

CALLAWAY GOLF CO  
Form DEF 14A  
March 31, 2014  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**

**(RULE 14a-101)**

SCHEDULE 14A INFORMATION

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

Filed by the Registrant  x

Filed by a Party other than the Registrant  "

Check the appropriate box:

- Preliminary Proxy Statement
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under § 240.14a-12

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

**Callaway Golf Company**

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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



3. Filing Party:

4. Date Filed:

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March 27, 2014

Dear Shareholders:

You are cordially invited to attend the Annual Meeting of Shareholders of Callaway Golf Company, which will be held on Wednesday, May 14, 2014, at Callaway Golf Company's offices, located at 2180 Rutherford Road, Carlsbad, California 92008, commencing at 8:30 a.m. (PDT). A map is provided on the back page of these materials for your reference. Your Board of Directors and management look forward to greeting personally those shareholders who are able to attend.

At the meeting, your Board of Directors will ask shareholders to (i) elect eight directors; (ii) 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; and (iii) approve, on an advisory basis, the compensation of the Company's named executive officers. These matters are described more fully in the accompanying Proxy Statement, which you are urged to read thoroughly. Your Board of Directors recommends a vote **FOR** each of the nominees, **FOR** ratification of the appointment of the Company's independent registered public accounting firm, and **FOR** the approval of the compensation of the named executive officers.

The Company has elected to take advantage of Securities and Exchange Commission rules that allow issuers to furnish proxy materials to their shareholders by providing access to these documents on the Internet instead of mailing printed copies. Those rules allow the Company to provide its shareholders with the information they need, while lowering the costs of delivery and reducing the environmental impact of the Annual Meeting. Most shareholders will not receive printed copies of the proxy materials unless requested. Instead, those shareholders will receive a notice with instructions on how they may access and review the proxy materials on the Internet and how they may cast their vote via the Internet. If you would like to receive a printed or e-mail copy of our proxy materials, please follow the instructions for requesting the materials in the Notice of Internet Availability that is being sent to you.

Your vote is important. Whether or not you plan to attend the Annual Meeting, please vote as soon as possible. If you received the Notice of Internet Availability, a proxy card was not sent to you and you may vote only via the Internet if you do not attend the Annual Meeting or request that a proxy card and proxy materials be mailed to you. If you have requested that a proxy card and proxy materials be mailed to you, and you have received those materials, then instead of voting via the Internet, you may vote by telephone or by mailing a completed proxy card. For specific voting instructions, please refer to the information provided in the following Proxy Statement and in the Notice of Internet Availability.

Thank you for your continued interest in and support of our Company.

Sincerely,

Oliver G. (Chip) Brewer III

*President and Chief Executive Officer*

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**CALLAWAY GOLF COMPANY**

**2180 Rutherford Road**

**Carlsbad, California 92008**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**Meeting Date: May 14, 2014**

To Our Shareholders:

The 2014 Annual Meeting of Shareholders (the "Annual Meeting") of Callaway Golf Company, a Delaware corporation (the "Company"), is scheduled to be held at Callaway Golf Company's offices, located at 2180 Rutherford Road, Carlsbad, California 92008, commencing at 8:30 a.m. (PDT), on Wednesday, May 14, 2014, for the following purposes:

1. to elect as directors the eight nominees named in the accompanying Proxy Statement;
  2. to 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; and
  3. to approve, on an advisory basis, the compensation of the Company's named executive officers.
- Shareholders will also transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

The Board of Directors has nominated the following eight individuals to stand for election to the Board of Directors at the Annual Meeting: Samuel H. Armacost, Ronald S. Beard, Oliver G. Brewer III, John C. Cushman, III, John F. Lundgren, Adebayo O. Ogunlesi, Richard L. Rosenfield, and Anthony S. Thornley. All eight individuals are currently members of the Company's Board of Directors. For more information concerning these individuals, please see the accompanying Proxy Statement.

The Board of Directors has fixed the close of business on March 17, 2014 as the record date for determination of shareholders entitled to receive notice of and to vote at the Annual Meeting or any adjournment or postponement thereof, and only record holders of common stock at the close of business on that day will be entitled to vote. At the record date, 77,394,180 shares of Common Stock were issued and outstanding. In order to constitute a quorum for the conduct of business at the Annual Meeting, it is necessary that holders of a majority of all outstanding shares of Common Stock of the Company be present in person or represented by proxy.

TO ASSURE REPRESENTATION AT THE ANNUAL MEETING, SHAREHOLDERS ARE URGED TO RETURN A PROXY AS PROMPTLY AS POSSIBLE EITHER BY VOTING THROUGH THE INTERNET OR TELEPHONE OR BY SIGNING, DATING, AND RETURNING A PROXY CARD IN ACCORDANCE WITH THE ENCLOSED INSTRUCTIONS. IF YOU RECEIVED ONLY THE NOTICE OF HOW TO ACCESS THE PROXY MATERIALS VIA THE INTERNET, A PROXY CARD WAS NOT SENT TO YOU AND YOU MAY VOTE ONLY VIA THE INTERNET IF YOU DO NOT ATTEND THE ANNUAL MEETING OR REQUEST THAT A PROXY CARD BE MAILED TO YOU. IF YOUR SHARES ARE HELD IN A BROKERAGE ACCOUNT, YOUR BROKER WILL ASK YOU FOR INSTRUCTIONS ON HOW TO VOTE YOUR SHARES. YOU ARE URGED TO RETURN THE VOTING INSTRUCTIONS TO YOUR BROKER AS PROMPTLY AS POSSIBLE TO ENSURE YOUR SHARES WILL BE VOTED. ANY SHAREHOLDER ATTENDING THE ANNUAL MEETING MAY VOTE IN PERSON EVEN IF HE OR SHE PREVIOUSLY RETURNED A PROXY.

If you plan to attend the Annual Meeting in person, we would appreciate your response by so indicating when returning the proxy.

By Order of the Board of Directors,  
Brian P. Lynch  
*Corporate Secretary*

Carlsbad, California

March 27, 2014

**Important notice regarding the Internet availability of proxy materials for the Shareholder Meeting To Be Held on May 14, 2014:** The Annual Report and Proxy Statement are available on the Internet at: <http://www.allianceproxy.com/callawaygolf/2014>

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**Proxy Statement**

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**CALLAWAY GOLF COMPANY**

**2180 Rutherford Road**

**Carlsbad, California 92008**

**PROXY STATEMENT**

**ANNUAL MEETING OF SHAREHOLDERS**

**Meeting Date: May 14, 2014**

**GENERAL INFORMATION**

**Purpose**

This Proxy Statement and accompanying proxy card will first be made available to shareholders on the Internet on or about April 4, 2014 in connection with the solicitation of proxies by the Board of Directors of Callaway Golf Company, a Delaware corporation (the Company). The proxies are for use at the 2014 Annual Meeting of Shareholders of the Company, which is scheduled to be held on Wednesday, May 14, 2014, at Callaway Golf Company, located at 2180 Rutherford Road, Carlsbad, California 92008, commencing at 8:30 a.m. (PDT), and at any meetings held upon adjournment or postponement thereof (the Annual Meeting). The record date for the Annual Meeting is the close of business on March 17, 2014 (the Record Date). Only holders of record of the Company's common stock, \$.01 par value per share (the Common Stock), on the Record Date are entitled to notice of the Annual Meeting and to vote at the Annual Meeting.

**Voting and Quorum**

The Board of Directors is soliciting your proxy to vote on all matters scheduled to come before the Annual Meeting. By completing and returning the proxy card or voting instruction card, or by transmitting your voting instructions by telephone or via the Internet, you are authorizing the designated proxies to vote your shares at the Annual Meeting as you have instructed. Whether or not you plan to attend the Annual Meeting in person, please return a proxy indicating how you wish your shares to be voted as promptly as possible. If you received the Notice of Internet Availability, a proxy card was not sent to you and you may vote only via the Internet if you do not attend the Annual Meeting or request that a proxy card be mailed to you. If you have received a proxy card, you may return a proxy either by voting through the Internet or telephone or by signing, dating and returning a proxy card. Please follow the accompanying instructions. Any shareholder who submits a proxy has the power to revoke it at any time before his, her or its shares are voted either by filing with the corporate secretary of the Company a written instrument revoking it, or by returning (by Internet, or if applicable, by telephone or mail) another later-dated proxy, or by attending the Annual Meeting and voting in person. If you sign and return your proxy but do not indicate how you want to vote your shares for each



proposal, then for any proposal for which you do not so indicate, your shares will be voted at the Annual Meeting in accordance with the recommendation of the Board of Directors.

The Board of Directors recommends a vote **FOR** each of the nominees for election as director as set forth in this Proxy Statement, **FOR** ratification, on an advisory basis, of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2014, and **FOR** the approval, on an advisory basis, of the compensation of the named executive officers. By returning the proxy (by Internet, or if applicable, by telephone or mail), unless you notify the corporate secretary of the Company in writing to the contrary, you are also authorizing the proxies to vote with regard to any other matter that may properly come before the Annual Meeting or any adjournment or postponement thereof. The Company does not currently know of any such other matter. If there are any such additional matters, the proxies will vote your shares in accordance with the recommendation of the Board of Directors.

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As of the Record Date, there were 77,394,180 shares of Common Stock issued and outstanding and no other securities of the Company entitled to vote at the Annual Meeting were outstanding. Under Delaware law and the Company's Bylaws, the holders of a majority of the Common Stock issued and outstanding and entitled to vote at the Annual Meeting, present in person or represented by proxy, constitute a quorum for the transaction of business at the Annual Meeting. The inspector of election will determine whether a quorum is present and will tabulate the votes cast at the meeting. Holders of Common Stock have one vote for each share on any matter that may be presented for consideration and action by the shareholders at the Annual Meeting, except that shareholders have cumulative voting rights with respect to the election of directors. Cumulative voting rights entitle each shareholder to cast as many votes as are equal to the number of directors to be elected multiplied by the number of shares owned by such shareholder, which votes may be cast for one candidate or distributed among two or more candidates. A shareholder of record may exercise cumulative voting rights by indicating on the proxy card the manner in which such votes should be allocated, or if such shareholder votes in person at the annual meeting, such shareholder must submit a ballot and make an explicit statement of the intent to cumulate votes. A shareholder who holds shares beneficially through a broker, trustee or other nominee and wishes to cumulate votes, should contact its broker, trustee or nominee. (Internet and telephone voting cannot accommodate cumulative voting.) The eight nominees for director receiving the highest number of votes at the Annual Meeting will be elected. Returning a proxy giving authority to vote for the nominees named in this Proxy Statement will also give discretion to the designated proxies to cumulate votes and cast such votes in favor of the election of some or all of the applicable director nominees in their sole discretion.

The affirmative vote of the holders of a majority of shares of Common Stock entitled to vote on the matter and present in person or represented by proxy at the Annual Meeting is required for ratification, on an advisory basis, of the appointment of Deloitte as the Company's independent registered public accounting firm and approval, on an advisory basis, of the compensation of the Company's named executive officers.

If your shares are registered directly in your name with our transfer agent, Computershare, you are the shareholder of record of those shares and our proxy materials have been made available to you by us. If your shares are held in a stock brokerage account, by a bank, broker, trustee or other nominee, you are considered the beneficial owner of shares held in street name and our proxy materials are being forwarded to you by your bank, broker, trustee or other nominee that is considered the owner of record of those shares. As the beneficial owner, you have the right to direct your bank, broker, trustee or other nominee on how to vote your shares.

Under the rules of the New York Stock Exchange ( NYSE ), brokers who hold shares in street name for customers do not have the authority to vote on certain items when they have not received instructions from beneficial owners ( broker non-votes ). If you give your broker instructions, your shares will be voted as directed. If you do not give your broker instructions and the proposal is considered routine, brokers are generally permitted to vote your shares in their discretion. The ratification, on an advisory basis, of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm is the only matter to be voted on at the Annual Meeting that will be considered routine. The election of directors and the approval, on an advisory basis, of the compensation of the named executive officers will not be considered routine and therefore brokers will not have discretionary authority to vote on these proposals.

Abstentions may be specified for all proposals except the election of directors. Abstentions and broker non-votes are counted for purposes of determining a quorum. For purposes of determining whether a proposal (other than the election of directors) is approved, abstentions are counted in the tabulation of shares present in person or represented by proxy and have the same effect as voting against a proposal. Broker non-votes are not considered as shares present in person or represented by proxy for purposes of determining the outcome of a vote.

## **Solicitation of Proxies**

The cost of preparing, assembling, printing and mailing this Proxy Statement and the accompanying proxy card, the Notice of Internet Availability, and the cost of soliciting proxies relating to the Annual Meeting, will be

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borne by the Company. The Company may request banks, brokers and other third parties to solicit their customers who beneficially own Common Stock listed of record in the name of such bank, broker or other third party, and the Company will reimburse such banks, brokers and third parties for their reasonable out-of-pocket expenses for such solicitations. The solicitation of proxies by mail may be supplemented by telephone, facsimile, Internet and personal solicitation by directors, officers and other employees of the Company, but no additional compensation will be paid to such individuals. The Company has retained the firm of Alliance Advisors LLC to assist in the solicitation of proxies for a base fee of approximately \$5,500, plus out-of-pocket expenses.

## **Householding**

With regard to the delivery of annual reports and proxy statements, under certain circumstances the Securities and Exchange Commission ( SEC ) permits the Company to send a single set of such proxy materials or, where applicable, one Notice of Internet Availability, to any household at which two or more shareholders reside if they appear to be members of the same family (unless otherwise requested by one or more of such shareholders). Each shareholder, however, still receives a separate proxy card if he or she receives paper copies. This procedure, known as householding, reduces the amount of duplicate information received at a household and reduces mailing and printing costs as well. This year, the Company will be mailing primarily Notices of Internet Availability and only a small number of printed copies of the annual report and Proxy Statement to parties who have requested paper copies.

A number of banks, brokers and other third parties have instituted householding and have previously sent a notice to that effect to certain of the Company's beneficial shareholders whose shares are registered in the name of the bank, broker or other third party. As a result, unless the shareholders receiving such notice gave contrary instructions, only one annual report and one proxy statement or one Notice of Internet Availability will be mailed to an address at which two or more such shareholders reside. If any shareholder residing at such an address wishes to receive a separate annual report and proxy statement or Notice of Internet Availability, in the future, such shareholder should telephone the householding election system (toll-free) at 1-800-542-1061. In addition, (i) if any shareholder who previously consented to householding desires to promptly receive a separate copy of the annual report and proxy statement or Notice of Internet Availability, for each shareholder at his or her same address, or (ii) if any shareholder shares an address with another shareholder and both shareholders at such address desire to receive only a single copy of the annual report and proxy statement or Notice of Internet Availability, then such shareholder should contact his or her bank, broker or other third party in whose name the shares are registered or contact the Company as follows: Callaway Golf Company, ATTN: Investor Relations, 2180 Rutherford Road, Carlsbad, CA 92008, telephone (760) 931-1771. Upon written or oral request, the Company will promptly deliver a separate copy of the annual report and proxy statement, or Notice of Internet Availability, to any shareholder at a shared address to which a single copy of such material was delivered.

## **Other Matters**

The main purpose of the upcoming Annual Meeting of Shareholders is to conduct the business described in this Proxy Statement. At the Annual Meeting, it is the Company's intention to have a brief presentation by the Chief Executive Officer after the completion of all business, followed by a short question and answer period. Due to legal and practical constraints, including regulations regarding the selective disclosure of material information, and consistent with the fact that the main purpose of the Annual Meeting is to conduct the necessary business of the Company, a significant, substantive presentation on the Company's current or expected performance is not planned.

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**BOARD OF DIRECTORS AND CORPORATE GOVERNANCE**

**Introduction**

Corporate governance is the system by which corporations ensure that they are managed ethically and in the best interests of the Company's shareholders. The Company is committed to maintaining high standards of corporate governance. A copy of the Company's Corporate Governance Guidelines is available on the Company's website at [www.callawaygolf.com](http://www.callawaygolf.com) under Investor Relations Corporate Governance.

One of the most important aspects of corporate governance is the election of a Board of Directors to oversee the operation of the business and affairs of the Company. The Company's Bylaws provide that the Company's directors shall be elected at each annual meeting of shareholders. As a result, as discussed below, the first proposal the shareholders will be asked to vote upon at the Annual Meeting is the election of the eight nominees named in this Proxy Statement as directors to serve until the 2015 annual meeting of shareholders and until their successors are elected and qualified.

In today's business environment, the selection of a qualified independent auditor has become a key aspect of corporate governance. The Board of Directors has asked that shareholders ratify, on an advisory basis, the Audit Committee's selection of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2014.

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), the shareholders of the Company are entitled to approve, on an advisory basis, the compensation of the Company's named executive officers, as disclosed in this Proxy Statement. Pursuant to the Dodd-Frank Act, this shareholder vote is advisory only and is not binding on the Company, its Board of Directors or the Compensation and Management Succession Committee. Although the vote is non-binding, the Compensation and Management Succession Committee and the Board of Directors value your opinions and will consider the outcome of the vote in establishing our compensation philosophy and in making future compensation decisions.

**Independence**

The Company's Bylaws and Corporate Governance Guidelines provide that a substantial majority of the Company's directors must be independent. A director is independent only if the director is not an employee of the Company and the Board has determined that the director has no direct or indirect material relationship to the Company. To be independent, a director must also satisfy any other independence requirements under applicable law or regulation and the listing standards of the New York Stock Exchange (NYSE). In evaluating a particular relationship, the Board considers the materiality of the relationship to the Company, to the director and, if applicable, to an organization with which the director is affiliated. To assist in its independence evaluation, the Board adopted categorical independence standards, which are listed on Exhibit A attached to the Company's Corporate Governance Guidelines, which are available on the Company's website at [www.callawaygolf.com](http://www.callawaygolf.com) under Investor Relations Corporate Governance. Compliance with these internal and NYSE independence standards is reviewed at least annually. The Board has determined that each of the eight current non-management directors is independent. Oliver G. Brewer III, the Company's President and Chief Executive Officer, is the only current director who is not independent. Therefore, a substantial majority of the members of the Board are independent. All director nominees other than Mr. Brewer are independent.

**Director Qualifications**

The Nominating and Corporate Governance Committee is responsible, among other things, for developing and recommending to the Board criteria for Board membership and for identifying and recruiting potential Board candidates based on the identified criteria in the context of the Board as a whole and in light of the Board's needs at a particular time. The Nominating and Corporate Governance Committee has worked with the Board of

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Directors to identify certain minimum criteria that every director must meet: (1) a director must exhibit very high personal and professional ethics, integrity and values; (2) a director must not have any conflicting interest that would materially impair his or her ability to discharge the fiduciary duties of a director; (3) a director must be committed to the best interests of the Company's shareholders and be able to represent fairly and equally all shareholders without favoring or advancing any particular shareholder or other constituency; and (4) a director must be able to devote adequate time to his or her service as a director. A potential candidate will not be considered for a directorship unless he or she satisfies these threshold criteria.

In addition to these minimum threshold criteria, the Board of Directors believes that the Board, as a whole, should possess a combination of skills, professional experience, and diversity of backgrounds necessary to oversee the Company's business. In this regard, the Board of Directors has determined that one or more Board members, among other things, should (i) be currently serving as an active executive of another corporation, (ii) have prior experience as a Chief Executive Officer or an operating executive with significant responsibility for operating results, (iii) have public company executive experience, (iv) have public company board experience, (v) have corporate governance experience, (vi) have executive compensation experience, and (vii) have consumer products experience. The Board also believes that at least one or more members of the Board of Directors should have functional expertise in each of finance, accounting, legal matters, investment banking, technology, manufacturing, international business, research and development, strategic planning, consumer sales and marketing experience, retail business experience, and mergers and acquisitions. Potential candidates are evaluated based upon the factors described above as well as their independence and relevant business and industry experience.

The Nominating and Corporate Governance Committee works with the Board of Directors to evaluate annually the composition of the Board to assess the skills and experience that are currently represented on the Board, as well as the skills and experience that the Board will find valuable in the future, given the Company's current situation and strategic plans. This annual evaluation of the Board's composition enables the Board to update its determination of the skills and experience it seeks in the Board as a whole, and in individual directors, as the Company's needs evolve and change over time. In identifying director candidates from time to time, the Board or Nominating and Corporate Governance Committee may establish specific skills and experience that it believes the Company should seek in order to constitute a balanced and effective board. In addition, although the Board of Directors does not have a formal policy regarding diversity, the Board of Directors believes that ethnic, gender, and cultural diversity among Board members can provide distinct value and is important. In considering potential new candidates, the Board considers whether the potential Board member would increase the ethnic, gender, or cultural diversity of the Board members.

**Identification of Potential Director Candidates**

The Nominating and Corporate Governance Committee uses a variety of methods for identifying director candidates, including professional search firms and recommendations from the Company's officers, directors, shareholders or other persons. If a shareholder believes that he or she has identified an appropriate candidate who is willing to serve on the Company's Board of Directors, the shareholder may submit a written recommendation to the Chair of the Nominating and Corporate Governance Committee c/o the Company's Corporate Secretary at 2180 Rutherford Road, Carlsbad, California 92008. Such recommendation must include detailed biographical information concerning the recommended candidate, including a statement regarding the candidate's qualifications. The Nominating and Corporate Governance Committee may require such further information and obtain such further assurances concerning the recommended candidate as it deems reasonably necessary. The Nominating and Corporate Governance Committee will review properly submitted shareholder candidates in the same manner as it evaluates all other director candidates. In addition to bringing potential qualified candidates to the attention of the Nominating and Corporate Governance Committee as discussed above, a nomination of a person for election to the Board of Directors at an annual meeting of shareholders may be made by shareholders who meet the qualifications set forth in the Company's

Bylaws and who make such nominations in accordance



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with the procedures set forth in the Company's Bylaws, including the procedures described under the heading "Shareholder Proposals" in this Proxy Statement.

**Nomination Process**

The Nominating and Corporate Governance Committee believes that the continuing service of qualified incumbents promotes stability and continuity among the Board of Directors and contributes to the Board's ability to function effectively. The continuing service of qualified incumbents also provides the Company with the benefit of the familiarity with and insight into the Company's affairs that its directors have accumulated during their tenure. As a result, in considering candidates for nomination for each annual meeting of shareholders, the Nominating and Corporate Governance Committee first considers the Company's incumbent directors who desire to continue their service on the Board. The Nominating and Corporate Governance Committee will generally recommend to the Board an incumbent director for re-election if the Nominating and Corporate Governance Committee has determined that (i) the incumbent director continues to satisfy the threshold criteria described above, (ii) the incumbent director has satisfactorily performed his or her duties as a director during the most recent term and (iii) there exists no reason why, in the Nominating and Corporate Governance Committee's view, the incumbent director should not be re-elected. If a vacancy becomes available on the Board of Directors as a result of the death, resignation or removal of an incumbent director or as a result of action taken by the Board to increase the size of the Board, the Nominating and Corporate Governance Committee proceeds to identify candidates who meet the required criteria and attributes.

**Majority Vote Policy**

The Company's Corporate Governance Guidelines set forth the Company's policy regarding a director who is elected but receives a majority of "withheld" votes. In an uncontested election of directors, any nominee who has a greater number of votes "withheld" from his or her election than votes "for" such election (a "Majority Withheld Vote") is required to submit in writing an offer to resign. The Nominating and Corporate Governance Committee will consider, among other things, the reasons for the Majority Withheld Vote and make a recommendation to the Board of Directors whether or not to accept the resignation offer. The Board of Directors will consider the recommendation of the Nominating and Corporate Governance Committee and will determine whether to accept the resignation. The Board of Directors is required to publicly disclose the basis for its determination. Full details of this policy are set forth in the Company's Corporate Governance Guidelines, posted on its website at [www.callawaygolf.com](http://www.callawaygolf.com) under Investor Relations - Corporate Governance.

**Board Leadership Structure**

The Board of Directors believes that strong, independent Board leadership is a critical aspect of effective corporate governance. As a result, the Board either appoints a Chairman of the Board who is an independent director or appoints a lead independent director if the Chairman of the Board is not independent (*e.g.*, when the Chairman is also the Chief Executive Officer). The independent Chairman or the lead independent director, as the case may be, works with the Chief Executive Officer to set the Board's work program and meeting agendas, coordinates the activities of the independent directors, serves as a liaison between the Chief Executive Officer and the independent directors, and presides at the executive sessions (without management) of the independent directors.

The Company currently separates the positions of Chairman and Chief Executive Officer. Separating these positions and having the Chairman lead the Board in its oversight responsibilities enables the Company's Chief Executive Officer to focus on day-to-day business and his other responsibilities. Currently, Mr. Beard, who is an independent director, is serving as Chairman of the Board and the Company therefore does not have a director with the title of lead independent director. A copy of the charter for the Chairman position is available at the corporate governance section

of the Company's website at [www.callawaygolf.com](http://www.callawaygolf.com) under Investor Relations Corporate Governance Board Memberships.

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### **Risk Oversight**

The Board of Directors oversees an enterprise-wide approach to risk management and works with the Audit Committee and management in executing its oversight responsibility for risk management. The Board generally oversees risks related to the Company's strategic and operational objectives and is responsible for overseeing the amounts and types of risks taken by management in executing those objectives. In addition, the Board has delegated to the Audit Committee the responsibility for oversight of certain of the Company's risk oversight and compliance matters, including oversight of (i) material legal proceedings and material contingent liabilities, (ii) the Company's policies regarding risk assessment and management, (iii) the Company's compliance programs with respect to legal and regulatory requirements and the Company's Code of Conduct, and (iv) the establishment of procedures for the receipt and handling of complaints regarding accounting, internal accounting controls and auditing matters. The Board has delegated to the Nominating and Corporate Governance Committee the responsibility for overseeing any related party transactions.

On a day-to-day basis, it is management's responsibility to manage risk and bring to the attention of the Board any significant risks facing the Company and the controls in place to manage those risks. As part of this responsibility, management conducts an annual enterprise risk management assessment, which is led by the Company's corporate audit department. All members of management responsible for key business functions and operations participate in this assessment. The assessment includes an identification, and quantification of the potential impact, of the top risks facing the Company and the controls in place to mitigate such risks as well as possible opportunities to reduce such risks. This report is shared with the Audit Committee as well as the full Board of Directors.

### **Risk Assessment of Compensation Programs**

The Company has determined that its compensation policies, plans and practices are consistent with the Company's strategic objectives, are appropriately balanced and do not create risks that are reasonably likely to have a material adverse effect on the Company. In making this determination, the Company's human resources and legal departments conducted their annual review of the compensation policies, plans and practices for its executive officers, as well as for all other employees and then discussed their findings with the Company's Chief Executive Officer, Compensation and Management Succession Committee and outside compensation consultant. The Company identified its compensation policies, plans and practices that: covered its employee population; were structured differently from those of other business units; or represented a significant portion of its compensation expense. The Company then assessed the risk-taking incentives inherent in the design and operation of these policies, plans and practices, including the following features of such policies, plans and practices: design, payment methodology, potential payment volatility, relationship to its financial results, length of performance period, risk-mitigating features, performance measures and goals, oversight and controls, and plan features and values compared to market practices. The Company also assessed the various controls that mitigate risks relating to compensation policies, plans and practices, such as executive stock ownership guidelines and forfeiture provisions contained in the employment agreements of the named executive officers that enable the recovery of certain incentive compensation payments in certain circumstances.

Based on this review, the Company believes that its compensation policies, plans and practices do not create risks that are reasonably likely to have a material adverse effect on the Company. This conclusion is based on, among other things, the approach employed by the Company in developing its compensation policies and practices. First, in setting these policies and practices, the Company was careful to ensure that they were consistent with the Company's strategic objectives and that none of the policies or practices varied significantly from the overall risk and reward structure of the Company. As a result, by design, no individual award is large enough such that its value could create material financial risk to the Company. Second, the Company employed a balanced approach to its policies and practices. More specifically, in setting these policies and practices, the Company balanced short-term and long-term incentives;

cash and stock-based compensation; service-based and performance-based compensation; and corporate and individual performance incentives. The Company believes that this overall balanced approach significantly reduces the risk that the Company's compensation policies or

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practices could have a significant adverse effect on the Company. Third, the Company's incentive plans could not be easily manipulated as they provide for a minimum level of overall corporate profitability before any payout occurs. Fourth, the Company believes that certain of its policies and programs, such as its stock ownership guidelines and compensation forfeiture provisions applicable to certain senior officers, also mitigate any risk-taking incentive inherent in any compensation policies or practices. Lastly, the Compensation and Management Succession Committee of the Board of Directors, which is comprised solely of independent directors, has the authority in certain circumstances to consider factors outside of the incentive plans and to exercise discretion to adjust the funding of incentive awards.

**Committees of the Board of Directors**

The Board of Directors currently has three standing committees. They are the Audit Committee; the Compensation and Management Succession Committee and the Nominating and Corporate Governance Committee. The Board of Directors has adopted written charters for each of the three standing committees. A copy of each of the charters is available on the Company's website at [www.callawaygolf.com](http://www.callawaygolf.com) under Investor Relations - Corporate Governance - Board Committees. Upon request, the Company will provide to any person without charge a copy of such charters. Any such request may be made by contacting the Company's Investor Relations Department at the Company's principal executive offices by telephone at (760) 931-1771 or by mail at 2180 Rutherford Road, Carlsbad, CA 92008. More detailed information about each committee is set forth below.

*Audit Committee.* The Audit Committee is a separately designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the Exchange Act). The Audit Committee currently consists of Messrs. Armacost (Chair), Beard, Lundgren, Ogunlesi, and Thornley. The Board of Directors has determined that each member of the Company's Audit Committee is independent within the meaning of Section 10A(m)(3) of the Exchange Act, and Rule 10A-3 thereunder, and the applicable listing standards of the NYSE. The Board of Directors has also determined that each member of the Audit Committee is financially literate and has accounting or related financial management expertise within the meaning of the listing standards of the NYSE. In addition, the Board of Directors has determined that at least one member of the Audit Committee qualifies as an Audit Committee Financial Expert as defined by Item 407(d)(5) of Regulation S-K. The Board of Directors has designated Mr. Armacost as the Audit Committee Financial Expert. The Board also believes that the collective experiences of the other members of the Audit Committee make them well qualified to serve on the Company's Audit Committee. Shareholders should understand that Mr. Armacost's designation as an Audit Committee Financial Expert is an SEC disclosure requirement, and it does not impose on Mr. Armacost any duties, obligations or liabilities that are greater than those which are generally imposed on him as a member of the Audit Committee and the Board, and his designation as an Audit Committee Financial Expert pursuant to this requirement does not affect the duties, obligations or liabilities of any other member of the Audit Committee or the Board.

The Audit Committee is responsible for representing and assisting the Board of Directors in discharging its oversight responsibility relating to (i) the accounting, reporting and financial practices of the Company and its subsidiaries, including the integrity of the Company's financial statements, (ii) the Company's outside auditors, including their qualifications, performance and independence, (iii) the performance of the Company's internal audit function, and (iv) the Company's compliance with legal and regulatory requirements. The Audit Committee is responsible for the oversight of the preparation of the Audit Committee report that is required by SEC rules to be included in the Company's annual proxy statement. The Audit Committee reviews and discusses with the Company's independent registered public accounting firm the scope and results of the annual audit and any reports with respect to interim periods. It also reviews and discusses with management and the Company's independent registered public accounting firm the annual and quarterly financial statements of the Company, including any significant financial reporting issues and judgments, the effects of regulatory and accounting initiatives and off-balance sheet structures on the Company's

financial statements, disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations in reports filed with

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the SEC, and any major issues regarding the Company's accounting principles and financial statements. The Audit Committee reviews and discusses annually the performance and effectiveness of the internal audit function. In addition, the Audit Committee has oversight responsibility with regard to the Company's legal and regulatory matters including oversight responsibility for legal compliance and with respect to the Company's Code of Conduct. As part of this oversight responsibility, the Audit Committee receives at least quarterly updates on litigation matters and reports from the Chief Ethics Officer regarding any complaints received regarding accounting matters or related to the Code of Conduct. The Audit Committee also has sole authority for all matters relating to the Company's independent registered public accounting firm, including the appointment, compensation, evaluation, retention and termination of such firm. The Audit Committee reviews, at least annually, (i) the independence of the independent registered public accounting firm and (ii) the internal quality-control and any material issues raised by the internal quality-control review of the independent registered public accounting firm. The Audit Committee has instituted a formal annual evaluation process for evaluating the independent registered public accounting firm prior to re-engaging the firm for an additional year. This process includes formal evaluations by each member of the Audit Committee as well as the Chief Financial Officer and Chief Accounting Officer, as well as other employees who work with the audit firm on a regular basis. This process also includes both written evaluations and discussion with the Audit Committee and management.

*Compensation and Management Succession Committee.* The Compensation and Management Succession Committee currently consists of Messrs. Lundgren (Chair), Armacost, Beard, Cushman, and Rosenfield. All of the members of this Committee are independent directors as determined under the applicable independence standards described in the Compensation and Management Succession Committee Charter, including the NYSE listing standards. The Compensation and Management Succession Committee is responsible for discharging the responsibilities of the Board relating to compensation of the Company's executives and for assisting the Board with management succession issues and planning. The Compensation and Management Succession Committee, together with the other independent directors, sets the compensation of the Chief Executive Officer. The Compensation and Management Succession Committee sets the compensation of the other executive officers in consultation with the Chief Executive Officer. The Compensation and Management Succession Committee also reviews compensation and benefits plans affecting employees in addition to those applicable to executive officers.

*Nominating and Corporate Governance Committee.* The Nominating and Corporate Governance Committee currently consists of Messrs. Ogunlesi (Chair), Beard, Cushman, Kobayashi, Rosenfield and Thornley. All of the members of this Committee are independent directors as determined under the applicable independence standards described in the Nominating and Corporate Governance Charter, including the NYSE listing standards. The Nominating and Corporate Governance Committee is responsible for identifying and recommending to the Board individuals who are qualified to serve on the Board of Directors and recommending candidates who should stand for election at each annual meeting of shareholders. The Nominating and Corporate Governance Committee is also responsible for oversight of the Company's corporate governance practices, including the Company's Corporate Governance Guidelines, and evaluation of the effectiveness of the Board and Board Committees.

**Meetings and Director Attendance**

During 2013, the Company's Board of Directors met six times and the independent directors met in executive session at four of those meetings and determined that there was no need to meet in executive session at the other meetings; the Audit Committee met seven times; the Compensation and Management Succession Committee met six times; and the Nominating and Corporate Governance Committee met four times. In addition to meetings, the members of the Board of Directors and its committees sometimes take action by written consent in lieu of a meeting, which is permitted under Delaware corporate law, or discuss Company business without calling a formal meeting. During 2013, all of the Company's directors except for Mr. Kobayashi attended in excess of 75% of the meetings of the Board of Directors

and committees of the Board of Directors on which they served. All of the Board members standing for re-election are expected to attend the annual meetings of shareholders, and all such directors attended the 2013 annual shareholders meeting, except for Mr. Kobayashi who was unable to travel from Japan.



**Table of Contents****Director Compensation**

Directors who are not employees of the Company are paid an annual base cash compensation, additional daily cash compensation for attendance at meetings of the Board of Directors and its committees, and are reimbursed for their expenses in attending meetings. The annual base cash compensation is \$45,000. Directors also receive \$1,500 per day per Board or committee meeting attended. Non-employee directors who serve as Chairs of committees of the Board of Directors are paid an additional \$300 per day per committee meeting attended. In recognition of the significant amount of time they are required to spend on Company business between meetings, the Chairman of the Board is paid an additional annual cash retainer of \$30,000 and the Chair of the Audit Committee and the Chair of the Compensation and Management Succession Committee are each paid additional annual cash retainers of \$10,000.

It is the Company's practice that upon the initial election or appointment of a new director and for each year of continuing service, a director is granted stock options, restricted stock, restricted stock units, phantom stock units or a combination thereof as the long-term incentive portion of director compensation. Such initial and continuing service awards are made as of the date of appointment or re-election in the form and amount as determined by the Board of Directors on the recommendation of the Compensation and Management Succession Committee. In 2013, each of the non-employee directors was granted 7,530 restricted stock units with a grant date value of \$50,000 as continuing service awards, as described below. Subject to continued service, the restricted stock units vest on the third anniversary of the grant date.

The Company has a policy that the non-employee directors should promote the Company's products by using the Company's current products whenever they play golf. To assist the directors in complying with this policy, non-employee directors are entitled to receive a limited amount of golf club and golf ball products of the Company, free of charge, for their own personal use and the use of immediate family members residing in their households. The directors also receive a limited amount of other products (*e.g.*, apparel and other accessories) free of charge and the right to purchase a limited amount of additional golf clubs, balls and accessories at a discount that is not material in amount. The aggregate value of this personal benefit did not exceed \$10,000 for any director in 2013 and is therefore not required to be reported in the table below.

There have been no material changes in the director compensation program since 2006.

**Director Compensation in Fiscal Year 2013**

The following table summarizes the compensation of the Company's non-employee directors for fiscal year 2013.

Name	Fees Earned or Paid in Cash (\$)(1)	Stock Awards (\$)(2)	Option Award (\$)	Change in Pension Value and Non-Equity Nonqualified Incentive Deferred All			Total (\$)
				Plan Compensation (\$)	Earnings Compensation (\$)	Other Compensation (\$)	
Samuel H. Armacost	\$ 87,100	\$ 50,000	\$	\$	\$	\$	\$ 137,100

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Ronald S. Beard	\$ 112,500	\$ 50,000	\$	\$	\$	\$	\$ 162,500
John C. Cushman, III	\$ 69,000	\$ 50,000	\$	\$	\$	\$	\$ 119,000
Yotaro Kobayashi	\$ 45,000	\$ 50,000	\$	\$	\$	\$	\$ 95,000
John F. Lundgren	\$ 88,300	\$ 50,000	\$	\$	\$	\$	\$ 138,300
Adebayo O. Ogunlesi	\$ 73,200	\$ 50,000	\$	\$	\$	\$	\$ 123,200
Richard L. Rosenfield	\$ 64,500	\$ 50,000	\$	\$	\$	\$	\$ 114,500
Anthony S. Thornley	\$ 75,000	\$ 50,000	\$	\$	\$	\$	\$ 125,000

- (1) In 2013, Messrs. Armacost, Lundgren, and Ogunlesi each served as chair of a committee for all or a portion of 2013 and received the additional per day fee with respect to each committee meeting chaired. Also, Mr. Beard was paid an additional \$30,000 in 2013 for his service as Chairman of the Board. Mr. Armacost

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was paid an additional \$10,000 for his service as Chair of the Audit Committee during 2013. Mr. Lundgren was paid an additional \$10,000 for his service as Chair of the Compensation and Management Succession Committee during 2013.

- (2) Represents the aggregate grant date fair value of restricted stock units calculated for financial reporting purposes for the year utilizing the provisions of Accounting Standards Codification Topic 718, Compensation Stock Compensation (ASC 718). See Note 15, Share-Based Compensation, to the Company's Audited Consolidated Financial Statements set forth in the Company's Form 10-K for the year ended December 31, 2013 (the 10-K) for information concerning the ASC 718 values, which are based on the fair value of the Common Stock on the date of grant. As of December 31, 2013, (i) Mr. Armacost had outstanding 14,890 restricted stock units and 12,000 stock options; (ii) Mr. Beard had outstanding 14,890 restricted stock units and 12,000 stock options; (iii) Mr. Cushman had outstanding 14,890 restricted stock units and 12,000 stock options; (iv) Mr. Kobayashi had outstanding 14,890 restricted stock units and 12,000 stock options; (v) Mr. Lundgren had outstanding 14,890 restricted stock units and no stock options; (vi) Mr. Ogunlesi had outstanding 14,890 restricted stock units and no stock options; (vii) Mr. Rosenfield had outstanding 14,890 restricted stock units and 12,000 stock options; and (viii) Mr. Thornley had outstanding 14,890 restricted stock units and 26,000 stock options. In addition, each of the directors has outstanding 9,329 phantom stock units and Mr. Thornley has outstanding 458,334 stock appreciation rights he received as the long-term incentive portion of his compensation for his prior service as interim President and Chief Executive Officer.

Table of Contents**PROPOSAL NO. 1****ELECTION OF DIRECTORS**

The terms of all of our directors expire at the Annual Meeting. In November 2013, Yotaro Kobayashi informed the Company that he did not intend to stand for re-election at the 2014 Annual Meeting and the Board determined in accordance with the Company's Bylaws that at the end of his current term the number of directors would be reduced from nine to eight directors. Therefore, shareholders are being asked to vote upon the election of eight directors to serve on the Board of Directors. Upon the recommendation of our Nominating and Corporate Governance Committee, the Board of Directors has nominated the eight other current directors to stand for election at the Annual Meeting to serve until the 2015 annual meeting of shareholders and until their respective successors are elected and qualified. Each nominee has consented to being named in this Proxy Statement as a nominee for election as director and has agreed to serve as a director if elected. If any one or more of such nominees should for any reason become unavailable for election, the persons named in the accompanying form of proxy may vote for the election of such substitute nominees as the Board of Directors may propose. The accompanying form of proxy contains a discretionary grant of authority with respect to this matter. There is no family relationship between any director, executive officer, or person nominated or chosen by the Company to become a director or executive officer.

The nominees for election as directors at the Annual Meeting are set forth below:

<b>Name</b>	<b>Positions with the Company</b>	<b>Director Since</b>
Oliver G. (Chip) Brewer III	President and Chief Executive Officer	2012
Ronald S. Beard	Chairman of the Board	2001
Samuel H. Armacost	Director	2003
John C. Cushman, III	Director	2003
John F. Lundgren	Director	2009
Adebayo O. Ogunlesi	Director	2010
Richard L. Rosenfield	Director	1994
Anthony S. Thornley	Director	2004

*Biographical Information of Nominees and Directors.* Set forth below is certain biographical information about each of the nominees and directors as well as information concerning the skills and qualifications that led the Board to conclude that the nominees should serve as directors:

*Oliver G. (Chip) Brewer III.* Mr. Brewer, 50, has served as a Director and President and Chief Executive Officer of the Company since March 2012. Since 2012 Mr. Brewer has served as a Director of TopGolf International, Inc. in which Callaway Golf Company has a minority ownership interest. Additionally, Mr. Brewer currently serves on the board of the National Golf Foundation. Until February 2012, Mr. Brewer served as the President and Chief Executive Officer of Adams Golf, Inc. beginning January 2002. He was President and Chief Operating Officer of Adams Golf from August 2000 to January 2002 and Senior Vice President of Sales and Marketing of Adams Golf from September 1998 to August 2000. Mr. Brewer also served on the board of directors of Adams Golf since 2000 until his resignation effective as of February 29, 2012. Mr. Brewer is a graduate of William and Mary College and received his MBA from Harvard Business School in 1991. Mr. Brewer is highly qualified, and was renominated, to serve on the Board of Callaway Golf Company, among other reasons, because the Board of Directors believes it is important to have the Chief Executive Officer serve on the Board of Directors as he is the one closest to the day-to-day operations of the Company. In addition, Mr. Brewer has extensive experience in the golf industry, public golf company board and

executive officer experience, and has functional expertise in finance, human resources, manufacturing, international business, research and development, strategic planning, consumer sales and marketing, selling to retailers, and mergers and acquisitions.

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*Ronald S. Beard.* Mr. Beard, 75, has served as a Director of the Company since June 2001 and Chairman since 2005 and held the position of Lead Independent Director from August 2002 until that position was merged into his position as Chairman. Mr. Beard is currently a partner in the Zeughauser Group, consultants to the legal industry. Mr. Beard is a retired former Partner of the law firm of Gibson, Dunn & Crutcher LLP. He joined the firm in 1964, served as Chairman of the firm from April 1991 until December 2001, and was also its Managing Partner from April 1991 until mid-1997. Mr. Beard served as the Company's general outside counsel from 1998 until he joined the Board of Directors. Mr. Beard served as a Director of Javo Beverage Company from January 2004 until May 2011. Mr. Beard served as a Board member of Document Sciences Corporation from December 2004 until March 2008 when it was sold. He received his law degree in 1964 from Yale Law School. Mr. Beard is highly qualified, and was renominated, to serve on the Board of Callaway Golf Company, among other reasons, due to his extensive experience with the Company as a Board member and previously as its primary outside legal advisor. Mr. Beard, among other things, has other public company board experience, and experience with corporate governance, executive compensation, as well as executive officer experience as Chairman of a leading global law firm. Mr. Beard also has functional expertise in finance, accounting, legal matters, international business, strategic planning, and mergers and acquisitions.

*Samuel H. Armacost.* Mr. Armacost, 75, has served as a Director of the Company since April 2003 and is the Chair and designated Financial Expert of the Audit Committee. From 1981-2010, he served as a Director of SRI International (formerly Stanford Research Institute), an independent nonprofit research institute, and was Chairman from 1998 to March 2010. In April 2010, Mr. Armacost was appointed as Chairman Emeritus. Mr. Armacost continues as a member of the SRI International Board of Directors. He was Managing Director of Weiss, Peck & Greer LLC (an investment management and venture capital firm) from 1990 to 1998. He was Managing Director of Merrill Lynch Capital Markets from 1987 to 1990. Prior to that time he was President and Chief Executive Officer of BankAmerica Corporation from 1981 to 1986. He also served as Chief Financial Officer of BankAmerica Corporation from 1979 to 1981. Currently, Mr. Armacost serves as a member of the Board of Directors of Exponent, Inc. and Franklin Resources, Inc. and previously served on the Boards of Chevron Corporation and Del Monte Foods Company. Mr. Armacost is a graduate of Denison University and received his MBA from Stanford University in 1964. Mr. Armacost is highly qualified, and was renominated, to serve on the Board of Callaway Golf Company, among other reasons, due to his extensive experience with the Company as a Board member as well as his prior Chief Executive Officer experience of a public company, his other public company board experience, and his experience with corporate governance and executive compensation. He also has functional expertise in finance, accounting, investment banking, human resources/compensation, technology, international business, research and development, strategic planning, and mergers and acquisitions.

*John C. Cushman, III.* Mr. Cushman, 73, has served as a Director of the Company since April 2003. He has served as Chairman or Co-Chairman of Cushman & Wakefield, Inc. since it merged with Cushman Realty Corporation in 2001. Mr. Cushman co-founded Cushman Realty Corporation in 1978 and also served as its Chief Executive Officer. Mr. Cushman also serves as Director and Chief Executive Officer of Cushman Winery Corporation, which is the owner of Zaca Mesa Winery, and which he co-founded in 1972. Mr. Cushman is a 1963 graduate of Colgate University where he also earned an Honorary Doctorate in Humane Letters in 2008, and he completed the Advanced Management Program at Harvard University in 1977. Mr. Cushman is highly qualified, and was renominated, to serve on the Board of Callaway Golf Company, among other reasons, due to his extensive experience with the Company as a Board member as well as his current executive position with Cushman & Wakefield, his prior Chief Executive Officer experience, his other public company Board experience, and his experience with corporate governance and executive compensation. Mr. Cushman also has functional expertise in finance, human resources/compensation, international business, strategic planning, the retail industry, and mergers and acquisitions.

*John F. Lundgren.* Mr. Lundgren, 62, has served as a Director of the Company since March 2009. He is Chairman and Chief Executive Officer of Stanley Black & Decker, Inc., the successor entity following the merger of The Stanley

Works and Black and Decker which was completed in March 2010. Prior to the merger,

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Mr. Lundgren served as Chairman and Chief Executive Officer of The Stanley Works, a worldwide supplier of consumer products, industrial tools and security solutions for professional, industrial and consumer use. Prior to joining The Stanley Works in 2004, Mr. Lundgren served as President European Consumer Products, of Georgia Pacific Corporation and also held various positions in finance, manufacturing, corporate development and strategic planning with Georgia Pacific and its predecessor companies, namely James River Corporation from 1995-1997 and Fort James Corporation from 1997-2000. Mr. Lundgren began his business career in brand management at the Gillette Corporation. Mr. Lundgren has been a director of The Stanley Works since 2004 and is a member of the Board of Directors of the National Association of Manufacturers. Mr. Lundgren is a graduate of Dartmouth College and received his MBA from Stanford University. Mr. Lundgren is highly qualified, and was renominated, to serve on the Board of Callaway Golf Company, among other reasons, due to his prior experience with the Company as a Board member as well as his current position of Chief Executive Officer of a public company, his prior operating experience, and his experience with corporate governance and executive compensation matters. Mr. Lundgren also has functional expertise in finance, human resources/compensation, manufacturing, international business, strategic planning, consumer sales and marketing, retail sell-through, and mergers and acquisitions.

*Adebayo O. Ogunlesi.* Mr. Ogunlesi, 60, has served as a Director of the Company since January 2010. He is Chairman and Managing Partner of Global Infrastructure Management, LLC, which is a private equity firm with over \$15 billion in assets under management and which invests worldwide in infrastructure assets in the energy, transport, and water and waste industry sectors. Prior to founding Global Infrastructure Management, Mr. Ogunlesi spent 23 years at Credit Suisse where he held senior positions, including Executive Vice Chairman and Chief Client Officer and prior to that Global Head of Investment Banking. Mr. Ogunlesi also serves on the boards of Goldman Sachs, Kosmos Energy Holdings and African Finance Corporation. Mr. Ogunlesi holds a B.A. (First Class Honours) in Politics, Philosophy and Economics from Oxford University, a J.D. (magna cum laude) from Harvard Law School and an M.B.A. from Harvard Business School. Prior to joining Credit Suisse, he was an attorney with the New York law firm of Cravath, Swaine & Moore. From 1980 to 1981, he served as a Law Clerk to the Honorable Thurgood Marshall, Associate Justice of the United States Supreme Court. Mr. Ogunlesi is highly qualified, and was renominated, to serve on the Board of Callaway Golf Company, among other reasons, due to prior service on the Company's Board of Directors, his current executive officer position, and his experience with investment banking, legal matters, corporate governance and executive compensation. Mr. Ogunlesi also has functional expertise in finance, international business, strategic planning, and mergers and acquisitions.

*Richard L. Rosenfield.* Mr. Rosenfield, 68, has served as a Director of the Company since April 1994. In 2012, Mr. Rosenfield co-founded Flax and Rosenfield Capital Partners, a firm intended to develop restaurant concepts and restaurant-related real estate. From 1985 until July 2011, Mr. Rosenfield served as co-founder and co-Chairman of California Pizza Kitchen, Inc., a casual dining full-service pizza restaurant chain. From 1985 until 1996 and then from 2003 until July 2011, he also served as co-President and co-Chief Executive Officer of California Pizza Kitchen, Inc. From 1973 to 1985, Mr. Rosenfield was a principal and partner of the law firm of Flax & Rosenfield, a private law firm in Beverly Hills, California. From 1969 to 1973, Mr. Rosenfield served as an attorney in the U.S. Department of Justice. He is a 1969 graduate of DePaul University College of Law. Mr. Rosenfield is highly qualified, and was renominated, to serve on the Board of Callaway Golf Company, among other reasons, due to his extensive experience with the Company as a Board member as well as his prior Chief Executive Officer experience, his other public company board experience, and his experience with corporate governance and executive compensation. Mr. Rosenfield also has functional expertise in legal matters, international business, strategic planning, consumer sales and marketing, the retail industry, and mergers and acquisitions.

*Anthony S. Thornley.* Mr. Thornley, 67, served as interim President and Chief Executive Officer of the Company from June 2011 to March 2012. He has served as a Director of the Company since April 2004 and was the Chair and designated Financial Expert of the Audit Committee until his appointment as interim President and Chief Executive



Officer. From February 2002 to July 2005, he served as President and Chief Operating

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Officer of QUALCOMM Incorporated, the San Diego-based company that pioneered and developed technologies used in wireless networks throughout much of the world. He previously served as QUALCOMM's Chief Financial Officer beginning in 1994, while also holding titles of Vice President, Senior Vice President and Executive Vice President. Prior to joining QUALCOMM, Mr. Thornley worked for Nortel Networks for 16 years, serving in various financial and information systems management positions including Vice President of Public Networks, Vice President of Finance NT World Trade, and Corporate Controller Northern Telecom Limited. Before Nortel, Mr. Thornley worked for Coopers & Lybrand. Mr. Thornley is a director of Cavium Inc. (a semiconductor company) and Peregrine Semiconductor Inc. He previously served on the board of Transdel Pharmaceuticals, Inc. from 2007 to 2011. Mr. Thornley received his degree in chemistry from Manchester University, England, and qualified as a chartered accountant. Mr. Thornley is highly qualified, and was renominated, to serve on the Board of Callaway Golf Company, among other reasons, due to his prior service as interim President and Chief Executive Officer, extensive experience with the Company as a Board member as well as his prior executive and operational experience, his other public company board experience, and his experience with corporate governance and executive compensation matters. He also has functional expertise in finance, accounting, human resources/compensation, technology, manufacturing, international business matters, research and development, strategic planning, consumer sales and marketing, and mergers and acquisitions.

## **Vote Required**

Assuming a quorum is present, the eight nominees receiving the highest number of votes at the Annual Meeting will be elected as directors. You may vote for or withhold with respect to the election of any or all of the nominees. Your cumulative voting rights entitle you to cast as many votes as are equal to the number of directors to be elected (eight) multiplied by the number of shares you own, which votes may be cast for one candidate or distributed among two or more candidates.

**YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR EACH OF THE NOMINEES LISTED ABOVE.**

## **Communications with the Board**

Shareholders and other interested parties may contact the Company's Chairman of the Board or the non-management directors as a group by e-mail at: *Non-managementdirectors@callawaygolf.com*, or by mail to: Board of Directors, Callaway Golf Company, 2180 Rutherford Road, Carlsbad, California 92008. The Corporate Secretary's office reviews all incoming communications and filters out solicitations and junk mail. All legitimate non-solicitation and non-junk mail communications are distributed to the non-management directors or handled as appropriate as directed by the Chairman of the Board.

## **Corporate Governance Guidelines and Code of Conduct**

The Board of Directors has adopted and published on the Company's website its Corporate Governance Guidelines to provide the Company's shareholders and other interested parties with insight into the Company's corporate governance practices. The Nominating and Corporate Governance Committee is responsible for overseeing these guidelines and for reporting and making recommendations to the Board concerning these guidelines. The Corporate Governance Guidelines cover, among other things, board composition and director qualification standards, responsibilities of the Board of Directors, Board compensation, committees of the Board of Directors and other corporate governance matters.

The Board of Directors has also adopted a Code of Conduct that applies to all of the Company's employees, including its senior financial and executive officers, as well as the Company's directors. The Company's Code of Conduct covers the basic standards of conduct applicable to all directors, officers and employees of the Company, as well as the Company's Conflicts of Interest and Ethics Policy and other specific compliance standards and related matters. The Company will promptly 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 financial and executive officers on its website at [www.callawaygolf.com](http://www.callawaygolf.com).

The Corporate Governance Guidelines and Code of Conduct are available on the Company's website at [www.callawaygolf.com](http://www.callawaygolf.com) under Investor Relations - Corporate Governance and Investor Relations - Corporate Overview, respectively. Upon request, the Company will provide to any person without charge a copy of the Company's Corporate Governance Guidelines or Code of Conduct. Any such requests may be made by contacting the Company's Investor Relations department at the Company's principal executive offices by telephone at (760) 931-1771 or by mail at 2180 Rutherford Road, Carlsbad, California 92008.

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**REPORT OF THE AUDIT COMMITTEE**

The duties and responsibilities of the Audit Committee are set forth in its written charter, a copy of which is available on the Company's website. In general, the Audit Committee represents the Board of Directors in discharging its general oversight responsibilities for the Company and its subsidiaries in the areas of accounting, auditing, financial reporting, risk assessment and management, and internal controls. Management has the responsibility for the preparation, presentation and integrity of the Company's financial statements and for its financial reporting process, and the Company's independent registered public accounting firm is responsible for expressing an opinion on the conformance of the Company's financial statements to accounting principles generally accepted in the United States. The Audit Committee is responsible for reviewing and discussing with management and the Company's independent registered public accounting firm the Company's annual and quarterly financial statements and financial reporting process and for providing advice, counsel and direction on such matters based upon the information it receives, its discussions with management and the independent registered public accounting firm and the experience of the Audit Committee members in business, financial and accounting matters.

Consistent with and in furtherance of its chartered duties, the Audit Committee has adopted (i) a written policy restricting the hiring of candidates for accounting or financial reporting positions if such candidates have certain current or former relationships with the Company's independent registered public accounting firm; (ii) procedures for the receipt, retention and treatment of complaints regarding accounting or auditing matters and the confidential submission by employees of any concerns regarding such accounting or auditing matters; and (iii) a written policy governing the preapproval of audit and non-audit fees and services to be performed 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 objectively reviewing and evaluating the adequacy and effectiveness of the Company's system of internal controls, including controls relating to the reliability of the Company's financial reporting. The internal audit department reports directly 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 Company's independent registered public accounting firm for 2013. The Audit Committee reviewed and discussed with management and Deloitte the Company's quarterly and audited annual financial statements for the year ended December 31, 2013. The Audit Committee also reviewed the report of management contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013, as well as Deloitte's Report of Independent Registered Public Accounting Firm included in the Company's Annual Report on Form 10-K related to its audit of the consolidated financial statements. The Audit Committee met privately with Deloitte and discussed issues deemed significant by the accounting firm, and the Audit Committee also discussed with Deloitte the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU section 380), as adopted by the Public Company Accounting Oversight Board ( PCAOB ) in Rule 3200T.

During the course of 2013, the Audit Committee also oversaw management's evaluation of the Company's internal control over financial reporting. The principal internal auditor and management documented, tested and evaluated the Company's system of internal control over financial reporting in accordance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and related regulations. The Audit Committee was kept apprised of the progress of the evaluation and provided oversight and advice during the process. In connection with this oversight, the Audit

Committee received periodic updates provided by the principal internal auditor, management and Deloitte at least quarterly at an Audit Committee meeting. Upon completion of the evaluation,

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the principal internal auditor and management reported to the Audit Committee regarding the effectiveness of the Company's internal control over financial reporting and the Audit Committee reviewed and discussed with Deloitte its Report of Independent Registered Public Accounting Firm included in the Company's Annual Report on Form 10-K related to its audit of the effectiveness of internal control over financial reporting. The Audit Committee continues to oversee the Company's efforts related to its internal control over financial reporting.

In addition, the Audit Committee has received from Deloitte the written disclosures and the letter required by PCAOB Rule 3526 (Communications with Audit Committees Concerning Independence) and has discussed with Deloitte its independence. Although such letter is only required annually, as a matter of procedure the Audit Committee requests that Deloitte provide such letter at least quarterly and such letter was provided at least quarterly during 2013. The Audit Committee actively engaged in a dialogue with Deloitte with respect to any disclosed relationships or services that might impact Deloitte's objectivity and independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013, for filing with the SEC.

### 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 statements, (ii) the review of the Company's interim financial statements, (iii) the audit of the Company's internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002, and (iv) statutory audits and related services for the Company's international subsidiaries. Audit fees also include other services that generally only the independent auditor can reasonably provide, including comfort letters, statutory audits, attest services, and consents and assistance with and review of documents filed with the SEC. The aggregate fees for audit services performed by Deloitte in 2013 and 2012 were \$1,361,600 and \$1,521,969, respectively. In addition, the Company reimburses Deloitte for expenses incurred in connection with 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 are reasonably related to the performance of the audit or review of the Company's financial statements. The aggregate fees for audit-related services performed by Deloitte in both 2013 and 2012 were \$35,000. In addition, the Company reimburses Deloitte for expenses incurred in connection with audit-related services in an amount not to exceed 6% of the audit-related fees. The fees for both 2013 and 2012 were incurred in connection with the audit of the financial statements for the Company's 401(k) Retirement Investment Plan.

*Tax Fees.* Tax fees include fees for services performed by the professional staff in the tax department of the independent registered public accounting firm except for those tax services that could be classified as audit or audit-related services. For 2013 and 2012, the tax fees paid to Deloitte totaled \$83,145 and \$23,377, respectively, 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. There were no such other non-audit fees in 2013 and 2012.



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None of the fees listed above were approved by the Audit Committee in reliance on a waiver from pre-approval under Rule 2-01(c)(7)(i)(C) of Regulation S-X.

**Policy for Preapproval of Auditor Fees and Services**

The Audit Committee has adopted a policy that all audit, audit-related, tax and any other non-audit services to be performed by the Company's independent registered public accounting firm must be preapproved by the Audit Committee. It is the Company's policy that all such services be preapproved prior to the commencement of the engagement. The Audit Committee is also required to preapprove the estimated fees for such services, as well as any subsequent changes to the terms of the engagement. The Audit Committee has also delegated the authority (within specified limits) to the Chair of the Audit Committee to preapprove such services if it is not practical to wait until the next Audit Committee meeting to seek such approval. The Audit Committee Chair is required to report to the Audit Committee at the following Audit Committee meeting any such services approved by the Chair under such delegation.

The Audit Committee will only approve those services that would not impair the independence of the independent registered public accounting firm and which are consistent with the rules of the SEC and PCAOB. The Audit Committee policy specifically provides that the following non-audit services will not be preapproved: (i) bookkeeping or other services related to the Company's accounting records or financial statements, (ii) financial information systems design and implementation services, (iii) appraisal or valuation services, fairness opinions or contribution-in-kind reports, (iv) actuarial services, (v) internal audit outsourcing services, (vi) management functions, (vii) human resources, (viii) broker-dealer, investment adviser or investment banking services, (ix) legal services and (x) expert services unrelated to an audit for the purpose of advocating the Company's interests in litigation or in a regulatory or administrative proceeding or investigation.

Under this policy, the Audit Committee meets at least annually to review and where appropriate approve the audit and non-audit services to be performed by the Company's independent registered public accounting firm. Any subsequent requests to have the independent registered public accounting firm perform any additional services must be submitted to the Audit Committee by the Chief Financial Officer, together with the independent registered public accounting firm, which request must include an affirmation from each that the requested services are consistent with the SEC's and PCAOB's rules on auditor independence.

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**PROPOSAL NO. 2**

**RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee, which is comprised entirely of independent directors, has appointed Deloitte & Touche LLP to serve as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2014. This appointment was made following the Audit Committee's formal evaluation of Deloitte of its performance in 2013 (for details concerning this evaluation process, see above, "Committees of the Board of Directors - Audit Committee"). Deloitte has served as the Company's independent registered public accounting firm since December 2002. Information concerning the services performed by Deloitte and the fees for such services for 2013 and 2012 are set forth above under "Fees of Independent Registered Public Accounting Firm." Representatives of Deloitte are expected to attend the Annual Meeting, where they are expected to be available to respond to questions, and if they desire, to make a statement.

Our Audit Committee and Board of Directors seek shareholder ratification of the Audit Committee's appointment of Deloitte as the Company's independent registered public accounting firm to audit our and our subsidiaries' financial statements for the fiscal year ending December 31, 2014. Ratification of this appointment is not required to be submitted to shareholders. However, as a matter of good corporate governance, the Company is seeking ratification of the appointment of Deloitte. If the shareholders do not ratify the appointment of Deloitte as the Company's independent registered public accounting firm, the Audit Committee will reconsider its appointment of Deloitte. Because the Audit Committee is directly responsible for appointing the Company's independent registered public accounting firm, however, the ultimate decision to retain or appoint Deloitte in the future as the Company's independent registered public accounting firm will be made by the Audit Committee 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 on the matter and present in person or represented by proxy at the Annual Meeting is required to ratify the appointment of Deloitte as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2014. Abstentions will be treated as being present and entitled to vote on the matter and, therefore, will have the effect of votes against the proposal. This proposal is considered a routine matter and your broker has discretion to vote your shares even if you do not provide voting instructions to your broker.

**YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR RATIFICATION OF THE APPOINTMENT OF DELOITTE AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2014.**

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**COMPENSATION OF EXECUTIVE OFFICERS**

**Compensation Discussion and Analysis**

*Non-GAAP Information. In order to assist interested parties with period-over-period comparisons on a consistent and comparable basis, the discussion set forth below provides certain non-GAAP information. This information, as applicable, excludes (i) the gain on the sale of the Top-Flite and Ben Hogan brands, (ii) charges related to the Company's 2012 cost-reduction initiatives, and (iii) the impact of the businesses that in 2012 were sold or transitioned to a third party model. Also set forth below is certain of the Company's results on a constant currency basis, which essentially applies the prior period exchange rates to the current period results. For comparative purposes, the non-GAAP income and earnings information assumes a 38.5% tax rate. In addition, set forth below is information on the Company's earnings excluding interest, taxes, and depreciation and amortization expenses. This non-GAAP information may include non-GAAP financial measures within the meaning of Regulation G. Appendix A to this Proxy Statement includes a reconciliation of such non-GAAP financial measures to the most directly comparable financial measures prepared in accordance with GAAP.*

**Introduction**

This Compensation Discussion and Analysis is designed to provide shareholders with an understanding of our compensation philosophy and objectives as well as the analysis that we performed in setting executive compensation. It discusses the determination of the Compensation and Management Succession Committee (the Compensation Committee) of how and why, in addition to what, compensation actions were taken during the last fiscal year for our chief executive officer, our chief financial officer, and the three other most highly compensated executive officers who were serving as such at the end of 2013:

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 and related notes, which include more detailed information about the compensation of the named executive officers for 2013. The amounts reported for Messrs. Boezeman and Howie in this Compensation Discussion and Analysis and the compensation tables and related notes reflect the translation of those amounts into U.S. dollars based upon applicable exchange rates.

**Overview**

In 2013, the Company continued with the turnaround strategy it implemented in 2012. This strategy, which was designed to return the Company to profitability, included significant cost reductions and stringent cost management as well as a renewed focus on core golf equipment and the creation of more performance-oriented products. In furtherance of this strategy, during 2012 and 2013, the Company sold its Top-Flite and Ben Hogan brands, licensed its apparel and footwear business in most regions of the world, discontinued direct operations in the GPS/electronics

category, implemented major cost reductions (including significant reductions in force across all levels of the organization), hired a new Chief Executive Officer (Chip Brewer) in March 2012, appointed new leaders of the marketing, operations, and North American sales functions, changed the Company's approach to sales and marketing, leveraged the strengths of the research and development group, transformed the golf club and golf ball manufacturing platforms, increased presence on the professional golf tours, and exchanged or redeemed all of the Company's outstanding preferred stock. During 2013, the Company began to see the benefits of these actions. Set forth below are a few of the highlights:

2013 full year net sales of the Company's current business, on a constant currency basis, increased 14%. On a GAAP basis, net sales increased 1% for the full year.

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2013 non-GAAP operating income/loss improved by \$74 million to \$5 million of income in 2013, compared to a non-GAAP operating loss of \$69 million in 2012. On a GAAP basis, 2013 operating loss improved by \$105 million to a loss of \$11 million compared to a loss of \$116 million in 2012.

2013 full year non-GAAP loss per share improved by \$0.75 to a loss of \$0.02 per share compared to a non-GAAP loss per share of \$0.77 in 2012. On a GAAP basis, 2013 full year loss per share improved by \$1.65 to a loss of \$0.31 per share, compared to a loss per share of \$1.96 in 2012.

2013 non-GAAP EBITDA improved by \$68.3 million to \$37.1 million compared to a negative EBITDA of \$31.2 million in 2012. On a GAAP basis, EBITDA improved by \$99.5 million to \$20.8 million compared to a negative EBITDA of \$78.7 million in 2012.

2013 total shareholder return was 30%.

The compensation paid to the named executive officers for 2013 reflects both the stage of the Company's turnaround efforts as well as these significantly improved financial results. For example, as discussed below, no base salary increases were paid to the named executive officers in 2013, consistent with the Company's stringent cost management objectives. On the other hand, a bonus was paid to the executive officers for 2013 commensurate with the significant improvement in financial results. Set forth below is a summary of certain compensation-related actions the Company made during 2013 and early 2014 and the status of certain compensation practices:

Consistent with the Company's pay for performance philosophy, in January 2013, the Compensation and Management Succession Committee determined that no bonus was to be paid under the 2012 bonus plan as the Company had not achieved the requisite performance under that plan.

Consistent with the Company's pay for performance philosophy, in January 2013, the Compensation and Management Succession Committee determined that there would be no payout under the performance cash units with respect to the 2010-2012 performance period.

The total compensation of the Chief Executive Officer as reported in the summary compensation table for 2013 declined by 24% compared to 2012, while at the same time total shareholder return was 30% for 2013, resulting in improved alignment of compensation and Company performance.

No base salary increases were given to the named executive officers for 2013, consistent with the cost management objectives of the Company's turnaround strategy.

A target bonus was paid to the named executive officers for 2013 under the Company's 2013 annual incentive plan as the targeted financial performance goals were achieved, reflecting the significant improvement in the Company's financial results compared to 2012.

The Company continued the reductions in Paid Time Off and 401(k) Retirement Plan matching contributions that were introduced in 2012.

The Company obtained shareholder approval of a new director long-term incentive compensation plan and additional shares for its management long-term incentive plan.

The Company successfully obtained shareholder approval of the compensation of the Company's named executive officers.

The Company adopted a new insider trading policy that specifically prohibits the hedging or pledging of Company stock, which includes stock obtained through equity award grants.

In 2014, the Company granted performance share units and service-based restricted stock units as the long-term incentive for executive officers (with the majority being performance share units) as compared to service-based stock options and service-based restricted stock units in 2013.

In addition, in 2013 and early 2014, the Company also continued the following compensation practices:

None of the Company's officer employment contracts provide for excise tax gross-up payments.

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The Company's officer employment contracts contain clawback provisions for intentional misconduct or gross negligence which results in an accounting restatement.

The Company does not reprice stock options or stock appreciation rights and its equity plans prohibit any such repricing.

The Company continued its stock ownership guidelines for members of the Board of Directors and Executive Officers. (See "Stock Ownership Guidelines" below.)

As discussed further below, the Compensation Committee believes that the primary objection of the minority of shareholders who voted against the Company's executive compensation programs in 2012 was a perceived disconnect between the compensation paid to the Company's named executive officers and the Company's performance. The Committee believes that it has made significant progress addressing these issues by holding base salaries flat, only paying bonuses and other incentive compensation if performance goals were achieved, and by improving the Company's performance, including a 30% return to shareholders in 2013. Going forward in 2014, under the supervision of the Chief Executive Officer, the Company will continue to take action to improve its financial performance and the Compensation Committee will further review its compensation practices and philosophy. The following is a more detailed description of the Company's compensation 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 clubs, golf balls, and other golf equipment, as well as the sale of other golf-related products, including golf bags, apparel, footwear, and accessories. The sale of golf products is a highly competitive business that is becoming more competitive each year. The Company has operations in the United States, the United Kingdom, Japan, Canada, Korea, Australia, China, Thailand, India and other regions, and directly, or indirectly through third party distributors, sells its products in over 100 countries worldwide. In 2013, the Company had net sales of approximately \$842.8 million. Given the complexity and size of the Company's business, the Board of Directors must recruit and appoint highly qualified individuals to serve as the Company's executive officers to oversee and manage the Company's operations. The purpose of the Company's executive compensation program is to attract, retain, motivate and appropriately reward these executive officers and to align the interests of the executive officers with those of the Company's shareholders by incentivizing the executive officers to operate the Company in a manner that creates shareholder value.

### **Role of the Compensation and Management Succession Committee**

The Company's Board of Directors has delegated to the Compensation Committee the general responsibility for oversight of the Company's compensation philosophy, policies and programs, including those applicable to the Company's named executive officers. The Compensation Committee, in consultation with the other independent directors, sets the compensation of the Chief Executive Officer, and the Compensation Committee, in consultation with the Chief Executive Officer, sets the compensation of the other executive officers. The Compensation Committee consults with outside compensation advisors and legal counsel as it deems appropriate.

The Compensation Committee has the responsibility for, among other things, approving and overseeing the Company's executive compensation programs, including the design and implementation of those programs to ensure that the programs are reasonable and not excessive, that they reward corporate and individual performance, and that they provide appropriate incentives for the executive officers and do not encourage excessive risk taking. This responsibility includes setting base salaries, developing appropriate short-term and long-term incentives, approving

stock-based award plans and grants, approving employment agreements (including severance and change-in-control provisions), and approving other compensation or benefit plans, arrangements and agreements applicable to executive officers.

In addition, the Compensation Committee reviews the performance of the executive officers. The review includes a detailed comparison of the Company's financial performance in absolute terms and against its annual



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operating plan, a review of performance against stipulated metrics and performance criteria in various compensation plans, a review of the respective executive's accomplishments including performance against any agreed-upon objectives, and any other relevant factors pertinent to that year's results as discussed below. In the case of the Chief Executive Officer, the review also includes a written evaluation of his performance by the independent directors based upon a review of the Chief Executive Officer's agreed-upon annual objectives and accomplishments as well as his self-appraisal of his performance. The Compensation Committee also seeks input from the Chief Executive Officer's direct reports as appropriate. Following this detailed review, all of the independent directors participate in executive session to review this information and act on the Compensation Committee's recommendation for any changes in compensation for the Chief Executive Officer that may result from such review and appraisal.

The Compensation Committee routinely reviews the Company's executive compensation programs and makes modifications as appropriate in light of current trends and best practices. The amounts paid to an individual executive in any given year reflect the Company's current compensation programs, continuing prior commitments under previous programs or contracts, and the current performance of that executive. As a result, in any given year there may be circumstances that result in an executive's compensation being different from the Company's current programs and practices but over time compensation should in the aggregate be consistent with the Company's compensation programs as they evolve in light of current trends and best practices.

Additional information concerning the responsibilities of the Compensation Committee is set forth in its charter which is available on the Company's website at [www.callawaygolf.com](http://www.callawaygolf.com) under Investor Relations - Corporate Governance Board Committees.

**Guiding Principles for Executive Compensation**

In developing appropriate executive compensation programs, the Compensation Committee is generally guided by the following principles:

***Compensation levels should be sufficiently competitive to attract and retain the executive talent needed.***

The Company's overall compensation levels are targeted to attract the management talent needed to achieve and maintain a leadership position in the businesses where the Company chooses to compete. In general, given the complexity and competitiveness of the Company's business, the Committee believes it is often necessary to pay above median compensation to attract the high quality management talent needed to run the Company's business. In setting executive compensation, the Compensation Committee compares the total direct compensation (comprised of base salary, annual incentives, and long-term incentives) for the Company's named executive officers to the 50<sup>th</sup> - 75<sup>th</sup> percentile based upon appropriate market reference information, including when appropriate, broad industry survey data and the Company's Compensation Comparison Group (described below). The Company does not target or position compensation at a specific percentile relative to the market data, but rather uses this information as a general guide in setting or assessing executive compensation.

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

Executive compensation should be linked to Company and individual performance. The annual incentive compensation element is tied directly to short-term corporate performance but the final payout may be affected by individual performance, and the long-term incentive compensation element is generally tied to long-term corporate performance or stock appreciation. There is a strong correlation between the Company's long-term performance and the Company's stock price. Under the Company's plans, performance above targeted goals generally results in compensation above targeted levels, and performance below targeted goals generally results in compensation below

targeted levels.

***Compensation should reflect position and responsibility, and incentive compensation should be a greater part of total compensation for more senior positions.***

Total compensation should generally increase with position and responsibility. At the same time, a greater percentage of total compensation should be tied to corporate and individual performance, and therefore at risk, as

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position and responsibility increases. Accordingly, individuals with greater roles and responsibility for achieving the Company's performance targets should bear a greater proportion of the risk that those goals are not achieved and should receive a greater proportion of the reward if goals are met or surpassed.

***Incentive compensation should strike a balance between short-term and long-term performance.***

The Company's compensation plans focus management on achieving strong annual performance in a manner that supports the Company's long-term success and profitability. Accordingly, the Company uses both annual incentives and long-term incentives, with the proportion of long-term incentives increasing at higher levels of responsibility where individuals have the greatest influence over the Company's strategic direction and results over time.

***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 Company's shareholders, the Compensation Committee believes that a significant portion of executive compensation should be stock-based compensation. As a result, in any given year, all or a majority of the Company's long-term incentives for executive officers is stock-based in the form of stock options, stock appreciation rights, restricted stock units, phantom stock units, and performance units settled in cash or stock. The executive officers are also subject to stock ownership guidelines (discussed in more detail below) which require the executive officers to hold a minimum amount of Company stock and hold a portion of the shares received from the long-term incentive awards if not in compliance with the 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 maximize the deductibility for tax purposes of all elements of compensation. In designing and approving the Company's executive compensation plans, the Compensation Committee considers the effect of all applicable tax regulations, including Section 162(m) of the Internal Revenue Code, which generally disallows a tax deduction to public corporations for non-qualifying compensation in excess of \$1.0 million paid to the chief executive officer or certain of the Company's other executive officers. Although maximizing the tax deductibility of compensation is an important consideration, the Compensation Committee may from time to time approve compensation that does not qualify for deductibility where it is appropriate to do so in light of other compelling interests or objectives. In addition, because of ambiguities and uncertainties as to the application and interpretation of Section 162(m) and related regulations, and the fact that such regulations and interpretations may change from time to time (with potentially retroactive effect), no assurance can be given that compensation intended to satisfy the requirements for deductibility under Section 162(m) will in fact do so.

**The Compensation Committee Uses Various Resources to Guide Its Compensation Decisions**

In setting compensation, the Compensation Committee works with the Company's Chief Executive Officer and Senior Vice President of Global Human Resources. In addition, the Compensation Committee has engaged Mercer as its outside compensation consultant to provide independent advice and information on executive compensation matters. Mercer representatives report directly to the Compensation Committee (through the Chair of the Compensation Committee) and provide comparative market data, information on compensation trends, and an objective view of compensation matters. The Company does not use Mercer for any other purposes, except that the Company occasionally purchases from Mercer broad industry compensation survey data that Mercer makes available for third parties to purchase. The Compensation Committee requires that the Company obtain the committee's approval prior to engaging Mercer for any other purpose. Representatives from Mercer generally interact with the Chair of the Compensation Committee and with senior management at the direction of the Compensation Committee, attend the

meetings of the Compensation Committee, and meet in executive session with the members of the Compensation Committee and, for matters relating to the compensation of the Chief

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Executive Officer, with the other independent directors as well. The Compensation Committee has reviewed an assessment of any potential conflicts of interest raised by Mercer's work for the Compensation Committee, which assessment considered the following six factors: (i) the provision of other services to the Company by Mercer and its affiliates; (ii) the amount of fees received from the Company by Mercer and its affiliates, as a percentage of Mercer and its affiliates' total revenue; (iii) the policies and procedures of Mercer that are designed to prevent conflicts of interest; (iv) any business or personal relationship of the Mercer consultant with a member of the Compensation Committee; (v) any Company stock owned by the Mercer consultants; and (vi) any business or personal relationship of the Mercer consultant or Mercer and its affiliates with any of the Company's executive officers, and concluded that there are no such conflicts of interest. Using the same six factors, the Compensation Committee has concluded that Mercer has no conflict that would affect its ability to continue to provide objective advice to the Committee. The Compensation Committee also consults with legal counsel as appropriate and conducts a review of the same six factors with regard to the outside legal counsel providing advice to the Committee.

In determining the reasonableness and competitiveness of the Company's executive officer compensation, the Compensation Committee periodically reviews market data for comparisons to the Company's programs. These comparisons are used as reference guides to aid the Compensation Committee in assessing the reasonableness of the Company's proposed compensation levels and targets in any given year. None of the Company's major competitors are stand-alone public golf corporations; rather, they are part of larger corporate conglomerates or are privately owned. Thus, it is difficult to obtain meaningful specific comparative data on their golf businesses. The Compensation Committee therefore compares executive compensation levels with other corporations. Depending upon the particular issue or circumstance, the Compensation Committee will use (i) broad industry survey data for corporations of similar revenue size as the Company often competes for executive talent with corporations outside the golf industry and/or (ii) a small predetermined group of corporations in the textiles, apparel and luxury goods, and leisure equipment and products industries (the Compensation Comparison Group). The Compensation Comparison Group consists of corporations that are similar in revenue size and have similar business characteristics as the Company. The Compensation Comparison Group is reviewed periodically as warranted and revised as appropriate to ensure that the corporations in the group continue to be a reasonable comparison for compensation purposes.

The Compensation Comparison Group for 2013 (which remained unchanged from 2012) is comprised of 13 companies in the textiles, apparel and luxury goods, and leisure equipment and products industries. The Compensation Comparison Group was recommended by the Company's outside compensation consultant and is comprised of corporations that were approximately .50 – 2.0 times the Company's 2013 revenue (with two corporations being slightly over 2.0 times). The corporations that comprise the Compensation Comparison Group are as follows:

Arctic Cat Inc.	G-III Apparel Group	Oxford Industries	Skechers USA, Inc.
	Jakks Pacific, Inc.	Perry Ellis International, Inc.	
Crocs, Inc.	LeapFrog Enterprises, Inc.	Quiksilver, Inc.	
	Movado Group, Inc.		
Columbia Sportswear Company		Steven Madden, LTD	

Deckers Outdoor Corporation

**Components of the 2013 Executive Compensation Program**

The Compensation Committee developed a 2013 executive compensation program consisting of direct compensation as well as benefits and perquisites. The direct compensation is comprised of three elements: base salary, annual incentives and long-term incentives. Each element is intended to reward and motivate executives in different ways

consistent with the Company's overall guiding principles for compensation (as described above). The amount of total direct compensation intended to come from each element varies with position and level of responsibility, reflecting the principles that total compensation should increase with position and responsibility and that a greater percentage of an executive's compensation should be tied to corporate and individual performance, and therefore at risk, as position and responsibility increase.

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At the Company's 2013 annual meeting, shareholders expressed approval of the executive compensation program with over 76% of the shares cast being voted for approval of the executive compensation programs. As part of its proxy solicitation process for the 2013 annual meeting of shareholders, the Company, in conjunction with its proxy solicitor, reached out to the larger shareholders which it believed voted or intended to vote against the Company's executive compensation programs to discuss their concerns. The primary concern expressed by the contacted shareholders was a perceived disconnect between the Company's executive compensation programs and the Company's performance. Since the 2013 executive compensation program was set prior to the 2013 annual meeting of shareholders, the vote outcome did not affect the 2013 programs. However, the Company has considered and will continue to consider those concerns in setting its future executive compensation programs. In addition, the Company believes that the 24% decrease in the 2013 compensation of the Chief Executive Officer, together with the 30% total return to shareholders in 2013, will address many of these concerns.

Consistent with the Company's compensation philosophy, the 2013 executive compensation program incorporated a balance between guaranteed and at-risk compensation, a balance between cash and stock-based compensation, and a balance between short-term and long-term compensation. In 2013, approximately (i) 79% of the Chief Executive Officer's targeted total direct compensation, and approximately 54% to 62% of the targeted total direct compensation for each of the other named executive officers, was comprised of short-term and long-term incentives that were subject to corporate and individual performance and therefore at risk and (ii) 59% of the Chief Executive Officer's targeted total direct compensation, and approximately 29% to 41% of the targeted total direct compensation for the other named executive officers, was provided in the form of long-term, stock-based compensation. Mercer advised the Compensation Committee that the 2013 executive compensation program was generally consistent with the Compensation Committee's guiding principles and was reasonably based and not excessive under the circumstances. The Compensation Committee intends to continue working with Mercer to ensure the Company's compensation practices continue to be aligned with shareholder interests and with evolving best practices.

Set forth below is an analysis of each of the elements of the 2013 executive compensation program. More detailed information concerning the compensation paid to the named executive officers for 2013 is set forth in the compensation tables and related footnotes and narrative disclosure contained in other sections of this Proxy Statement.

***Analysis of Base Salary***

Base salaries serve as the guaranteed cash portion of executive compensation. Base salary is intended to compensate an executive for performing his or her job responsibilities on a day-to-day basis. An executive officer's base salary is initially established at the time the executive is first hired or is promoted to the executive officer level. The Compensation Committee sets the base salary at a level it believes is competitive based upon the executive officer's experience, position, and responsibility. In setting the base salary, the Compensation Committee reviews the complexity of the job requirements and performance expectations, the market data described above, including as appropriate information from the Compensation Comparison Group, and consults with its independent compensation consultant. The Compensation Committee also considers how the base salary compares to the base salaries of the other executive officers. The Compensation Committee reviews base salaries annually and adjustments may be made as appropriate based upon the executive officer's individual performance, expanded duties, changes in the competitive marketplace, and in limited circumstances for retention purposes.

The annualized base salary rate for each of the named executives during 2013 (consistent with the 2012 salary level) was as follows:

<b>Name</b>	<b>Base Salary</b>
Oliver G. (Chip) Brewer III	\$ 700,000
Bradley J. Holiday	\$ 542,000
Alex M. Boezeman*	\$ 379,304
Mark F. Leposky	\$ 375,000
Neil Howie*	\$ 331,365



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\* While the base salaries of Messrs. Boezeman and Howie did not change in 2013, the amounts reported above are lower than reported last year due to changes in applicable foreign currency conversion rates. Messrs. Boezeman and Howie are paid in their respective local currencies.

***Analysis of Annual Incentives***

In addition to a base salary, the Company's executive compensation program includes the opportunity to earn an annual cash bonus. The bonus serves as the short-term incentive compensation element of the executive compensation program. The bonus is at-risk, with payment based upon designated corporate goals and individual performance. The bonus is intended to provide an incentive for an executive to drive a high level of corporate and individual performance without excessive risk taking. The payout of annual bonuses to executive officers is subject to the approval of the Compensation Committee following its review of corporate and individual performance.

*Bonus Opportunity.* For 2013, the Compensation Committee implemented a bonus program that was designed to reward the executive officers for achieving certain corporate performance goals as well as strong individual performance. Under this program, the Compensation Committee set target bonuses for each of the named executive officers. The target bonus was set as a percentage of base salary and is the amount the executive officer could earn if the Company achieved its target corporate performance goals and the executive officer achieved his individual objectives. Bonus payouts for each executive can vary from 0 to 1.5 times the target percentage. Bonus targets for 2013 were as follows:

<b>Name</b>	<b>Target Bonus as a % of Base Salary</b>
Oliver G. (Chip) Brewer III	100%
Bradley J. Holiday	55%
Alex M. Boezeman	55%
Mark F. Leposky	55%
Neil Howie	55%

The target bonus percentages were based on each executive officer's position and were set to be generally consistent with the total direct compensation that was targeted for each officer. The target bonus percentage for each named executive officer for 2013 was unchanged from the 2012 target bonus percentage.

*Bonus Pool Funding.* In 2013, the Company accrued a pool of funds to be used for the bonus payouts to the executive officers. The amount of the bonus pool was determined based upon the Company's performance in 2013. The funding formula was the aggregate of the following for each of the executive officers:

$$(Base\ Salary) \times (Target\ Bonus\ \%) \times (EBITDA\ multiplier) = Bonus\ Pool$$

The EBITDA multiplier is based upon the Company's achievement of designated levels of non-GAAP earnings before interest, taxes, and depreciation and amortization expense ( Pro Forma EBITDA ). The non-GAAP earnings exclude charges related to the Company's cost reduction initiatives that were implemented as part of the Company's turnaround strategy.

*EBITDA Performance Goals.* The Compensation Committee approved the Pro Forma EBITDA goals in January, 2013. In setting these performance goals for 2013, the Compensation Committee considered the Company's performance in 2012, the Company's 2013 operational goals, and the budget for 2013. The Compensation Committee selected EBITDA as the performance metric because the emphasis for 2013 was on improving the operating earnings of the Company. Prior to approving the 2013 goals, the Compensation Committee discussed these goals with management and with the Company's outside compensation consultant.

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*Threshold Performance.* The Committee believed that the Company should earn a minimum of \$36.6 million of Pro Forma EBITDA prior to paying any bonus for 2013. That level of Pro Forma EBITDA would approximate break-even or a slight profit on a pro forma pre-tax basis and would represent a \$67.8 million improvement in Pro Forma EBITDA, a significant operational improvement over 2012. Because the Committee did not want to pay a bonus if the Company did not at least break even on a non-GAAP basis, Pro Forma EBITDA less than \$36.6 million would result in no bonus and the EBITDA modifier would be 0%.

*Target Performance.* Once the threshold of \$36.6 million of Pro Forma EBITDA was achieved, amounts earned above that threshold could be used for bonuses for all employees (including the named executive officers), provided such bonuses did not exceed the employees' aggregate target bonuses and provided that after paying such bonuses the Pro Forma EBITDA (after bonus) was at least \$36.6 million. For example, in order to accrue a bonus pool at 100% of the targeted bonus, the Company would need to achieve targeted performance ( Targeted Performance ) of Pro Forma EBITDA (before bonus) equal to \$36.6 million plus the amount of the aggregate target bonus for all employees (the Aggregate Target Bonus ). In order to accrue a bonus pool equal to 50% of the targeted bonus, the Company would need to achieve Pro Forma EBITDA (before bonus) equal to \$36.6 million plus (.50 × the Aggregate Target Bonus amount). As discussed below, performance above the targeted goal would not result in any additional bonus being accrued until a higher goal was achieved. At Target Performance, the EBITDA multiplier would be 100% 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 2013 if the Company achieved Target Performance, the Committee recognized that such performance on an absolute level was not yet satisfactory. Therefore, the Committee believed that bonuses above target should be paid only if the Company significantly exceeded Target Performance. As a result, until the Company achieved Pro Forma EBITDA (before bonus) in excess of \$48.5 million plus the amount of the Aggregate Target Bonus (the Stretch Goal ), no additional amounts were to be accrued for the bonus pool. Once the Company achieved the Stretch Goal, additional amounts would be accrued for the bonus pool on a straight line basis up to a maximum of 150% of target bonus, (i.e. Pro Forma EBITDA (before bonus) equal to \$54.4 million plus the amount of the aggregate maximum bonus for all employees). At maximum bonus, the EBITDA multiplier is 150%.

*Bonus Payout Formula.* The bonus payouts under the 2013 plan are made from the bonus pool. The amount of an executive officer's bonus is generally based upon the level of achievement of the corporate performance goals as well as individual performance and accomplishments for the applicable year, including the degree to which predetermined regional or department goals are achieved. The bonus payout to an executive based upon the EBITDA goals may be adjusted upwards or downwards by up to 50% based upon individual performance and accomplishments, provided that the bonuses paid to the executive officers in the aggregate may not exceed the earned bonus pool. The payout formula for the named executive officers for 2013 was as follows:

$$(Base\ Salary) \times (Target\ Bonus\ \%) \times (EBITDA\ Modifier) \times (Performance\ Modifier) = Bonus\ Payout$$

*2013 Bonus Payout.* For 2013, after taking into account the bonus accrual, the Company achieved pro forma EBITDA (after bonus) for 2013 of \$37.1 million (compared to negative \$32.1 million in 2012 – an increase of \$69.2 million) and as such accrued a bonus pool equal to the target bonus for each of the named executive officers. No adjustments were made and each of the named executive officers received a bonus payout based upon their target bonus as follows:

Name	Base Salary	Bonus Target %	Earned EBITDA Multiplier	Bonus Performance Modifier	Bonus Payout
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				<b>(50% to 150%)</b>	
Oliver G. (Chip) Brewer III	\$ 700,000	100%	100%	100%	\$ 700,000
Bradley J. Holiday	\$ 542,000	55%	100%	100%	\$ 298,100
Alex M. Boezeman*	\$ 379,304	55%	100%	100%	\$ 193,224
Mark F. Leposky	\$ 375,000	55%	100%	100%	\$ 206,250
Neil Howie*	\$ 331,365	55%	100%	100%	\$ 191,192

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\* The final payout amounts for Messrs. Boezeman and Howie were paid in local currency. The bonus payout reported was based upon exchange rates at the time 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 approved additional recognition bonuses for Messrs. Boezeman and Leposky. Mr. Boezeman, who is the Managing Director of the East Asia Region (the Company's most profitable region), received an additional bonus of \$38,645 in recognition of his growing the East Asia Region's revenue on a local currency basis by over 20% in 2013 and by increasing the East Asia Region's profit on a local currency basis by over 77%. Mr. Leposky, who is the leader of the Company's global operations, received an additional bonus of \$20,625 in recognition of the significant cost reductions he implemented across the Company and significant improvements in the manufacturing and supply chain processes, all of which contributed to a 500+ 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 Company performance, provide a means for retaining executives through long-term vesting, and align the interests of the Company's executive officers with the interests of the Company's shareholders through stock-based incentives. For each of the named executive officers, a targeted long-term incentive grant value is established. In setting the targeted value, the Compensation Committee generally consults with its outside compensation consultant, compares the targeted long-term incentive awards to applicable market data, including broad industry data and as appropriate the Compensation Comparison Group. It also considers the effect the long-term incentive element would have upon the executive's total direct compensation. The targeted value for all officers at the Company generally varies by position and responsibility and is reviewed annually. The targeted grant value for each of the named executive officers for 2013 was as follows:

<b>Name</b>	<b>2013 Long-term Incentive Award Target Value</b>
Oliver G. (Chip) Brewer III	\$ 2,000,000
Bradley J. Holiday	\$ 350,000
Alex M. Boezeman	\$ 350,000
Mark F. Leposky	\$ 350,000
Neil Howie	\$ 350,000

The target values for the named executive officers remained unchanged from 2012, except with respect to Mr. Brewer. In 2012, Mr. Brewer's long-term incentive grant was negotiated with Mr. Brewer as part of the recruiting process to hire him as the new Chief Executive Officer. In connection with those negotiations, the Committee (after consulting with its independent compensation consultant) agreed to grant to Mr. Brewer long-term incentives with a grant date value of \$3.5 million. This grant was designed to induce Mr. Brewer to join Callaway (recognizing that he would be forfeiting significant long-term incentive payout at his prior employer) and to provide the long-term incentive compensation portion of his compensation for 2012 for serving as Chief Executive Officer. In 2013, the \$2.0 million target value for Mr. Brewer was set based upon a review of applicable market data and in consultation with the Committee's independent compensation adviser.

*Types of Awards.* Consistent with the Compensation Committee's balanced approach to long-term compensation in 2013 (as discussed above), the Compensation Committee determined that the targeted long-term incentive award value for each named executive officer would be allocated among two different types of awards, 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, to achieve strong long-term operational performance, and to increase shareholder value. The restricted stock unit (RSU)

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awards provide a retention incentive as they vest solely based upon continued service without regard to stock price and upon vesting provide an ownership stake in the Company. They also further align the interests of the Company's executives with those of the Company's shareholders as the executives generally have the same long-term economic benefits and risks as does a holder of the Company's stock. The stock option portion provides an incentive to increase shareholder value directly through stock appreciation as the stock options provide no realizable value in the absence of stock appreciation. These awards remain consistent with the Compensation Committee's guiding principles in that a majority of these long-term incentives are performance-based and equity-based. The number of shares granted to each of the named executive officers for 2013 was as follows:

<b>Name</b>	<b>Date of Grant</b>	<b>No. Shares Underlying Options</b>	<b>No. Shares Underlying RSUs</b>
Oliver G. (Chip) Brewer III	02/01/2013	497,537	103,029
Bradley J. Holiday	02/01/2013	87,069	18,030
Alex M. Boezeman	02/01/2013	87,069	18,030
Mark F. Leposky	02/01/2013	87,069	18,030
Neil Howie	02/01/2013	87,069	18,030

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 Common Stock at a fixed purchase price per share and is designed to reward an executive for absolute stock appreciation. The Committee believes that stock options are performance based awards in that they have no realizable value unless there is stock appreciation. The stock options granted to the named executive officers in 2013 vest ratably over a three-year period (with 1/3 vesting in each of the first three years on the anniversary of the grant date) and are for a ten-year term, subject to earlier cancellation in connection with termination of employment. The number of shares subject to the stock option is determined based upon the targeted stock option value for the named executive officer divided by the estimated value of a stock option for one share. The estimated value is based upon the same Black-Scholes option valuation model used by the Company for financial reporting purposes. In calculating the Black-Scholes value, the Company uses an average closing stock price for the 20 trading days immediately preceding the meeting at which the stock option grants are approved. The purpose of using a 20-day average price, as opposed to a single price on the date of approval, is because the Committee believes it is a better determinant of the fair value of the Company's stock at that time as it is not subject to single trading day aberrations. The stock options were granted at exercise prices equal to the fair market value of the Company's stock on the date of grant (*i.e.*, the closing stock price as reported on the New York Stock Exchange).

*Restricted Stock Units.* A restricted stock unit is a contingent right to receive one share of Common Stock of the Company upon vesting of the award. A restricted stock unit generally provides the same incentive as restricted stock, except that the holder of a restricted stock unit is not entitled to voting rights or cash dividends. The holders of the restricted stock units, however, do accrue dividend equivalent rights in the form of additional restricted stock units. The additional units only vest to the extent the underlying units vest. The number of units granted to the named executive officers in 2013 was based upon the targeted restricted stock unit value divided by the average closing price of the Company's Common Stock for the 20 trading days immediately preceding the meeting at which the restricted stock units were approved. The restricted stock units granted in 2013 vest and the restrictions lapse on the third anniversary of the date of grant.

*Approval and Timing of Grants.* The Compensation Committee has adopted specific guidelines that govern the approval and timing of stock-based awards, including stock options, restricted stock units, phantom stock units, stock appreciation rights, and performance shares or units. The guidelines provide that (i) all stock-based award grants must be approved by the Compensation Committee, (ii) the annual stock-based awards will be approved at a regularly scheduled or special meeting of the Compensation Committee with the effective date of grant being the second trading day following the Company's announcement of actual full year financial results, (iii) promotion or other special event award grants made outside of the annual grant process will be approved at



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the first regularly scheduled meeting of the Compensation Committee following the applicable event with the effective date of grant being on the first trading day of the month following the month in which such approval is obtained, and (iv) new hire award grants made outside of the annual award process will be approved at a regularly scheduled or special meeting of the Compensation Committee prior to the date the employee commences employment or the first regularly scheduled meeting of the Compensation Committee following the date of hire. The effective date of grant of the new hire awards will be the date the employee commences employment if the approval occurred prior to such date or the first trading day of the month following the month in which approval is obtained if the approval occurs subsequent to the date on which the employee commences employment. The Compensation Committee's approval includes the eligible participants, type of awards (e.g., stock options, stock appreciation rights, restricted stock units, phantom stock units, and performance shares or units), the size of award for each participant, the performance criteria where applicable, as well as the other terms of the awards and program. In accordance with these guidelines, the annual long-term incentive awards for 2013 were approved by the Compensation Committee on January 29, 2013 and the awards were granted on February 1, 2013. The closing price of the Company's Common Stock on the date of approval was \$6.55 and on the date of grant was \$6.52.

***Benefits and Perquisites***

Various benefits are established for the named executive officers to enhance productivity, provide for healthcare needs, and encourage work/life balance. The Company's primary benefits for executives include the Company's health, dental and vision plans, and various insurance plans, including life, long-term disability, and accidental death and dismemberment insurance, as well as paid time off. The Company covers the costs of an annual physical, the costs of tax and estate planning fees, and, consistent with the Company's position as a leader in the golf industry, many executives are provided subsidized country club memberships or a limited amount of green fee reimbursements and a limited amount of the Company's products. The Company from time to time provides other benefits to employees or officers as a group or to an individual officer as warranted. For example, in connection with the hiring of a new executive officer, the Company may also provide relocation assistance when necessary. See the Summary Compensation Table and related notes in this Proxy Statement for additional information about the value of benefits and perquisites received in 2013.

***Retirement Plans***

The Company does not provide the executive officers with any defined benefit pension plans or supplemental executive retirement plans (SERPs), or other similar types of retirement benefits. The only retirement benefit the Company currently provides the named executive officers is the right to participate in the Company's 401(k) Retirement Investment Plan.

The Company's 401(k) plan allows participants to contribute a portion of their compensation into the Plan with the Company providing a matching contribution up to 3% of the participant's compensation (subject to a maximum matching contribution for the named executive officers of up to \$7,650 in 2013). The funds held in 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 officers, including an amended and restated employment contract with Mr. Brewer effective March 24, 2014 for a term continuing through April 30, 2015. The Company believes that employment agreements are beneficial to the Company as they provide, among other things, protections related to the Company's trade secrets and intellectual property. Each employment agreement generally requires the executive officer to devote his full productive time and best efforts to the Company,

to hold in confidence all trade secrets and proprietary information he receives from the Company and to disclose and assign to the Company any inventions and innovations he develops during the course of employment with the Company. The employment agreements set forth the base salary, incentive compensation, and in general terms the benefits and perquisites that the executive officer is entitled to as

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described above. The employment agreements also set forth the benefits and rights the executive officer is entitled to upon termination of employment and upon a change-in-control of the Company. These rights are described below and tables quantifying the potential payments to the named executive officers upon the occurrence of such events are included with the other compensation tables included in this Proxy Statement. The employment agreements for the Company's named executive officers are on file with the Securities and Exchange Commission.

*Forfeitures.* Each of the employment agreements for the named executive officers also contains certain forfeiture provisions. If the Company is required to prepare an accounting restatement due to material noncompliance of the Company with any financial reporting requirements under the United States Securities laws as a result of the intentional misconduct or gross negligence of a named executive officer, or if the named executive officer is one of the persons subject to automatic forfeiture under Section 304 of the Sarbanes-Oxley Act of 2002, then, in addition to any penalty prescribed by Section 304, the named executive officer is required to forfeit (i) any bonus paid within the 12-month period following the filing of the misstated document, (ii) any gain on the sale of Company securities during the same period, (iii) the right to receive special severance and incentive payments, and (iv) any unvested and/or unexercised long-term incentive compensation awards. This type of forfeiture requirement is also referred to as a clawback.

***Severance Arrangements***

Whether an executive officer is entitled to any severance benefits upon termination of employment depends upon the reason for the termination of employment. If an executive officer voluntarily resigns without good reason or is terminated by the Company for substantial cause, then the executive officer is generally not entitled to any severance benefits. In this case, the term substantial cause means the executive officer's (i) failure to substantially perform his duties, (ii) material breach of the employment agreement, that is not cured within the specified time allowed, (iii) misconduct, including use or possession of illegal drugs during work and/or any other action that is damaging or detrimental in a significant manner to the Company, (iv) conviction of, or plea of guilty or *nolo contendere* to, a felony, or (v) failure to cooperate with, or any attempt to obstruct or improperly influence, any investigation authorized by the Board of Directors or any governmental or regulatory agency.

If the executive officer's employment is terminated by the Company without substantial cause or by the employee because the Company materially breached the employment agreement or failed to renew the employment agreement upon expiration of its term, then the executive officer is generally entitled to severance benefits. These severance benefits are based upon an assessment of competitive market terms and a determination of what is needed to attract and retain the executive officers. Having negotiated these terms in advance allows for an orderly and amicable separation of an executive, including the obtainment for the Company's benefit of a release of claims and the provision of an incentive for the executive not to compete with the Company as discussed below. The severance benefits consist of (i) a payment equal to the executive officer's target bonus opportunity pro-rated based upon the number of days worked that year (except that such payments will be made if and only to the extent that the underlying performance criteria have been satisfied), (ii) accelerated vesting of certain long-term incentive awards, (iii) special severance, provided the executive officer executes a release of claims in favor of the Company and provided the executive officer does not engage in any disparaging conduct or communications, and (iv) incentive payments, provided the executive officer chooses not to engage in any business that competes with the Company. Special severance consists of (a) the payment of COBRA and/or CalCOBRA premiums for the severance period, (b) the continuation of the tax and estate financial planning services benefit for the severance period, (c) outplacement services for one year, and (d) the payment of a portion of the executive officer's salary and target bonus for the severance period. Incentive payments consist of the payment of a portion of the executive officer's salary and target bonus for the severance period. Set forth below for each current named executive officer is the severance period, the equity awards that



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would be subject to accelerated vesting, and the amount of special severance and incentive payments to be paid during the severance period:

<b>Name of Officer</b>	<b>Accelerated Vesting</b>	<b>Special Severance</b>	<b>Incentive Payments</b>
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 times annual base salary and target bonus (payable over 18 months)	.75 times annual base salary and target bonus (payable over 18 months)
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 times annual base salary and target bonus (payable over 12 months)	.50 times annual base salary and target bonus (payable over 12 months)
Alex M. Boezeman	All outstanding unvested long-term incentive awards that would have vested within 12 months of the termination of employment	.50 times annual base salary (payable over 12 months)	.50 times annual base salary (payable over 18 months)
Neil Howie	N/A	Annual base salary (payable over 12 months)	N/A

***Change-in-Control Arrangements***

To provide independent leadership consistent with the shareholders' best interests in the event of an actual or threatened change in control of the Company, the Company's employment agreements with its officers, including the named executive officers, provide certain protections in the event of a change in control. A change in control of the Company is defined, in general, as the acquisition by any person of beneficial ownership of 30% or more of the voting stock of the Company, the incumbent members of the Board of Directors cease to constitute a majority of the Board of Directors, certain business combinations of the Company, or any 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 other words, there must be both a change in control and a termination event (described below) within one year following a change in control. In the event there is such a change in control and termination event with respect to Messrs. Brewer, Holiday, and Leposky the affected executive officer is generally entitled to the benefits to which he is entitled for a termination by the Company without substantial cause as described above, except that the amount of special severance and incentive payments is increased. For Messrs. Boezeman and Howie, their severance is generally

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the same as in the case of a termination without cause. The special severance and incentive payments for each of the named executive officers upon a termination event following a change in control would be as follows:

<b>Name of Officer</b>	<b>Change-in-Control Special Severance</b>	<b>Change-in-Control Incentive Payments</b>
Oliver G. (Chip) Brewer III,	1.0 times annual base salary and target bonus, (payable over 24 months)	1.0 times annual base salary and target bonus, (payable over 24 months)
Bradley J. Holiday,		
Mark F. Leposky		
Alex M. Boezeman	.50 times annual base salary (payable over 12 months)	.50 times annual base salary (payable over 18 months)
Neil Howie	Annual base salary (payable over 12 months)	N/A

For this purpose, a termination event means the occurrence of any of the following within one year of the change in control: (i) the termination without substantial cause or material breach of the employment agreement by the Company, (ii) failure by the successor company to assume the employment agreement, (iii) any material diminishment in the position or duties of the executive officer, (iv) any reduction in compensation or benefits, or (v) any requirement that the executive officer relocate his principal residence.

In addition, the terms governing the long-term incentive awards granted to each of the named executive officers generally provide for the vesting of the awards immediately prior to a change in control, unless the Compensation Committee takes action to provide that they do not vest. The Company's 401(k) Retirement Investment Plan also provides for full vesting of all participant accounts immediately prior to a change in control (as defined in the plan).

**Excise Taxes**

Consistent with current trends in compensation practices, the Compensation Committee has discontinued its practice of providing indemnification for excise taxes for the Company's officers. As a result, the employment agreements for the named executive officers do not obligate the Company to provide indemnification for excise taxes. Furthermore, the employment agreements for the named executive officers provide that to the extent that any or all of the change in control payments and benefits provided to the executive under the employment agreement or any other agreement constitute parachute payments within the meaning of Section 280G of the Internal Revenue Code and would otherwise be subject to the excise tax imposed by Section 4999 of the Code, then the aggregate amount of such change in control payments and benefits would be reduced by the minimum amounts necessary to equal one dollar less than the amount which would result in such payments and 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-management directors and executive officers and thereby more closely align their interests with the interests of the Company's shareholders, the Board of Directors has adopted stock ownership guidelines requiring the Company's non-management directors and executive officers to hold the Company's Common Stock in at least the following minimum amounts:

Chief Executive Officer	3x Base Salary
Other Executive Officers	1x Base Salary
Non-Employee Directors	3x Annual Retainer

The minimum share ownership amounts are required to be achieved within five years of an individual first becoming subject to these guidelines. All shares for which 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 executive's benefit, count toward this ownership requirement. Restricted stock and restricted stock unit awards held by the director or executive count toward the holding requirements whereas stock options, stock appreciation rights, phantom stock units and performance share units do not count toward this ownership requirement unless and until any underlying shares are issued. Unless a non-management director or executive officer is in compliance with these guidelines, he is required to retain and hold 50% of any net shares of Common Stock issued in connection with any equity-based awards granted under the Company's executive compensation plans after such non-management director or executive officer first becomes subject to these guidelines. Net shares are those shares that remain after shares are sold or withheld (i) to pay the exercise price and withholding taxes in the case of stock options or (ii) to pay withholding taxes in the case of restricted stock, restricted stock units or performance shares. All directors and named executive officers are in compliance with these guidelines and all directors and named executive officers have attained the minimum ownership levels or are expected to attain 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 Board of Directors, officers and other employees may not engage in certain types of speculative activities with respect to the Company's securities, including short sales, transactions in put options, call options or other derivative securities, hedging transactions, pledging of Company stock as collateral for a loan, or holding shares of Company stock in a margin account.

## **Compensation Committee Interlocks and Insider Participation**

In 2013, the Company's executive officer compensation matters were handled by the Compensation and Management Succession Committee. The Compensation Committee is currently comprised of the following directors: Messrs. Armacost, Beard, Cushman, Lundgren and Rosenfield. During the times of their committee service during 2013, all of the members of the Compensation Committee were determined to be independent and there were no compensation committee interlocks.



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**REPORT OF THE COMPENSATION AND MANAGEMENT SUCCESSION COMMITTEE**

During 2013, the responsibility for fixing the compensation of the Company's executives was generally delegated by the Board of Directors to the Compensation and Management Succession Committee. In accordance with its written charter, the Compensation and Management Succession Committee has the following specific duties and responsibilities:

Oversee the Company's overall compensation structure, policies and programs, and assess whether the Company's compensation structure establishes appropriate incentives given the Company's strategic and operational objectives.

Oversee the Company's incentive compensation and equity-based compensation plans, including granting awards under any such plans, and approve, amend or modify the terms of management related compensation or benefit plans that do not require shareholder approval.

Review and approve corporate goals and objectives relevant to the compensation of the chief executive officer, evaluate his performance in light of those goals and objectives, and, together with the other independent members of the Board, set the chief executive officer's compensation level based on this evaluation.

Set the compensation of other executive officers after considering the recommendation of the chief executive officer.

Approve employment agreements and severance arrangements for executive officers, including change-in-control provisions, plans or agreements.

Review succession plans relating to positions held by executive officers and make recommendations to the Board regarding selections of individuals to fill these positions.

Annually evaluate the performance of the committee and the adequacy of its charter.

Perform such other duties and responsibilities as are consistent with the purpose of the committee as may be assigned from time to time by the Board.

Additional information concerning the Company's executive compensation programs can be found in Compensation of Executive Officers Compensation Discussion and Analysis and the narrative and tabular disclosure that follows it in this Proxy Statement.

The Compensation and Management Succession Committee reviewed and discussed with management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K. Based on such review and

discussion, the Compensation and Management Succession Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement for filing with the Securities and Exchange Commission.

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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The following table summarizes the compensation paid to or earned by the Company's named executive officers. For a description of the components of the Company's 2013 executive compensation program, see Compensation Discussion and Analysis Components of the 2013 Executive Compensation Program.

Name and Principal Position(a)	Year(b)	Salary(c)	Bonus(d)	Stock Awards(1)(e)	Option Awards(2)(f)	Non-Equity Incentive Plan Compensation (3)(g)	Change in Pension Value and Deferred Compensation (4)(h)	All Other Compensation (5)(i)	Total(j)
<b>Executive Officer</b>									
Oliver G. (Chip) Brewer III President and Chief	2013	\$ 700,000	\$	\$ 671,749	\$ 1,221,553	\$ 700,000	\$	\$ 43,260(7)	\$ 3,336,562
	2012	\$ 577,596	\$	\$ 1,944,000	\$ 1,617,200	\$	\$	\$ 245,781	\$ 4,384,577
<b>Executive Officer</b>									
Bradley J. Holiday Senior Executive Vice President and Chief	2013	\$ 542,000	\$	\$ 117,556	\$ 213,772	\$ 298,100	\$	\$ 24,810(8)	\$ 1,196,238
	2012	\$ 542,000	\$	\$ 508,515	\$ 233,345	\$	\$	\$ 25,289	\$ 1,309,149
	2011	\$ 532,071	\$	\$ 175,000	\$ 175,000	\$	\$	\$ 38,590	\$ 920,661
<b>Financial Officer</b>									
Alex Boezeman(13) Managing Director,	2013	\$ 379,304	\$ 38,645(12)	\$ 117,556	\$ 213,772	\$ 193,224	\$	\$ 14,870(9)	\$ 957,371
	2012	\$ 461,512	\$	\$ 116,655	\$ 233,345	\$	\$	\$ 17,529	\$ 829,041
<b>East Asia</b>									
Mark Leposky Senior Vice President,	2013	\$ 375,000	\$ 20,625(12)	\$ 117,556	\$ 213,772	\$ 206,250	\$	\$ 15,748(10)	\$ 948,951
<b>Global Operations</b>									
Neil Howie(13) Managing Director,	2013	\$ 331,365	\$	\$ 117,556	\$ 213,772	\$ 191,192	\$	\$ 67,652(11)	\$ 921,537
	2012	\$ 335,598	\$	\$ 116,655	\$ 233,345	\$	\$	\$ 65,588	\$ 751,186
<b>Europe, Middle East and Africa</b>									

(1)

- Represents the aggregate grant date fair value of restricted stock units and phantom stock units calculated for financial reporting purposes for the year in accordance with Accounting Standards Codification Topic 718, Compensation – Stock Compensation (ASC 718). See Note 15, Share-Based Compensation, to the Company's Audited Consolidated Financial Statements set forth in the Form 10-K for information concerning the ASC 718 values, which are based on the fair 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 appreciation rights calculated for financial reporting purposes for the year in accordance with ASC 718. See Note 15, Share-Based Compensation, to the Company's Audited Consolidated Financial Statements set forth in the 10-K for the assumptions made in determining ASC 718 values.
- (3) The amounts in this column represent the actual amounts earned under the Company's annual cash incentive program for 2013. No amounts were paid under the 2012 and 2011 annual incentive program. For additional information regarding this program, see Compensation Discussion and Analysis – Components of the 2013 Executive Compensation Program – Analysis of Annual Incentives.
- (4) The Company does not provide any pension benefits and does not have a nonqualified deferred compensation plan and therefore no amounts are reported in this column.
- (5) Includes perquisites and personal benefits. All named executive officers were eligible to elect any or all of the following perquisites during all or a portion of 2013, subject to certain cost and other limitations set forth in the Company's internal policies: (i) tax and estate planning services, (ii) annual physical, (iii) the reimbursement of country club dues and golfing fees, (iv) supplemental long-term disability insurance, and (v) certain of the Company's products (e.g. golf clubs and balls) for personal use. Additional types of perquisites and personal benefits granted to individual named executive officers are disclosed and quantified in additional footnotes to this table, in accordance with applicable Securities and Exchange Commission disclosure requirements.
- (6) The Company believes the dollar value of dividends paid or accrued on the Company's common stock is factored into the grant date fair value of stock and option awards presented in columns (e) and (f) above. Accordingly, the dollar value of dividends paid or accrued is not reported as All Other Compensation in column (i) of this table.
- (7) Includes a \$7,650 Company matching contribution under its 401(k) Retirement Investment Plan. Also includes \$35,610 of total perquisites and other personal benefits comprised of items (i), (ii), (iii), (iv) and (v) described above in footnote 5, in addition to the reimbursement of costs related to spousal travel to certain corporate events and the related tax gross-up payments for income imputed under IRS regulations.
- (8) Includes a \$7,650 Company matching contribution under its 401(k) Retirement Investment Plan. Also includes \$17,160 of total perquisites and other personal 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) and (v) described above in footnote 5, in addition to a car allowance.

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- (10) Includes a \$7,650 Company matching contribution under its 401(k) Retirement Investment Plan. Also includes \$8,098 of total perquisites and other personal benefits comprised of items (iii) and (v) described above in footnote 5, in addition to the reimbursement of costs related to spousal travel to certain corporate events, meals and corporate gifts, and the related tax gross-up payments for income imputed under IRS regulations.
- (11) Includes lease payments of \$32,713 in connection with the use of a Company car, pension benefit payments of \$21,890, and \$13,049 of other perquisites and personal benefits.
- (12) In 2013, the Board of Directors approved a discretionary bonus to Messrs. Boezemann and Leposky for their strong individual performance and accomplishments in 2013. For additional detail, see Compensation Discussion and Analysis Components of the 2013 Executive Compensation Program Analysis of Annual Incentives.
- (13) The amounts reported for Messrs. Boezeman and Howie are based upon applicable exchange rates for the relevant period. As such, year over year comparisons can be significantly affected by changes in foreign currency rates. For example, Mr. Boezeman, who is paid his base salary in local currency, did not have a change in his actual base salary paid in Yen. For reporting purposes in this table, however, due to changes in currency rates, it appears his base salary was reduced from \$461,512 in 2012 to \$379,304 in 2013. This change was solely the result of different exchange rates year over year.

**Grants of Plan-Based Awards in Fiscal Year 2013**

The following table sets forth certain information with respect to grants of awards to the named executive officers under the Company's non-equity and equity incentive plans during fiscal year 2013. For additional information concerning the annual and long-term incentives included in the Company's executive compensation programs, see Compensation Discussion and Analysis Components of the 2013 Executive Compensation Program.

Name	Grant Date	Threshold (\$)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (\$)	Target (\$)	Maximum (\$)	All Other Stock Awards: All Other		Exercise or Base Price of Option Awards (\$/Sh)(3)	Grant Date Fair Value of Stock and Option Awards (\$)
						Number of Shares of Stock or Units (#)(1)	Number of Securities Underlying Options (#)(2)		
Oliver G. (Chip) Brewer III	N/A(4)		700,000		1,050,000				
	2/1/2013						497,537	6.52	1,221,553
	2/1/2013					103,029			671,749
Bradley J. Holiday	N/A(4)		298,100		447,150				
	2/1/2013						87,069	6.52	213,772
	2/1/2013					18,030			117,556
Alex M. Boezeman	N/A(4)		193,224		289,836				
	2/1/2013						87,069	6.52	213,772
	2/1/2013					18,030			117,556
Mark F. Leposky	N/A(4)		206,250		309,375				
	2/1/2013						87,069	6.52	213,772
	2/1/2013					18,030			117,556
Neil Howie	N/A(4)		191,192		286,788				
	2/1/2013						87,069	6.52	213,772

2/1/2013

18,030

117,556

- (1) The amounts shown with a grant date value of February 1, 2013 reflect the number of shares underlying restricted stock unit awards granted pursuant to the 2004 Equity Incentive Plan. Each unit represents the right to receive one share of the Company's Common Stock upon vesting of the award. These RSUs are subject to cliff vesting on the third anniversary of the grant date provided the recipient remains employed by the Company on the vesting date. RSUs do not have voting rights, but do accrue dividend equivalent rights in the form of additional restricted stock units. The additional units vest only to the extent the underlying units vest. The RSUs granted in 2013 accrued dividend equivalent rights during 2013, but the amounts shown do not include the additional units accrued. See the table below entitled "Outstanding Equity Awards at Fiscal Year-End 2013" for information regarding accrued dividend equivalent rights.
- (2) The amounts shown reflect the number of shares underlying stock options granted pursuant to the 2004 Equity Incentive Plan. Stock options vest ratably over a 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 market price per share of the Company's Common Stock on the grant date. As reported by the New York Stock Exchange, the closing price per share of the Company's Common Stock was \$6.52 on February 1, 2013.
- (4) The amounts shown in this row reflect the estimated threshold, target and maximum amounts that could have been paid to the named executive officer under the 2013 annual cash incentive program, the material terms of which are described under "Compensation Discussion and Analysis - Components of the 2013 Executive Compensation Program - Analysis of Annual Incentives".

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## Outstanding Equity Awards at Fiscal Year-End 2013

Name	Grant Date	Option Awards(1)				Stock Awards				
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Number of Securities Underlying Unexercised Options (#) Earned	Exercise Price (\$)	Option Expiration Date(2)	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(4)	Units of Other Rights That Have Not Vested (#)	Value of Other Rights That Have Not Vested (\$)
Oliver G. (Chip) Brewer III	2/1/2013		497,537		\$ 6.52	2/1/2023				
	2/1/2013(3)						103,609	\$ 873,424		
	3/5/2012(6)	266,667	533,333		\$ 6.48	3/5/2017				
	3/5/2012(3)						303,187	\$ 2,555,866		
Bradley J. Holiday	2/1/2013		87,069		\$ 6.52	2/1/2023				
	2/1/2013(3)						18,131	\$ 152,844		
	5/1/2012(3)						63,669	\$ 536,730		
	1/27/2012(6)	36,597	73,192		\$ 6.69	1/27/2017				
	1/27/2012(5)						17,437	\$ 146,994		
	1/27/2011	39,679	19,839		\$ 7.51	1/27/2021				
	1/27/2011(5)						23,302	\$ 196,436		
	1/14/2008	29,292			\$ 14.92	1/14/2018				
	1/16/2007	34,597			\$ 14.37	1/16/2017				
	1/27/2006	31,677			\$ 15.04	1/27/2016				
1/18/2005	77,778			\$ 12.94	1/18/2015					
1/30/2004	100,000			\$ 17.91	1/30/2014					
Alex M. Boezeman	2/1/2013		87,069		\$ 6.52	2/1/2023				
	2/1/2013(3)						18,131	\$ 152,844		
	1/27/2012(6)	36,597	73,192		\$ 6.69	1/27/2017				
	1/27/2012(5)						17,437	\$ 146,994		
	1/27/2011	22,674	11,336		\$ 7.51	1/27/2021				
	1/27/2011(5)						13,316	\$ 112,254		
1/28/2010	23,458			\$ 7.53	1/28/2020					

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	1/29/2009	56,283		\$ 7.85	1/29/2019		
	1/14/2008	16,738		\$ 14.92	1/14/2018		
	1/16/2007	17,299		\$ 14.37	1/16/2017		
	1/27/2006	15,839		\$ 15.04	1/27/2016		
	1/18/2005	16,666		\$ 12.94	1/18/2015		
	1/30/2004	50,000		\$ 17.91	1/30/2014		
Mark F. Leposky	2/1/2013		87,069	\$ 6.52	2/1/2023		
	2/1/2013(3)					18,131	\$ 152,844
	4/25/2012(6)	36,597	73,192	\$ 6.93	4/25/2017		
	4/25/2012(5)					17,437	\$ 146,994



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Name	Grant Date	Option Awards(1)				Stock Awards				
		Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Exercise Price (\$)	Option Expiration Date(2)	Number of Shares or Units That Have Not Vested (#)	Market Value of Shares or Units That Have Not Vested (\$)(4)	Number of Shares or Units That Have Not Vested (#)	Market Value of Shares or Units That Have Not Vested (\$)
Neil Howie	2/1/2013		87,069		\$ 6.52	2/1/2023				
	2/1/2013(3)						18,131	\$ 152,844		
	1/27/2012(6)	36,597	73,192		\$ 6.69	1/27/2017				
	1/27/2012(5)						17,437	\$ 146,994		
	1/27/2011	22,674	11,336		\$ 7.51	1/27/2021				
	1/27/2011(5)						13,316	\$ 112,254		
	1/28/2010	23,458			\$ 7.53	1/28/2020				
	1/29/2009	56,283			\$ 7.85	1/29/2019				
	1/14/2008	16,738			\$ 14.92	1/14/2018				
	1/16/2007	17,299			\$ 14.37	1/16/2017				
	1/27/2006	15,839			\$ 15.04	1/27/2016				
	1/18/2005	50,000			\$ 12.94	1/18/2015				
	1/30/2004	50,000			\$ 17.91	1/30/2014				

- (1) Stock options generally have a ten-year term and vest and become exercisable ratably over a three-year period (with 1/3 of the underlying shares vesting on each of the first three anniversaries of the grant date), subject to accelerated vesting upon termination of employment by the Company without substantial cause or by the named executive officer for good reason or in the event of a change in control of the Company as described under Compensation Discussion and Analysis Employment Agreements Severance Arrangements and Change-in-Control Arrangements.
- (2) Upon termination of employment, the named executive officer generally has until the earlier of one year from the date of termination or the option expiration date to exercise his vested options. However, the options may be cancelled and rescinded and proceeds may be forfeited if the named executive officer improperly discloses or misuses confidential information or trade secrets of the Company.
- (3) Amounts represent restricted stock unit awards that generally vest in full on the third anniversary of the grant date and include additional shares that may be issued pursuant to accrued dividend equivalent rights. No portion of the awards vest prior to the third anniversary of the grant date, subject to accelerated vesting upon termination of employment by the Company without substantial cause or by the named executive officer for good reason or in the

- event of a change in control of the Company as described under Compensation Discussion and Analysis Employment Agreements Severance Arrangements and Change-in-Control Arrangements.
- (4) Market value based on \$8.43 per share, which was the closing market price of the Company's Common Stock on December 31, 2013.
- (5) Amounts represent phantom stock unit awards that vest on April 25, 2015 with a grant date of April 25, 2012; that vest on January 27, 2015 with a grant date of January 27, 2012 and that vest on January 27, 2014 with a date of January 27, 2011, subject to accelerated vesting upon termination of employment by the Company without substantial cause or by the named executive officer for good reason or in the event of a change in control of the Company as described under Compensation Discussion and Analysis Employment Agreements Severance Arrangements and Change-in-Control Arrangements. The PSUs do not have 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 vest and become exercisable ratably over a three-year period (with 1/3 of the underlying rights vesting on each of the first three anniversaries of the grant date), subject to accelerated vesting upon termination of employment by the Company without substantial cause or by the named executive officer for good reason or in the event of a change in control of the Company as described under Compensation Discussion and Analysis Employment Agreements Severance Arrangements and Change-in-Control Arrangements.

**Table of Contents****Option Exercises and Stock Vested in Fiscal Year 2013**

The following table sets forth information regarding options that were exercised and restricted stock units that vested during fiscal year 2013 for the named executive officers.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#) (1)	Value Realized on Exercise (\$)	Number of shares acquired on vesting (#)(2)	Value Realized on Vesting (\$)(3)
Oliver G. (Chip) Brewer III				
Bradley J. Holiday(4)	139,546	\$ 158,427	15,776	\$ 102,547
Alex M. Boezeman			9,014	\$ 58,593
Mark F. Leposky				
Neil Howie(5)			9,014	\$ 58,593

- (1) The reported transactions occurred pursuant to the terms of a 10b5-1 trading plan for all stock option exercises.
- (2) The number of shares reflected in this column reflects the gross number of restricted stock units that vested prior to tax withholding. The restricted stock units 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 that vested multiplied by the closing price of the Company's Common Stock on the date of vesting.
- (4) In connection with the vesting of 15,776 restricted stock units, 6,782 shares of restricted stock were withheld by the Company to satisfy the Company's tax withholding obligation with respect to such units.
- (5) In connection with the vesting of 9,014 restricted stock units, 4,688 shares of restricted stock were withheld by the Company to satisfy the Company's tax 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 Company that provides for potential payments to such executive officer or other benefits (e.g., acceleration of vesting of long-term incentive awards) under certain circumstances following termination of employment or upon a change in control of the Company. The types and amounts of these potential payments vary depending on the following circumstances: (i) voluntary resignation by the executive officer or termination by the Company for substantial cause, (ii) termination by the Company without substantial cause, termination by the executive officer following material breach by the Company of the employment agreement or the Company failing to renew the employment agreement within 45 days of expiration of its term, (iii) a termination event within one year following a change in control or (iv) permanent disability of the executive officer. In addition, the terms governing the long-term incentive awards granted to each of the named executive officers generally provide for the vesting of the awards immediately prior to a change in control, subject to the Compensation Committee taking action to provide they do not vest. The Company's 401(k) Retirement Investment Plan provides for full vesting of all Company matching contribution payments for all plan participants, including the named executive officers, immediately prior to a change in control and in the event of a termination due to permanent disability. The potential payments to be made under these varying circumstances, including the conditions and schedules for such payments, are described in this Proxy Statement under Compensation Discussion and Analysis Employment Agreements. That description also provides the relevant definitions of substantial cause,

special severance, incentive payments, change in control, and termination event.

**Table of Contents****Payments Made Upon Any Termination**

Regardless of the manner in which a named executive officer's employment terminates, he is entitled to receive amounts earned during his term of employment. These 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 each named executive officer under each termination or change in control circumstance listed. The amounts shown are based on the assumption that the triggering event took place on December 31, 2013, which was the last business day of 2013, and are based on the \$8.43 per share closing market price of the Company's Common Stock on such date. It also assumes the triggering event resulted in the immediate vesting of some or all unvested long-term incentives, as applicable, and that the Compensation Committee did not elect to not accelerate the vesting, which it has the right to do in change in control circumstances. For the purposes of the following tables, the values for stock options and stock appreciation rights are the intrinsic values of the unvested portion of those awards accelerated as a result of the applicable triggering event, calculated based on the spread (if any) between the closing market price of the Company's Common Stock on December 31, 2013, and the exercise prices of such accelerated awards. Such incremental amounts are in addition to the value of the vested portion of those awards, if any, and other such awards held by the named executive officer that were fully vested as of December 31, 2013, as reflected in the Outstanding Equity Awards at Fiscal Year-End 2013 table. A different valuation method for such accelerated options would be used for purposes of evaluating any excise tax liability pursuant to 280G of the Internal Revenue Code (IRC). The values for restricted stock unit and phantom stock unit awards reflect the aggregate market value (based on the per share closing market price) at December 31, 2013 of the number of shares underlying the units for which vesting would have accelerated and restrictions would have lapsed upon the triggering event. The values of dividend equivalent rights accrued as of December 31, 2013, including fractional shares, are included in the values shown for restricted stock unit awards. Amounts shown for COBRA and CalCOBRA insurance benefits are calculated through the applicable severance period and are based on premiums for COBRA coverage for health, dental, vision and prescription for up to 18 months following termination and thereafter the premiums for CalCOBRA coverage for health and prescription. Such COBRA and CalCOBRA premiums are calculated based on the coverage selected by the executive officers as of December 31, 2013 and are based on premium rates in effect at that time, which coverage and rates may vary during a severance period. Amounts shown for special severance and incentive payments assume continuous compliance with the conditions for payment set forth in the applicable employment agreement. Special severance and incentive payments may be delayed for six months following a termination event pursuant to Section 409A of the IRC and the rules and regulations promulgated thereunder, and such amounts if delayed will be paid promptly after six months with interest calculated at the applicable one-year Treasury Bill rate. Amounts payable to each named executive officer with respect to a change in control or a termination event within one year of a change in control, are subject to reduction in accordance with the officer's employment agreement to avoid imposition of excise tax for parachute payments within the meaning of Section 280G of the IRC. See above, Compensation Discussion and Analysis Employment Agreements Excise Taxes. The following tables are based upon a theoretical triggering event. The actual amounts to be paid to any named executive officer in the event of his termination or a change in control, and the timing of such payments, and the value of any equity award acceleration benefits can only be determined at the time of, and under the circumstances of, an actual triggering event and in accordance with applicable law then in effect and reasonable interpretations thereof.



**Table of Contents****Oliver G. (Chip) Brewer III.**

The following table shows the potential payments and values of equity award acceleration benefits to Mr. Brewer, the Company's President and Chief Executive Officer, assuming the triggering event took place on December 31, 2013:

	<b>Termination by the Company without substantial cause, termination by employee following material breach by the Company, or failure by the Company to renew expired employment agreement</b>	<b>Termination event within one year following change in control</b>	<b>Change in Control (without termination of employment)</b>
Pro-rated target short term incentive award	\$	\$	\$
Stock Options and/or Stock Appreciation Rights	\$ 1,356,765	\$ 2,510,296	\$ 2,510,296
Restricted stock units	\$ 2,555,863	\$ 3,429,284	\$ 3,429,284
Phantom stock	\$	\$	\$
Portion of salary and target bonus	\$ 700,000	\$ 1,400,000	\$
COBRA and CalCOBRA premiums	\$ 23,020	\$ 45,041	\$
Tax and financial planning services	\$ 12,000	\$ 24,000	\$
Outplacement services	\$ 15,000	\$ 15,000	\$
Incentive payments	\$ 700,000	\$ 1,400,000	\$
401(k) accelerated vesting	\$	\$	\$
280G cutback amount	\$ (71,964)	\$	\$
<b>Total</b>	<b>\$ 5,290,684</b>	<b>\$ 8,823,621</b>	<b>\$ 5,939,580</b>

**Bradley J. Holiday.**

The following table shows the potential payments and values of equity award acceleration benefits to Mr. Holiday, the Company's Senior Executive Vice President and Chief Financial Officer, assuming the triggering event took place on December 31, 2013:

	<b>Termination by the Company without</b>	<b>Termination event within one year following</b>	<b>Change in Control (without termination of employment)</b>
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	<b>substantial cause, termination by employee following material breach by the Company, or failure by the Company to renew expired employment agreement</b>	<b>change in control</b>	
Pro-rated target short term incentive award	\$	\$	\$
Stock Options and/or Stock Appreciation Rights	\$ 237,548	\$ 412,091	\$ 412,091
Restricted stock units	\$	\$ 689,579	\$ 689,579
Phantom stock	\$ 196,436	\$ 343,430	\$ 343,430
Portion of salary and target bonus	\$ 428,451	\$ 856,902	\$
COBRA and CalCOBRA premiums	\$ 23,020	\$ 45,401	\$
Tax and financial planning services	\$ 12,000	\$ 24,000	\$
Outplacement services	\$ 15,000	\$ 15,000	\$
Incentive payments	\$ 428,451	\$ 856,902	\$
401(k) accelerated vesting	\$	\$	\$
280G cutback amount	\$	\$	\$
<b>Total</b>	<b>\$ 1,340,906</b>	<b>\$ 3,242,945</b>	<b>\$ 1,445,100</b>



**Table of Contents****Alex M. Boezeman.**

The following table shows the potential payments and values of equity award acceleration benefits to Mr. Boezeman, the Company's President of East Asia & Representative Director of CGKK, assuming the triggering event took place on December 31, 2013:

	<b>Termination by the Company without substantial cause, termination by employee following material breach by the Company, or failure by the Company to renew expired employment agreement</b>	<b>Termination event within one year following change in control</b>	<b>Change in Control (without termination of employment)</b>
Pro-rated target short term incentive award	\$	\$	\$
Stock Options and/or Stock Appreciation Rights	\$ 267,835	\$ 442,380	\$ 442,380
Restricted stock units	\$	\$ 152,848	\$ 152,848
Phantom stock	\$ 112,254	\$ 259,248	\$ 259,248
Portion of salary and target bonus	\$ 194,393	\$ 194,393	\$
COBRA and CalCOBRA premiums	\$	\$	\$
Tax and financial planning services	\$	\$	\$
Outplacement services	\$	\$	\$
Incentive payments	\$ 194,393	\$ 194,393	\$
401(k) accelerated vesting	\$	\$	\$
280G cutback amount	\$	\$	\$
<b>Total</b>	<b>\$ 768,875</b>	<b>\$ 1,243,262</b>	<b>\$ 854,476</b>

**Mark F. Leposky.**

The following table shows the potential payments and values of equity award acceleration benefits to Mr. Leposky, the Company's Senior Vice President, Global Operations assuming the triggering event took place on December 31, 2013:

	<b>Termination by the Company without substantial cause, termination by employee following material breach by the Company, or failure by the Company to renew expired employment agreement</b>	<b>Termination event within one year following change in control</b>	<b>Change in Control (without termination of employment)</b>
Pro-rated target short term incentive award	\$	\$	\$
Stock Options and/or Stock Appreciation Rights	\$ 165,224	\$ 330,986	\$ 330,986
Restricted stock units	\$	\$ 152,848	\$ 152,848
Phantom stock	\$	\$ 146,994	\$ 146,994
Portion of salary and target bonus	\$ 310,000	\$ 620,000	\$
COBRA and CalCOBRA premiums	\$ 17,460	\$ 34,614	\$
Tax and financial planning services	\$ 12,000	\$ 24,000	\$
Outplacement services	\$ 15,000	\$ 15,000	\$
Incentive payments	\$ 310,000	\$ 620,000	\$
401(k) accelerated vesting	\$	\$	\$
280G cutback amount	\$	\$	\$
<b>Total</b>	<b>\$ 829,684</b>	<b>\$ 1,944,442</b>	<b>\$ 630,828</b>

**Table of Contents****Neil Howie.**

The following table shows the potential payments and values of equity award acceleration benefits to Mr. Howie, the Company's Director and President, EMEA, assuming the triggering event took place on December 31, 2013:

	<b>Termination by the Company without substantial cause, termination by employee following material breach by the Company, or failure by the Company to renew expired employment agreement</b>	<b>Termination event within one year following change in control</b>	<b>Change in Control (without termination of employment)</b>
Pro-rated target short term incentive award	\$	\$	\$
Stock Options and/or Stock Appreciation Rights	\$ 267,835	\$ 442,380	\$ 442,380
Restricted stock units	\$	\$ 152,848	\$ 152,848
Phantom stock	\$ 112,254	\$ 259,248	\$ 259,248
Portion of salary and target bonus	\$ 339,650	\$ 339,650	\$
COBRA and CalCOBRA premiums	\$	\$	\$
Tax and financial planning services	\$	\$	\$
Outplacement services	\$	\$	\$
Incentive payments	\$	\$	\$
401(k) accelerated vesting	\$	\$	\$
280G cutback amount	\$	\$	\$
<b>Total</b>	<b>\$ 719,739</b>	<b>\$ 1,194,126</b>	<b>\$ 854,476</b>

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**PROPOSAL NO. 3**

**ADVISORY VOTE TO APPROVE THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS**

Pursuant to Section 14A of the Exchange Act, shareholders of the Company are entitled to cast an advisory vote at the Annual Meeting to approve the compensation of the Company's named executive officers, as disclosed in this Proxy Statement. The shareholder vote is an advisory vote only and is not binding on the Company, its Board of Directors or the Compensation Committee. Although the vote is non-binding, the Compensation Committee and the Board of Directors value your opinions and will consider the outcome of the vote in analyzing its compensation philosophy and making future compensation decisions. We currently seek advisory votes on the approval of the compensation of the Company's named executive officers on an annual basis. The next advisory vote on the approval of the compensation of the 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 Summary Compensation Table and subsequent tables, the Company's named executive officers are compensated in a manner consistent with its business strategy, competitive practice, guiding principles for executive compensation, and shareholder interests and concerns. The Company's executive compensation program is designed to attract, retain, motivate and appropriately reward its executive officers and to align the interests of the executive officers with those of the Company's shareholders by incentivizing the executive officers to operate the Company in a manner that creates shareholder value.

The Company has several compensation governance programs in place to manage compensation risk and align the Company's executive compensation with long-term shareholder interests. These programs include:

stock ownership guidelines;

an independent compensation committee and compensation committee consultant; and

compensation forfeiture provisions contained in the employment agreements of the Company's named executive officers.

As described in the *Overview* section of the Compensation Discussion and Analysis in this Proxy Statement, the Company is in the midst of its turnaround strategy and its compensation programs for 2013 reflect both the stage of the Company's turnaround efforts as well as the company's significantly improved financial results for 2013. Shareholders are encouraged to read the Compensation Discussion and Analysis and other sections of this proxy statement, which include a detailed discussion of the Company's compensation practices. The Compensation Committee and the Board of Directors believe that the Company's compensation policies, procedures and amounts are effective in implementing its compensation philosophy and in achieving its goals. This advisory shareholder vote, commonly known as "Say-on-Pay," gives our shareholders the opportunity to approve or not approve our executive compensation program and policies by voting on the following resolution:

RESOLVED, that the shareholders of the Company approve, on an advisory basis, the compensation paid to the Company's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion.



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**Vote Required**

The affirmative vote of the holders of a majority of shares of Common Stock entitled to vote and present in person or represented by proxy, at the Annual Meeting is required for approval of this proposal. Abstentions will be treated as being present and entitled to vote on the matter and, therefore, will have the effect of votes against the proposal. A broker non-vote is treated as not being entitled to vote on the matter and is not counted for purposes of determining whether the proposal has been approved.

**YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS AN ADVISORY VOTE FOR THE RESOLUTION TO APPROVE THE COMPENSATION OF THE COMPANY S NAMED EXECUTIVE OFFICERS.**

**Table of Contents****BENEFICIAL OWNERSHIP OF THE COMPANY S SECURITIES**

The following table sets forth information regarding the beneficial ownership of the Company s Common Stock as of February 28, 2014 (except as otherwise noted) by (i) each person who is known by the Company to own beneficially more than 5% of the Company s outstanding Common Stock, (ii) each director of the Company, (iii) each of the executive officers named in the compensation tables appearing elsewhere in this Proxy Statement and (iv) all directors and executive officers of the Company as a group. As of February 28, 2014, there were 77,382,646 shares of Common Stock issued and outstanding.

Name and Address of Beneficial Owner(1)	Shares Beneficially Owned	
	Number	Percent
BlackRock, Inc.(2) 40 East 52nd Street New York, New York 10022	6,389,753	8.26%
Dimensional Fund Advisors LP(3) Palisades West, Building One 6300 Bee Cave Road Austin, Texas 78746	6,083,479	7.86%
Invesco Ltd.(4) 1555 Peachtree Street NE Atlanta, Georgia 30309	5,724,625	7.40%
Samuel H. Armacost(5)	55,848	*
Ronald S. Beard(6)	53,481	*
Alex M. Boezeman(7)	226,198	*
Oliver G. Brewer III(8)	185,846	*
John C. Cushman, III(9)	48,181	*
Alan Hocknell(10)	223,426	*
Bradley J. Holiday(11)	301,610	*
Neil Howie(12)	266,409	*
Yotaro Kobayashi(13)	34,408	*
Mark F. Leposky(14)	60,714	*
John F. Lundgren(15)	17,122	*
Brian P. Lynch(16)	99,368	*
Adebayo O. Ogunlesi(17)	14,724	*
Leighton E. Richards(18)	28,758	*
Richard L. Rosenfield(19)	64,081	*
Anthony S. Thornley(20)	56,988	*
All directors, named executive officers and other executive officers as a group	1,737,162	2.21%

(16 persons)(21)

\* Less than one percent

(1) Except as otherwise indicated, the address for all persons shown on this table is c/o Callaway Golf Company, 2180 Rutherford Road, Carlsbad, California 92008. Unless otherwise indicated in the footnotes to this table, and subject to community property laws where applicable, to the knowledge of the Company each of the shareholders named in this table has sole voting and investment power with respect to the shares shown as beneficially owned by that shareholder. Furthermore, as indicated in the following footnotes, the number of shares a holder is deemed to beneficially own for purposes of this table includes shares issuable upon exercise of stock options if the options may be exercised on or before April 29, 2014, irrespective of the price at which the Company's Common Stock is trading on the NYSE. Consequently, included in the number of shares beneficially owned are shares issuable upon the exercise of options with exercise prices above the trading price of the Company's Common Stock. In addition, as indicated in the following



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- footnotes, the number of shares a holder is deemed to beneficially own for purposes of this table excludes unvested restricted stock units ( RSUs ) granted under such plans. The holder of unvested RSUs may not vote the underlying shares but is entitled to receive dividend equivalents thereon.
- (2) Based on a Schedule 13G/A filed by BlackRock, Inc. with the Securities and Exchange Commission on January 28, 2014. This schedule reported that BlackRock, Inc. has sole voting power with respect to 6,173,925 shares and sole dispositive power with respect to 6,389,753 shares.
  - (3) Based on a Schedule 13G/A filed by Dimensional Fund Advisors LP with the Securities and Exchange Commission on February 10, 2014. This schedule reported that Dimensional Fund Advisors LP has sole voting power with respect to 5,981,467 shares and sole dispositive power with respect to 6,083,479 shares. This schedule also reported that Dimensional Fund Advisors LP, an investment adviser registered under Section 203 of the Investment Advisors Act of 1940, furnishes investment advice to four investment companies registered under the Investment Company Act of 1940, and serves as investment manager to certain other commingled group trusts and separate accounts (such investment companies, trusts and accounts, collectively referred to as the Funds ). In certain cases, subsidiaries of Dimensional Fund Advisors LP may act as an adviser or sub-adviser to certain Funds. In its role as investment advisor, sub-adviser and/or manager, Dimensional Fund Advisors LP or its subsidiaries possess voting and/or investment power over the shares owned by the Funds, and may be deemed 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 Commission on February 10, 2014. This schedule reported that Invesco Ltd. 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, which are currently exercisable or become exercisable on or before April 29, 2014. Mr. Armacost's non-option shares are held in a family trust with his wife as a co-trustee. Excludes 7,329 RSUs and 7,561 RSUs which are scheduled to 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 are currently exercisable or become exercisable on or before April 29, 2014. Mr. Beard's spouse has shared voting and investment power for his non-option shares. Excludes 7,329 RSUs and 7,561 RSUs which are scheduled to vest on May 18, 2014 and May 15, 2016, respectively.
  - (7) Includes 209,316 shares issuable upon exercise of options held by Mr. Boezeman, which are currently exercisable or become exercisable on or before April 29, 2014. Excludes 18,131 RSUs and 18,750 RSUs which are scheduled to vest on February 1, 2016 and January 31, 2017, respectively.
  - (8) Includes 165,846 shares issuable upon exercise of options held by Mr. Brewer, which are currently exercisable or become exercisable on or before April 29, 2014. Mr. Brewer shares voting power with his spouse with respect to 20,000 of his non-option shares. Excludes 303,187 RSUs; 103,609 RSUs and 112,500 RSUs which are scheduled to vest on March 5, 2015; February 1, 2016 and January 31, 2017, respectively.
  - (9) Includes 12,000 shares issuable upon exercise of options held by Mr. Cushman, which are currently exercisable or become exercisable on or before April 29, 2014. All non-option shares are held jointly with his spouse. Excludes 7,329 RSUs and 7,561 RSUs which are scheduled to vest on May 18, 2014 and May 15, 2016, respectively.
  - (10) Includes 192,671 shares issuable upon exercise of options held by Mr. Hocknell, which are currently exercisable or become exercisable on or before April 29, 2014. Excludes 18,131 RSUs and 18,750 RSUs which are scheduled to vest on February 1, 2016 and January 31, 2017, respectively.
  - (11) Includes 261,885 shares issuable upon exercise of options held by Mr. Holiday, which are currently exercisable or become exercisable on or before April 29, 2014. Excludes 63,669 RSUs; 18,131 RSUs and 18,750 RSUs which are scheduled to vest on May 1, 2015; February 1, 2016 and January 31, 2017, respectively.
  - (12) Includes 242,650 shares issuable upon exercise of options held by Mr. Howie, which are currently exercisable or become exercisable on or before April 29, 2014. Excludes 18,131 RSUs and 18,750 RSUs which are scheduled to vest on February 1, 2016 and January 31, 2017, respectively.



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- (13) Includes 12,000 shares issuable upon exercise of options held by Mr. Kobayashi, which are currently exercisable or become exercisable on or before April 29, 2014. Excludes 7,329 RSUs and 7,561 RSUs which are scheduled to vest on May 18, 2014 and May 15, 2016, respectively.
- (14) Includes 29,023 shares issuable upon exercise of options held by Mr. Leposky, which are currently exercisable or become exercisable on or before April 29, 2014. Excludes 18,131 RSUs and 18,750 RSUs which are scheduled to vest on February 1, 2016 and January 31, 2017, respectively.
- (15) Excludes 7,329 RSUs and 7,561 RSUs which are scheduled to vest on May 18, 2014 and May 15, 2016, respectively.
- (16) Includes 94,309 shares issuable upon exercise of options held by Mr. Lynch, which are currently exercisable or become exercisable on or before April 29, 2014. Excludes 10,088 RSUs; 10,361 RSUs and 10,714 RSUs which are scheduled to vest on June 1, 2015; February 1, 2016 and January 31, 2017, respectively.
- (17) Excludes 7,329 RSUs and 7,561 RSUs which are scheduled to vest on May 18, 2014 and May 15, 2016, respectively.
- (18) Includes 25,382 shares issuable upon exercise of options held by Mr. Richards, which are currently exercisable or become exercisable on or before April 29, 2014. Excludes 10,361 RSUs and 10,714 RSUs which are scheduled to vest on February 1, 2016 and January 31, 2017, respectively.
- (19) Includes 12,000 shares issuable upon exercise of options held by Mr. Rosenfield, which are currently exercisable or become exercisable on or before April 29, 2014. Also includes 8,000 shares held in a trust for the benefit of Mr. Rosenfield's children and 50 shares held by Mr. Rosenfield's spouse. Excludes 7,329 RSUs and 7,561 RSUs which are scheduled to vest on May 18, 2014 and May 15, 2016, respectively.
- (20) Includes 26,000 shares issuable upon exercise of options held by Mr. Thornley, which are currently exercisable or become exercisable on or before April 29, 2014. Excludes 7,329 RSUs and 7,561 RSUs which are scheduled to vest on May 18, 2014 and May 15, 2016, respectively.
- (21) Includes 1,307,082 shares issuable upon exercise of options held by the individuals presented, which are currently exercisable or become exercisable on or before April 29, 2014. Excludes 938,728 RSUs, all of which remain subject to future vesting.

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**Table of Contents****TRANSACTIONS WITH RELATED PERSONS**

It is the written policy of the Board of Directors that Company transactions in which any executive officer or director of the Company, or their immediate family members, have a material interest must be on terms which are just and reasonable to the Company. To ensure the terms are just and reasonable, all transactions in excess of \$100,000 must be reviewed by the Nominating and Corporate Governance Committee, except that if the transaction is less than \$1.0 million the Chair of the Committee may approve such transaction. In determining whether to approve such a transaction, the Committee considers, among other things, whether the proposed transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related persons' interest in the transaction. The Board of Directors has also determined that certain transactions are pre-approved and do not require review by the Nominating and Corporate Governance Committee. These include (i) compensation of the executive officers and Board members, (ii) a transaction with another entity in which the interested director or executive officer has an indirect interest in the transaction solely as a result of being a director or less than 10% beneficial owner of such other entity, and (iii) transactions with another corporation or charitable organization if the director's or executive officer's only interest is as a non-executive officer employee of the other corporation or organization and the amount involved does not exceed the greater of \$1.0 million or 2% of the revenues of such other corporation or organization.

Alan Hocknell is the Senior Vice President of Research and Development and is an executive officer of the Company. One of the Company's other employees in the Research and Development department became Mr. Hocknell's brother-in-law subsequent to joining the Company. His compensation is monitored by the Human Resources department and is set based upon market rates. Mr. Hocknell's brother-in-law is not an officer of the Company. His total compensation, including benefits, while not material to the Company exceeded the threshold for disclosure under Item 404(a) of Regulation S-K but is less than \$200,000 in the aggregate.

**No Incorporation by Reference**

In the Company's filings with the SEC, information is sometimes incorporated by reference. This means that the Company is referring you to information that has previously been filed with the SEC and the information should be considered as part of the particular filing. As provided under SEC regulations, the Audit Committee Report and the Compensation and Management Succession Committee Report contained in this Proxy Statement are not incorporated by reference into any other filings with the SEC, except to the extent they are specifically incorporated by reference into a filing. In addition, this Proxy Statement includes several website addresses. These website addresses are intended to provide inactive, textual references only. The information on these websites is not part of this Proxy Statement.

**SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires the Company's directors, Section 16 officers, and greater than 10% beneficial owners to file initial reports of ownership (on Form 3) and periodic reports of changes in ownership (on Forms 4 and 5) of Company securities with the Securities and Exchange Commission. Based solely on its review of copies of such forms (and any amendments to such forms) and such written representations regarding compliance with such filing requirements as were received from its directors, executive officers and greater than 10% beneficial owners (if any), the Company believes that all such Section 16(a) reports were filed on a timely basis during 2013.

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**ANNUAL REPORT**

**A COPY OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2013, AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, WITHOUT EXHIBITS, WILL BE FURNISHED WITHOUT CHARGE TO ANY SHAREHOLDER OF THE COMPANY UPON WRITTEN REQUEST TO THE COMPANY AT CALLAWAY GOLF COMPANY, ATTN: INVESTOR RELATIONS, 2180 RUTHERFORD ROAD, CARLSBAD, CALIFORNIA 92008. THE COMPANY MAKES AVAILABLE FREE OF CHARGE ON ITS WEBSITE, ALL OF ITS FILINGS THAT ARE MADE ELECTRONICALLY WITH THE SEC, INCLUDING FORMS 10-K, 10-Q AND 8-K. THESE MATERIALS CAN BE FOUND AT WWW.CALLAWAYGOLF.COM IN THE INVESTOR RELATIONS SECTION.**

**SHAREHOLDER PROPOSALS**

If a shareholder desires to nominate someone for election to the Board of Directors at, or to bring any other business before, the 2015 annual meeting of shareholders, then such shareholder must comply with the procedures set forth in Article II of the Company's Bylaws in addition to any other applicable requirements and must give timely written notice of the matter to the corporate secretary of the Company. To be timely, written notice must be delivered to the corporate secretary at the principal executive offices of the Company not less than 90 days nor more than 120 days prior to the first anniversary of this year's Annual Meeting, provided, however, that in the event that the date of the 2015 annual meeting is more than 30 days before or more than 60 days after such anniversary date, then such notice to be timely must be delivered to the corporate secretary not more than 120 days prior to the 2015 annual meeting and not less than the later of (i) 90 days prior to such annual meeting or (ii) 10 days following the date of the first public announcement of the scheduled date of the 2015 annual meeting. As a result, in the event the 2015 annual meeting is not held more than 30 days before nor more than 60 days after the first anniversary of this year's Annual Meeting, notice of nominations or other business submitted pursuant to the Company's Bylaws must be received no later than the close of business on February 13, 2015 and no earlier than January 14, 2015. Any such notice to the corporate secretary must include all of the information specified in the Company's Bylaws.

If a shareholder desires to have a proposal included in the Company's proxy statement and proxy card for the 2015 annual meeting of shareholders pursuant to Rule 14a-8 promulgated under the Exchange Act, then the Company must receive notice of such proposal in writing at the Company's principal executive offices in Carlsbad, California no later than December 5, 2014. However, if the date of the 2015 annual meeting of shareholders is more than 30 days before or after the first anniversary of this year's Annual Meeting (*i.e.*, the 2014 Annual Meeting of Shareholders), then such notice must be received by the corporate secretary of the Company a reasonable time before the Company begins to print and mail its proxy materials for the 2015 annual meeting. Such proposals must comply with the other applicable requirements promulgated by the SEC in Rule 14a-8 of the Exchange Act.

**OTHER MATTERS**

Management knows of no matters other than those listed in the attached Notice of the Annual Meeting which are likely to be brought before the Annual Meeting. However, if any other matters should properly come before the Annual Meeting or any adjournment or postponement thereof, the persons named in the proxy will vote all proxies given to them in accordance with the recommendation of the Board of Directors.

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Each shareholder is urged to return a proxy as soon as possible. Any questions should be addressed to Callaway Golf Company, ATTN: Investor Relations, at 2180 Rutherford Road, Carlsbad, California 92008, telephone (760) 931-1771.

By Order of the Board of Directors,  
Brian P. Lynch  
*Corporate Secretary*

Carlsbad, California

March 27, 2014

**Table of Contents****Appendix A****Callaway Golf Company****Non-GAAP Information and Reconciliation****(In thousands, except per share data)****(Unaudited)**

Non-GAAP Reconciliation to GAAP Reported Results:

	Year Ended December 31, 2013				Year Ended December 31, 2012				
	Non-GAAP Callaway Golf <sup>(1)</sup>	Cost Reduction Initiatives <sup>(1)(2)</sup>	Non-Cash Tax Adjustment <sup>(2)</sup>	Total as Reported	Non-GAAP Callaway Golf <sup>(1)</sup>	Cost Reduction Initiatives <sup>(1)(2)</sup>	Gain on Sale of Top- Flite & Ben Hogan <sup>(1)</sup>	Non-Cash Tax Adjustment <sup>(2)</sup>	Total as Reported
Net sales	\$ 842,801	\$	\$	\$ 842,801	\$ 834,065	\$	\$	\$	\$ 834,065
Gross profit	325,907	(11,149)		314,758	284,396	(36,228)			248,168
% of sales	39%	-1%	n/a	37%	34%	-4%	n/a	n/a	30%
Operating expenses	320,801	4,719		325,520	353,172	17,833	(6,602)		364,403
Income (expense) from operations	5,106	(15,868)		(10,762)	(68,776)	(54,061)	6,602		(116,235)
Other expense, net	(1,872)	(688)		(2,560)	(1,811)				(1,811)
Income (loss) before income taxes	3,234	(16,556)		(13,322)	(70,587)	(54,061)	6,602		(118,046)
Income tax provision (benefit)	1,245	(6,374)	10,728	5,599	(27,176)	(20,814)	2,542	50,348	4,900
Net income (loss)	1,989	(10,182)	(10,728)	(18,921)	(43,411)	(33,247)	4,060	(50,348)	(122,946)
Dividends on convertible preferred stock	3,332			3,332	8,447				8,447
Net income (loss) allocable to common shareholders	\$ (1,343)	\$ (10,182)	\$ (10,728)	\$ (22,253)	\$ (51,858)	\$ (33,247)	\$ 4,060	\$ (50,348)	\$ (131,393)

Diluted earnings										
(loss) per share:	\$ (0.02)	\$ (0.14)	\$ (0.15)	\$ (0.31)	\$ (0.77)	\$ (0.50)	\$ 0.06	\$ (0.75)	\$ (1.96)	
Weighted-average										
shares										
outstanding:	72,809	72,809	72,809	72,809	67,061	67,061	67,061	67,061	67,061	67,061

- (1) For comparative purposes, the Company applied an annualized statutory tax rate of 38.5% to derive non-GAAP results.
- (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 manufacturing supply chain, Canada warehouse/office move, workforce reductions and costs related to transitioning to a third party model for the U.S. and European apparel and footwear and worldwide uPro GPS businesses.

## EBITDA:

	EBITDA		Non-GAAP EBITDA	
	2013	2012	2013	2012
Net income (loss)	\$ (18,921)	\$ (122,946)	\$ 1,989	\$ (43,411)
Interest expense, net	8,565	4,963	8,565	4,963
Income tax provision (benefit)	5,599	4,900	1,245	(27,176)
Depreciation and amortization expense	25,543	34,411	25,307	34,411
EBITDA	\$ 20,786	\$ (78,672)	\$ 37,106	\$ (31,213)

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Constant Currency Net Sales Excluding Businesses Sold or Transitioned:

	<b>Year Ended December 31,</b>		<b>Percent Change</b>
	<b>2013</b>	<b>2012</b>	
Net sales:	\$ 842,801	\$ 834,065	1%
Businesses sold/transitioned	(3,042)	(60,244)	
Sales, net of businesses sold/transitioned	839,759	773,821	9%
Currency impact <sup>(1)</sup>	39,793		
Sales, net of businesses sold/transitioned and currency impact	\$ 879,552	\$ 773,821	14%

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

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**IMPORTANT ANNUAL MEETING INFORMATION**

**Electronic Voting Instructions**

**Available 24 hours a day, 7 days a week!**

Instead of mailing your proxy, you may choose one of the voting methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.

**Proxies submitted by the Internet or telephone must be received by 1:00 a.m., Pacific Time, on May 14, 2014.**

**Vote by Internet**

Go to [www.investorvote.com/ELY](http://www.investorvote.com/ELY)

Or scan the QR code with your smartphone

Follow the steps outlined on the secure website

**Vote by telephone**

Call toll free 1-800-652-VOTE (8683) within the USA, US territories & Canada

on a touch tone telephone

Follow the instructions provided by the recorded message

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, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.**

**A** **Proposals THIS PROXY CARD IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF THE COMPANY. YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH OF THE NOMINEES LISTED BELOW, AND FOR PROPOSALS 2 AND 3.**

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

1. Election of Directors: 01 - Oliver G. (Chip) Brewer III 02 - Ronald S. Beard 03 - Samuel H. Armacost  
 Nominees: 04 - John C. Cushman, III 05 - John F. Lundgren 06 - Adebayo O. Ogunlesi  
 07 - Richard L. Rosenfield 08 - Anthony S. Thornley

.. **Mark here to vote FOR all nominees** .. **Mark here to WITHHOLD vote from all nominees** .. **For All EXCEPT** - To withhold authority to vote for any nominee(s), write the name(s) of such nominee(s) below.

Unless otherwise specified below, this proxy authorizes the proxies named on the reverse side of this card to cumulate votes that the undersigned is entitled to cast at the Annual Meeting in connection with the election of Directors. To specify different instructions with regard to cumulative voting, write your instructions on the line below.

- |  |            |                |                |   |            |                |                |
|--|------------|----------------|----------------|---|------------|----------------|----------------|
|  | <b>For</b> | <b>Against</b> | <b>Abstain</b> |   | <b>For</b> | <b>Against</b> | <b>Abstain</b> |
| 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. Approve, on an advisory basis, the compensation of the Company's named executive officers. | ..         | ..             | ..             |
- In their discretion, Bradley J. Holiday and Brian P. Lynch, or either of them, are authorized to vote upon such other business as may properly come before the meeting or any adjournment or postponement thereof.

**B Authorized Signatures** This section must be completed for your vote to be counted. **Date and Sign Below**  
 NOTE: Please sign as name appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such.

Date (mm/dd/yyyy) Please print date below. Signature 1 Please keep signature within the box. Signature 2 Please keep signature within the box.  
 / /  
 01SHJF

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**Important notice regarding the Internet availability of proxy materials for the Shareholder Meeting To Be Held on May 14, 2014:** The Annual Report and Proxy Statement are available on the Internet at: <http://www.allianceproxy.com/callawaygolf/2014>

**IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.**

**Proxy CALLAWAY GOLF COMPANY**

The undersigned shareholder of CALLAWAY GOLF COMPANY hereby appoints BRADLEY J. HOLIDAY AND BRIAN P. LYNCH, or either of them, proxies of the undersigned, each with full power to act without the other and with the power of substitution, to represent the undersigned at the Annual Meeting of Shareholders of Callaway Golf Company to be held at the Callaway Golf Company Headquarters, 2180 Rutherford Road, Carlsbad, California 92008, on May 14, 2014, at 8:30 A.M. (PDT), and at any adjournments or postponements thereof, and to vote all shares of stock of the Company standing in the name of the undersigned with all the powers the undersigned would possess if personally present, in accordance with the instructions below and on the reverse hereof, and in their discretion upon such other business as may properly come before the meeting; provided, however, that such proxies, or either of them, shall have the power to cumulate votes and cast such votes in 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 DIRECTED HEREIN BY THE UNDERSIGNED SHAREHOLDER. IF THIS PROXY IS PROPERLY EXECUTED AND RETURNED BUT NO DIRECTION IS MADE, THIS PROXY CARD WILL BE VOTED FOR THE NOMINEES LISTED ON THE REVERSE HEREOF AND FOR ALL OTHER PROPOSALS IN ACCORDANCE WITH THE RECOMMENDATIONS OF THE BOARD OF DIRECTORS.**

**(Continued and to be marked, dated and signed, on the other side)**

** Non-Voting Items**

**Change of Address** Please print your new address below.

**Comments** Please print your comments below.

**Meeting Attendance**  
Mark the box to the right if ..  
you plan to attend the  
Annual Meeting.

**IF VOTING BY MAIL, YOU MUST SIGN AND DATE THIS FORM IN SECTION B.**