Acacia Diversified Holdings, Inc.
Form 10-Q
May 07, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2018

r TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from ___________________ to _______________

Commission file number: 001-14088

Acacia Diversified Holdings, Inc.
(Exact name of small business issuer as specified in its charter)

Texas	75-2095676
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
13575 58th St. North #138 Clearwater, FL	33760
(Address of principal executive offices)	(Zip Code)

(727) 678-4420
(Registrant's telephone number)

____

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. (1) Yes No r (2) Yes No r

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No r

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definition of “large accelerated filer,” accelerated filer” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act:

Large accelerated filer r Accelerated filer r

Non-accelerated filer r Smaller Reporting Company

Emerging growth company r

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes r No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of May 1, 2018 is 18,083,000 common shares.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ACACIA DIVERSIFIED HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS

	March 31, 2018 (UNAUDITED)	December 31, 2017 (AUDITED)
ASSETS		
CURRENT ASSETS:		
Cash	$ 26,470	$ 28,417
Accounts receivable, net of allowance for doubtful accounts of $17,450 in 2018 and 2017	1,550	22,820
Inventories	54,462	57,257
Prepaid expenses and other current assets	10,721	11,034
Total Current Assets	93,203	119,528
PROPERTY AND EQUIPMENT, net of accumulated depreciation of $191,206 and $172,783 in 2018 and 2017, respectively	466,994	483,931
DEPOSITS	3,341	3,341
TOTAL ASSETS	$ 563,538	$ 606,800
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITY:		
Accounts payable and accrued expenses	$ 481,858	$ 452,710
Notes payable to related party	630,400	558,400
Payable to related parties	82,916	81,058
Total Current Liability	1,195,174	1,092,168
Total Liabilities	1,195,174	1,092,168
Commitments and contingencies	-	-
STOCKHOLDERS' DEFICIT		
Common stock, $0.001 par value; 150,000,000 shares authorized; 18,093,000 and 17,539,982 shares issued and outstanding at March 31, 2018 and December 31, 2017, respectively	18,093	17,540
Additional paid-in capital	4,737,007	4,451,038
Accumulated deficit	(5,386,736)	(4,953,946)
Total Stockholders' Deficit	(631,636)	(485,368)

TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 563,538	$ 606,800

The accompanying notes are an integral part of these consolidated financial statements.

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ACACIA DIVERSIFIED HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017
(UNAUDITED)

	March 31, 2018
REVENUE	$91,914
COSTS OF GOODS SOLD	
Costs of goods sold	31,970
Depreciation expense	17,806
	49,776
GROSS PROFIT	42,138
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	
Employee compensation expenses	142,369
General and administrative expenses	320,416
Depreciation expense	616
	463,401
LOSS FROM OPERATIONS	(421,263)
OTHER INCOME (EXPENSE)	
Interest expense	(11,527)
Other income	-
TOTAL OTHER EXPENSE	(11,527)
NET LOSS BEFORE INCOME TAXES	$(432,790)
Income taxes	-
NET LOSS	$(432,790)

Vote Required

Assuming a quorum is present, the eight nominees receiving the highest number of votes at t withhold with respect to the election of any or all of the nominees. Your cumulative votin directors to be elected (eight) multiplied by the number of shares you own, which votes may

YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR

Communications with the Board

Shareholders and other interested parties may contact the Company s Chairman of the Boar *Non-managementdirectors@callawaygolf.com,* or by mail to: Board of Directors, Callaway Corporate Secretary s office reviews all incoming communications and filters out solicitatio communications are distributed to the non-management directors or handled as appropriate a

Corporate Governance Guidelines and Code of Conduct

The Board of Directors has adopted and published on the Company s website its Corporate interested parties with insight into the Company s corporate governance practices. The Non overseeing these guidelines and for reporting and making recommendations to the Board con among other things, board composition and director qualification standards, responsibilities of Directors and other corporate governance matters.

The Board of Directors has also adopted a Code of Conduct that applies to all of the Compan well as the Company s directors. The Company s Code of Conduct covers the basic standa Company, as well as the Company s Conflicts of Interest and Ethics Policy and other specif disclose any waivers of, or amendments to, any

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provision of the Code of Conduct that applies to the Company s directors and senior financi

The Corporate Governance Guidelines and Code of Conduct are available on the Company
Governance and Investor Relations Corporate Overview, respectively. Upon request, the C
Company s Corporate Governance Guidelines or Code of Conduct. Any such requests may
Company s principal executive offices by telephone at (760) 931-1771 or by mail at 2180 R

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REPORT OF THE AUDIT C

The duties and responsibilities of the Audit Committee are set forth in its written charter, a c
Committee represents the Board of Directors in discharging its general oversight responsibil
auditing, financial reporting, risk assessment and management, and internal controls. Manag
of the Company s financial statements and for its financial reporting process, and the Comp
expressing an opinion on the conformance of the Company s financial statements to accoun
Committee is responsible for reviewing and discussing with management and the Company
quarterly financial statements and financial reporting process and for providing advice, coun
its discussions with management and the independent registered public accounting firm and
and accounting matters.

Consistent with and in furtherance of its chartered duties, the Audit Committee has adopted
financial reporting positions if such candidates have certain current or former relationships v
(ii) procedures for the receipt, retention and treatment of complaints regarding accounting or
concerns regarding such accounting or auditing matters; and (iii) a written policy governing
by the Company s independent registered public accounting firm.

Internal Audit

The Company has an internal audit department that, among other things, is responsible for o
Company s system of internal controls, including controls relating to the reliability of the C
to the Audit Committee and, for administrative purposes, to the Chief Financial Officer.

2013 Audit Committee Activities

The Audit Committee appointed Deloitte & Touche LLP (Deloitte) to serve as the Compa
Committee reviewed and discussed with management and Deloitte the Company s quarterly
2013. The Audit Committee also reviewed the report of management contained in the Comp
December 31, 2013, as well as Deloitte s Report of Independent Registered Public Account
to its audit of the consolidated financial statements. The Audit Committee met privately with
and the Audit Committee also discussed with Deloitte the matters required to be discussed b
Professional Standards, Vol. 1, AU section 380), as adopted by the Public Company Accoun

During the course of 2013, the Audit Committee also oversaw management s evaluation of
internal auditor and management documented, tested and evaluated the Company s system
requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and related regulations. The
provided oversight and advice during the process. In connection with this oversight, the Aud
auditor, management and Deloitte at least quarterly at an Audit Committee meeting. Upon c

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the principal internal auditor and management reported to the Audit Committee regarding th
and the Audit Committee reviewed and discussed with Deloitte its Report of Independent Re
Report on Form 10-K related to its audit of the effectiveness of internal control over financia
efforts related to its internal control over financial reporting.

In addition, the Audit Committee has received from Deloitte the written disclosures and the
Committees Concerning Independence) and has discussed with Deloitte its independence. A
Audit Committee requests that Deloitte provide such letter at least quarterly and such letter
actively engaged in a dialogue with Deloitte with respect to any disclosed relationships or se

Based on the review and discussions referred to above, the Audit Committee recommended
be included in the Company s Annual Report on Form 10-K for the year ended December 3

MEMBERS OF THE AUDIT COMMITTEE

Samuel H. Armacost, *Chair*

Ronald S. Beard

John F. Lundgren

Adebayo O. Ogunlesi

Anthony S. Thornley

Fees of Independent Registered Public Accounting Firm

Audit Fees. Audit fees include fees for (i) the audit of the Company s annual financial state
audit of the Company s internal control over financial reporting under Section 404 of the Sa
the Company s international subsidiaries. Audit fees also include other services that genera
letters, statutory audits, attest services, and consents and assistance with and review of docu
by Deloitte in 2013 and 2012 were $1,361,600 and $1,521,969, respectively. In addition, the
the audit in an amount not to exceed 6% of the audit fees.

Audit-Related Fees. Audit-related fees include fees for assurance and related services that a
Company s financial statements. The aggregate fees for audit-related services performed by
reimburses Deloitte for expenses incurred in connection with audit-related services in an am
and 2012 were incurred in connection with the audit of the financial statements for the Com

Tax Fees. Tax fees include fees for services performed by the professional staff in the tax de
those tax services that could be classified as audit or audit-related services. For 2013 and 20
and were incurred in connection with routine foreign tax compliance and tax advice.

All Other Fees. All other fees include fees for all services except those described above. The

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None of the fees listed above were approved by the Audit Committee in reliance on a waiver

Policy for Preapproval of Auditor Fees and Services

The Audit Committee has adopted a policy that all audit, audit-related, tax and any other nor
public accounting firm must be preapproved by the Audit Committee. It is the Company s p
the engagement. The Audit Committee is also required to preapprove the estimated fees for s
engagement. The Audit Committee has also delegated the authority (within specified limits)
not practical to wait until the next Audit Committee meeting to seek such approval. The Aud
following Audit Committee meeting any such services approved by the Chair under such de

The Audit Committee will only approve those services that would not impair the independen
consistent with the rules of the SEC and PCAOB. The Audit Committee policy specifically p
(i) bookkeeping or other services related to the Company s accounting records or financial s
services, (iii) appraisal or valuation services, fairness opinions or contribution-in-kind report
(vi) management functions, (vii) human resources, (viii) broker-dealer, investment adviser o
unrelated to an audit for the purpose of advocating the Company s interests in litigation or i

Under this policy, the Audit Committee meets at least annually to review and where appropr
Company s independent registered public accounting firm. Any subsequent requests to have
services must be submitted to the Audit Committee by the Chief Financial Officer, together
must include an affirmation from each that the requested services are consistent with the SE

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PROPOSAL NO.

RATIFICATION OF THE APPOINTMENT OF INDEPENDENT

The Audit Committee, which is comprised entirely of independent directors, has appointed I
public accounting firm for the fiscal year ending December 31, 2014. This appointment was
performance in 2013 (for details concerning this evaluation process, see above, Committee
Company s independent registered public accounting firm since December 2002. Informati
services for 2013 and 2012 are set forth above under Fees of Independent Registered Publi
Annual Meeting, where they are expected to be available to respond to questions, and if they

Our Audit Committee and Board of Directors seek shareholder ratification of the Audit Com
public accounting firm to audit our and our subsidiaries financial statements for the fiscal y
required to be submitted to shareholders. However, as a matter of good corporate governanc
the shareholders do not ratify the appointment of Deloitte as the Company s independent re
appointment of Deloitte. Because the Audit Committee is directly responsible for appointing
the ultimate decision to retain or appoint Deloitte in the future as the Company s independe
based upon the best interests of the Company at that time.

Vote Required

The affirmative vote of the holders of a majority of shares of Common Stock entitled to vote
Annual Meeting is required to ratify the appointment of Deloitte as the Company s indepen
December 31, 2014. Abstentions will be treated as being present and entitled to vote on the
This proposal is considered a routine matter and your broker has discretion to vote your shar

**YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR
THE COMPANY S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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COMPENSATION OF EXECUT

Compensation Discussion and Analysis

Non-GAAP Information. In order to assist interested parties with period-over-period compa below provides certain non-GAAP information. This information, as applicable, excludes (i) related to the Company s 2012 cost-reduction initiatives, and (iii) the impact of the busines forth below is certain of the Company s results on a constant currency basis, which essenti For comparative purposes, the non-GAAP income and earnings information assumes a 38.5 earnings excluding interest, taxes, and depreciation and amortization expenses. This non-G meaning of Regulation G. Appendix A to this Proxy Statement includes a reconciliation of su financial measures prepared in accordance with GAAP.

Introduction

This Compensation Discussion and Analysis is designed to provide shareholders with an un analysis that we performed in setting executive compensation. It discusses the determination Compensation Committee) of how and why, in addition to what, compensation actions w financial officer, and the three other most highly compensated executive officers who were s

Oliver G. (Chip) Brewer III, President and Chief Executive Officer

Bradley J. Holiday, Senior Executive Vice President and Chief Financial Officer

Alex M. Boezeman, Managing Director, East Asia Region

Mark F. Leposky, Senior Vice President, Global Operations

Neil Howie, Managing Director, Europe, Middle East & Africa

Investors are encouraged to read this discussion in conjunction with the compensation tables compensation of the named executive officers for 2013. The amounts reported for Messrs. B the compensation tables and related notes reflect the translation of those amounts into U.S. d

Overview

In 2013, the Company continued with the turnaround strategy it implemented in 2012. This included significant cost reductions and stringent cost management as well as a renewed foc products. In furtherance of this strategy, during 2012 and 2013, the Company sold its Top-F most regions of the world, discontinued direct operations in the GPS/electronics category, in force across all levels of the organization), hired a new Chief Executive Officer (Chip Brew and North American sales functions, changed the Company s approach to sales and marketi transformed the golf club and golf ball manufacturing platforms, increased presence on the p outstanding preferred stock. During 2013, the Company began to see the benefits of these ac

2013 full year net sales of the Company s current business, on a constant curren
full year.

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2013 non-GAAP operating income/loss improved by $74 million to $5 million o
in 2012. On a GAAP basis, 2013 operating loss improved by $105 million to a lo

2013 full year non-GAAP loss per share improved by $0.75 to a loss of $0.02 pe
GAAP basis, 2013 full year loss per share improved by $1.65 to a loss of $0.31 p

2013 non-GAAP EBITDA improved by $68.3 million to $37.1 million compared
EBITDA improved by $99.5 million to $20.8 million compared to a negative EB

2013 total shareholder return was 30%.

The compensation paid to the named executive officers for 2013 reflects both the stage of th financial results. For example, as discussed below, no base salary increases were paid to the cost management objectives. On the other hand, a bonus was paid to the executive officers fo results. Set forth below is a summary of certain compensation-related actions the Company r practices:

Consistent with the Company s pay for performance philosophy, in January 201
that no bonus was to be paid under the 2012 bonus plan as the Company had not

Consistent with the Company s pay for performance philosophy, in January 201
that there would be no payout under the performance cash units with respect to th

The total compensation of the Chief Executive Officer as reported in the summar
at the same time total shareholder return was 30% for 2013, resulting in improve

No base salary increases were given to the named executive officers for 2013, co
turnaround strategy.

A target bonus was paid to the named executive officers for 2013 under the Com
goals were achieved, reflecting the significant improvement in the Company s fi

The Company continued the reductions in Paid Time Off and 401(k) Retirement

The Company obtained shareholder approval of a new director long-term incenti
incentive plan.

The Company successfully obtained shareholder approval of the compensation o

The Company adopted a new insider trading policy that specifically prohibits the
through equity award grants.

In 2014, the Company granted performance share units and service-based restric
majority being performance share units) as compared to service-based stock opti

In addition, in 2013 and early 2014, the Company also continued the following c

None of the Company s officer employment contracts provide for excise

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The Company s officer employment contracts contain clawback provi
accounting restatement.

The Company does not reprice stock options or stock appreciation rights a

The Company continued its stock ownership guidelines for members of th
Guidelines below.)

As discussed further below, the Compensation Committee believes that the primary objectio executive compensation programs in 2012 was a perceived disconnect between the compens performance. The Committee believes that it has made significant progress addressing these incentive compensation if performance goals were achieved, and by improving the Company forward in 2014, under the supervision of the Chief Executive Officer, the Company will co Compensation Committee will further review its compensation practices and philosophy. Th practices and philosophy in 2013.

Purpose of Executive Compensation Programs

Callaway Golf Company is a public corporation engaged in the manufacture and sale of golf golf-related products, including golf bags, apparel, footwear, and accessories. The sale of go competitive each year. The Company has operations in the United States, the United Kingdo regions, and directly, or indirectly through third party distributors, sells its products in over 1 approximately $842.8 million. Given the complexity and size of the Company s business, th to serve as the Company s executive officers to oversee and manage the Company s operat attract, retain, motivate and appropriately reward these executive officers and to align the int by incentivizing the executive officers to operate the Company in a manner that creates shar

Role of the Compensation and Management Succession Committee

The Company s Board of Directors has delegated to the Compensation Committee the gene policies and programs, including those applicable to the Company s named executive office independent directors, sets the compensation of the Chief Executive Officer, and the Compe the compensation of the other executive officers. The Compensation Committee consults wi appropriate.

The Compensation Committee has the responsibility for, among other things, approving and the design and implementation of those programs to ensure that the programs are reasonable performance, and that they provide appropriate incentives for the executive officers and do n base salaries, developing appropriate short-term and long-term incentives, approving stock-b (including severance and change-in-control provisions), and approving other compensation o officers.

In addition, the Compensation Committee reviews the performance of the executive officers performance in absolute terms and against its annual

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operating plan, a review of performance against stipulated metrics and performance criteria i
accomplishments including performance against any agreed-upon objectives, and any other r
case of the Chief Executive Officer, the review also includes a written evaluation of his perfo
Executive Officer s agreed-upon annual objectives and accomplishments as well as his self-
input from the Chief Executive Officer s direct reports as appropriate. Following this detaile
to review this information and act on the Compensation Committee s recommendation for a
result from such review and appraisal.

The Compensation Committee routinely reviews the Company s executive compensation pr
and best practices. The amounts paid to an individual executive in any given year reflect the
commitments under previous programs or contracts, and the current performance of that exe
result in an executive s compensation being different from the Company s current program
consistent with the Company s compensation programs as they evolve in light of current tre

Additional information concerning the responsibilities of the Compensation Committee is se
www.callawaygolf.com under Investor Relations Corporate Governance Board Committ

Guiding Principles for Executive Compensation

In developing appropriate executive compensation programs, the Compensation Committee

Compensation levels should be sufficiently competitive to attract and retain the executive t

The Company s overall compensation levels are targeted to attract the management talent n
the Company chooses to compete. In general, given the complexity and competitiveness of t
pay above median compensation to attract the high quality management talent needed to run
Compensation Committee compares the total direct compensation (comprised of base salary
executive officers to the 50^{th} 75^{th} percentile based upon appropriate market reference infor
Company s Compensation Comparison Group (described below). The Company does not ta
data, but rather uses this information as a general guide in setting or assessing executive com

A significant portion of total compensation should be related to performance.

Executive compensation should be linked to Company and individual performance. The ann
corporate performance but the final payout may be affected by individual performance, and t
long-term corporate performance or stock appreciation. There is a strong correlation betwee
Under the Company s plans, performance above targeted goals generally results in compens
generally results in compensation below targeted levels.

Compensation should reflect position and responsibility, and incentive compensation shou

Total compensation should generally increase with position and responsibility. At the same t
corporate and individual performance, and therefore at risk, as

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position and responsibility increases. Accordingly, individuals with greater roles and respon
greater proportion of the risk that those goals are not achieved and should receive a greater p

Incentive compensation should strike a balance between short-term and long-term perfor

The Company s compensation plans focus management on achieving strong annual perform
profitability. Accordingly, the Company uses both annual incentives and long-term incentive
of responsibility where individuals have the greatest influence over the Company s strategic

A significant portion of executive compensation should be stock-based.

In order to further align the interests of the Company s executive officers with those of the
significant portion of executive compensation should be stock-based compensation. As a res
incentives for executive officers is stock-based in the form of stock options, stock appreciati
units settled in cash or stock. The executive officers are also subject to stock ownership guid
officers to hold a minimum amount of Company stock and hold a portion of the shares recei
guidelines.

The tax deductibility of compensation should be maximized where appropriate.

To the extent consistent with the Company s compensation strategy, the Company seeks to
compensation. In designing and approving the Company s executive compensation plans, th
regulations, including Section 162(m) of the Internal Revenue Code, which generally disallo
compensation in excess of $1.0 million paid to the chief executive officer or certain of the C
deductibility of compensation is an important consideration, the Compensation Committee n
deductibility where it is appropriate to do so in light of other compelling interests or objectiv
application and interpretation of Section 162(m) and related regulations, and the fact that suc
potentially retroactive effect), no assurance can be given that compensation intended to satis
so.

The Compensation Committee Uses Various Resources to Guide Its Compensation Dec

In setting compensation, the Compensation Committee works with the Company s Chief Ex
addition, the Compensation Committee has engaged Mercer as its outside compensation con
compensation matters. Mercer representatives report directly to the Compensation Committe
comparative market data, information on compensation trends, and an objective view of com
purposes, except that the Company occasionally purchases from Mercer broad industry com
purchase. The Compensation Committee requires that the Company obtain the committee s
from Mercer generally interact with the Chair of the Compensation Committee and with sen
the meetings of the Compensation Committee, and meet in executive session with the memb
compensation of the Chief

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Executive Officer, with the other independent directors as well. The Compensation Committ by Mercer s work for the Compensation Committee, which assessment considered the follo Mercer and its affiliates; (ii) the amount of fees received from the Company by Mercer and i (iii) the policies and procedures of Mercer that are designed to prevent conflicts of interest; (member of the Compensation Committee; (v) any Company stock owned by the Mercer con consultant or Mercer and its affiliates with any of the Company s executive officers, and co factors, the Compensation Committee has concluded that Mercer has no conflict that would The Compensation Committee also consults with legal counsel as appropriate and conducts providing advice to the Committee.

In determining the reasonableness and competitiveness of the Company s executive officer data for comparisons to the Company s programs. These comparisons are used as reference of the Company s proposed compensation levels and targets in any given year. None of the rather, they are part of larger corporate conglomerates or are privately owned. Thus, it is diff businesses. The Compensation Committee therefore compares executive compensation level circumstance, the Compensation Committee will use (i) broad industry survey data for corpo executive talent with corporations outside the golf industry and/or (ii) a small predetermined leisure equipment and products industries (the Compensation Comparison Group). The C revenue size and have similar business characteristics as the Company. The Compensation C appropriate to ensure that the corporations in the group continue to be a reasonable comparis

The Compensation Comparison Group for 2013 (which remained unchanged from 2012) is c leisure equipment and products industries. The Compensation Comparison Group was recon comprised of corporations that were approximately .50 2.0 times the Company s 2013 rev that comprise the Compensation Comparison Group are as follows:

Arctic Cat Inc.	G-III Apparel Group	Oxf
	Jakks Pacific, Inc.	Perr
Crocs, Inc.	LeapFrog Enterprises, Inc.	Quil
	Movado Group, Inc.	
Columbia Sportswear Company		Stev
Deckers Outdoor Corporation		

Components of the 2013 Executive Compensation Program

The Compensation Committee developed a 2013 executive compensation program consistin compensation is comprised of three elements: base salary, annual incentives and long-term i different ways consistent with the Company s overall guiding principles for compensation (come from each element varies with position and level of responsibility, reflecting the princi responsibility and that a greater percentage of an executive s compensation should be tied t and responsibility increase.

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At the Company s 2013 annual meeting, shareholders expressed approval of the executive c
approval of the executive compensation programs. As part of its proxy solicitation process fo
with its proxy solicitor, reached out to the larger shareholders which it believed voted or inte
discuss their concerns. The primary concern expressed by the contacted shareholders was a p
programs and the Company s performance. Since the 2013 executive compensation program
outcome did not affect the 2013 programs. However, the Company has considered and will c
compensation programs. In addition, the Company believes that the 24% decrease in the 201
total return to shareholders in 2013, will address many of these concerns.

Consistent with the Company s compensation philosophy, the 2013 executive compensation
compensation, a balance between cash and stock-based compensation, and a balance betwee
(i) 79% of the Chief Executive Officer s targeted total direct compensation, and approximat
other named executive officers, was comprised of short-term and long-term incentives that w
and (ii) 59% of the Chief Executive Officer s targeted total direct compensation, and approx
named executive officers, was provided in the form of long-term, stock-based compensation
compensation program was generally consistent with the Compensation Committee s guidin
circumstances. The Compensation Committee intends to continue working with Mercer to en
shareholder interests and with evolving best practices.

Set forth below is an analysis of each of the elements of the 2013 executive compensation pr
the named executive officers for 2013 is set forth in the compensation tables and related foot
Statement.

Analysis of Base Salary

Base salaries serve as the guaranteed cash portion of executive compensation. Base salary is
responsibilities on a day-to-day basis. An executive officer s base salary is initially establish
officer level. The Compensation Committee sets the base salary at a level it believes is comp
responsibility. In setting the base salary, the Compensation Committee reviews the complexi
described above, including as appropriate information from the Compensation Comparison C
Compensation Committee also considers how the base salary compares to the base salaries o
base salaries annually and adjustments may be made as appropriate based upon the executive
competitive marketplace, and in limited circumstances for retention purposes.

The annualized base salary rate for each of the named executives during 2013 (consistent wi

Name
Oliver G. (Chip) Brewer III
Bradley J. Holiday
Alex M. Boezeman*
Mark F. Leposky
Neil Howie*

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* While the base salaries of Messrs. Boezeman and Howie did not change in 2013, the a
in applicable foreign currency conversion rates. Messrs. Boezeman and Howie are pai

Analysis of Annual Incentives

In addition to a base salary, the Company s executive compensation program includes the o
short-term incentive compensation element of the executive compensation program. The bon
individual performance. The bonus is intended to provide an incentive for an executive to dr
excessive risk taking. The payout of annual bonuses to executive officers is subject to the ap
and individual performance.

Bonus Opportunity. For 2013, the Compensation Committee implemented a bonus program
corporate performance goals as well as strong individual performance. Under this program, t
executive officers. The target bonus was set as a percentage of base salary and is the amount
corporate performance goals and the executive officer achieved his individual objectives. Bo
percentage. Bonus targets for 2013 were as follows:

Name
Oliver G. (Chip) Brewer III
Bradley J. Holiday
Alex M. Boezeman
Mark F. Leposky
Neil Howie

The target bonus percentages were based on each executive officer s position and were set t
targeted for each officer. The target bonus percentage for each named executive officer for 2

Bonus Pool Funding. In 2013, the Company accrued a pool of funds to be used for the bonus
determined based upon the Company s performance in 2013. The funding formula was the a

(Base Salary) x (Target Bonus %) x (EBITDA multiplier) = Bonus Pool

The EBITDA multiplier is based upon the Company s achievement of designated levels of n
amortization expense (Pro Forma EBITDA). The non-GAAP earnings exclude charges re
part of the Company s turnaround strategy.

EBITDA Performance Goals. The Compensation Committee approved the Pro Forma EBITD
the Compensation Committee considered the Company s performance in 2012, the Compan
Committee selected EBITDA as the performance metric because the emphasis for 2013 was
the 2013 goals, the Compensation Committee discussed these goals with management and w

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Threshold Performance. The Committee believed that the Company should earn a minimum
2013. That level of Pro Forma EBITDA would approximate break-even or a slight profit on
improvement in Pro Forma EBITDA, a significant operational improvement over 2012. Bec
least break even on a non-GAAP basis, Pro Forma EBITDA less than $36.6 million would r

Target Performance. Once the threshold of $36.6 million of Pro Forma EBITDA was achiev
employees (including the named executive officers), provided such bonuses did not exceed t
such bonuses the Pro Forma EBITDA (after bonus) was at least $36.6 million. For example,
Company would need to achieve targeted performance (Targeted Performance) of Pro Fo
aggregate target bonus for all employees (the Aggregate Target Bonus). In order to accru
to achieve Pro Forma EBITDA (before bonus) equal to $36.6 million plus (.50 × the Aggreg
targeted goal would not result in any additional bonus being accrued until a higher goal was
with the modifier between target and threshold being interpolated on a straight-line basis.

Maximum Performance. While the Committee believed that target bonuses should be paid in
recognized that such performance on an absolute level was not yet satisfactory. Therefore, th
the Company significantly exceeded Target Performance. As a result, until the Company ach
the amount of the Aggregate Target Bonus (the Stretch Goal), no additional amounts wer
Goal, additional amounts would be accrued for the bonus pool on a straight line basis up to a
bonus) equal to $54.4 million plus the amount of the aggregate maximum bonus for all empl

Bonus Payout Formula. The bonus payouts under the 2013 plan are made from the bonus po
level of achievement of the corporate performance goals as well as individual performance a
which predetermined regional or department goals are achieved. The bonus payout to an exe
downwards by up to 50% based upon individual performance and accomplishments, provide
exceed the earned bonus pool. The payout formula for the named executive officers for 2013

(Base Salary) x (Target Bonus %) x (EBITDA Modifier) x (Performance Modifier) = Bonus

2013 Bonus Payout. For 2013, after taking into account the bonus accrual, the Company ach
(compared to negative $32.1 million in 2012 an increase of $69.2 million) and as such acc
officers. No adjustments were made and each of the named executive officers received a bon

Name	Base Salary	Bonus Target %
Oliver G. (Chip) Brewer III	$ 700,000	100%
Bradley J. Holiday	$ 542,000	55%
Alex M. Boezeman*	$ 379,304	55%
Mark F. Leposky	$ 375,000	55%
Neil Howie*	$ 331,365	55%

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* The final payout amounts for Messrs. Boezeman and Howie were paid in local curren
paid while the base salary was reported at average exchange rates during 2013.

Additional Bonus. In light of their exceptional performance in 2013, the Committee also app
Mr. Boezeman, who is the Managing Director of the East Asia Region (the Company s mos
of his growing the East Asia Region s revenue on a local currency basis by over 20% in 201
by over 77%. Mr. Leposky, who is the leader of the Company s global operations, received
reductions he implemented across the Company and significant improvements in the manufa
basis point improvement in gross margins in 2013 compared to 2012.

Analysis of Long-Term Incentives

Value of Awards. The Company s long-term incentives are designed to drive long-term Con
long-term vesting, and align the interests of the Company s executive officers with the inter
each of the named executive officers, a targeted long-term incentive grant value is establishe
consults with its outside compensation consultant, compares the targeted long-term incentive
appropriate the Compensation Comparison Group. It also considers the effect the long-term
compensation. The targeted value for all officers at the Company generally varies by positio
for each of the named executive officers for 2013 was as follows:

Name
Oliver G. (Chip) Brewer III
Bradley J. Holiday
Alex M. Boezeman
Mark F. Leposky
Neil Howie

The target values for the named executive officers remained unchanged from 2012, except w
grant was negotiated with Mr. Brewer as part of the recruiting process to hire him as the new
Committee (after consulting with its independent compensation consultant) agreed to grant t
million. This grant was designed to induce Mr. Brewer to join Callaway (recognizing that he
employer) and to provide the long-term incentive compensation portion of his compensation
target value for Mr. Brewer was set based upon a review of applicable market data and in co

Types of Awards. Consistent with the Compensation Committee s balanced approach to lon
Committee determined that the targeted long-term incentive award value for each named exe
namely stock options (2/3) and restricted stock units (1/3).

Together these awards were designed to motivate an executive to remain with the Company,
shareholder value. The restricted stock unit (RSU)

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awards provide a retention incentive as they vest solely based upon continued service withou
the Company. They also further align the interests of the Company s executives with those
long-term economic benefits and risks as does a holder of the Company s stock. The stock o
through stock appreciation as the stock options provide no realizable value in the absence of
Compensation Committee s guiding principles in that a majority of these long-term incentiv
to each of the named executive officers for 2013 was as follows:

Name
Oliver G. (Chip) Brewer III
Bradley J. Holiday
Alex M. Boezeman
Mark F. Leposky
Neil Howie

Additional information concerning each of these awards follows:

Stock Options. A stock option award is the grant of a right to purchase the Company s Com
executive for absolute stock appreciation. The Committee believes that stock options are per
is stock appreciation. The stock options granted to the named executive officers in 2013 vest
three years on the anniversary of the grant date) and are for a ten-year term, subject to earlie
of shares subject to the stock option is determined based upon the targeted stock option valu
stock option for one share. The estimated value is based upon the same Black-Scholes optio
In calculating the Black-Scholes value, the Company uses an average closing stock price for
stock option grants are approved. The purpose of using a 20-day average price, as opposed t
it is a better determinant of the fair value of the Company s stock at that time as it is not sub
exercise prices equal to the fair market value of the Company s stock on the date of grant (*i*

Restricted Stock Units. A restricted stock unit is a contingent right to receive one share of Co
stock unit generally provides the same incentive as restricted stock, except that the holder of
The holders of the restricted stock units, however, do accrue dividend equivalent rights in th
to the extent the underlying units vest. The number of units granted to the named executive o
divided by the average closing price of the Company s Common Stock for the 20 trading da
were approved. The restricted stock units granted in 2013 vest and the restrictions lapse on t

Approval and Timing of Grants. The Compensation Committee has adopted specific guideli
stock options, restricted stock units, phantom stock units, stock appreciation rights, and perfo
award grants must be approved by the Compensation Committee, (ii) the annual stock-based
the Compensation Committee with the effective date of grant being the second trading day f
results, (iii) promotion or other special event award grants made outside of the annual grant

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the first regularly scheduled meeting of the Compensation Committee following the applicab
the month following the month in which such approval is obtained, and (iv) new hire award
regularly scheduled or special meeting of the Compensation Committee prior to the date the
meeting of the Compensation Committee following the date of hire. The effective date of gr
employment if the approval occurred prior to such date or the first trading day of the month
subsequent to the date on which the employee commences employment. The Compensation
(e.g., stock options. stock appreciation rights, restricted stock units, phantom stock units, and
performance criteria where applicable, as well as the other terms of the awards and program
awards for 2013 were approved by the Compensation Committee on January 29, 2013 and th
Company s Common Stock on the date of approval was $6.55 and on the date of grant was

Benefits and Perquisites

Various benefits are established for the named executive officers to enhance productivity, pr
Company s primary benefits for executives include the Company s health, dental and visio
accidental death and dismemberment insurance, as well as paid time off. The Company cove
fees, and, consistent with the Company s position as a leader in the golf industry, many exe
amount of green fee reimbursements and a limited amount of the Company s products. The
officers as a group or to an individual officer as warranted. For example, in connection with
relocation assistance when necessary. See the Summary Compensation Table and related no
benefits and perquisites received in 2013.

Retirement Plans

The Company does not provide the executive officers with any defined benefit pension plans
types of retirement benefits. The only retirement benefit the Company currently provides the
401(k) Retirement Investment Plan.

The Company s 401(k) plan allows participants to contribute a portion of their compensatio
3% of the participant s compensation (subject to a maximum matching contribution for the
401(k) plan are invested through New York Life in various funds selected by the participant

Employment Agreements

The Company has entered into an employment agreement with each of the named executive
Mr. Brewer effective March 24, 2014 for a term continuing through April 30, 2015. The Co
Company as they provide, among other things, protections related to the Company s trade s
requires the executive officer to devote his full productive time and best efforts to the Comp
receives from the Company and to disclose and assign to the Company any inventions and in
Company. The employment agreements set forth the base salary, incentive compensation, an
entitled to as

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described above. The employment agreements also set forth the benefits and rights the execu
change-in-control of the Company. These rights are described below and tables quantifying
occurrence of such events are included with the other compensation tables included in this P
executive officers are on file with the Securities and Exchange Commission.

Forfeitures. Each of the employment agreements for the named executive officers also conta
accounting restatement due to material noncompliance of the Company with any financial re
the intentional misconduct or gross negligence of a named executive officer, or if the named
under Section 304 of the Sarbanes-Oxley Act of 2002, then, in addition to any penalty prescr
(i) any bonus paid within the 12-month period following the filing of the misstated documen
(iii) the right to receive special severance and incentive payments, and (iv) any unvested and
forfeiture requirement is also referred to as a clawback.

Severance Arrangements

Whether an executive officer is entitled to any severance benefits upon termination of emplo
executive officer voluntarily resigns without good reason or is terminated by the Company f
any severance benefits. In this case, the term substantial cause means the executive office
employment agreement, that is not cured within the specified time allowed, (iii) misconduct,
action that is damaging or detrimental in a significant manner to the Company, (iv) convictio
cooperate with, or any attempt to obstruct or improperly influence, any investigation authori

If the executive officer s employment is terminated by the Company without substantial ca
employment agreement or failed to renew the employment agreement upon expiration of its
These severance benefits are based upon an assessment of competitive market terms and a d
Having negotiated these terms in advance allows for an orderly and amicable separation of a
release of claims and the provision of an incentive for the executive not to compete with the
payment equal to the executive officer s target bonus opportunity pro-rated based upon the
if and only to the extent that the underlying performance criteria have been satisfied), (ii) acc
severance, provided the executive officer executes a release of claims in favor of the Comp
conduct or communications, and (iv) incentive payments, provided the executive officer
Special severance consists of (a) the payment of COBRA and/or CalCOBRA premiums for t
planning services benefit for the severance period, (c) outplacement services for one year, an
bonus for the severance period. Incentive payments consist of the payment of a portion of th
forth below for each current named executive officer is the severance period, the equity awa

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would be subject to accelerated vesting, and the amount of special severance and incentive p

Name of Officer	Accelerated Vesting	
Oliver G. (Chip) Brewer III	All outstanding unvested long-term incentive awards that would have vested within 18 months of the termination of employment	.75 targ 18 n
Bradley J. Holiday, Mark F. Leposky	All outstanding unvested long-term incentive awards that would have vested within 12 months of the termination of employment	.50 targ 12 n
Alex M. Boezeman	All outstanding unvested long-term incentive awards that would have vested within 12 months of the termination of employment	.50 over
Neil Howie	N/A	Ann 12 n

Change-in-Control Arrangements

To provide independent leadership consistent with the shareholders best interests in the eve Company s employment agreements with its officers, including the named executive officer in control of the Company is defined, in general, as the acquisition by any person of benefi incumbent members of the Board of Directors cease to constitute a majority of the Board of shareholder-approved or court-ordered plan of liquidation of the Company.

The Company s change-in-control benefits require a double trigger prior to payment. In oth (described below) within one year following a change in control. In the event there is such a Holiday, and Leposky the affected executive officer is generally entitled to the benefits to w cause as described above, except that the amount of special severance and incentive paymen generally

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the same as in the case of a termination without cause. The special severance and incentive p
event following a change in control would be as follows:

Name of Officer	Change-in-Control Spe
Oliver G. (Chip) Brewer III,	1.0 times annual base salary ar (payable over 24 months)
Bradley J. Holiday,	
Mark F. Leposky	
Alex M. Boezeman	.50 times annual base salary (p months)
Neil Howie	Annual base salary (payable ov

For this purpose, a termination event means the occurrence of any of the following withir
cause or material breach of the employment agreement by the Company, (ii) failure by the su
material diminishment in the position or duties of the executive officer, (iv) any reduction in
officer relocate his principal residence.

In addition, the terms governing the long-term incentive awards granted to each of the name
immediately prior to a change in control, unless the Compensation Committee takes action t
Investment Plan also provides for full vesting of all participant accounts immediately prior t

Excise Taxes

Consistent with current trends in compensation practices, the Compensation Committee has
the Company s officers. As a result, the employment agreements for the named executive o
taxes. Furthermore, the employment agreements for the named executive officers provide th
benefits provided to the executive under the employment agreement or any other agreement
Internal Revenue Code and would otherwise be subject to the excise tax imposed by Section
payments and benefits would be reduced by the minimum amounts necessary to equal one d
benefits being subject to such excise tax.

Stock Ownership Requirements

In order to promote ownership of the Company s Common Stock by the Company s non-m
their interests with the interests of the Company s shareholders, the Board of Directors has a
non-management directors and executive officers to hold the Company s Common Stock in

Chief Executive Officer	
Other Executive Officers	
Non-Employee Directors	

The minimum share ownership amounts are required to be achieved within five years of an i
an executive officer is deemed to be the beneficial

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owner under Section 16 of the Exchange Act, including shares held in a living trust for the e
stock and restricted stock unit awards held by the director or executive count toward the hol
phantom stock units and performance share units do not count toward this ownership require
non-management director or executive officer is in compliance with these guidelines, he is r
in connection with any equity-based awards granted under the Company s executive compe
becomes subject to these guidelines. Net shares are those shares that remain after shares a
case of stock options or (ii) to pay withholding taxes in the case of restricted stock, restricted
officers are in compliance with these guidelines and all directors and named executive office
the minimum ownership levels within the required time frame.

Policy on Speculative Trading Activities

The Company s insider trading policy provides, among other things, that members of the B
types of speculative activities with respect to the Company s securities, including short sale
hedging transactions, pledging of Company stock as collateral for a loan, or holding shares o

Compensation Committee Interlocks and Insider Participation

In 2013, the Company s executive officer compensation matters were handled by the Comp
Committee is currently comprised of the following directors: Messrs. Armacost, Beard, Cus
service during 2013, all of the members of the Compensation Committee were determined to

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REPORT OF THE COMPENSATION AND MANAGE

During 2013, the responsibility for fixing the compensation of the Company s executives w
Management Succession Committee. In accordance with its written charter, the Compensati
duties and responsibilities:

Oversee the Company s overall compensation structure, policies and programs,
appropriate incentives given the Company s strategic and operational objectives

Oversee the Company s incentive compensation and equity-based compensation
amend or modify the terms of management related compensation or benefit plan

Review and approve corporate goals and objectives relevant to the compensation
goals and objectives, and, together with the other independent members of the B
evaluation.

Set the compensation of other executive officers after considering the recommen

Approve employment agreements and severance arrangements for executive offi

Review succession plans relating to positions held by executive officers and mak
these positions.

Annually evaluate the performance of the committee and the adequacy of its cha

Perform such other duties and responsibilities as are consistent with the purpose
Additional information concerning the Company s executive compensation programs can b
and Analysis and the narrative and tabular disclosure that follows it in this Proxy Statemen

The Compensation and Management Succession Committee reviewed and discussed with m
Item 402(b) of Regulation S-K. Based on such review and discussion, the Compensation and
Directors that the Compensation Discussion and Analysis be included in this Proxy Stater

COMPENSATION AND MANAGEMENT

SUCCESSION COMMITTEE

John F. Lundgren, *Chair*

Samuel H. Armacost

Ronald S. Beard

John C. Cushman, III

Richard L. Rosenfield

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2013 Summary Compensation Table

The following table summarizes the compensation paid to or earned by the Company s nam
Company s 2013 executive compensation program, see Compensation Discussion and An

Name and Principal Position(a)	Year(b)	Salary(c)	Bonus(d)	Stock Awards(1)(e)
Oliver G. (Chip) Brewer III	2013	$ 700,000	$	$ 671,749
President and Chief	2012	$ 577,596	$	$ 1,944,000
Executive Officer				
Bradley J. Holiday	2013	$ 542,000	$	$ 117,556
Senior Executive Vice	2012	$ 542,000	$	$ 508,515
President and Chief	2011	$ 532,071	$	$ 175,000
Financial Officer				
Alex Boezeman(13)	2013	$ 379,304	$ 38,645(12)	$ 117,556
Managing Director,	2012	$ 461,512	$	$ 116,655
East Asia				
Mark Leposky	2013	$ 375,000	$ 20,625(12)	$ 117,556
Senior Vice President,				
Global Operations				
Neil Howie(13)	2013	$ 331,365	$	$ 117,556
Managing Director,	2012	$ 335,598	$	$ 116,655
Europe, Middle East				
and Africa				

(1) Represents the aggregate grant date fair value of restricted stock units and phantom sto
accordance with Accounting Standards Codification Topic 718, Compensation Stoc
Company s Audited Consolidated Financial Statements set forth in the Form 10-K for
value of the Company s Common Stock on the date of grant.

(2)

Represents the aggregate grant date fair value of stock options and cash settled stock ap
in accordance with ASC 718. See Note 15, Share-Based Compensation, to the Comp
assumptions made in determining ASC 718 values.

(3) The amounts in this column represent the actual amounts earned under the Company s
2012 and 2011 annual incentive program. For additional information regarding this pro
2013 Executive Compensation Program Analysis of Annual Incentives.

(4) The Company does not provide any pension benefits and does not have a nonqualified
column.

(5) Includes perquisites and personal benefits. All named executive officers were eligible t
2013, subject to certain cost and other limitations set forth in the Company s internal p
reimbursement of country club dues and golfing fees, (iv) supplemental long-term disal
and balls) for personal use. Additional types of perquisites and personal benefits grante
additional footnotes to this table, in accordance with applicable Securities and Exchang

(6) The Company believes the dollar value of dividends paid or accrued on the Company
awards presented in columns (e) and (f) above. Accordingly, the dollar value of divider
(i) of this table.

(7) Includes a $7,650 Company matching contribution under its 401(k) Retirement Investm
benefits comprised of items (i), (ii), (iii), (iv) and (v) described above in footnote 5, in a
corporate events and the related tax gross-up payments for income imputed under IRS r

(8) Includes a $7,650 Company matching contribution under its 401(k) Retirement Investm
benefits comprised of items (i), (iii), (iv), and (v) described above in footnote 5.

(9) Includes total perquisites and other personal benefits comprised of items (i), (ii), (iii) ar

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(10) Includes a $7,650 Company matching contribution under its 401(k) Retirement Investm
benefits comprised of items (iii) and (v) described above in footnote 5, in addition to th
events, meals and corporate gifts, and the related tax gross-up payments for income imp

(11) Includes lease payments of $32,713 in connection with the use of a Company car, pensi
personal benefits.

(12) In 2013, the Board of Directors approved a discretionary bonus to Messrs. Boezemann
accomplishments in 2013. For additional detail, see Compensation Discussion and An
Analysis of Annual Incentives.

(13) The amounts reported for Messrs. Boezeman and Howie are based upon applicable exc
can be significantly affected by changes in foreign currency rates. For example, Mr. Bo
change in his actual base salary paid in Yen. For reporting purposes in this table, howev
reduced from $461,512 in 2012 to $379,304 in 2013. This change was solely the result

Grants of Plan-Based Awards in Fiscal Year 2013

The following table sets forth certain information with respect to grants of awards to the nan
incentive plans during fiscal year 2013. For additional information concerning the annual an
programs, see Compensation Discussion and Analysis Components of the 2013 Executiv

		Estimated Future Payouts U Non-Equity Incentive Pla Awards		
Name	**Grant Date**	**Threshold ($)**	**Target ($)**	**Maximu**
Oliver G. (Chip) Brewer III		N/A(4)	700,000	1,050
	2/1/2013			
	2/1/2013			
Bradley J. Holiday		N/A(4)	298,100	447
	2/1/2013			
	2/1/2013			
Alex M. Boezeman		N/A(4)	193,224	289
	2/1/2013			
	2/1/2013			
Mark F. Leposky		N/A(4)	206,250	309
	2/1/2013			
	2/1/2013			
Neil Howie		N/A(4)	191,192	286
	2/1/2013			
	2/1/2013			

(1) The amounts shown with a grant date value of February 1, 2013 reflect the number of s
Equity Incentive Plan. Each unit represents the right to receive one share of the Compa
cliff vesting on the third anniversary of the grant date provided the recipient remains en

rights, but do accrue dividend equivalent rights in the form of additional restricted stoc
vest. The RSUs granted in 2013 accrued dividend equivalent rights during 2013, but th
below entitled Outstanding Equity Awards at Fiscal Year-End 2013 for information

(2) The amounts shown reflect the number of shares underlying stock options granted purs three-year period and have a ten-year term.

(3) The exercise price per share of all stock options granted in 2013 equals the closing mar reported by the New York Stock Exchange, the closing price per share of the Company

(4) The amounts shown in this row reflect the estimated threshold, target and maximum an 2013 annual cash incentive program, the material terms of which are described under Executive Compensation Program Analysis of Annual Incentives .

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Outstanding Equity Awards at Fiscal Year-End 2013

		Option Awards(1)			
Name	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Opt Exer Pri ($
Oliver G. (Chip) Brewer III	2/1/2013		497,537		$ 6
	2/1/2013(3)				
	3/5/2012(6)	266,667	533,333		$ 6
	3/5/2012(3)				
Bradley J. Holiday	2/1/2013		87,069		$ 6
	2/1/2013(3)				
	5/1/2012(3)				
	1/27/2012(6)	36,597	73,192		$ 6
	1/27/2012(5)				
	1/27/2011	39,679	19,839		$ 7
	1/27/2011(5)				
	1/14/2008	29,292			$ 14
	1/16/2007	34,597			$ 14
	1/27/2006	31,677			$ 15
	1/18/2005	77,778			$ 12
	1/30/2004	100,000			$ 17
Alex M. Boezeman	2/1/2013		87,069		$ 6
	2/1/2013(3)				
	1/27/2012(6)	36,597	73,192		$ 6
	1/27/2012(5)				
	1/27/2011	22,674	11,336		$ 7
	1/27/2011(5)				
	1/28/2010	23,458			$ 7

	1/29/2009	56,283		$	7
	1/14/2008	16,738		$	14
	1/16/2007	17,299		$	14
	1/27/2006	15,839		$	15
	1/18/2005	16,666		$	12
	1/30/2004	50,000		$	17
Mark F. Leposky	2/1/2013		87,069	$	6
	2/1/2013(3)				
	4/25/2012(6)	36,597	73,192	$	6
	4/25/2012(5)				

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Option Awards(1)

Name	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Opti Exerc Pric ($)
Neil Howie	2/1/2013		87,069		$ 6
	2/1/2013(3)				
	1/27/2012(6)	36,597	73,192		$ 6
	1/27/2012(5)				
	1/27/2011	22,674	11,336		$ 7
	1/27/2011(5)				
	1/28/2010	23,458			$ 7
	1/29/2009	56,283			$ 7
	1/14/2008	16,738			$ 14
	1/16/2007	17,299			$ 14
	1/27/2006	15,839			$ 15
	1/18/2005	50,000			$ 12
	1/30/2004	50,000			$ 17

(1) Stock options generally have a ten-year term and vest and become exercisable ratably o of the first three anniversaries of the grant date), subject to accelerated vesting upon ter the named executive officer for good reason or in the event of a change in control of the Employment Agreements Severance Arrangements and Change-in-Control Arra

(2) Upon termination of employment, the named executive officer generally has until the e date to exercise his vested options. However, the options may be cancelled and rescinde improperly discloses or misuses confidential information or trade secrets of the Compa

(3) Amounts represent restricted stock unit awards that generally vest in full on the third a issued pursuant to accrued dividend equivalent rights. No portion of the awards vest pri upon termination of employment by the Company without substantial cause or by the n control of the Company as described under Compensation Discussion and Analysis Arrangements.

(4) Market value based on $8.43 per share, which was the closing market price of the Com

(5) Amounts represent phantom stock unit awards that vest on April 25, 2015 with a grant January 27, 2012 and that vest on January 27, 2014 with a date of January 27, 2011, su Company without substantial cause or by the named executive officer for good reason

Compensation Discussion and Analysis Employment Agreements Severance Arra
voting rights and do not accrue dividend equivalent rights.

(6) Amounts in this row represent stock appreciation rights that have a five-year term and v
the underlying rights vesting on each of the first three anniversaries of the grant date), s
Company without substantial cause or by the named executive officer for good reason o
Compensation Discussion and Analysis Employment Agreements Severance Arra

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Option Exercises and Stock Vested in Fiscal Year 2013

The following table sets forth information regarding options that were exercised and restricte
officers.

Name
Oliver G. (Chip) Brewer III
Bradley J. Holiday(4)
Alex M. Boezeman
Mark F. Leposky
Neil Howie(5)

(1) The reported transactions occurred pursuant to the terms of a 10b5-1 trading plan for a

(2) The number of shares reflected in this column reflects the gross number of restricted s were settled in shares of the Company s Common Stock.

(3) The value realized is based upon the gross shares underlying the restricted stock units Stock on the date of vesting.

(4) In connection with the vesting of 15,776 restricted stock units, 6,782 shares of restrict withholding obligation with respect to such units.

(5) In connection with the vesting of 9,014 restricted stock units, 4,688 shares of restricte withholding obligation with respect to such units.

Potential Payments Upon Termination or Change in Control

Each of the current named executive officers, has an employment agreement with the Compa benefits (*e.g.* , acceleration of vesting of long-term incentive awards) under certain circumst of the Company. The types and amounts of these potential payments vary depending on the or termination by the Company for substantial cause, (ii) termination by the Company witho material breach by the Company of the employment agreement or the Company failing to re (iii) a termination event within one year following a change in control or (iv) permanent disa long-term incentive awards granted to each of the named executive officers generally provid subject to the Compensation Committee taking action to provide they do not vest. The Comp Company matching contribution payments for all plan participants, including the named exe of a termination due to permanent disability. The potential payments to be made under these payments, are described in this Proxy Statement under Compensation Discussion and Anal definitions of substantial cause, special severance, incentive payments, change in

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Payments Made Upon Any Termination

Regardless of the manner in which a named executive officer s employment terminates, he
amounts include:

Accrued but unpaid base salary; and

Accrued but unused paid time off.

Basis of Presentation and Underlying Assumptions

The tables below quantify the potential payments and benefits that would be provided to eac
circumstance listed. The amounts shown are based on the assumption that the triggering eve
2013, and are based on the $8.43 per share closing market price of the Company s Commor
immediate vesting of some or all unvested long-term incentives, as applicable, and that the C
it has the right to do in change in control circumstances. For the purposes of the following ta
intrinsic values of the unvested portion of those awards accelerated as a result of the applical
closing market price of the Company s Common Stock on December 31, 2013, and the exe
addition to the value of the vested portion of those awards, if any, and other such awards hel
December 31, 2013, as reflected in the Outstanding Equity Awards at Fiscal Year-End 201
used for purposes of evaluating any excise tax liability pursuant to 280G of the Internal Rev
unit awards reflect the aggregate market value (based on the per share closing market price)
which vesting would have accelerated and restrictions would have lapsed upon the triggerin
December 31, 2013, including fractional shares, are included in the values shown for restrict
insurance benefits are calculated through the applicable severance period and are based on p
for up to 18 months following termination and thereafter the premiums for CalCOBRA cove
premiums are calculated based on the coverage selected by the executive officers as of Dece
which coverage and rates may vary during a severance period. Amounts shown for special s
conditions for payment set forth in the applicable employment agreement. Special severance
termination event pursuant to Section 409A of the IRC and the rules and regulations promul
six months with interest calculated at the applicable one-year Treasury Bill rate. Amounts pa
or a termination event within one year of a change in control, are subject to reduction in acc
excise tax for parachute payments within the meaning of Section 280G of the IRC. See al
Excise Taxes. The following tables are based upon a theoretical triggering event. The actua
termination or a change in control, and the timing of such payments, and the value of any eq
and under the circumstances of, an actual triggering event and in accordance with applicable

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Oliver G. (Chip) Brewer III.

The following table shows the potential payments and values of equity award acceleration be
Officer, assuming the triggering event took place on December 31, 2013:

	Terminati Com with substanti termina employee materia b the Com failure Comp renew e emplo agree	
Pro-rated target short term incentive award	$	
Stock Options and/or Stock Appreciation Rights	$	1
Restricted stock units	$	2
Phantom stock	$	
Portion of salary and target bonus	$	
COBRA and CalCOBRA premiums	$	
Tax and financial planning services	$	
Outplacement services	$	
Incentive payments	$	
401(k) accelerated vesting	$	
280G cutback amount	$	
Total	$	5

Bradley J. Holiday.

The following table shows the potential payments and values of equity award acceleration be
and Chief Financial Officer, assuming the triggering event took place on December 31, 2013

	Terminati Com with substanti termina empl follo

	material b the Com failure Comp renew e emplo agree	
Pro-rated target short term incentive award	$	
Stock Options and/or Stock Appreciation Rights	$	
Restricted stock units	$	
Phantom stock	$	
Portion of salary and target bonus	$	
COBRA and CalCOBRA premiums	$	
Tax and financial planning services	$	
Outplacement services	$	
Incentive payments	$	
401(k) accelerated vesting	$	
280G cutback amount	$	
Total	$	1

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Alex M. Boezeman.

The following table shows the potential payments and values of equity award acceleration b
Representative Director of CGKK, assuming the triggering event took place on December 3

	Termina Con wit subs ca termin emp follo materia the Con failur Comp renew empl agre
Pro-rated target short term incentive award	$
Stock Options and/or Stock Appreciation Rights	$
Restricted stock units	$
Phantom stock	$
Portion of salary and target bonus	$
COBRA and CalCOBRA premiums	$
Tax and financial planning services	$
Outplacement services	$
Incentive payments	$
401(k) accelerated vesting	$
280G cutback amount	$
Total	$

Mark F. Leposky.

The following table shows the potential payments and values of equity award acceleration b
Operations assuming the triggering event took place on December 31, 2013:

	Termina Con wit subs ca

	termin emp follo materi the Cor failur Comp renew empl agre
Pro-rated target short term incentive award	$
Stock Options and/or Stock Appreciation Rights	$
Restricted stock units	$
Phantom stock	$
Portion of salary and target bonus	$
COBRA and CalCOBRA premiums	$
Tax and financial planning services	$
Outplacement services	$
Incentive payments	$
401(k) accelerated vesting	$
280G cutback amount	$
Total	$

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Neil Howie.

The following table shows the potential payments and values of equity award acceleration be
assuming the triggering event took place on December 31, 2013:

	Termina Con wit subs ca termin emp follo materi the Con failur Comp renew empl agre
Pro-rated target short term incentive award	$
Stock Options and/or Stock Appreciation Rights	$
Restricted stock units	$
Phantom stock	$
Portion of salary and target bonus	$
COBRA and CalCOBRA premiums	$
Tax and financial planning services	$
Outplacement services	$
Incentive payments	$
401(k) accelerated vesting	$
280G cutback amount	$
Total	$

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PROPOSAL NO.

ADVISORY VOTE TO APPROVE THE COMPENSATION OF TH

Pursuant to Section 14A of the Exchange Act, shareholders of the Company are entitled to c of the Company s named executive officers, as disclosed in this Proxy Statement. The share Board of Directors or the Compensation Committee. Although the vote is non-binding, the C and will consider the outcome of the vote in analyzing its compensation philosophy and mak the approval of the compensation of the Company s named executive officers on an annual Company s named executive officers will be at the Company s 2015 annual meeting.

As described more fully in the Compensation Discussion & Analysis section and in the S executive officers are compensated in a manner consistent with its business strategy, compet shareholder interests and concerns. The Company s executive compensation program is des officers and to align the interests of the executive officers with those of the Company s shar a manner that creates shareholder value.

The Company has several compensation governance programs in place to manage compensa shareholder interests. These programs include:

- stock ownership guidelines;
- an independent compensation committee and compensation committee consultar
- compensation forfeiture provisions contained in the employment agreements of t

As described in the *Overview* section of the Compensation Discussion and Analysis in this P and its compensation programs for 2013 reflect both the stage of the Company s turnaround 2013. Shareholders are encouraged to read the Compensation Discussion and Analysis and c of the Company s compensation practices. The Compensation Committee and the Board of and amounts are effective in implementing its compensation philosophy and in achieving its gives our shareholders the opportunity to approve or not approve our executive compensatio

RESOLVED, that the shareholders of the Company approve, on an advisory basis, the com pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analys

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Vote Required

The affirmative vote of the holders of a majority of shares of Common Stock entitled to vote
required for approval of this proposal. Abstentions will be treated as being present and entitl
against the proposal. A broker non-vote is treated as not being entitled to vote on the matt
been approved.

**YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS AN ADV
COMPENSATION OF THE COMPANY S NA**

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BENEFICIAL OWNERSHIP OF THE CO

The following table sets forth information regarding the beneficial ownership of the Compar
by (i) each person who is known by the Company to own beneficially more than 5% of the C
(iii) each of the executive officers named in the compensation tables appearing elsewhere in
Company as a group. As of February 28, 2014, there were 77,382,646 shares of Common St

Name and Address of Beneficial Owner(1)
BlackRock, Inc.(2) 40 East 52nd Street New York, New York 10022
Dimensional Fund Advisors LP(3) Palisades West, Building One 6300 Bee Cave Road Austin, Texas 78746
Invesco Ltd.(4) 1555 Peachtree Street NE Atlanta, Georgia 30309
Samuel H. Armacost(5)
Ronald S. Beard(6)
Alex M. Boezeman(7)
Oliver G. Brewer III(8)
John C. Cushman, III(9)
Alan Hocknell(10)
Bradley J. Holiday(11)
Neil Howie(12)
Yotaro Kobayashi(13)
Mark F. Leposky(14)
John F. Lundgren(15)
Brian P. Lynch(16)
Adebayo O. Ogunlesi(17)
Leighton E. Richards(18)
Richard L. Rosenfield(19)
Anthony S. Thornley(20)
All directors, named executive officers and other executive officers as a group (16 persons)(21)

* Less than one percent

(1) Except as otherwise indicated, the address for all persons shown on this table is c/o C
California 92008. Unless otherwise indicated in the footnotes to this table, and subjec
of the Company each of the shareholders named in this table has sole voting and inve
owned by that shareholder. Furthermore, as indicated in the following footnotes, the n
purposes of this table includes shares issuable upon exercise of stock options if the op
of the price at which the Company s Common Stock is trading on the NYSE. Conse
shares issuable upon the exercise of options with exercise prices above the trading pri
the following

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footnotes, the number of shares a holder is deemed to beneficially own for purposes o
such plans. The holder of unvested RSUs may not vote the underlying shares but is en

(2) Based on a Schedule 13G/A filed by BlackRock, Inc. with the Securities and Exchang
BlackRock, Inc. has sole voting power with respect to 6,173,925 shares and sole disp

(3) Based on a Schedule 13G/A filed by Dimensional Fund Advisors LP with the Securit
reported that Dimensional Fund Advisors LP has sole voting power with respect to 5,
shares. This schedule also reported that Dimensional Fund Advisors LP, an investmen
1940, furnishes investment advice to four investment companies registered under the
certain other commingled group trusts and separate accounts (such investment compa
cases, subsidiaries of Dimensional Fund Advisors LP may act as an adviser or sub-ad
manager, Dimensional Fund Advisors LP or its subsidiaries possess voting and/or inv
to be the beneficial owner of the shares held by the Funds.

(4) Based on a Schedule 13G filed by Invesco Ltd. with the Securities and Exchange Co
has sole voting and dispositive power with respect to all such shares.

(5) Includes 12,000 shares issuable upon exercise of options held by Mr. Armacost, whic
2014. Mr. Armacost s non-option shares are held in a family trust with his wife as a
vest on May 18, 2014 and May 15, 2016, respectively.

(6) Includes 12,000 shares issuable upon exercise of options held by Mr. Beard, which ar
Mr. Beard s spouse has shared voting and investment power for his non-option share
May 18, 2014 and May 15, 2016, respectively.

(7) Includes 209,316 shares issuable upon exercise of options held by Mr. Boezeman, wh
2014. Excludes 18,131 RSUs and 18,750 RSUs which are scheduled to vest on Febru

(8) Includes 165,846 shares issuable upon exercise of options held by Mr. Brewer, which
2014. Mr. Brewer shares voting power with his spouse with respect to 20,000 of his n
RSUs which are scheduled to vest on March 5, 2015; February 1, 2016 and January 3

(9) Includes 12,000 shares issuable upon exercise of options held by Mr. Cushman, whic
2014. All non-option shares are held jointly with his spouse. Excludes 7,329 RSUs an
2016, respectively.

(10) Includes 192,671 shares issuable upon exercise of options held by Mr. Hocknell, whi
2014. Excludes 18,131 RSUs and 18,750 RSUs which are scheduled to vest on Febru

(11) Includes 261,885 shares issuable upon exercise of options held by Mr. Holiday, which
2014. Excludes 63,669 RSUs; 18,131 RSUs and 18,750 RSUs which are scheduled to
respectively.

(12) Includes 242,650 shares issuable upon exercise of options held by Mr. Howie, which
2014. Excludes 18,131 RSUs and 18,750 RSUs which are scheduled to vest on Febru

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(13) Includes 12,000 shares issuable upon exercise of options held by Mr. Kobayashi, whi
2014. Excludes 7,329 RSUs and 7,561 RSUs which are scheduled to vest on May 18,

(14) Includes 29,023 shares issuable upon exercise of options held by Mr. Leposky, which
2014. Excludes 18,131 RSUs and 18,750 RSUs which are scheduled to vest on Febru

(15) Excludes 7,329 RSUs and 7,561 RSUs which are scheduled to vest on May 18, 2014

(16) Includes 94,309 shares issuable upon exercise of options held by Mr. Lynch, which a
2014. Excludes 10,088 RSUs; 10,361 RSUs and 10,714 RSUs which are scheduled to
respectively.

(17) Excludes 7,329 RSUs and 7,561 RSUs which are scheduled to vest on May 18, 2014

(18) Includes 25,382 shares issuable upon exercise of options held by Mr. Richards, which
2014. Excludes 10,361 RSUs and 10,714 RSUs which are scheduled to vest on Febru

(19) Includes 12,000 shares issuable upon exercise of options held by Mr. Rosenfield, whi
2014. Also includes 8,000 shares held in a trust for the benefit of Mr. Rosenfield s ch
RSUs and 7,561 RSUs which are scheduled to vest on May 18, 2014 and May 15, 20

(20) Includes 26,000 shares issuable upon exercise of options held by Mr. Thornley, which
2014. Excludes 7,329 RSUs and 7,561 RSUs which are scheduled to vest on May 18,

(21) Includes 1,307,082 shares issuable upon exercise of options held by the individuals p
before April 29, 2014. Excludes 938,728 RSUs, all of which remain subject to future

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TRANSACTIONS WITH RELA

It is the written policy of the Board of Directors that Company transactions in which any exe
members, have a material interest must be on terms which are just and reasonable to the Cor
excess of $100,000 must be reviewed by the Nominating and Corporate Governance Commi
Committee may approve such transaction. In determining whether to approve such a transac
transaction is on terms no less favorable than terms generally available to an unaffiliated thi
related persons interest in the transaction. The Board of Directors has also determined that
Nominating and Corporate Governance Committee. These include (i) compensation of the e
entity in which the interested director or executive officer has an indirect interest in the trans
owner of such other entity, and (iii) transactions with another corporation or charitable orga
non-executive officer employee of the other corporation or organization and the amount inv
such other corporation or organization.

Alan Hocknell is the Senior Vice President of Research and Development and is an executiv
Research and Development department became Mr. Hocknell s brother-in-law subsequent t
Resources department and is set based upon market rates. Mr. Hocknell s brother-in-law is
while not material to the Company exceeded the threshold for disclosure under Item 404(a)

No Incorporation by Reference

In the Company s filings with the SEC, information is sometimes incorporated by referen
previously been filed with the SEC and the information should be considered as part of the p
Report and the Compensation and Management Succession Committee Report containe
filings with the SEC, except to the extent they are specifically incorporated by reference into
addresses. These website addresses are intended to provide inactive, textual references only.

SECTION 16(A) BENEFICIAL OWNERSHIP

Section 16(a) of the Exchange Act requires the Company s directors, Section 16 officers, a
(on Form 3) and periodic reports of changes in ownership (on Forms 4 and 5) of Company s
its review of copies of such forms (and any amendments to such forms) and such written rep
received from its directors, executive officers and greater than 10% beneficial owners (if an
a timely basis during 2013.

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ANNUAL REPOR

A COPY OF THE COMPANY S ANNUAL REPORT ON FORM 10-K FOR THE YE SECURITIES AND EXCHANGE COMMISSION, WITHOUT EXHIBITS, WILL BE OF THE COMPANY UPON WRITTEN REQUEST TO THE COMPANY AT CALLA RUTHERFORD ROAD, CARLSBAD, CALIFORNIA 92008. THE COMPANY MAKE ITS FILINGS THAT ARE MADE ELECTRONICALLY WITH THE SEC, INCLUDI FOUND AT WWW.CALLAWAYGOLF.COM IN THE INVESTOR RELATIONS

SHAREHOLDER PROP

If a shareholder desires to nominate someone for election to the Board of Directors at, or to b then such shareholder must comply with the procedures set forth in Article II of the Compan timely written notice of the matter to the corporate secretary of the Company. To be timely, executive offices of the Company not less than 90 days nor more than 120 days prior to the f the event that the date of the 2015 annual meeting is more than 30 days before or more than delivered to the corporate secretary not more than 120 days prior to the 2015 annual meeting (ii) 10 days following the date of the first public announcement of the scheduled date of the not held more than 30 days before nor more than 60 days after the first anniversary of this ye pursuant to the Company s Bylaws must be received no later than the close of business on F the corporate secretary must include all of the information specified in the Company s Byla

If a shareholder desires to have a proposal included in the Company s proxy statement and p 14a-8 promulgated under the Exchange Act, then the Company must receive notice of such p Carlsbad, California no later than December 5, 2014. However, if the date of the 2015 annua anniversary of this year s Annual Meeting (*i.e.* , the 2014 Annual Meeting of Shareholders) Company a reasonable time before the Company begins to print and mail its proxy materials applicable requirements promulgated by the SEC in Rule 14a-8 of the Exchange Act.

OTHER MATTER

Management knows of no matters other than those listed in the attached Notice of the Annua However, if any other matters should properly come before the Annual Meeting or any adjou vote all proxies given to them in accordance with the recommendation of the Board of Direc

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Each shareholder is urged to return a proxy as soon as possible. Any questions should be add
Rutherford Road, Carlsbad, California 92008, telephone (760) 931-1771.

Carlsbad, California

March 27, 2014

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Callaway Golf Comp

Non-GAAP Information and R

(In thousands, except per s

(Unaudited)

Non-GAAP Reconciliation to GAAP Reported Results:

	Year Ended December 31, 2013			
	Non-GAAP Callaway Golf(1)	Cost Reduction Initiatives(1)(3)	Non-Cash Tax Adjustment(2)	Total as Reported
Net sales	$ 842,801	$	$	$ 842,801
Gross profit	325,907	(11,149)		314,758
% of sales	39%	-1%	n/a	37%
Operating expenses	320,801	4,719		325,520
Income (expense) from operations	5,106	(15,868)		(10,762)
Other expense, net	(1,872)	(688)		(2,560)
Income (loss) before income taxes	3,234	(16,556)		(13,322)
Income tax provision (benefit)	1,245	(6,374)	10,728	5,599
Net income (loss)	1,989	(10,182)	(10,728)	(18,921)
Dividends on convertible preferred stock	3,332			3,332
Net income (loss) allocable to common shareholders	$ (1,343)	$ (10,182)	$ (10,728)	$ (22,253)
Diluted earnings (loss) per share:	$ (0.02)	$ (0.14)	$ (0.15)	$ (0.31)
Weighted-average shares outstanding:	72,809	72,809	72,809	72,809

(1) For comparative purposes, the Company applied an annualized statutory tax rate of 38.

(2) Impact of applying statutory tax rate of 38.5% to non-GAAP results.
(3) Includes costs associated with the reorganization of the Company's golf ball manufactu
and costs related to transitioning to a third party model for the U.S. and European appa

EBITDA:

Net income (loss)
Interest expense, net
Income tax provision (benefit)
Depreciation and amortization expense
EBITDA

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Constant Currency Net Sales Excluding Businesses Sold or Transitioned:

Net sales:
Businesses sold/transitioned
Sales, net of businesses sold/transitioned
Currency impact[1]
Sales, net of businesses sold/transitioned and currency impact

(1) Calculated by applying 2012 exchange rates to 2013 reported sales in regions outside

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IMPORTANT ANNUAL MEETING INFORMATION

El
Av
Ins
vot

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o

Using a **black ink** pen, mark your votes with an **X** as shown in this example. Please do not write outside the designated areas.

X

Annual Meeting Proxy Card

IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DET

A **Proposals THIS PROXY CARD IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTOR COMPANY. YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH OF THE**

The Board of Directors recommends a vote FOR ALL in Item 1.

01 - Oliver G. (Chip) Brewer III 02 - Ronald S. Beard 03

1. Election of Directors:

Nominees:	04 - John C. Cushman, III	05 - John F. Lundgren	06
	07 - Richard L. Rosenfield	08 - Anthony S. Thornley	

.. **Mark here to vote <u>FOR</u> all nominees** .. **Mark here to <u>WITHHOLD</u> vote from all nominees** .. **For All <u>EXCEPT</u>** name(s) of such no

Unless otherwise specified below, this proxy authorizes the proxies named on the reverse side of this card to cumulate v election of Directors. To specify different instructions with regard to cumulative voting, write your instructions on the l

	For	Against	Abstain	
2. Ratify, on an advisory basis, the appointment of Deloitte & Touche LLP as the Company s Independent Registered Public Accounting Firm for the fiscal year ending December 31, 2014.	..	..	..	3. Appr Compan

In their discretion, Bradley J. Holiday and Brian P. Lynch, or either of them, are authorized to vote upon such other business as

B Authorized Signatures This section must be completed for your vote to be counted. Date and Sig

NOTE: Please sign as name appears hereon. Joint owners should each sign. When signing as attorney, executor, admini

Date (mm/dd/yyyy) Please print date below. Signature 1 Please keep signature within the

/ /

01SHJF

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Important notice regarding the Internet availability of proxy materials for the Shareholder Meeting To Be
Internet at: **http://www.allianceproxy.com/callawaygolf/2014**

IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DET

Proxy CALLAWAY GOLF COMPANY

The undersigned shareholder of CALLAWAY GOLF COMPANY hereby appoints BRADLEY J. HOLIDAY A power to act without the other and with the power of substitution, to represent the undersigned at the Annual Me Company Headquarters, 2180 Rutherford Road, Carlsbad, California 92008, on May 14, 2014, at 8:30 A.M. (PD the Company standing in the name of the undersigned with all the powers the undersigned would possess if pers their discretion upon such other business as may properly come before the meeting; provided, however, that such favor of the election of some or all of the applicable director nominees in their sole discretion.

THIS PROXY CARD WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECT PROPERLY EXECUTED AND RETURNED BUT NO DIRECTION IS MADE, THIS PROXY CARD W AND FOR ALL OTHER PROPOSALS IN ACCORDANCE WITH THE RECOMMENDATIONS OF

(Continued and to be marked, dated and sig

C Non-Voting Items
Change of Address Please print your new address below. **Comments** Please print

IF VOTING BY MAIL, YOU MUST SIGN AND DAT