

CALLAWAY GOLF CO /CA

Form 11-K

June 26, 2003

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**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 11-K**

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2002

Commission file number 1-10962

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

**CALLAWAY GOLF COMPANY**

**401(k) RETIREMENT INVESTMENT PLAN**

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

**CALLAWAY GOLF COMPANY  
2180 RUTHERFORD ROAD  
CARLSBAD, CA 92008**

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**SIGNATURE**

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\* Other schedules required by 29 CFR 2520.103-10 of the Department of Labor Rules and Regulations for Reporting and Disclosure under ERISA have been omitted because they are not applicable.

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**Independent Auditors Report**

To the Participants and Administrator of the  
Callaway Golf Company 401(k) Retirement Investment Plan:

We have audited the accompanying statement of net assets available for benefits of Callaway Golf Company 401(k) Retirement Investment Plan (the Plan ) as of December 31, 2002 and the related statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2002 and the changes in net assets available for benefits for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2002 and schedule of reportable transactions for the year then ended are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedules are the responsibility of the Plan s management. Such supplemental schedules have been subjected to the auditing procedures applied in our audit of the basic 2002 financial statements and, in our opinion, are fairly stated, in all material respects, when considered in relation to the basic 2002 financial statements taken as a whole.

/s/ Deloitte & Touche LLP

Costa Mesa, California  
June 17, 2003

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**Independent Auditors Report**

To the Participants and Administrator of the  
Callaway Golf Company 401(k) Retirement Investment Plan

We have audited the accompanying statement of net assets available for benefits of the Callaway Golf Company 401(k) Retirement Investment Plan (the Plan ), formerly the Callaway Golf Company 401(k) Profit Sharing Plan, as of December 31, 2001, and the related statement of changes in net assets available for benefits for the year ended December 31, 2001. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2001, and the changes in net assets available for benefits for the year ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

Costa Mesa, California  
June 24, 2002

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**Callaway Golf Company 401(k) Retirement Investment Plan  
Statements of Net Assets Available for Benefits  
December 31, 2002 and 2001**

|                                       | <u>2002</u>          | <u>2001</u>          |
|---------------------------------------|----------------------|----------------------|
| <b>Assets</b>                         |                      |                      |
| Investments, at fair value:           |                      |                      |
| Mutual funds                          | \$ 50,773,000        | \$ 53,438,000        |
| Callaway Golf Company common<br>stock | 16,191,000           | 21,623,000           |
| Participant loans                     | 6,077,000            | 5,919,000            |
|                                       | <u>73,041,000</u>    | <u>80,980,000</u>    |
| Receivables:                          |                      |                      |
| Company contributions                 | 1,898,000            | 2,665,000            |
|                                       | <u>1,898,000</u>     | <u>2,665,000</u>     |
| Net assets available for benefits     | <u>\$ 74,939,000</u> | <u>\$ 83,645,000</u> |

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

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**Callaway Golf Company 401(k) Retirement Investment Plan  
 Statements of Changes in Net Assets Available for Benefits  
 For the Years Ended December 31, 2002 and 2001**

|  | <u>2002</u>          | <u>2001</u>          |
|--|----------------------|----------------------|
| <b>Additions to Net Assets</b>                         |                      |                      |
| Investment income:                                     |                      |                      |
| Interest and dividends                                 | \$ 1,528,000         | \$ 1,592,000         |
| Participant contributions                              | 6,502,000            | 6,353,000            |
| Company contributions                                  | 6,810,000            | 7,669,000            |
| Participant rollover contributions                     | 455,000              | 247,000              |
|  | <u>15,295,000</u>    | <u>15,861,000</u>    |
| <b>Deductions from Net Assets</b>                      |                      |                      |
| Net depreciation in fair value of investments          | (15,207,000)         | (9,896,000)          |
| Distributions to participants                          | (8,532,000)          | (9,321,000)          |
| Plan expenses  | (262,000)            | (40,000)             |
|  | <u>(24,001,000)</u>  | <u>(19,257,000)</u>  |
| Decrease in net assets available for benefits          | (8,706,000)          | (3,396,000)          |
| Net assets available for benefits at beginning of year | 83,645,000           | 87,041,000           |
|  | <u>83,645,000</u>    | <u>87,041,000</u>    |
| Net assets available for benefits at end of year       | <u>\$ 74,939,000</u> | <u>\$ 83,645,000</u> |

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



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**Callaway Golf Company 401(k) Retirement Investment Plan**

**Notes to Financial Statements**

**December 31, 2002 and 2001**

**1. Description of Plan**

**General**

Effective January 1, 1991, Callaway Golf Company (the Company) adopted a voluntary deferred compensation and profit sharing plan, the Callaway Golf Company 401(k) Retirement Investment Plan, as amended, (formerly known as the Callaway Golf Company 401(k) Profit Sharing Plan) (the Plan), to enable eligible employees to make pretax savings deferrals and to share in the Company's earnings, thereby providing employees with an opportunity to accumulate funds for their retirement. Eligible employees who are age 18 or older may participate in the Plan.

In November 2001, the Plan was amended and restated to incorporate all required amendments under the General Agreement on Tariffs and Trade (GATT), the Uruguay Round Agreements Act, the Uniformed Services Employment and Reemployment Rights Act of 1994, the Small Business Job Protection Act of 1996, the Taxpayer Relief Act of 1997, the Internal Revenue Service Restructuring and Reform Act of 1998 and the Community Renewal Tax Relief Act of 2000 (collectively known as GUST) and the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA).

Effective July 1, 2002, Vanguard Fiduciary Trust Company (Vanguard) became the trustee and recordkeeper for the Plan, replacing Wells Fargo Bank. The Plan is administered by a Plan Committee (the 401(k) Plan Committee) appointed by the Chief Executive Officer of the Company. The members of the 401(k) Plan Committee are employees of the Company. The 401(k) Plan Committee has the responsibility for the general administration and operation of the Plan.

The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets available for benefits and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of changes in net assets available for benefits during the reporting period. Actual results could differ from those estimates.

**Contributions**

Participants can elect to defer on a pretax basis from 1% to 15% of their compensation, subject to the maximum permitted under the Internal Revenue Code (IRC). Participants also may contribute amounts representing distributions (or rollovers) from other qualified plans. During 2002 and 2001, subject to certain contribution limits, the Company made matching contributions each pay period equal to 100% of the deferral rate elected by participants for deferral rates up to 6% of annual compensation. Employees are eligible to receive matching contributions after having been employed for at least six months and having accrued 500 hours of service.

The Company also may make discretionary profit sharing contributions. During 2002 and 2001, the profit sharing contributions authorized by the Company's Board of Directors and accrued by the Plan were \$1,898,000 and \$2,665,000, respectively. These profit sharing contributions were received by the Plan in February 2003 and 2002, respectively. Plan participants do not accrue earnings on contributions until such contributions are received by the Plan.

**Participant Accounts**

Each participant's account is credited with the participant's contributions and an allocation of: (a) the Company's matching and profit sharing contribution and (b) Plan earnings. Only participants who are actively employed on the last day of the Plan year and have completed more than 500 hours of service during the year will be allocated profit sharing contributions. Allocations of the Company's profit sharing contributions are based on each participant's eligible compensation in relation to total compensation of all Plan participants.

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### **Vesting**

Participants are fully vested in their pretax contributions and vest in Company matching and profit sharing contributions at a rate of 25% per year, becoming fully vested after the completion of four years of service.

### **Forfeitures**

Matching contributions forfeited by unvested terminated participants may be used by the Company to offset future matching contributions or reimburse the Plan for administrative expenses. Plan forfeitures totaled \$213,000 and \$112,000 for the years ended December 31, 2002 and 2001, respectively, and were used to offset administrative expenses incurred by the Plan.

### **Distributions**

Distributions to participants are payable when a participant retires, or is terminated and requests distribution of the vested value of his or her account. If the vested value of the participant's account exceeds \$5,000 (excluding rollover money) at termination of employment, the participant is allowed to leave his or her account balance in the Plan. The amount left on deposit and the interest earned thereon are not forfeitable. If the vested balance of the participant's account is less than \$5,000 (excluding rollover money) at termination of employment, the participant's vested balance is distributed to the participant.

### **Investment Options**

Upon enrollment in the Plan, a participant may direct contributions to any of the following investment options, as disclosed in the related fund prospectus:

**Vanguard Prime Money Market Fund** Seeks high income and a stable share price by investing primarily in short-term, high-quality money market instruments issued by financial institutions, nonfinancial corporations, the U.S. government, and federal agencies. Its holdings may include certificates of deposit, bank-guaranteed securities, corporate IOUs, and other money market instruments, as well as U.S. Treasury and government agency securities and repurchase agreements on such securities. The average maturity of the fund's holdings will be 90 days or less.

**Vanguard 500 Index Fund** Seeks to match the performance of a benchmark index that measures the investment return of large-capitalization stocks. The fund holds all of the 500 stocks that make up the unmanaged Standard & Poor's 500 Composite Stock Price Index, a widely recognized benchmark of U.S. stock market performance, in proportion to their weighting in the index. The fund attempts to match the performance of the index and remains fully invested in stocks at all times. Its management does not speculate on the direction of the index. Though the fund seeks to match the index, its performance typically can be expected to fall short by a small percentage representing operating costs.

**Vanguard GNMA Fund** Seeks a high and sustainable level of interest income by investing in a broad range of mortgage-backed securities issued by the Government National Mortgage Association (GNMA). An agency of the U.S. government, GNMA guarantees the timely payment of interest and principal on the securities, each of which represents a pool of individual mortgage loans. Securities are based on different types of loans (e.g., fixed-rate and adjustable-rate) and properties (e.g., single-family homes and apartments). The fund is managed to reduce the risk posed by loan prepayments, which occur, for example, when homeowners refinance their mortgages and which can lead to reductions in the fund's interest income.

**Vanguard Explorer Fund** Seeks long-term growth of capital by investing in a diversified group of small-company stocks with prospects for above-average growth. The fund is managed by five advisers, each of whom runs its portion of the fund independently although all emphasize small-capitalization stocks (those of companies with total market values of \$100 million to \$1 billion).

**Vanguard PRIMECAP Fund** Seeks long-term growth of capital by investing in stocks of companies with above-average prospects for continued earnings growth, strong industry positions, and skilled management teams. It also may invest in companies with below-average earnings but bright prospects for earnings growth. The fund may not be broadly diversified; at times the fund may invest a large portion of its assets in select industries.

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**Vanguard Balanced Index Fund** Seeks income and long-term growth of capital and income by investing 60% of the fund's assets in stocks and 40% of the fund's assets in fixed-income securities. The fund's equity segment attempts to match the performance of the Wilshire 5000 Equity Index, an unmanaged index that covers all regularly traded U.S. stocks. The fund's bond segment attempts to match the performance of the Lehman Brothers Aggregate Bond Index, an unmanaged index that covers virtually all taxable fixed-income securities.

**Vanguard Equity Income Fund** Seeks a high level of dividend income and long-term growth of income and capital by investing in a diversified group of large- and mid-capitalization stocks with above-average dividend yields and reasonable prospects for long-term price appreciation. Three advisers, each with a distinct strategy, select stocks for the fund.

**PIMCO RCM Global Technology Fund** Seeks capital appreciation. The fund normally invests at least 65% of assets in equities issued by technology companies located in at least three countries, including the U.S. The advisor seeks companies that exhibit one or more of the following qualities: superior management, strong balance sheets, new or superior products or services, potential for revenue growth, and a commitment to research and development. It may invest up to 50% in foreign securities. The fund is nondiversified.

**PIMCO Total Return Fund** Seeks total return consistent with preservation of capital and invests at least 65% of assets in debt securities, including U.S. government securities, corporate bonds, and mortgage-related securities. It may invest up to 20% of assets in securities denominated in foreign currencies. The portfolio duration generally ranges from three to six years.

**Templeton Foreign Fund** Seeks long-term capital growth by investing primarily in stocks and debt securities of companies and governments outside of the United States. It maintains a flexible investment policy and can invest in all types of securities and in any foreign country, developed or underdeveloped. The fund generally invests up to 25% of assets in foreign debt securities.

**Franklin Balance Sheet Investment Fund** Seeks total return by investing primarily in equities it judges to be undervalued and typically includes common and preferred stocks, bonds, and commercial paper that may be purchased at prices below the book value of the company. Other factors considered in selecting securities include valuable franchises, ownership of valuable trademarks or trade names, control of distribution networks or of market share for particular products, and excess cash. The fund also invests in closed-end funds trading at a discount or otherwise believed to be undervalued. The fund is nondiversified.

**Callaway Golf Company Common Stock** Invests in the common stock of the Company and includes funds held in a money market account that are used to purchase or redeem shares of the Company's common stock.

### **Plan Administrative Expenses**

Plan administrative expenses are paid by the Company or by non-participant plan assets. The increase in expenses in 2002, as compared to 2001, is primarily due to additional costs related to the change in the Plan administrator to Vanguard from Wells Fargo.

## **2. Summary of Significant Accounting Policies**

### **Basis of Accounting**

The financial statements are prepared on the accrual basis of accounting.

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

**Table of Contents****Investment Valuation and Income Recognition**

The Plan's investments are stated at fair market value. Shares of mutual funds are valued at quoted market prices, which represent the net asset value of shares held by the Plan at year-end. The Company stock fund is valued at its year-end share closing price (comprised of year-end market price plus the uninvested cash position). Participant loans are valued at cost, which approximates fair value.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is accrued when earned. Dividend income is recorded on the ex-dividend date. Capital gains are included in dividend income.

The Plan presents the net appreciation or depreciation in the fair value of its investments, which consists of the realized gains or losses and the unrealized appreciation or depreciation on those investments.

**Contributions**

Participant contributions and Company matching contributions are recorded in the period during which the Company makes payroll deductions from the participants' earnings.

Company profit sharing contributions are recorded by the Plan when and if approved by the Company's Board of Directors.

**Distributions to Participants**

Distributions to participants are recorded when paid.

**3. Related-Party Transactions**

The Plan invests in shares of mutual funds managed by an affiliate of Vanguard. Vanguard acts as trustee for only those investments as defined by the Plan. Transactions in such investments qualify as party-in-interest transactions which are exempt from the prohibited transaction rules. Fees paid by the Plan to Vanguard for management services amounted to \$31,000 for the year ended December 31, 2002.

**4. Investment Activity**

Individual investments that represent 5% or more of the Plan's net assets available for benefits are as follows:

|   | December 31,<br>2002 | 2001                 |
|---|----------------------|----------------------|
| Vanguard Prime Money Market Fund        | \$ 16,193,000        | \$                   |
| Wells Fargo Money Market Fund           |                      | 14,237,000           |
| Callaway Golf Company Common Stock      | 16,191,000           | 21,623,000           |
| Vanguard 500 Index Fund                 | 9,110,000            |                      |
| Wells Fargo S&P 500 Stock Fund          |                      | 10,692,000           |
| PIMCO RCM Global Technology Fund        | 7,403,000            |                      |
| T. Rowe Price Science & Technology Fund |                      | 12,762,000           |
| Vanguard GNMA Fund                      | 4,703,000            |                      |
| Participant Loans                       | 6,077,000            | 5,919,000            |
|   | <u>\$ 59,677,000</u> | <u>\$ 65,233,000</u> |

During 2002, the Plan's investments (including realized and unrealized gains and losses) depreciated in value by \$15,207,000 as follows:

|                                    |                |
|------------------------------------|----------------|
| Mutual Funds                       | \$ (9,850,000) |
| Callaway Golf Company Common Stock | (5,524,000)    |

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|  |                   |
|--|-------------------|
| Corporate Bonds and U.S. Government Securities | 167,000           |
|  | <u>          </u> |
|  | \$(15,207,000)    |
|  | <u>          </u> |

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**5. Participant Loans**

Participants may borrow up to 50% of their vested account balance in loan amounts ranging from a minimum of \$1,000 to a maximum of \$50,000. Such loans must be repaid within five years or, if used to purchase a principal residence, 15 years. The loans are secured by the balances in the participants' accounts, and bear interest equal to the current prime rate at the inception of the loan. The prime rate was 4.25% at December 31, 2002 and 4.75% at December 31, 2001.

**6. Plan Termination**

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. If the Plan is terminated, participants will become fully vested in their accounts.

**7. Income Taxes**

The Internal Revenue Service has determined, and informed the Company by a letter dated February 11, 2003, that the Plan and related trust are designed in accordance with the applicable sections of the IRC.

**8. Reconciliation to Form 5500**

Net assets available for benefits per the accrual basis financial statements and the cash basis Form 5500 differ by \$1,898,000 and \$2,665,000 at December 31, 2002 and 2001, respectively. These differences are due to the following accrual adjustments reflected in the financial statements:

|  | <u>2002</u>         | <u>2001</u>         |
|--|---------------------|---------------------|
| Company contributions receivable                               | \$ 1,898,000        | \$ 2,665,000        |
| Net assets available for benefits per the Form 5500            | <u>73,041,000</u>   | <u>80,980,000</u>   |
| Net assets available for benefits per the financial statements | <u>\$74,939,000</u> | <u>\$83,645,000</u> |

**9. Risk and Uncertainties**

The Plan provides for various investment options in any combination of stocks, bonds, fixed-income securities, mutual funds, and other investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits and the statements of changes in net assets available for benefits.

The Plan's investment in Callaway Golf common stock amounted to approximately \$16,191,000 and \$21,623,000 as of December 31, 2002 and 2001, respectively. Such investments represented approximately 22% and 26% of the Plan's net assets available for benefits as of December 31, 2002 and 2001, respectively. For risks and uncertainties regarding Callaway Golf Company, participants should refer to the December 31, 2002, Form 10-K and the March 31, 2003, Form 10-Q the Company filed with the Securities and Exchange Commission.

**Table of Contents****Schedule I**

**Callaway Golf Company 401(k) Retirement Investment Plan**  
**Schedule H, Line 4i Schedule of Assets (Held at End of Year)**  
**December 31, 2002**

| Identity of Issuer,<br>Borrower, Lessor<br>or Similar Party | Description of Investment                  | Current<br>Value |
|---|--|------------------|
| <b>Mutual Funds</b>   |  |                  |
| Vanguard*   | Prime Money Market Fund**                  | \$16,193,000     |
| Vanguard*   | 500 Index Fund Investor Shares**           | 9,110,000        |
| Vanguard*   | GNMA Fund**                                | 4,703,000        |
| Vanguard*   | Explorer Fund                              | 2,784,000        |
| Vanguard*   | PRIMECAP Fund                              | 1,236,000        |
| Vanguard*   | Balanced Index Fund                        | 1,207,000        |
| Vanguard*   | Equity Income Fund                         | 1,150,000        |
| PIMCO   | RCM Global Technology Fund**               | 7,403,000        |
| PIMCO   | Total Return Fund                          | 3,078,000        |
| Templeton   | Foreign Fund                               | 3,478,000        |
| Franklin  | Balance Sheet Investment Fund              | 431,000          |
|   |  | <hr/>            |
|   |  | 50,773,000       |
| Callaway Golf Company*                                      | Common Stock**                             | 16,191,000       |
| Participant loans*  | Interest rates range from 4.75% to 9.50%** | 6,077,000        |
|   |  | <hr/>            |
|   |  | \$73,041,000     |
|   |  | <hr/>            |

\* Represents a party-in-interest.

\*\* Investment represents 5% or more of the Plan's net assets available for benefits at December 31, 2002.

**Table of Contents****Schedule II****Callaway Golf Company 401(k) Retirement Investment Plan  
Schedule H, Line 4j Schedule of Reportable Transactions  
December 31, 2002**

| Identity of<br>Party Involved   | Description of Asset                      | Purchase<br>Price | Selling<br>Price |
|---|---|-------------------|------------------|
| <b>Category (I) Single Security Transactions in Excess of 5% of Plan Assets:</b>      |   |                   |                  |
| Wells Fargo   | Wells Fargo Money Market Fund             | \$                | \$ 16,303,000    |
| Wells Fargo   | T. Rowe Price Science and Technology Fund |                   | 8,640,000        |
| Wells Fargo   | Wells Fargo S&P 500 Stock Fund            |                   | 9,761,000        |
| The Vanguard Group  | Vanguard Prime Money Market               | 16,316,000        |                  |
| The Vanguard Group  | PIMCO RCM Global Tech A                   | 9,419,000         |                  |
| The Vanguard Group  | Vanguard 500 Index Fund                   | 9,761,000         |                  |
| <b>Category (III) Series of Security Transactions in Excess of 5% of Plan Assets:</b> |   |                   |                  |
| Wells Fargo   | Wells Fargo Money Market Fund             | \$ 7,239,000      | \$               |
| Wells Fargo   | Wells Fargo Money Market Fund             |                   | 21,457,000       |
| Wells Fargo   | Dreyfus Founders Discovery Fund           | 833,000           |                  |
| Wells Fargo   | Dreyfus Founders Discovery Fund           |                   | 3,378,000        |
| Wells Fargo   | T. Rowe Price Science and Technology Fund | 2,494,000         |                  |
| Wells Fargo   | T. Rowe Price Science and Technology Fund |                   | 10,931,000       |
| Wells Fargo   | Strong Government Securities Fund         | 1,096,000         |                  |
| Wells Fargo   | Strong Government Securities Fund         |                   | 4,886,000        |
| Wells Fargo   | Templeton Foreign Fund                    | 2,985,000         |                  |
| Wells Fargo   | Templeton Foreign Fund                    |                   | 2,554,000        |
| Wells Fargo   | Wells Fargo S&P 500 Stock Fund            | 2,061,000         |                  |
| Wells Fargo   | Wells Fargo S&P 500 Stock Fund            |                   | 10,920,000       |
| The Vanguard Group  | PIMCO Total Return                        | 3,615,000         |                  |
| The Vanguard Group  | PIMCO Total Return                        |                   | 543,000          |
| The Vanguard Group  | PIMCO RCM Global Tech A                   | 9,419,000         |                  |
| The Vanguard Group  | PIMCO RCM Global Tech A                   |                   | 1,200,000        |
| The Vanguard Group  | Templeton Foreign Fund                    | 4,791,000         |                  |
| The Vanguard Group  | Templeton Foreign Fund                    |                   | 771,000          |
| The Vanguard Group  | Vanguard 500 Index Fund                   | 11,400,000        |                  |
| The Vanguard Group  | Vanguard 500 Index Fund                   |                   | 1,362,000        |
| The Vanguard Group  | Vanguard Explorer Fund                    | 3,561,000         |                  |
| The Vanguard Group  | Vanguard Explorer Fund                    |                   | 453,000          |
| The Vanguard Group  | Vanguard GNMA Investor Shares             | 5,312,000         |                  |
| The Vanguard Group  | Vanguard GNMA Investor Shares             |                   | 685,000          |
| The Vanguard Group  | Vanguard Prime Money Market               | 20,553,000        |                  |
| The Vanguard Group  | Vanguard Prime Money Market               |                   | 4,360,000        |
| Callaway Golf Company   | Callaway Golf Company Common Stock        | 21,286,000        |                  |
| Callaway Golf Company   | Callaway Golf Company Common Stock        |                   | 1,273,000        |

[Additional columns below]

[Continued from above table, first column(s) repeated]

| Identity of<br>Party Involved | Expenses<br>Incurred<br>with<br>Transaction | Cost of Asset | Current value<br>of Asset on<br>Transaction Date | Net Gain<br>or (Loss) |
|-------------------------------|---|---------------|--|-----------------------|
|-------------------------------|---|---------------|--|-----------------------|



**Category (I) Single Security Transactions in Excess of 5% of Plan Assets:**

|                    |    |               |            |              |
|--------------------|----|---------------|------------|--------------|
| Wells Fargo        | \$ | \$ 16,303,000 | \$         | \$           |
| Wells Fargo        |    | 20,697,000    |            | (12,057,000) |
| Wells Fargo        |    | 11,526,000    |            | (1,765,000)  |
| The Vanguard Group |    |               | 16,316,000 |              |
| The Vanguard Group |    |               | 9,419,000  |              |
| The Vanguard Group |    |               | 9,761,000  |              |

**Category (III) Series of Security Transactions in Excess of 5% of Plan Assets:**

|                       |    |            |              |              |
|-----------------------|----|------------|--------------|--------------|
| Wells Fargo           | \$ |            | \$ 7,239,000 | \$           |
| Wells Fargo           |    | 21,457,000 |              |              |
| Wells Fargo           |    |            | 833,000      |              |
| Wells Fargo           |    | 5,034,000  |              | (1,656,000)  |
| Wells Fargo           |    |            | 2,494,000    |              |
| Wells Fargo           |    | 25,196,000 |              | (14,265,000) |
| Wells Fargo           |    |            | 1,096,000    |              |
| Wells Fargo           |    | 4,775,000  |              | 111,000      |
| Wells Fargo           |    |            | 2,985,000    |              |
| Wells Fargo           |    | 2,587,000  |              | (33,000)     |
| Wells Fargo           |    |            | 2,061,000    |              |
| Wells Fargo           |    | 12,757,000 |              | (1,837,000)  |
| The Vanguard Group    |    |            | 3,615,000    |              |
| The Vanguard Group    |    | 539,000    |              | 4,000        |
| The Vanguard Group    |    |            | 9,419,000    |              |
| The Vanguard Group    |    | 1,319,000  |              | (119,000)    |
| The Vanguard Group    |    |            | 4,791,000    |              |
| The Vanguard Group    |    | 832,000    |              | (61,000)     |
| The Vanguard Group    |    |            | 11,400,000   |              |
| The Vanguard Group    |    | 1,497,000  |              | (135,000)    |
| The Vanguard Group    |    |            | 3,561,000    |              |
| The Vanguard Group    |    | 513,000    |              | (60,000)     |
| The Vanguard Group    |    |            | 5,312,000    |              |
| The Vanguard Group    |    | 679,000    |              | 6,000        |
| The Vanguard Group    |    |            | 20,553,000   |              |
| The Vanguard Group    |    | 4,360,000  |              |              |
| Callaway Golf Company |    |            | 21,286,000   |              |
| Callaway Golf Company |    | 1,645,000  |              | (372,000)    |



**Table of Contents**

**Exhibit Index**

| <b>Exhibit No.</b> | <b>Description</b>  |
|--------------------|---|
| 23.1               | Consent of Deloitte & Touche LLP  |
| 23.2               | Consent of KPMG LLP   |
| 99.1               | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |