



December 13, 2011

Office of the Secretary  
Public Company Accounting Oversight Board  
1666 K Street, N.W.  
Washington, D.C. 20006-2803

Re: PCAOB Rulemaking Docket Matter No. 37 – Concept Release on Auditor Independence and Audit Firm Rotation.

Members of the Board:

Callaway Golf Company has reviewed the Concept Release on Auditor Independence and Audit Firm Rotation (the “Release”) issued in August 2011 and we appreciate the opportunity to comment on the Release.

As a public company we strongly believe in the value of auditor independence, objectivity and professional skepticism. We understand these are critical elements of high quality audits. We do not, however, support the idea that mandatory auditor rotation will address the PCAOB's concerns with auditor independence, objectivity and professional skepticism. No compelling evidence has been presented to conclude mandatory audit firm rotation has a high likelihood of producing improvements in auditor performance. In fact, we believe mandatory audit firm rotation has a high likelihood of causing serious repercussions, including, but not limited to: 1) reduced audit quality, 2) reduced audit efficiency, 3) practical compliance limitations, 4) increased independence conflicts, and 5) reduced Audit Committee authority.

1) Reduced Audit Quality:

If we were required to rotate auditors after a defined tenure, we believe it would have a negative impact on audit quality. Callaway Golf Company designs, manufactures and sells high quality golf equipment and golf accessories. The Company’s products are sold in the United States and in over 100 countries around the world, and the Company has more than 20 legal entities. It takes considerable time and investment before an auditor can thoroughly understand our business. An increased understanding of our complex business enables a more insightful, thoughtful and critical analysis of the relevant accounting issues and assumptions. A mandated auditor rotation would lead to the regular loss of auditor understanding of our business, leading to higher risk of audit deficiencies. Additionally, if the required rotation occurred during a significant transaction such as an acquisition, or financing

transaction, the consummation of the transaction could be delayed and the audit quality could be negatively impacted.

There is no demonstrated link between audit firm rotation and improved audit quality. The PCAOB admits in the concept release that its own studies have shown “no correlation between audit tenure and number of comments in PCAOB inspection reports.” In addition, a number of academic studies have shown that audit quality improves with audit tenure and that audit engagements of shorter tenure pose greater risks.

## 2) Increased Costs:

As described above, the learning curve faced by a new auditor would require additional resources from both the auditor as well as management. We agree with the November 2003 General Accounting Office study that estimates that audit fees could increase as much as 20% for the first two to three years of a new auditor, matched by increases in management time and resources to support the auditor. We would prefer to keep Callaway Golf employees focused on the audit process, day-to-day responsibilities and growing the Company’s business in the global marketplace rather than explaining operations to new auditors. Furthermore, with limited resources, many small and mid-cap corporations are already struggling to comply with the myriad of new legislative requirements that have been adopted over the past 10 years. The additional time and costs that would be incurred to comply with mandatory auditor rotation would further burden these corporations and is not in the best interests of shareholders.

## 3) Practical Compliance Limitations:

If we were required to rotate auditors after a defined tenure, we believe we would face practical limitations to comply. There is an underlying assumption in the rotation model that all audit firms are created equal and are therefore interchangeable. It is our experience that this is not true. Even as the audit market has driven consolidation, the Big 4 are not equal. These firms have their own unique blend of subject matter expertise, industry expertise and geographic presence.

## 4) Increased Independence Conflicts:

If we were required to rotate auditors after a defined tenure, we believe we would face increased independence conflicts. As multinational company, Callaway Golf engages one or more of the other Big 4 accounting firms to provide non-audit services, often on a long-term basis. Increased firm rotation would undoubtedly put the firm selected as our external auditor in a position of opining on work they previously did as a consultant. Added costs and complexity would be required to manage through these issues. We would also be faced with having to restrict needed consulting advice from the Big 4 and other audit firms to ensure we would have adequate choice in selecting a new auditor under a mandatory audit firm rotation model.

5) Reduced Audit Committee Authority:

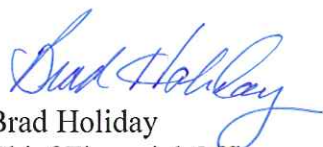
Mandatory auditor rotation, we believe, would hurt Audit Committee authority. We strongly believe that the Audit Committee, as representatives of shareholders' interests, are best positioned to appoint and retain audit firms to best meet shareholders' needs. The audit committee is composed solely of independent directors who are knowledgeable about the company's business operations, internal controls and financial policies and procedures. Taking away this governance responsibility by limiting audit firm tenure or other measures would undermine the Audit Committee's determination of the best interests of shareholders. We are confident in the ability of our Audit Committee to ensure the external auditor is independent, objective and exercising appropriate professional skepticism.

According to the concept release, the PCAOB's rationale for considering mandatory audit rotations is to ensure an appropriate independent relationship between the audit firm and the audit client. We believe this has already been accomplished through Sarbanes-Oxley sections 203 and 301. SOX section 203 requires audit partner rotation on a five year basis with a five year "Time-out." And section 301 specifies that the Audit Committee has the responsibility for appointment, compensation, and oversight of the company's audit firm. These Sarbanes-Oxley rules were instituted in order to address the same issues for which mandatory audit firm rotations are under reconsideration to address.

In summary, we believe the downside risks of mandatory auditor rotation are far more certain and far greater than the potential benefits. Existing rules governing personnel rotation, training, etc are in place to ensure audit professionals are independent, objective and employ appropriate professional skepticism. We therefore respectfully request that the Board not adopt new rules requiring mandatory audit firm rotation.

Thank you for your consideration.

Sincerely,



Brad Holiday  
Chief Financial Officer  
Callaway Golf Company