

## **Distribution of Knowles Corporation Common Stock**

### **I. Distribution of Knowles Corporation**

On February 28, 2014, Dover Corporation ("Dover") completed the separation of its consumer electronics business and distributed (the "Distribution") approximately 85 million shares of common stock of Knowles Corporation ("Knowles") to the holders of record of shares of Dover common stock that were issued and outstanding as of 5:00 p.m., Eastern Time, on February 19, 2014 (each, a "Dover Shareholder"). Each Dover Shareholder received one share of Knowles common stock with a par value of \$0.01 per share for every two shares of Dover common stock held by such shareholder. Dover Shareholders will also receive cash in lieu of any fractional shares of Knowles common stock resulting from the Distribution. Shares of Dover common stock trade under the ticker symbol "DOV" and shares of Knowles common stock trade under the ticker symbol "KN".

If you did not receive Knowles common stock in the Distribution on February 28, 2014, you may disregard this notice. Additionally, this notice does not apply to shares of Dover common stock sold, exchanged or otherwise disposed of prior to the time of the Distribution.

### **II. General Information**

The following information provides a general explanation of the application of certain provisions of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), and the Treasury Regulations promulgated thereunder, with respect to the allocation of tax basis among a Dover Shareholder's shares of Dover common stock and shares of Knowles common stock following the Distribution. This information does not constitute tax advice and does not purport to be complete or to describe the consequences that may apply to particular categories of shareholders. Dover does not provide tax advice to its shareholders. The examples provided below are solely for illustrative purposes and as a convenience to Dover Shareholders and their own tax advisors when establishing their specific tax positions.

Dover has received a legal opinion from Baker & McKenzie LLP that, subject to the representations and limitations therein, the receipt of Knowles common stock by Dover Shareholders pursuant to the Distribution will qualify for tax-free treatment under sections 368 and 355 of the Code. Under such treatment, Dover Shareholders will not incur U.S. federal income tax upon the receipt of shares of Knowles common stock in the Distribution, except that gain or loss will be recognized by a Dover Shareholder in an amount equal to the difference between cash received in lieu of a fractional share of Knowles common stock, if any, and the allocable tax basis of such fractional share (see discussion of tax basis allocation below).

We urge you to consult your own tax advisor regarding the particular consequences to you of the Distribution and the receipt of Knowles common stock and any cash in lieu of fractional shares of Knowles common stock, including the applicability and effect of all U.S. federal, state and local and non-U.S. tax laws. We also urge you to read the Information Statement (labeled "EX-99.1") attached to Amendment No. 5 to the Registration Statement on Form 10 that Knowles filed with the Securities and Exchange Commission ("SEC") on February 6, 2014, in particular the discussions on pages 154–157 under the heading "Material U.S. Federal Income Tax Consequences." You may access the Information Statement on the SEC's website at [www.sec.gov](http://www.sec.gov) or on Knowles's website at <http://investor.knowles.com/>

### **III. Dover Shareholder Tax Basis Information**

For U.S. federal income tax purposes, the general rule contained in the Treasury Regulations is that if a shareholder of a distributing corporation (i.e. Dover) receives stock of a controlled corporation (i.e. Knowles) in a transaction that qualifies for tax-free treatment under section 355 of the Code, a portion of the shareholder's aggregate tax basis in the distributing corporation stock is allocated to the controlled corporation stock. The allocation is based on the respective fair market values of the distributing corporation stock and the controlled corporation stock, in each case, immediately after the receipt of the controlled corporation stock. Under this approach, the aggregate tax basis of a Dover Shareholder in the shares of Dover common stock held immediately prior to the Distribution would be allocated between the shares of Knowles common stock received by the shareholder in the Distribution and the shares of Dover common stock held by the shareholder immediately after the Distribution based on the respective fair market values of such shares on the date of the Distribution (i.e., February 28, 2014).

Dover Shareholders that acquired shares of Dover common stock at different times or different prices will need to first calculate their tax basis in each block of shares of Dover common stock. Next, Dover Shareholders would need to identify the shares of Knowles common stock received with respect to each such block of Dover common shares. Finally, Dover Shareholders would allocate the tax basis for each block of shares of Dover common stock between those shares and the shares of Knowles common stock received with respect to such block of shares based on their respective fair market values on the date of the Distribution.

In addition, a proportionate amount of the aggregate tax basis allocated to the shares of Knowles common stock must be further allocated to a fractional share of Knowles common stock for purposes of determining any gain or loss resulting from the receipt of cash in lieu of the fractional share. The allocation of tax basis to a fractional share would be determined by multiplying the aggregate tax basis for the shares of Knowles common stock (as determined based upon the above-described allocation) by a fraction the numerator of which is the amount of the fractional share and the denominator of which is the total amount of shares of Knowles common stock (including the fractional share).

There is no direct guidance under U.S. federal income tax law as to the proper approach or method for determining the fair market value of shares of stock for purposes of such tax basis allocation. In general, for U.S. federal income tax purposes, fair market value of property is the price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of the facts. You should consult your tax advisor to determine what measure of fair market value is appropriate.

One potential approach for determining the fair market value of the shares of Dover common stock and the shares of Knowles common stock may be to use (i) the midpoint of the highest and lowest quoted selling prices on the New York Stock Exchange ("NYSE") per share of Dover common stock and share of Knowles common stock (US \$78.73 and US \$31.04, respectively) on March 3, 2014, which was the first day shares of Dover common stock and shares of Knowles common stock traded regularly on the NYSE following the Distribution. Because the Distribution consisted of one share of Knowles common stock for every two shares of Dover common stock, the fair market value of a share of Knowles common stock must be divided by two in determining the allocation percentage for a Dover common share. Based on this approach of determining fair market value, a Dover Shareholder's aggregate tax basis in his or her shares of Dover common stock immediately before the Distribution would be allocated between the shares of Dover common stock and the shares of Knowles

common stock immediately after the Distribution pursuant to the following allocation percentages:

<b>Stock</b>	<b>Price per Share*</b>	<b>Exchange Ratio</b>	<b>Price Divided by Exchange Ratio</b>	<b>Allocation Ratio</b>
Dover	\$78.73	1	\$78.73	$\$78.83/\$94.25 = 83.53\%$
Knowles	\$31.04	2	\$15.52	$\$15.52/\$94.25 = 16.47\%$
Total			\$94.25	100.0000%

\* Fair market values are based on the midpoint determination outlined above.

Other approaches to determine fair market value may also be possible, and you should determine, in consultation with your own tax advisor, what approach to use in determining fair market values for shares of Dover common stock and shares of Knowles common stock. Please note that the information above is provided only as an example of one potential approach. There are various ways in which brokerage houses may calculate the tax basis, including but not limited to opening or closing prices on the date of the Distribution. Please contact your broker to determine which calculation they may have used with respect to your shares and contact your own tax advisor for advice regarding the tax basis allocation.

#### **IV. Examples of Tax Basis Allocation**

Set forth below are examples that are solely for illustrative purposes. In both examples below, the shareholder purchased all of his or her shares of Dover common stock at the same time and for the same price.

##### Example 1 – Allocation

Shareholder (“A”) owns 10 shares of Dover common stock and has an aggregate tax basis in those shares of US \$600. As a result of the Distribution, A received 5 shares of Knowles common stock. Using the allocation approach described above, A’s tax basis in its shares of Dover common stock and shares of Knowles common stock would be determined as follows:

<b>Stock</b>	<b>No. of Shares</b>	<b>Percentage of Tax Basis Allocation</b>	<b>Tax Basis Allocation*</b>
Dover	10	83.53%	US \$501.18
Knowles	5	16.47%	US \$98.82

\*Basis of US \$600 x Percentage of Tax Basis Allocation

Therefore, the tax basis in the 10 shares of Dover common stock would be US \$501.18, or approximately US \$50.12 per share, and the tax basis in the 5 shares of Knowles common stock would be US \$98.82, or approximately US \$19.76 per share.

## Example 2 – Allocation for Fractional Shares

Shareholder (“B”) owns 11 shares of Dover common stock and has an aggregate tax basis in those shares of US \$605, or US \$55 per share. As a result of the Distribution, B should have received 5.5 shares of Knowles common stock (but actually received 5 shares of Knowles common stock and cash in lieu of a 0.5 fractional share of Knowles common stock). Using the allocation approach described above, B’s tax basis in its shares of Dover common stock and shares of Knowles common stock would be determined as follows:

<b>Stock</b>	<b>No. of Shares</b>	<b>Percentage of Tax Basis Allocation</b>	<b>Tax Basis Allocation*</b>
Dover	11	83.53%	US \$505.36
Knowles	5.5	16.47%	US \$99.64

\*Basis of US \$605 x Percentage of Tax Basis Allocation

After B allocates the aggregate tax basis in the shares of Dover common stock between the shares of Dover common stock and shares of Knowles common stock, B would make a further allocation of the tax basis in the shares of Knowles common stock to the fractional share of Knowles common stock in order to compute gain or loss with respect to the cash received in lieu of the fractional share (and correspondingly reduce the aggregate tax basis for its remaining 5 whole shares of Knowles common stock):

Tax basis in 0.5 fractional share of Knowles common stock =  $(\text{US } \$99.64 / 5.5) \times 0.5 = \text{US } \$9.06$

Final aggregate tax basis in 5 whole shares of Knowles common stock =  $\text{US } \$99.64 - \text{US } \$9.06 = \text{US } \$90.58$ .

Therefore, B's tax basis in the 11 shares of Dover common stock would be US \$505.36, or approximately US \$45.94 per share, and B's tax basis in the 5 shares of Knowles common stock would be US \$90.58, or approximately US \$18.12 per share. The 0.5 fractional share of Knowles common stock would have a tax basis of \$9.06.

## **V. Holding Period**

The holding period for the shares of Dover common stock and the shares of Knowles common stock after the Distribution will be the same as the holding period for the shares of Dover common stock prior to the Distribution for purposes of determining long-term capital gains provided that the Dover common stock was held by a Dover Shareholder as a capital asset on February 28, 2014.

## **VI. Significant Distributees**

Certain Dover Shareholders (here, only those shareholders who, immediately before the Distribution, owned 5% or more of Dover common stock (by vote or value)) who received shares of Knowles common stock in the Distribution (including any cash in lieu of a fractional share of Knowles

common stock) are also required to include a statement related to the Distribution in their U.S. Federal income tax returns for the year in which the Distribution occurs. A form of the statement, "INFORMATION STATEMENT PURSUANT TO TREASURY REGULATIONS SECTION 1.355-5(b) BY A SIGNIFICANT DISTRIBUTE", can be found following Part VII below.

## **VII. Additional Information**

The information in this document does not constitute tax advice and is not intended or written to be used, and cannot be used, for the purposes of (i) avoiding penalties under the Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein. It does not purport to be complete or to describe the consequences that apply to particular categories of Dover Shareholders (e.g., it does not address Dover Shareholders who did not hold their shares of Dover common stock continuously from 5:00 p.m., Eastern Time, on February 19, 2014 (the record date of the Distribution) until the time of the Distribution, who sold shares of Dover common stock or who acquired blocks of shares of Dover common stock at different times and prices). Dover Shareholders are encouraged to consult with their tax advisors as to the particular tax consequences of the Distribution for them under U.S. federal, state and local and foreign tax laws. Information regarding the Distribution and the computation of tax basis is also being reported to the Internal Revenue Service.

**INFORMATION STATEMENT PURSUANT TO TREASURY REGULATIONS SECTION 1.355-5(b) BY A SIGNIFICANT DISTRIBUTE**

On February 28, 2014, Dover Corporation, a Delaware corporation (“Dover”), distributed (the “Distribution”) the outstanding shares of common stock of Knowles Corp., a Delaware corporation (“Knowles”), to the holders of record of shares of Dover common stock as of 5:00 p.m. Eastern Time on February 19, 2014 (the “Record Date”). As a result of the Distribution, each holder of record of shares of Dover common stock as of the Record Date was entitled to receive one share of Knowles common stock for every two shares of outstanding Dover common stock held by such shareholder as of the Record Date.

1. Name, address and employer identification number of the distributing corporation:

Dover Corporation  
3005 Highland Parkway  
Downers Grove, Illinois 60515  
EIN: 53-0257888

2. Name, address and employer identification number of the controlled corporation:

Knowles Corporation  
1151 Maplewood Drive  
Itasca, Illinois 60143  
EIN: 90-1002689

3. The undersigned was a shareholder owning shares of Dover common stock as of the Record Date and received shares of Knowles common stock, par value \$0.01 per share, in the Distribution. [The undersigned also received cash in lieu of a fractional share of Knowles common stock, which fractional shares were aggregated and sold by the distribution agent.]<sup>1</sup> The aggregate fair market value of the Knowles common stock [and cash in lieu of a fractional share]<sup>2</sup> received by the shareholder was \$\_\_\_.

4. The undersigned did not surrender any stock or securities in Dover in connection with the Distribution.

5. The Distribution is a transaction that is described under Section 355 of the Internal Revenue Code of 1986, as amended.

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Shareholder’s Name (please print)

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Shareholder’s Signature

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Taxpayer Identification Number or  
Social Security Number

THIS STATEMENT SHOULD BE ATTACHED TO YOUR 2014 U.S. FEDERAL INCOME TAX RETURN.

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<sup>1</sup> If applicable.

<sup>2</sup> If applicable.