma financial statements do not give effect to the costs of any integration activities or benefits that may result from the realization of future cost savings from operating efficiencies, or any other synergies that may result from the merger.

The summary selected pro forma financial statements are provided for informational purposes only and do not purport to represent what the actual consolidated results of operations or the consolidated financial position of Knowles would have been had the combination occurred on the dates assumed, nor are they necessarily indicative of future consolidated results of operations or consolidated financial position. The summary selected pro forma financial statements should be read in conjunction with the unaudited pro forma condensed combined financial statements and accompanying notes contained in the section titled Unaudited Pro Forma Condensed Combined Financial Statements and the consolidated financial statements and accompanying notes of Knowles and Audience contained in their respective Quarterly Reports on Form 10-Q for the three months ended March 31, 2015 and Annual Reports on Form 10-K for the year ended December 31, 2014, incorporated by reference herein. This pro forma information is subject to risks and uncertainties, including those discussed in Risk Factors.

Summary Selected Unaudited Pro Forma Combined Statements of Earnings

(in millions except share and per share amounts)	**Three Months Ended March 31, 2015**	**Year Ended December 31, 2014**
Revenues	$ 257.0	$ 1,254.6
Gross profit	61.5	278.0
Operating expenses	89.3	413.7
Operating loss	(27.8)	(135.7)
Loss before income taxes	(29.1)	(139.7)
Net loss	(32.9)	(173.6)
Basic and diluted loss per share	(0.37)	(1.97)
Basic and diluted weighted average common shares outstanding:	88,391,054	88,329,517

Summary Selected Unaudited Pro Forma Combined Balance Sheet

(in millions)

	Three Months Ended March 31, 2015
Total assets	$ 2,044.2
Total liabilities	813.9
Total stockholders equity	1,230.3

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Other Data

	Three Months Ended March 31, 2015	Year Ended December 31, 2014
Ratio of earnings to fixed charges (1)	NM	NM

(1) For purposes of calculating the Ratio of Earnings to Fixed Charges, earnings consist of income from continuing operations before income taxes and fixed charges. Fixed charges consist of interest expense and interest portion of rent expense. The ratio is not meaningful (NM) for the three months ended March 31, 2015 and the year ended December 31, 2014 as earnings were inadequate to cover fixed charges by $29.1 million and $139.7 million, respectively.

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COMPARATIVE PER SHARE DATA

The following tables reflect certain per share information for the year ended December 31, 2014 and the three months ended March 31, 2015, on a historical basis, and for Knowles and Audience on an unaudited pro forma combined basis after giving effect to the offer and the merger. The pro forma data of the combined company assumes the acquisition of 100% of the shares by Knowles and was derived by combining the historical consolidated financial information of Knowles and Audience as described elsewhere in this prospectus/offer to exchange. For a discussion of the assumptions and adjustments made in preparing the pro forma financial information presented in this document, see Unaudited Pro Forma Condensed Combined Financial Statements.

Audience stockholders should read the information presented in the following tables together with the historical financial statements of Knowles and Audience and the related notes which are incorporated herein by reference, and the Unaudited Pro Forma Condensed Combined Financial Statements appearing elsewhere in this prospectus/offer to exchange. The pro forma data is unaudited and for illustrative purposes only. Audience stockholders should not rely on this information as being indicative of the historical results that would have been achieved during the periods presented had the companies always been combined or the future results that the combined company will achieve after the consummation of the offer and the merger. This pro forma information is subject to risks and uncertainties, including those discussed in Risk Factors.

	Knowles Historical	Audience Historical	Pro Forma Combined
Net loss per share attributable to common stockholders for the year ended December 31, 2014:			
Basic loss per share	$ (1.02)	$ (3.25)	$ (1.97)
Diluted loss per share	$ (1.02)	$ (3.25)	$ (1.97)
Cash dividends declared per share for the year ended December 31, 2014			

	Knowles Historical	Audience Historical	Pro Forma Combined
Net loss per share attributable to common stockholders for the three months ended March 31, 2015:			
Basic loss per share	$ (0.19)	$ (0.75)	$ (0.37)
Diluted loss per share	$ (0.19)	$ (0.75)	$ (0.37)
Cash dividends declared per share for the three months ended March 31, 2015			
Book value per share as of March 31, 2015	$ 13.76	$ 3.50	$ 13.92

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RISK FACTORS

In considering whether to tender your shares of Audience common stock pursuant to the offer, you should carefully consider the information in this prospectus/offer to exchange, including the risk factors set forth below and those incorporated by reference. All of the risks set forth below, including those under the heading Risks Relating to Knowles and Risks Relating to Audience, are also risks of the combined company after the offer and merger are completed.

Risks Relating to the Transaction and the Combined Company

Integrating Audience into Knowles existing operations will involve considerable risks and may not be successful and Knowles may fail to realize the potential benefits of the acquisition of Audience.

The integration of Audience into Knowles existing operations will be a complex, time-consuming and expensive process and may disrupt Knowles existing operations if it is not completed in a timely and efficient manner. If Knowles management is unable to minimize the potential disruption to its business during the integration process, Knowles may not realize the anticipated benefits of the offer and the merger. Realizing the benefits of the offer and the merger will depend in part on the integration of technology, operations and personnel, while maintaining adequate focus on Knowles core businesses. Knowles may encounter substantial difficulties, costs and delays in integrating Audience, including the following, any of which could seriously harm its results of operations, business, financial condition and/or the price of its stock:

- conflicts between business cultures;
- difficulties and delays in the integration of operations, personnel, technologies, products, services, business relationships and information and other systems of the acquired businesses;
- the diversion of management s attention from normal daily operations of the business;
- complexities associated with managing the larger, more complex, combined business;
- large one-time write-offs;
- the incurrence of contingent liabilities;
- contractual and/or intellectual property disputes;
- lost sales and customers as a result of customers of either of the two companies deciding not to do business with the combined company;

- problems, defects or other issues relating to acquired products or technologies that become known to Knowles only after the consummation of the offer or the merger;
- conflicts in distribution, marketing or other important relationships;
- acquired products and services that may not attract customers;
- loss of key employees and disruptions among employees that may erode employee morale;
- inability to implement uniform standards, controls, policies and procedures; and
- failure to achieve anticipated levels of revenue, profitability or productivity.

Knowles operating expenses are expected to increase over the near term due to the increased headcount, expanded operations and changes related to the offer and the merger. To the extent that the expenses increase but revenues do not, there are unanticipated expenses related to the integration process, or there are significant costs associated with presently unknown liabilities, Knowles business, operating results and financial condition may be adversely affected. Failure to minimize the numerous risks associated with the post-acquisition integration strategy also may adversely affect the trading price of Knowles common stock.

The announcement and pendency of the acquisition of Audience could cause disruptions in the businesses of Knowles or Audience, which could have an adverse effect on their respective business and financial results, and consequently on the combined company.

Knowles and Audience have operated and, until the consummation of the merger, will continue to operate, independently. Uncertainty about the effect of the offer and the merger on customers, suppliers and employees may have an adverse effect on Knowles or Audience and consequently on the combined company. In response to the announcement of the offer and merger, existing or prospective customers or suppliers of Knowles or Audience may:

- delay, defer or cease purchasing products or services from or providing products or services to Knowles, Audience or the combined company;
- delay or defer other decisions concerning Knowles, Audience or the combined company; or
- otherwise seek to change the terms on which they do business with Knowles, Audience or the combined company.

Any such delays or changes to terms could seriously harm the business of each company or, if the offer and the merger are completed, the combined company.

Audience may be a party to agreements that permit a counterparty to terminate an agreement or receive payments because the offer or the merger would cause a default or violate an anti-assignment, change of control or similar clause in such agreement. If this happens, Knowles may have to seek to replace that agreement with a new agreement or make additional payments under such agreement. However, Knowles may be unable to replace a terminated agreement on comparable terms or at all. Depending on the importance of such agreement to Audience s business, the failure to replace a terminated agreement on similar terms or at all, and requirements to pay additional amounts, may increase the costs to Knowles of operating Audience s business or prevent Knowles from operating Audience s business.

In addition, as a result of the offer and the merger, current and prospective employees could experience uncertainty about their future with Knowles, Audience or the combined company. These uncertainties may impair the ability of each company to retain, recruit or motivate key personnel.

Knowles and Audience will incur significant costs in connection with the offer and the merger, and the integration of Audience into Knowles may result in significant expenses and accounting charges that adversely affect Knowles operating results and financial condition.

Knowles and Audience will incur substantial expenses related to the offer and the merger, whether or not the offer and merger are completed. Knowles estimates that it will incur direct transaction costs of approximately $4.7 million in connection with the offer and the merger, $2.3 million of which is contingent on the consummation of the offer or the merger. Audience has advised Knowles that it estimates that it will incur direct transaction costs of approximately $4.0 million in connection with the offer and the merger, $1.8 million of which is contingent on the consummation of the offer or the merger. Moreover, in the event that the merger agreement is terminated, Audience may, under some circumstances, be required to pay Knowles a termination fee of up to $5.0 million. See The Merger Agreement Termination Fees beginning on page 84.

In accordance with generally accepted accounting principles, Knowles will account for the acquisition of Audience using the acquisition method of accounting. Knowles financial results may be adversely affected by the resulting accounting charges incurred in connection with the offer and the merger. Knowles also expects to incur additional costs associated with combining the operations of Knowles and Audience, which may be substantial. There are a large number of systems that must be integrated, including management information, purchasing, accounting and finance, sales, billing, payroll and benefits, fixed assets and lease administration systems, and regulatory compliance. Moreover, many of the expenses that will be incurred, by their nature, are impracticable to estimate at the present time. These expenses could, particularly in the near term, exceed the savings that Knowles expects to achieve from the elimination of duplicative expenses, the realization of economies of scale, and cost savings and revenue synergies related to the integration of the two companies following the consummation of the offer and the merger. The amount and timing of any these charges are uncertain at the present time. In addition, Knowles may incur additional material charges in subsequent fiscal quarters following the merger to reflect additional currently unknown costs in connection with the offer and the merger.

The price of Knowles common stock could decline to the extent Knowles financial results are materially affected by the foregoing charges and costs, or if the foregoing charges and costs are larger than anticipated. The consummation of the offer and the merger may result in dilution of future earnings per share to Knowles stockholders. It may also result in lower net profits or a weaker financial condition compared to that which would have been achieved by Knowles on a stand-alone basis. Additionally, the effect of Knowles acquisition of Audience may not meet the expectations of Knowles, financial analysts or investors.

Integrating Knowles and Audience may divert management s attention away from the combined company s operations.

Successful integration of Knowles and Audience s operations, products and personnel may place a significant burden on the combined company s management and internal resources. Knowles may also experience difficulty in effectively integrating the different cultures and practices of the two companies. Further, the difficulties of integrating the two companies could disrupt the combined company s ongoing business, distract its management s focus from other opportunities and challenges, and increase the combined company s expenses and working capital requirements. The diversion of management s attention and any difficulties encountered in the transition and integration process could harm the combined company s business, financial condition and operating results.

Any delay and/or failure in the consummation of the offer or the merger may significantly reduce the benefits expected to be obtained from the offer and the merger or could adversely affect the market price of Knowles or Audience common stock or their future businesses and financial results.

In addition to the required regulatory clearances and approvals, the merger is subject to a number of other conditions that are beyond the control of Knowles and Audience and that may prevent, delay or otherwise materially and adversely affect consummation of the merger. See The Offer Regulatory Matters beginning on page 61 and The Offer Conditions to the Offer beginning on page 59. Knowles cannot predict whether and when these other conditions will be satisfied. It cannot be assured that the conditions to the offer or the merger will be met or waived, that the necessary approvals will be obtained, or that Knowles will be able to successfully consummate the offer and the merger as currently contemplated under the merger agreement or at all. In addition, the merger agreement places a variety of restrictions and constraints on the conduct of Audience s business prior to the completion of the merger or the termination of the merger agreement.

Failure to complete the offer and the merger would prevent Knowles and Audience from realizing the anticipated benefits of the transaction. Each company would also remain liable for significant transaction costs, including legal, accounting and financial advisory fees. Any delay in completing the offer and the merger may significantly reduce the synergies and other benefits that Knowles expects to achieve if it successfully consummates the offer and the merger within the expected timeframe and integrates the businesses.

In addition, the market price of each company s common stock may reflect various market assumptions as to whether and when the offer and the merger will be completed. Consequently, the failure to complete, or any delay in, the consummation of the offer and the merger could result in a significant change in the market price of Knowles or Audience common stock.

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Consummation of the offer may adversely affect the liquidity of the shares of Audience common stock not tendered in the offer.

If the offer is completed but less than all of the shares of Audience common stock are tendered in the offer, the number of Audience stockholders and the number of shares of Audience common stock publicly held will be greatly reduced. As a result, the closing of the offer could adversely affect the liquidity and market value of the remaining shares of Audience common stock held by the public.

Executive officers and directors of Audience have potential conflicts of interest in the transaction.

When you consider the recommendation of the Audience board of directors that Audience stockholders tender their shares in the offer, you should be aware that some of Audience s officers and directors may have interests in the transaction that are different from, or in addition to, yours. These interests are described more fully in the section entitled Interests of Certain Persons in the Transaction on page 68 of this prospectus/offer to exchange. As a result of these other interests, these directors and officers may support a transaction that other Audience stockholders do not view favorably.

Audience stockholders will have a reduced ownership and voting interest in the combined company.

After consummation of the merger, Audience stockholders will own approximately 4% of the outstanding shares of Knowles common stock based upon the number of outstanding shares of Audience common stock and Knowles common stock on May 15, 2015, disregarding stock options, restricted stock units and other rights to acquire shares that may be issued by Knowles or Audience pursuant to any employee stock plan. Consequently, Audience stockholders will not be able to exercise as much influence over the management and policies of the combined company as they currently exercise over Knowles.

Because the value of the Knowles common stock issuable in the offer and the merger is subject to a collar, the value of the shares of Knowles common stock to be received by the Audience stockholders in connection with the offer and the merger may not fully reflect the value of Knowles common stock at the time of the closing of such transactions.

The stock portion of the consideration issuable in the offer and the merger is calculated by reference to the volume weighted average of the sale prices for Knowles common stock as reported on the New York Stock Exchange for each of the 10 consecutive trading days ending on and including the second trading day prior to the final expiration date of the offer (the closing date average price). Notwithstanding the foregoing, the closing date average price shall be no greater than $23.35 and no less than $18.16. As a result of such collar, the number of shares of Knowles common stock received in the offer and the merger may not fully reflect the value of Knowles common stock.

Changes in stock price may result from a variety of factors, including, among others, general market and economic conditions, changes in Knowles business, operations and prospects, market assessment of the likelihood that the offer and the merger will be completed as anticipated or at all and regulatory considerations. Many of these factors are beyond Knowles control. As a result of any such changes in stock price, the market value of the shares of Knowles common stock that the Audience stockholders will receive at the time that the offer or the merger is completed could vary significantly from the value of such shares immediately prior to the public announcement of the offer and the merger, on the date of this prospectus/offer to exchange or on the date on which Audience stockholders actually receive shares of Knowles common stock. For example, based on the volume weighted average sale prices for Knowles common stock as reported on the New York Stock Exchange for each of the 10 consecutive trading days ending on and including April 29, 2015 (the last trading day before the public announcement of the offer and the merger) through May 15, 2015 (the latest practicable date before the date of this prospectus/offer to exchange), the stock portion of the consideration represented a market value ranging from a low of $2.55 to a high of $2.68. Accordingly, as of the date of this prospectus/offer to exchange, Audience stockholders will not know, or be able to calculate, the exact market value of the consideration that the Audience stockholders will receive upon consummation of the offer or the merger.

The ability to complete the offer and the merger is subject to the receipt of consents and approvals from government entities, which may impose conditions that could have an adverse effect on Knowles, Audience or the combined company or could cause either party to abandon the offer or the merger.

Consummation of the offer and the merger is conditioned upon, among other things, the receipt of certain regulatory and antitrust approvals or expiration or termination of waiting periods applicable to the transaction, including under the Korean Antitrust Laws. In deciding whether to grant regulatory or antitrust approvals or to terminate or allow waiting periods to expire, the relevant governmental entities will consider the effect of the offer and the merger on competition within their relevant jurisdictions. The relevant governmental entities may condition their approval of the offer and the merger on Knowles or Audience s agreement to various requirements, limitations or costs, or require divestitures or place restrictions on the conduct of Knowles business following the offer or the merger. If Knowles and Audience agree to these requirements, limitations, costs, divestitures or restrictions, the ability to realize the anticipated benefits of the acquisition may be impaired. Neither Knowles nor Audience can provide any assurance that either company will obtain the necessary approvals or that any of the requirements, limitations, costs, divestitures or restrictions to which they agree will not have a material adverse effect on Knowles following the offer and the merger. In addition, these requirements, limitations, costs, divestitures or restrictions may result in the delay or abandonment of the offer and the merger. See The Offer Regulatory Matters beginning on page 61 and The Offer Conditions to the Offer beginning on page 59.

The offer and the merger may not be accretive and may cause dilution to the combined company s earnings per share, which may negatively affect the price of Knowles common stock following consummation of the offer and the merger.

Knowles currently anticipates that the offer and the merger will be significantly dilutive to the earnings per share of the combined company in the near term, which may negatively affect the price of Knowles common stock following the consummation of the offer and the merger. Although Knowles currently expects certain synergies to be realized resulting in accretion to the combined company s results by the fourth quarter of 2016, this expectation is based on preliminary estimates and assumptions and could materially change due to additional transaction-related costs, the failure to realize any or all of the benefits expected in the transaction or other factors beyond the control of Knowles and Audience. All of these factors could delay, decrease or eliminate the expected accretive effect of the offer and the merger. Prolonged dilution to the combined company s earnings per share could materially negatively affect the price of the Knowles common stock.

Loss of key personnel could have a material adverse effect on the business and results of operations of Knowles after the offer and the merger.

The success of Knowles after the offer and the merger, if completed, will depend in part upon its ability to retain key employees of both companies. Competition for qualified personnel can be intense. In addition, key employees may depart because of issues relating to the uncertainty or difficulty of integration or a desire not to remain with Knowles. Accordingly, Knowles may not be able to retain key employees following the offer and the merger. Loss of key personnel could have a material adverse effect on the business and operations of Knowles after the consummation of the offer and the merger.

The unaudited pro forma financial statements are presented for illustrative purposes only and should not be viewed as a forecast of Knowles financial condition or results of operations following the offer and the merger.

The unaudited pro forma financial statements contained in this prospectus/offer to exchange are presented for illustrative purposes only and are not an indication of Knowles financial condition or results of operations following the consummation of the offer and the merger for several reasons. The unaudited pro forma financial statements have been derived from the historical financial statements of Knowles and Audience (on a stand-alone basis) and certain adjustments and assumptions have been made regarding Knowles after giving effect to the offer and the merger. The information upon which these adjustments and assumptions have been made is preliminary, and these kinds of adjustments and assumptions are difficult to make with complete accuracy. Moreover, the unaudited pro forma financial statements do not reflect all costs that are expected to be incurred or savings to be achieved by Knowles and Audience in connection with the offer and the merger. For example, neither the impact of any incremental costs incurred in integrating the two companies, nor any potential cost savings is reflected in the unaudited pro forma financial statements. As a result, the actual financial condition and results of operations of Knowles following the offer and the merger will likely not be consistent with, or evident from, these unaudited pro forma financial statements.

In addition, the assumptions used in preparing the unaudited pro forma financial information may not prove to be accurate, and other factors may affect Knowles financial condition or results of operations following the offer and the merger. Therefore, stockholders of Audience should not place undue reliance on the pro forma financial statements when deciding whether to tender their shares of Audience common stock in the offer. See Unaudited Pro Forma Condensed Combined Financial Statements beginning on page 91.

Sales of substantial amounts of Knowles common stock in the open market by former Audience stockholders could depress Knowles stock price.

Other than shares held by persons who will be affiliates of Knowles after the offer and the merger, if any, shares of Knowles common stock that are issued to stockholders of Audience, including those shares issued upon the exercise of outstanding stock options or restricted stock units, will be freely tradable without restrictions or further registration under the Securities Act.

As of May 15, 2015, Knowles had approximately 85.1 million shares of common stock outstanding and approximately 4.8 million shares of common stock subject to outstanding stock options, restricted stock units and stock-settled stock appreciation rights. Knowles currently expects that it may issue approximately 3.3 million shares of Knowles common stock in connection with the offer and the merger. In addition, upon consummation of the offer and the merger, Knowles will assume outstanding stock options and restricted stock units issued under Audience equity incentive plans that are held by employees of Audience who will continue their employment with Knowles following the merger.

If the offer and the merger are completed and if Audience s stockholders sell substantial amounts of Knowles common stock in the public market following consummation of the offer and the merger, including shares issued upon the exercise of outstanding stock options or restricted stock units, the market price of Knowles common stock may decrease.

The market price of Knowles common stock after consummation of the offer and the merger may be affected by factors different from those affecting the market price of Knowles common stock or of Audience common stock before consummation of the offer and the merger.

When the offer and the merger are complete, Audience stockholders will become Knowles stockholders. The results of operations of Knowles, as well as the trading price of Knowles common stock, after consummation of the offer and the merger may be affected by factors different from those currently affecting Knowles or Audience s results of operations and the trading price of Knowles or Audience common stock. For a discussion of the businesses of Knowles and Audience and of certain factors to consider in connection with those businesses, see the documents incorporated by reference into this prospectus/offer to exchange and referred to under Incorporation of Documents by Reference beginning on page 112.

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The shares of Knowles common stock to be received by Audience stockholders as consideration will have different rights from the shares of Audience common stock.

Upon receipt of shares of Knowles common stock in the offer and the merger, Audience stockholders will become Knowles stockholders and their rights as stockholders will be governed by the certificate of incorporation and bylaws of Knowles. Certain of the rights associated with shares of Audience common stock are different from the rights associated with shares of Knowles common stock. See the section entitled Comparison of Rights of Knowles Stockholders and Audience Stockholders, beginning on page 104 of this prospectus/offer to exchange, for a discussion of these different rights.

Other Risks Related to Knowles and Audience

In addition to the foregoing risks, Knowles and Audience are, and will continue to be, subject to risks described in (i) Knowles Annual Report on Form 10-K for the year ended December 31, 2014, and all Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q filed thereafter, in the case of Knowles, and (ii) Audience s Annual Report on Form 10-K for the year ended December 31, 2014, Audience s Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 and all Annual Reports on Form 10-K and all Quarterly Reports on Form 10-Q filed thereafter, in the case of Audience. All such reports are or will be filed with the SEC and are incorporated by reference into this prospectus/offer to exchange. See Where You Can Find Additional Information beginning on page 115.

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BACKGROUND OF THE TRANSACTION

The Audience board of directors, with input from senior management, regularly reviews and evaluates Audience s business, strategic plans, performance and prospects with the goal of maximizing stockholder value. As part of this evaluation, the Audience board of directors and certain members of senior management also evaluate various potential strategic alternatives involving possible acquisitions or business combinations that could complement and enhance Audience s competitive strengths and strategic positions, as well as regularly consider Audience s prospects as an independent company. This ongoing strategic assessment led to Audience s acquisition of Sensor Platforms, Inc. on July 11, 2014, enabling Audience to add motion sensing technology to its voice and audio product solutions. In addition, Knowles continually evaluates strategic alternatives in connection with its review of strategy and growth initiatives.

In the spring of 2014, another company in the semiconductor industry (which Audience refers to as Company A) approached Audience in connection with a possible business combination, and Audience and Company A engaged in preliminary discussions. No proposal was ultimately submitted by Company A during the spring of 2014.

In July 2014, Audience s largest customer, representing approximately 73% of sales for the first half of 2014, preannounced negative financial results for the second quarter of 2014 and its business outlook for the third quarter of 2014. As a result, on July 31, 2014, during Audience s earnings call for the second quarter of 2014, the business outlook Audience provided for the third quarter of 2014 was materially lower than street estimates/consensus. Audience s stock price declined approximately 16% to $8.05 at the end of the following trading day.

At a regularly scheduled meeting of the Audience board of directors held on August 20, 2014, Audience s directors, including Audience s President and Chief Executive Officer, Peter Santos, reviewed and discussed market activity, management s revenue projections and expense reductions following an abrupt reduction in forecasted purchases by Audience s largest customer. In addition, the board of directors reviewed strategic alternatives and market opportunities. After further discussion, the board of directors recommended that Audience focus on executing management s standalone business plan, but also to continue to consider potential strategic alternatives.

In September 2014, Company A s Chief Executive Officer invited Mr. Santos and George Pavlov, a member of the Audience board of directors, to join Company A s Chief Executive Officer and Vice President of Marketing to discuss Company A s continued interest in Audience. Mr. Santos communicated Company A s invitation to Mr. Pavlov and Patrick Scaglia, the members of the Technology Committee of the Audience board of directors (the Technology Committee). Mr. Scaglia is the chairman of the Technology Committee.

On October 2, 2014, Company A executed a confidentiality and standstill agreement with Audience in order to facilitate further discussions and negotiations between the parties.

On October 13, 2014, Mr. Santos met with Company A s Chief Executive Officer to discuss Company A s interest in a potential transaction with Audience.

On October 14, 2014, the Audience board of directors held a meeting. Also in attendance were members of Audience s senior management team and a representative of Wilson Sonsini Goodrich & Rosati P.C. (WSGR), Audience s outside legal counsel. Among other things, the board of directors discussed, with input from management, the earnings forecast for the third quarter of 2014, the outlook for the fourth quarter of 2014, and the impact of continued reductions in orders placed by Audience s largest customer. In addition, the board of directors discussed Mr. Santos meeting with Company A s Chief Executive Officer and Audience s strategic outlook, including, among other things, market conditions, opportunities and risks for Audience.

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In October 2014, Audience s largest customer, representing approximately 74% of sales for the first three quarters of 2014, preannounced negative financial results for the third quarter of 2014 and an uncertain business outlook for the fourth quarter of 2014. As a result, on October 30, 2014, during Audience s earnings call for the third quarter of 2014, the business outlook Audience provided for the fourth quarter of 2014 was again materially lower than street estimates/consensus. Audience s stock price declined approximately 37% to $3.73 at the end of the following trading day.

On November 5, 2014, the Technology Committee held a telephonic meeting. Also in attendance were members of Audience s senior management team. Management provided an analysis of Audience s strengths and opportunities as well as challenges facing the company and the current competitive landscape. Among other things, the Technology Committee discussed Audience s recent revenue decline and current efforts and future plans to address its causes. In addition, the Technology Committee recommended to the Audience board of directors that representatives of Deutsche Bank Securities Inc. (Deutsche Bank), which was familiar with Audience from having had acted as joint bookrunner in connection with Audience s initial public offering, discuss Audience s strategic options at the next meeting of the board of directors.

On November 10, 2014, Mr. Santos held a telephone call with Company A s Chief Executive Officer to discuss feedback from the parties prior meeting. Company A s Chief Executive Officer informed Mr. Santos that, while Company A remained interested in Audience, it was not in a position to proceed with a potential transaction due to Company A s concerns about its ability to absorb costs.

On November 13, 2014, the Audience board of directors held a regularly scheduled meeting. Also in attendance were members of Audience s senior management team and representatives of Deutsche Bank and WSGR. Senior management and the Compensation Committee of the Audience board of directors reported on increased attrition among key technical talent and the retention programs that had been put in place to address the attrition. As recommended by the Technology Committee and in light of the continued oversight by the board of directors of Audience s long-term strategic plans, the board of directors invited representatives of Deutsche Bank to discuss proposed strategic plans and alternatives for Audience with the members of the board of directors. Among other things, representatives of Deutsche Bank reviewed with the board of directors various potential strategic alternatives which might be available to Audience, including remaining independent, acquiring other businesses, entering into strategic partnerships, and selling the company.

On December 2, 2014, the trading price of Audience s stock declined to a closing price of $3.32 per share, the lowest closing price since Audience s initial public offering.

On December 8, 2014, at the invitation of a representative of another potential strategic partner (which Audience refers to as Company B), Mr. Santos met with Company B s Chief Executive Officer in Palo Alto, California during which Company B s Chief Executive Officer suggested the possibility of a potential business combination.

On December 16, 2014, at the invitation of Jeff Niew, Knowles President and Chief Executive Officer, Mr. Santos met with Mr. Niew in East Palo Alto, California during which Mr. Niew suggested the possibility of a potential business combination. This was the first discussion between the parties on this topic.

Also on December 16, 2014, at the direction of the Audience board of directors, the Technology Committee met to discuss the selection of an investment bank to help advise the board of directors and senior management on a potential strategic alternative process. With input from management, the Technology Committee reviewed those investment banks with whom Audience had preexisting relationships (including Deutsche Bank) along with other potential candidates. The Technology Committee also discussed various relationships that each of the investment banking firms had which might create potential conflicts of interest. After discussion, the Technology Committee recommended that the board of directors retain Deutsche Bank as its financial advisor in light of Deutsche Bank s in-depth understanding of Audience.

On December 17, 2014, the Audience board of directors held a telephonic meeting during which members of Audience s senior management presented management s 2015 annual operating plan, which included management s projected revenue of $130 million for the year ended December 31, 2015. Active employee attrition was identified by senior management as one of the top risks to achievement of the 2015 plan. After discussion, the board of directors approved the annual operating plan. In addition, the board of directors resolved to formally engage Deutsche Bank to serve as Audience s financial advisor in connection with the ongoing consideration by the board of directors of possible strategic alternatives. Furthermore, after discussion of the various alternative approaches to managing a strategic process, the board of directors authorized the Technology Committee to supervise the investigation of strategic alternatives. In addition, the board of directors expanded the Technology Committee to include Rich Geruson in addition to Messrs. Pavlov and Scaglia.

On December 18, 2014, the Technology Committee met with members of Audience s senior management and representatives of Deutsche Bank to discuss Mr. Niew s suggestion that Audience and Knowles explore a business combination and Audience s response thereto.

Also on December 18, 2014, the Knowles board of directors met and was briefed regarding the possibility of Knowles undertaking a preliminary evaluation of Audience. During the meeting, the Knowles board of directors formally resolved to retain JPMorgan Chase & Co. (JPMorgan) as financial advisor in connection with such evaluation, and authorized management to engage additional advisors in connection with its evaluation of Audience. The board of directors also authorized management to engage in preliminary due diligence of Audience and negotiate with Audience regarding a potential acquisition transaction.

On December 23, 2014, Mr. Santos held a telephone call with Mr. Niew to provide affirmative feedback from the Technology Committee on Mr. Niew s suggestion that Audience and Knowles explore a business combination.

On January 6, 2015, Audience signed an engagement letter with Deutsche Bank pursuant to which Audience engaged Deutsche Bank in connection with the exploration of potential strategic alternatives.

On January 7, 2015, Knowles executed a confidentiality and standstill agreement with Audience in order to facilitate further discussions and negotiations between the parties.

On January 8, 2015, Knowles formally engaged JPMorgan in connection with its evaluation of Audience.

On January 9, 2015, Mr. Santos, Kevin Palatnik, Audience s Chief Financial Officer, and Edgar Auslander, Audience s Vice President of Business Development and Marketing, met at the Westin San Francisco Airport Hotel in Millbrae, California with Mr. Niew, Alexis Bernard, Knowles Chief Technology Officer, and Paul Dickinson, Knowles Senior Vice President of Corporate Development, to discuss Audience s business strategy, products and business plans. In addition, the Audience representatives provided the Knowles representatives with Audience s management projections, which included projected revenue of $130 million for the year ended December 31, 2015. At this meeting, members of Knowles senior management team reaffirmed Knowles interest in a potential business combination with Audience.

During January and February 2015, representatives of Deutsche Bank and Audience s senior management team worked together to develop a list of potential strategic partners (including Company A and Knowles). The companies on this list comprised potential strategic partners that Audience s senior management believed, with input from representatives of Deutsche Bank, could have a strategic interest in Audience s business, focusing in particular on selected handset vendors and other semiconductor vendors relevant to the wireless ecosystem. Prospective private equity acquirers, however, were judged unlikely to be interested in light of Audience s financial profile and were, therefore, eliminated from further consideration.

Between January 13, 2015 and January 23, 2015, the Technology Committee met several times telephonically to review and discuss management s financial projections, the list of potential strategic partners, and the costs, benefits and timing of starting a formal process to solicit interest in a potential strategic transaction.

On January 21, 2015, Mr. Dickinson and Mr. Palatnik met to discuss the financial statements and financial outlook of Audience as part of the evaluation by Knowles of a potential strategic transaction with Audience.

On January 26, 2015, Knowles submitted a nonbinding indication of interest to acquire Audience for $6.50 per share in cash.

On January 28, 2015, at a telephonic meeting of the Technology Committee, in which Mr. Mohan Gyani, a member and the chairman of the Audience board of directors, members of Audience s senior management and a representative of WSGR attended, representatives of Deutsche Bank reviewed the terms of the nonbinding indication of interest Audience had received from Knowles and discussed related financial information relating to the proposal with the Technology Committee. Following discussion with representatives of Deutsche Bank, the Technology Committee recommended that Audience should reject Knowles initial proposal but communicate Audience s desire to engage with Knowles and offer to provide additional information in order to encourage Knowles to increase its offer price. The Technology Committee and the other members of the board of directors present at the meeting then discussed the list of other potential bidders. After discussion, the members of the Technology Committee and other members of the board of directors present instructed Deutsche Bank to immediately contact other potential bidders and informally gauge potential interest in engaging in a strategic transaction with Audience.

On January 29, 2015, Mr. Santos held a telephone call with Mr. Niew to discuss the response of the Technology Committee to Knowles indication of interest.

Also on January 29, 2015, Mr. Santos held a telephone call with a member of the senior management of one of the parties identified by Audience management, with input from representatives of Deutsche Bank, as having a potential strategic interest in Audience s business (which Audience refers to as Company C). During this call, Mr. Santos advised Company C, with whom Audience had a preexisting business relationship, that Audience had received a nonbinding indication of interest from another company and wished to explore Company C s strategic interest in Audience.

Also on January 29, 2015, representatives of Deutsche Bank began contacting 22 additional potential bidders as directed by the Technology Committee (including Company A and Company C) to inquire about their interest in a potential acquisition of, or strategic combination with, Audience. Of the companies contacted, 17 indicated they had no interest in pursuing discussions of a potential acquisition of, or other business combination with, Audience. Knowles and the remaining five companies, including Company A, Company C and three others (which Audience refers to as Companies D, E and F), expressed general interest in Audience. Of those six companies, two companies, in addition to Company A and Knowles, executed confidentiality and standstill agreements with Audience: Company D on February 2, 2015 and Company E on February 9, 2015. In addition, on February 17, 2015, Audience entered into a confidentiality agreement with Company C that did not contain standstill provisions. Because Company C objected to the inclusion of such provisions, Audience agreed to the confidentiality agreement without standstill provisions in order to facilitate preliminary discussions with Company C. Although Audience and Company C did not enter into any subsequent confidentiality agreement, Audience intended to renegotiate the confidentiality agreement to include standstill provisions if discussions progressed between the companies.

On February 3, 2015, Mr. Santos held a telephone call with Company A s Chief Executive Officer who expressed interest in reevaluating Audience in light of the ongoing formal sales process despite the fact that Company A had previously declined to pursue discussion of a business combination.

On February 4, 2015, the Audience board of directors held a telephonic meeting. Also in attendance were senior management of Audience and representatives of Deutsche Bank and WSGR. At the meeting, a representative of Deutsche Bank reviewed financial information relating to Knowles proposal and discussed Audience s options for moving forward with a process to solicit interest in a potential strategic transaction, including process timing. The Deutsche Bank representative also reviewed with the board of directors the efforts of Audience s senior management and Deutsche Bank to solicit interest from other potential strategic partners, including responses received to date. After discussion, the board of directors concurred with the Technology

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Committee s response to Knowles proposal and expression of a willingness to continue to engage Knowles in negotiations in order to encourage Knowles to increase its offer price.

On February 6, 2015, the Knowles board of directors held a meeting at which the board was briefed on the status of negotiations with Audience, including with respect to an initial indication of interest provided by Knowles.

On February 9, 2015, representatives of Audience s senior management held a management meeting with Company D at Audience s offices in Mountain View, California, with representatives of Deutsche Bank in attendance.

On February 10, 2015, representatives of Audience s senior management held management meetings with Company A and Company E at WSGR s offices in Palo Alto, California, with representatives of Deutsche Bank in attendance. During these meetings, Audience s management provided to Company A and Company E Audience s management projections, which included revised projected revenue of $125 million for the year ended December 31, 2015.

On February 11, 2015, Messrs. Santos and Palatnik, along with a representative of Deutsche Bank, had a meeting in Chicago, Illinois with members of Knowles senior management team, including Messrs. Niew, Bernard and Dickinson, and a representative of JPMorgan, Knowles financial advisor. Among other things, Audience presented additional information on a variety of topics, including products, lab technology, intellectual property and financial synergies. At the conclusion of this meeting, the parties agreed to hold further discussions with a focus on Audience s revenue projections and employee retention.

In mid-February 2015, a representative of Company F notified a representative of Deutsche Bank that Company F was no longer interested in pursuing a transaction with Audience because of lack of business unit support.

On February 15, 2015, a representative of Company D notified a representative of Deutsche Bank that Company D was no longer interested in pursuing a transaction with Audience because of concerns about Audience s operating losses, limited revenue visibility and highly competitive market.

On February 17, 2015, the Technology Committee held a telephonic meeting. Also in attendance were Messrs. Gyani, Santos, Palatnik and Factor and representatives of Deutsche Bank and WSGR. During this meeting, the Deutsche Bank representative reported on recent meetings with Knowles, including areas of concern Knowles had indicated as areas of focus for its due diligence. The Deutsche Bank representative and Mr. Santos also updated the Technology Committee on communications with other potential strategic partners.

Also on February 17, 2015, following the Technology Committee meeting, Knowles reaffirmed its interest in Audience and submitted a revised nonbinding indication of interest, increasing its proposed purchase price to $6.75 per share and, for the first time, proposed that the purchase price be paid equally in cash and Knowles common stock.

Also on February 17, 2015, Messrs. Santos and Palatnik held a management conference call with Company C, with representatives of Deutsche Bank in attendance.

Also on February 17, 2015, representatives of Deutsche Bank sent a letter to Company E inviting it to submit a written indication of interest for the acquisition of Audience by February 23, 2015.

On February 18, 2015, representatives of Deutsche Bank distributed letters to Company A and Company C, the other remaining potential strategic acquirors who had entered into confidentiality agreements and participated in management presentation sessions with Audience and who continued to show interest in a potential transaction with Audience, inviting each of those parties to submit a written indication of interest for the acquisition of Audience by

February 26, 2015.

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Also on February 18, 2015, Mr. Santos telephoned Mr. Niew to discuss Knowles revised proposal.

On February 20, 2015, Company B s Chief Executive Officer telephoned Mr. Santos to discuss Company B s interest in putting forth a proposal for a combination of the companies.

Also on February 20, 2015, the Technology Committee held a telephonic meeting. Also present were Messrs. Gyani, Santos, Palatnik and Factor and representatives of Deutsche Bank and WSGR. The Deutsche Bank representative provided an update on the status of the strategic process and discussed certain financial information relating to Knowles revised indication of interest.

On February 21, 2015, another potential strategic partner (which Audience refers to as Company G) made an unsolicited inquiry to Deutsche Bank, requesting participation in the process.

On February 23, 2015, the Audience board of directors held a telephonic meeting. With input from Audience s senior management team, the board of directors discussed a response to Knowles revised proposal. After discussion, the board of directors determined to submit to Knowles a counterproposal at $7.25 per share with a fixed-value stock component. Representatives of Deutsche Bank, who also attended the meeting, provided an update on the strategic process and discussed certain financial information relating to Knowles revised indication of interest.

Also on February 23, 2015, representatives of Audience s senior management held a follow-up due diligence session with representatives of Company A s management at WSGR s offices in Palo Alto, California, with representatives of Deutsche Bank in attendance.

On February 24, 2015, at the direction of the Audience board of directors, Mr. Santos telephoned Mr. Niew and communicated to him Audience s counterproposal of $7.25 per share with a fixed-value stock component.

On February 25, 2015, Audience received a letter from Company B expressing Company B s interest in exploring an acquisition of Audience but which did not specify a price or terms.

Also on February 25, 2015, the Audience board of directors held a meeting, with representatives of Deutsche Bank in attendance, during which members of Audience s senior management team led a discussion on Audience s financial results for the fourth quarter of 2014 and the status of management s 2015 standalone business plan, including milestones and key objectives. Management discussed employee attrition in the first quarter of 2015 and the retention programs that had been launched to address this. In addition, the Deutsche Bank representative presented an overview of Company A and discussed the strategic process, including Company B s expression of interest. Following the meeting of the board of directors, Mr. Santos contacted Company B to request a written indication of interest containing specific terms.

Also on February 25, 2015, Company G executed a confidentiality and standstill agreement with Audience in order to facilitate further discussions and negotiations among the parties.

On February 26, 2015, Company A submitted a written, nonbinding indication of interest with a proposed purchase price range of $6.10 to $6.75 per share paid equally in cash and stock. Company A was the only party to respond to Audience s initial bid deadlines with a written proposal. In addition, Company E indicated that it was not yet able to submit a written indication of interest but was working internally to do so.

Also on February 26, 2015, Mr. Santos held a telephone call with Mr. Niew to provide feedback from the Audience board of directors on Knowles proposal submitted to Audience on February 17, 2015.

During the evening of February 26, 2015, representatives of JPMorgan and Deutsche Bank spoke by telephone. During the conversation, the representatives of JPMorgan indicated that Knowles would increase its proposed purchase price to $7.00 per share paid equally in cash and Knowles common stock. With respect to the stock component, Knowles would provide for a fixed-stock value of $3.50 per share so long as Knowles stock remained within a range that was 7.5% above or below the price at announcement.

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On February 27, 2015, representatives of Audience s senior management held a management meeting with Company G in Santa Clara, California, with a representative of Deutsche Bank in attendance.

On March 3, 2015, a representative of Company G contacted a representative of Deutsche Bank to indicate that Company G planned on submitting a nonbinding indication of interest.

Between March 5, 2015 and March 20, 2015, members of Audience s management team held due diligence sessions, both telephonically and in person at WSGR s offices in Palo Alto, California, with members of Knowles management team.

On March 6, 2015, following discussion between Messrs. Santos and Niew, Knowles delivered to Audience a revised written indication of interest with a proposed purchase price of $7.00 per share paid equally in cash and Knowles common stock, including a fixed-stock value of $3.50 per share so long as Knowles stock remained within a range that was 12.5% above or below the price at announcement measured on a ten day trading average.

Also on March 6, 2015, Messrs. Santos and Niew spoke on the telephone to discuss employee and due diligence matters, and Audience granted Knowles access to a dataroom to facilitate ongoing due diligence of Audience.

On March 7, 2015, Company G notified a representative of Deutsche Bank that it was no longer interested in pursuing a transaction with Audience because it determined Audience was not a strategic fit.

On March 9, 2015, the Technology Committee held a telephonic meeting. Also present at this meeting were Messrs. Santos, Palatnik and Factor and representatives of Deutsche Bank and WSGR. The Deutsche Bank representative reported on discussions with other potential bidders, including that Company A did not indicate a willingness to increase its proposed purchase price but was willing to meet again with Audience management so that additional information could be shared to enable Company A to reconsider its proposal. Mr. Santos reported on a call during which Company B expressed interest in learning more about Audience under a confidentiality agreement but was highly unlikely to have the resources to make a bid in the range of the bids already received. After discussion, it was decided to provide Company B with a modest amount of information in order to keep Company B as a prospective bidder but without distracting management time.

On March 13, 2015, representatives of Audience held a follow-up meeting with Company A during which Audience provided a supplemental management presentation.

Also on March 13, 2015, Company B s Chief Executive Officer telephoned Mr. Santos to discuss the process of exchanging information under a confidentiality agreement to be entered into between the parties.

Also on March 13, 2015, a representative of Company C requested follow-up due diligence.

On March 17, 2015, Company B executed a confidentiality and standstill agreement with Audience in order to facilitate further discussions and negotiations among the parties, and indicated that it would submit a written nonbinding indication of interest during the week of March 23, 2015.

On March 18, 2015, Messrs. Santos and Niew held a telephone call to discuss the progress of due diligence and the timeline to reach a definitive agreement.

Also on March 18, 2015, representatives of Audience s senior management held a follow-up due diligence session with representatives of Company A s management in San Jose, California, with representatives of Deutsche Bank in attendance.

Also on March 18, 2015, Mr. Santos held a telephone call with Company B s Chief Executive Officer during which background information on Audience s projected 2015 financial results was provided.

On March 19, 2015, Company A, after reviewing additional due diligence materials, notified a representative of Deutsche Bank that any future proposal from Company A would be significantly lower than its initial proposed purchase price range of $6.10 to $6.75 per share in cash and stock.

On March 20, 2015, at the direction of Audience management, a representative of Deutsche Bank provided follow-up financial due diligence information to Company C and advised Company C to submit a written indication of interest if it wished to engage in further due diligence. Company C did not submit a written indication of interest.

On March 23, 2015, the Technology Committee held a telephonic meeting. Also present at this meeting were Barry Cox, a member of the Audience board of directors, and Mr. Santos and members of Audience s senior management, Messrs. Palatnik and Factor, and representatives of Deutsche Bank and WSGR. During this meeting, representatives of Deutsche Bank reported on ongoing discussions with Knowles and the status of Knowles diligence process. The representatives of Deutsche Bank and Mr. Santos also discussed timing considerations relating to the strategic process, including the transaction timeline proposed by Knowles. In addition, the Deutsche Bank representative reported to the Technology Committee Company A s indication that it would significantly reduce its initial bid if Company A proceeded with a transaction because of a concern with Audience s risk profile and operating losses.

Also on March 23, 2015, Sidley Austin LLP (Sidley), Knowles outside legal counsel, delivered a draft definitive merger agreement to Audience.

On March 24, 2015, Messrs. Santos, Niew and Dickinson met in Woodside, California to discuss the terms of the definitive agreement. During this meeting, Mr. Santos informed Messrs. Niew and Dickinson that Audience s revised projected revenue for the year ended December 31, 2015 would be at least 10% lower than management s previous projection of $130 million.

On March 26, 2015, Company B submitted a nonbinding indication of interest to acquire Audience. The proposal indicated a price range of $6.50 to $7.50 per share and was subject to Company B s ability to finance the transaction. At the direction of Audience s management, representatives of Deutsche Bank spoke with representatives of Company B on March 27 and 28, 2015 to clarify certain information relating to the proposal.

On March 30, 2015, the Technology Committee held a telephonic meeting. Also present at this meeting were Messrs. Santos, Gyani and Cox, members of Audience s senior management, Messrs. Palatnik and Factor, and representatives of Deutsche Bank and WSGR. During this meeting, representatives of Deutsche Bank provided an update on the strategic process and reported on the nonbinding indication of interest received from Company B on March 26, 2015, including its analysis of whether Company B would be able to obtain financing in order to consummate a transaction with Audience (taking into account the clarifications provided by Company B on March 27 and 28, 2015). Following discussion, the Technology Committee determined to continue prioritizing negotiations with Knowles in light of the uncertainty of the financing terms included in Company B s proposal and instructed Deutsche Bank to advise Company B that Audience would not move forward on the terms proposed. In addition, Mr. Santos reported on the status of due diligence with Knowles.

Also on March 30, 2015, WSGR delivered to Sidley a revised draft of the merger agreement. Over the course of the following week, the parties continued to negotiate the provisions of the merger agreement.

On April 3, 2015, a representative of Deutsche Bank notified Company B that Audience was not willing to move forward on the terms in Company B s written indication of interest because of the uncertainty and risks associated with Company B s ability to finance an acquisition.

On April 7, 2015, Company B delivered a follow-up letter to the Audience board of directors, which continued to express its interest in acquiring Audience on the same price and terms submitted on March 26, 2015.

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On April 8, 2015, Sidley delivered to WSGR a draft of the voting agreement Knowles proposed to be entered into by Audience s directors, certain members of Audience s senior management, and certain affiliates of Tallwood Venture Capital, a venture capital firm affiliated with a member of the Audience board of directors.

On April 9, 2015, Mr. Santos telephoned Company B s Chief Executive Officer to discuss Company B s ability to finance a transaction. Company B suggested that it was confident Company B could finance a transaction via a PIPE (private investment in public equity) financing combined with debt. Company B noted that it had not explored the availability of financing from banking or other sources.

Also on April 9, 2015, after several weeks without contact, a representative of Company E notified Deutsche Bank that it was not yet able to submit an initial nonbinding indication of interest.

On April 10, 2015, the Audience board of directors held a meeting. In attendance were members of Audience s senior management and representatives from Deutsche Bank and WSGR. At the meeting, the Deutsche Bank representative provided an update on the strategic process, including recent communications with Company B and various risks associated with Company B s proposal for financing a proposed transaction. Audience s senior management provided a preliminary report on financial results for the first quarter of 2015 and the outlook for the year ended December 31, 2015. It was noted that the 2015 forecast had been reduced from $130 million to $105 million based on reductions in the existing product forecast of Audience s largest customer and the utilization by such customer of an alternative Audience product with a lower selling price in an upcoming smartphone model, and that this would further increase operating losses and reduce Audience s projected cash balances for the year ended December 31, 2015.

On April 14, 2015, Mr. Santos and representatives of Knowles management met with Audience s largest customer.

On April 15, 2015, the Audience board of directors held a meeting. In attendance were members of Audience s senior management and representatives from Deutsche Bank and WSGR. Among other things, the board of directors discussed the ongoing strategic process involving Knowles, including recent meetings among Knowles, Audience and its largest customer. In addition, the Deutsche Bank representative reviewed with the board of directors certain financial information relating to the Knowles proposal and the status of ongoing discussions with other potential strategic acquirors. The board of directors discussed, with representatives of Deutsche Bank, the challenges of remaining an independent company, including employee attrition (which was discussed in previous meetings of the board of directors and identified by senior management as one of the top risks to achievement of Audience s 2015 annual operating plan).

On April 16, 2015, Mr. Niew contacted Mr. Santos via telephone to describe a letter that Mr. Niew would soon send. Shortly thereafter, Mr. Niew sent a letter to Mr. Santos indicating that Knowles was no longer willing to proceed at a purchase price of $7.00 per share. Knowles indicated that its due diligence revealed that the valuation underlying its proposed purchase price could no longer be supported based primarily on (i) management s lowered 2015 revenue forecast (representing nearly a 20% decrease from $130 million down to $105 million), (ii) Knowles belief, based on information available to it at that time, that 2015 revenue would more likely be $70 to $75 million (representing an overall reduction of approximately 45% from the management projections initially provided to Knowles), (iii) the resulting higher cash burn and lower cash balance, resulting in an expected shortfall to the free cash flow forecast initially provided to Knowles, and (iv) higher than expected costs of retaining key talent. As a result, Knowles proposed resuming discussions with Audience in May 2015 following the parties quarterly earnings releases.

Later on April 16, 2015, representatives of Audience s senior management and Deutsche Bank held conference calls with representatives of Knowles senior management to discuss Knowles letter.

On April 17, 2015, the Audience board of directors held a telephonic meeting. In attendance were members of Audience s senior management and representatives of Deutsche Bank and WSGR. Among other things, the

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board of directors discussed the recent developments with Knowles. In addition, the Deutsche Bank representatives reviewed the history and status of discussions with other potential interested parties. The Audience board of directors also discussed the recent increase in the market price of Audience common stock, which, during the preceding two weeks of trading beginning on March 30, 2015, averaged a closing price of $4.64 per share. From April 13, 2015 through April 16, 2015, however, the closing price of Audience common stock increased approximately 27.6% from $4.85 to $6.19 per share. The board of directors determined that this increase in price was unrelated to Audience s commercial prospects. After discussion, the board of directors concluded that there would be significant downward pressure on Audience s stock price after Audience announced its results for the first quarter of 2015 and management s revised guidance for the second quarter of 2015, and that a lower stock price would make it much more difficult to negotiate an acquisition price. In addition, the board of directors determined that there was a significant risk that delays in negotiating a transaction could lead to substantial additional employee attrition, which would create additional difficulty in negotiating a transaction. As a result, the board of directors discussed potential alternative structures that could be proposed to Knowles, including a contingent value right structure in which a portion of the cash purchase price would be tied to future revenue milestones, with the aim of promptly concluding a deal with Knowles on the best possible terms.

On April 17 and 20, 2015, management of Audience held follow-up due diligence sessions with representatives of Company E, with representatives of Deutsche Bank in attendance.

On April 18, 2015, representatives of Audience, Knowles, Deutsche Bank, JPMorgan, WSGR and Sidley held conference calls to discuss Audience s proposal that a portion of the cash purchase price take the form of contingent value rights tied to the achievement of certain revenue milestones for 2015.

On April 20, 2015, Messrs. Santos and Palatnik held a conference call with representatives of Company B s management, with a representative of Deutsche Bank in attendance. During the call, the parties discussed Company B s proposal to use a PIPE financing to fund an acquisition, with fundraising conducted under a nondisclosure agreement and the financing being secured at closing. The Deutsche Bank representative discussed the risks of such an approach. Company B indicated that it would also consider a transaction with 30% to 35% of the price to be paid in stock and any needed funds raised through a PIPE financing and/or the issuance of debt.

Also on April 20, 2015, the Technology Committee held a telephonic meeting, in which Messrs. Gyani, Santos, Palatnik and Factor and representatives of Deutsche Bank and WSGR attended. At the meeting, Mr. Santos reported on developments regarding a potential transaction with Knowles, including the proposal that the deal consideration include a contingent value rights component. In addition, a representative of Deutsche Bank reported on discussions with Company B. The Deutsche Bank representative discussed with the directors a number of risks to a transaction with Company B, including that Company B would have to persuade potential investors to invest in a highly-dilutive transaction, that such investors would likely require a substantial discount to Company B s market price, that depending on price, Company B might be required to obtain stockholder approval for the financing, that the financing may not be successful, and that if efforts to find investors were unsuccessful, Audience would be forced to announce that an acquisition agreement had been negotiated and then withdrawn. In addition, the relative illiquidity of Company B s stock rendered any transaction involving stock unfavorable to Audience s stockholders. Following discussion, the Technology Committee directed management to communicate to Knowles the need for a revised bid and directed management and Deutsche Bank to pursue further discussions with other parties.

On April 21, 2015, representatives of Knowles delivered to representatives of Audience a revised proposal for a per share purchase price of $2.25 in cash and $2.25 in Knowles common stock delivered at closing, plus contingent value rights of $0.25 to $2.50 per share earned upon Audience s achievement of certain revenue milestones.

Later on April 21, 2015, the Technology Committee held a telephonic meeting, in which Messrs. Santos and Palatnik and representatives of Deutsche Bank and WSGR attended. At the meeting, Mr. Palatnik reviewed the revised terms proposed by Knowles and a counter-proposal formulated by management with the assistance of

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Deutsche Bank. The Technology Committee discussed pricing and negotiation considerations, including the mix of cash and stock. In addition, Mr. Santos discussed the outlook for the second quarter of 2015 and the expectation that guidance for the second quarter of 2015 would be significantly below consensus, increasing cash burn and investor concerns. After discussion, the Technology Committee authorized management to communicate the counter-proposal to Knowles.

As directed by the Technology Committee, during the evening of April 21, 2015, representatives of Audience communicated to representatives of Knowles a proposal to increase the per share closing consideration to $2.75 in cash and $2.75 in Knowles common stock, plus contingent value rights of $0.30 to $1.50 per share.

Over the course of the following two days, the parties continued to negotiate the proposed contingent value rights component of the purchase price. On April 22, 2015, representatives of Knowles delivered to representatives of Audience a revised proposal of $2.25 in cash and $2.25 in Knowles common stock with increased contingent value rights of $0.50 to $2.50 per share. During this timeframe, representatives of Audience and Knowles also discussed the possibility of a proposal that did not include contingent value rights. The Knowles representatives emphasized their concerns that Audience s revenue projection for the second quarter of 2015 would be decreased.

Also on April 22, 2015, the Technology Committee held a telephonic meeting, in which Messrs. Santos and Palatnik and representatives of Deutsche Bank and WSGR attended. The Technology Committee directed members of management to continue negotiations with Knowles based on the most current revenue projection for the second quarter of 2014 and identified specific background information needed for the Audience board of directors to make a final determination with regard to price.

On April 23, 2015, based on the instructions previously received on April 20, 2015, a representative of Deutsche Bank contacted representatives of Company A and Company E and provided each with an overview of Audience s revised 2015 management forecast. Both Company A and Company E responded that they would take such information under advisement but that they were not prepared to make any proposal to acquire Audience until after Audience s earnings release for the first quarter of 2015 scheduled to occur at the end of the month.

On April 24, 2015, representatives of Knowles delivered to representatives of Audience a revised proposal of a total purchase price of $4.70, with no contingent value rights, which consisted of $2.35 in cash and $2.35 in Knowles common stock delivered at closing.

Also on April 24, 2015, the Audience board of directors held a telephonic meeting. Also in attendance were Messrs. Palatnik and Factor and representatives of Deutsche Bank and WSGR. During the meeting, the board of directors reviewed Audience s current financial and business position, including current and forecasted customer orders from its largest customer that had significantly decreased during the last several weeks, negatively impacting projections for the second quarter of 2015 and for the year ended December 31, 2015. The result was a business outlook for the second quarter of 2015 that was materially lower than market analyst consensus estimates and a reduction in 2015 sales projections from $105 million to $90 million. The impact of this forecast change was an erosion of projected operating results for the year ended December 31, 2015 as well as to projected cash balances for the year ended December 31, 2015. The board of directors also discussed the market price of Audience stock and the likely market response to management s revised financial projections and that the market price would likely decline significantly once the new revenue outlook was communicated.

In addition, the Audience board of directors discussed the significant risks of remaining independent. The board of directors reviewed potential plans and risks related to a potential restructuring of Audience s business. The Deutsche Bank representative discussed that management s plan required raising additional financing if Audience remained independent and advised the board of directors that such financing, if available, would likely be on unfavorable terms.

During the April 24, 2015 meeting, the Audience board of directors further discussed the revised offer received from Knowles and the risks of waiting to sign a transaction until after Audience s earnings release scheduled for April 30, 2015. It was noted that the absence of a transaction announcement at Audience s earnings release and the restarting of a bidding process would increase the risk of employee attrition. The Deutsche Bank representative also updated the board of directors that Company A indicated it believed Audience s 2015 revenue would be lower than estimated and that it had concerns with Audience s high operating losses and Company A s ability to absorb such losses. The representative of WSGR discussed with the board of directors its fiduciary duties under applicable law. After discussion, the board of directors concluded that completing a transaction with Knowles would better serve the interests of Audience s stockholders than prolonging the effort to secure other bids, which may or may not have materialized, in particular on comparable terms.

As directed by the Audience board of directors, on April 25, 2015, members of Audience s senior management team continued negotiations with representatives of Knowles. On April 26, 2015, representatives of Knowles and Audience agreed to a revised proposed purchase price, without a contingent value rights component, of $5.00 per share paid equally in cash and Knowles common stock so long as Knowles stock remained within a range that was 12.5% above or below the price at announcement measured on a ten day trading average.

From April 27, 2015 through April 29, 2015, representatives of WSGR and Sidley exchanged drafts of the merger agreement. During this time, representatives of Audience and Knowles worked to resolve outstanding business and due diligence issues.

On April 27, 2015, a representative of Deutsche Bank spoke with a representative of Company B and provided Company B with an overview of Audience s revised forecast for the second quarter of 2015 and for the year ended December 31, 2015. Company B responded that the information required further diligence, which Company B advised it could not undertake until late May 2015.

Also on April 27, 2015, the Audit Committee of the Audience board of directors (the Audit Committee) held a meeting. Messrs. Pavlov and Geruson and Marvin Burkett (Chairman) are the members of the Audit Committee. Also present were Mr. Santos and members of Audience s management team and representatives of WSGR and Audience s external auditors. Among other things, the Audit Committee discussed Audience s financial results for the three months ended March 31, 2015, including its performance relative to forecast and the business outlook that Audience had previously provided to investors. The Audit Committee also discussed shipment forecasts of major customers and management s reduced forecasts for the second quarter of 2015.

Also on April 27, 2015, the Audience board of directors held a meeting. In attendance were members of Audience s senior management and representatives of Deutsche Bank and WSGR. The board of directors reviewed Audience s current situation, its revenue forecast, including the impact of recent substantial declines in the forecasted orders from certain large customers, as well as the company s likely need to obtain additional financing to continue its operations. The board of directors noted that it was likely that Audience s stock price would decline substantially if Audience remained independent and discussed other risks of remaining independent. The Deutsche Bank representative reviewed certain financial information relating to Audience s standalone business, recent stock price developments and the revised proposed terms of a transaction with Knowles, and provided an update on recent discussions with other potential acquirors.

On April 28, 2015, a meeting of the Knowles board of directors occurred, at which Knowles senior management and representatives of JPMorgan and Sidley were present. Senior management briefed the board of directors regarding its due diligence findings and provided the board with a summary of the merger agreement, and the board was further briefed regarding valuation, potential synergies of the combined businesses and other financial and legal aspects of the proposed transaction. Following these discussions, and after consideration, the board of directors adopted the merger agreement, and authorized officers of Knowles to execute and deliver the merger agreement.

On April 29, 2015, a meeting of the Audience board of directors occurred in which Audience s senior management, and representatives of Deutsche Bank and WSGR participated. Mr. Santos presented a review of potential benefits and risks related to the transaction and responded to questions from the directors. Representatives of Deutsche Bank then reviewed the sale process, reviewed Deutsche Bank s financial analysis of the consideration proposed to be paid in the offer and the merger and rendered an oral opinion, which was subsequently confirmed by delivery of a written opinion dated April 29, 2015, to the effect that, as of such date, and based upon and subject to the assumptions, limitations, qualifications and conditions set forth in such opinion, the consideration to be paid to holders of outstanding shares of Audience common stock (excluding Knowles and its affiliates) pursuant to the merger agreement was fair from a financial point of view to such holders. See Opinion of Audience s Financial Advisor. The WSGR representative then reviewed the material provisions of the merger agreement and the form of tender and support agreement. Following all of these discussions, and after consideration, the board of directors determined that the merger agreement was advisable and in the best interests of Audience and its stockholders, approved and authorized the merger agreement, and recommended that Audience s stockholders accept the offer and tender their shares of Audience common stock pursuant to the offer.

Following the approval of the merger agreement by the Knowles board of directors on April 29, 2015, the parties entered into the merger agreement after the close of business on April 29, 2015.

The parties entry into the merger agreement was announced in a joint press release issued by Knowles and Audience prior to the opening of trading on the morning of April 30, 2015.

Audience s Reasons for the Transaction

In evaluating the offer, the merger and the merger agreement, the Audience board of directors consulted with Audience management and legal and financial advisors. In reaching its decision that the offer and the merger are advisable, and in reaching its recommendation that stockholders tender their shares of Audience common stock in the offer and, if required by applicable law, adopt the merger agreement, the Audience board of directors considered a number of factors, including the following material factors (not necessarily presented in order of relative importance), which the Audience board of directors viewed as supporting its recommendation:

- The Audience board of directors understanding of Audience s business and operations, including business strategy, competitive position and historical performance, and its current and historical results of operations, financial prospects and condition, and the perceived risk of continuing as a standalone public company, including:

  - The fact that there has been, and continues to be, substantial reductions in Audience s customer orders, including from Audience s largest customer for the three months ended June 30, 2015.

  - The fact that Audience has reported substantial declines in revenue, including a 49% reduction in reported revenue for the three months ended March 31, 2015 over the three months ended March 31, 2014, and a reduction in management s projected revenue of $130 million to $90 million for the year ended December 31, 2015, leading to increased operating losses and reductions in Audience s projected cash balances.

The fact that Audience is not able to forecast with high confidence mid-term and long-term customer purchases and the resulting revenue.

The Audience board of directors determination that management s projected revenue of $90 million for the fiscal year ended December 31, 2015 would erode projected operating results for 2015 as well as the projected cash balances and contribute to material increases in employee attrition in an already competitive labor market.

The expectation that further reductions in future customer orders as well as significant changes to strategy that would likely occur as a standalone entity would accelerate loss of key employees.

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The Audience board of directors assessment of Audience s ability to achieve its business plan as an independent enterprise, including Audience s potential need for additional financing and the likelihood that such financing, if available, would be on unfavorable terms.

The fact that, on April 1, 2015, the closing price of Audience common stock was $4.54 per share and that, during the week of April 13, 2015, the closing price of Audience common stock spiked approximately 27.6% from $4.85 per share on April 13, 2015 to $6.19 per share on April 16, 2015, and the Audience board of directors view that the market price of Audience common stock on April 16, 2015 was substantially higher than the intrinsic value of Audience s business and operations, including Audience s earnings for the three months ended March 31, 2015 and reduced outlook for the year ended December 31, 2015.

The strong likelihood that the price of Audience common stock would come more in line with intrinsic value following Audience s release of earnings for the three months ended March 31, 2015 and guidance for the three months ended June 30, 2015, and would trade significantly below $4.00 per share following the earnings release.

The Audience board of directors view that sustained operating losses and reductions in customer orders, among other things, may require either additional financing or modification to Audience s strategy, product direction and expense base, or both, if it were to remain an independent enterprise.

The Audience board of directors understanding of significant limitations on Audience s ability to effectively pursue potential expansion opportunities into new business lines through acquisitions in light of recent and ongoing challenges facing Audience, including, but not limited to, declining revenue and cash reserves, recent reductions in customer orders and employee retention.

The fact that the Audience board of directors conducted a thorough and intensive review of a potential sale and strategic alternatives, including that:

Deutsche Bank, on behalf of Audience, contacted a total of 22 potential strategic buyers (in addition to Knowles) in an effort to obtain the best value reasonably available to stockholders.

Of the 22 potential strategic buyers contacted and Knowles, only three parties made proposals to acquire Audience: Company A (which later retracted its proposal), Company B (whose proposal the Audience board of directors deemed inferior due to the uncertainty and risks associated with the financing for Company B s proposal), and Knowles as further described above.

The two other parties that made proposals were well behind Knowles in both process and intensity of interest, one of which expressed strong concern about the level of operating losses that it would need to absorb in a transaction with Audience, even at the higher projected revenue levels presented early in the strategic process.

The risk that prolonging the strategic alternatives process beyond Audience s earnings announcement for the three months ended March 31, 2015 could have resulted in the loss of a favorable opportunity to successfully consummate the transaction with Knowles, due to, among other things, the likelihood that circumstances following the earnings release, including a dramatically reduced share price, news of reduced customer orders, and speculation about a necessary restructuring would substantially accelerate loss of talent.

The Audience board of directors belief that the market price of Audience stock would significantly decline following the public announcement of Audience s earnings for the three months ended March 31, 2015 and management s business outlook for the three months ended June 30, 2015 and the perceived execution risk for obtaining the best value reasonably available to Audience s stockholders once Audience s first quarter earnings and second quarter business outlook were communicated.

The competitive landscape and the dynamics of the market for Audience s products and technology, and the assessment that other alternatives were not reasonably likely to create greater value for stockholders than the proposed transaction with Knowles, taking into account execution risk as well as business, competitive, industry and market risk.

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The consideration to be paid to the holders of Audience common stock, including:

The Audience board of directors belief that the consideration of $5.00 per share paid in cash and shares of Knowles common stock (subject to adjustment as described in this prospectus/offer to exchange and the related letter of transmittal) to be paid to the holders of Audience shares pursuant to the merger agreement is the best price reasonably attainable for Audience stockholders.

The fact that the cash component of the consideration in the transaction would provide certainty of value and liquidity to Audience stockholders.

The fact that the stock component of the consideration in the transaction would afford Audience stockholders both the opportunity to participate in all of the benefits of the combined company, including future growth and expected synergies of the combined company, while retaining the flexibility of selling all or a portion of those shares for cash at any time.

The fact that the merger agreement provides that the exchange ratio for the stock component of the consideration in the transaction is to be set based upon the volume weighted average of the sale prices for the Knowles common stock on each of the 10 consecutive trading days ending on and including the second trading day prior to the expiration of the offer, subject to a collar, which is intended to maintain the $2.50 per share value of the stock component of the consideration, thereby providing downside protection for Audience stockholders if Knowles common stock declines to less than $18.16 per share while maintaining a portion of the upside potential if Knowles common stock increases in value to more than $23.35 per share.

The fact that the $5.00 implied value of the merger consideration would result in an implied enterprise value for Audience of approximately $86 million, resulting in multiples of enterprise value to last quarter annualized revenue and management estimates of 2015 and 2016 revenue of 1.2x, 1.0x and 0.6x, respectively.

The financial analyses reviewed and discussed with the Audience board of directors by representatives of Deutsche Bank on April 29, 2015 and the oral opinion of Deutsche Bank, subsequently confirmed in writing, rendered to the Audience board of directors to the effect that, as of April 29, 2015 and based upon and subject to the assumptions, limitations, qualifications and conditions set forth in such opinion, the consideration to be paid to holders of outstanding shares of Audience common stock (excluding Knowles and its affiliates) pursuant to the merger agreement was fair, from a financial point of view, to such holders, as further described below in the section entitled Opinion of Audience s Financial Advisor.

The financial market conditions and historical market prices, volatility, liquidity and trading information with respect to the shares of each of Audience and Knowles, including the historically higher market multiple on Knowles common stock, as further described below in the section entitled Comparative and

Historical Per Share Market Price Data.

The determination by the Audience board of directors that Knowles offer represented the best opportunity to maximize stockholder value available reasonably attainable to Audience and that none of the other strategic and operating options available to Audience (including remaining independent and pursuing Audience s standalone plan) was likely to present an opportunity that is equal or superior to the proposed transaction with Knowles or to create value for Audience stockholders that is equal to or greater than the value created by the proposed transaction in the foreseeable future, after considering the risks, potential advantages, uncertainties and time required to execute these other strategic and operating options.

Knowles business, results of operations, financial condition, earnings and return to stockholders on a historical and prospective basis, including, but not limited to, the increased potential for growth, development and profitability of Knowles following the completion of the merger (taking into account the results of Audience s due diligence review of Knowles), in comparison to Audience s business,

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results of operations, financial condition, earnings and return to stockholders on a historical and prospective standalone basis, including ongoing challenges with employee retention, declining revenue and cash reserves, and recent reductions in customer orders.

The Audience board of directors assessment, based on its analysis and understanding of the financial performance, financial condition, earnings and future prospects of the combined company, that Knowles following the completion of the merger will have enhanced size and scope, which is expected to lead to improved financial strength and enable Knowles to capture highly attractive opportunities in the semiconductor industry, enabling Audience stockholders to participate in the upside of owning more liquid shares in a company that is larger and better capitalized.

The belief of the Audience board of directors that synergies between Knowles and Audience, including, among other things, the complementary nature of the two companies products and the ability to offer Audience s technologies to more customers through Knowles larger sales and distribution presence, would lead to accelerated growth and market adoption of the combined company, thereby increasing the value of Knowles common stock that Audience stockholders would receive in the offer and merger.