

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): January 16, 2007

CALLAWAY GOLF COMPANY

(Exact name of registrant as specified in its charter)

DELAWARE
(State or Other Jurisdiction
of Incorporation)

1-10962
(Commission File Number)

95-3797580
(IRS Employer
Identification No.)

2180 Rutherford Road, Carlsbad, California
(Address of principal executive offices)

92008-7328
(Zip Code)

Registrant's telephone number, including area code: (760) 931-1771

NOT APPLICABLE
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

SECTION 5 – CORPORATE GOVERNANCE AND MANAGEMENT

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(e) On January 16, 2007, the Compensation and Management Succession Committee (the “Committee”) of the Board of Directors of Callaway Golf Company (the “Company”) approved the 2007 annual and long-term incentive programs discussed below for the following executive officers:

George Fellows, President and Chief Executive Officer
Bradley J. Holiday, Senior Executive Vice President and Chief Financial Officer
Steven C. McCracken, Senior Executive Vice President and Chief Administrative Officer
David A. Lavery, Senior Vice President, Operations
Thomas Yang, Senior Vice President, International

Annual Incentive Program

On January 16, 2007, the Committee approved and adopted a Performance Unit Program under Section 10.2 of the Company’s 2004 Equity Incentive Plan. A copy of the Performance Unit Program is attached hereto as Exhibit 10.60. This program provides for the payment of cash performance awards to eligible participants based upon the achievement of goals relating to the performance of the Company or one of its business units and/or based upon the achievement of objectively determinable goals. It is intended that the payment of awards under this program would qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code.

On January 16, 2007, the Committee determined that each of the Company’s executive officers would be eligible to participate under the Performance Unit Program for 2007 (the “2007 Program”). The Committee also set the performance goals and other program terms for the 2007 Program. Under the 2007 Program, a pool of funds is accrued based upon the Company’s achievement of certain net sales and net income goals for 2007. The amount accrued is subject to the achievement of certain minimum performance thresholds and is subject to certain limits beyond which no additional amounts would be accrued regardless of Company performance. The aggregate amount of funds, if any, accrued at the end of the year would then be eligible for payment to the executive officers.

Although the payout of the accrued funds is ultimately at the discretion of the Committee, the Committee has set forth guidelines for the payment of any funds accrued under the 2007 Program. These guidelines include a target award for each of the executive officers. The target award is set forth as a percentage of base salary. The target award as a percentage of base salary for each of the executive officers for 2007 is as follows: 100% for Mr. Fellows; 60% for Messrs. McCracken and Holiday; and 50% for Messrs. Lavery and Yang. Payment of the target award is determined by the Committee based on the Company’s achievement of targeted sales and net income goals as well as an officer’s achievement of individual performance objectives approved by the Committee. Subject to certain threshold and maximum performance limits, performance above or below the targeted levels generally results in an award above or below the targeted award. At threshold performance, the executive officer could earn 50% of the target award and at maximum performance or above the executive officer could earn up to 150% of the target award. Performance below threshold would result in no payout.

Long-Term Incentive Program

On January 16, 2007, the Committee approved the 2007 long-term incentive awards for the Company’s executive officers. These awards consist of the grant of stock options, restricted stock units and performance cash units. The awards granted to each of the executive officers is set forth below:

<u>Name</u>	<u>No. Stock Options</u>	<u>No. Restricted Stock Units</u>	<u>No. Performance Cash Units</u>
George Fellows	276,769	74,229	1,066,667
Steven C. McCracken	34,597	9,279	133,333
Bradley J. Holiday	34,597	9,279	133,333
David A. Lavery	7,806	2,094	30,082
Thomas Yang	25,948	6,959	100,000

The Committee has adopted guidelines for the granting of equity-based compensation awards. Under these guidelines, all annual equity award grants to executive officers are to be approved by the Committee at its January meeting and all such grants are to be made effective as of the date of approval. Consistent with these guidelines, all of the 2007 long-term awards set forth above were approved at the Committee’s January 16, 2007 meeting and were made effective as of that date.

The stock options have an exercise price equal to the fair market value of the Company's common stock on the effective date of grant. The stock options vest over a three year period with one-third vesting at the end of each year from the date of grant. The stock options expire no later than January 16, 2017. The Form of Notice of Grant of Stock Option and Option Agreement for the executive officers is filed herewith as Exhibit 10.61 and is incorporated herein by this reference.

Each restricted stock unit represents the contingent right to receive one share of the Company's common stock upon vesting. The restricted stock units are scheduled to vest on January 16, 2010. The restricted stock unit awards provide for the accrual of dividend equivalent rights in the form of additional units but the additional units do not vest unless and until the underlying awards vest. The Form of Restricted Stock Unit Grant for the executive officers is filed herewith as Exhibit 10.62 and incorporated herein by this reference.

The performance cash units represent the right to receive \$1.00 for each unit if the Company achieves certain performance goals for the three year performance period from January 1, 2007 through December 31, 2009. The actual number of performance units earned is ultimately determined based on the degree to which the Company meets financial targets as of the end of the performance period. For the 2007-2009 performance period, the financial target metric is Average Economic Profit Spread, which is based on return on invested capital less the Company's weighted average cost of capital. Subject to certain threshold and maximum performance limits, performance above or below the target level generally results in an award above or below the target award. At threshold performance, the executive officer could earn 50% of the target award and at maximum performance or above could earn 200% of the target award. Performance below the threshold would result in no payout. The Form of Performance Unit Grant for executive officers is filed herewith as Exhibit 10.63 and is incorporated herein by this reference.

SECTION 9 – FINANCIAL STATEMENTS AND EXHIBITS

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits are being filed or furnished herewith:

<u>Exhibit No.</u>	<u>Description</u>
10.60	Performance Unit Program
10.61	Form of Notice of Grant of Stock Option and Option Agreement
10.62	Form of Restricted Stock Unit Grant
10.63	Form of Performance Unit Grant

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CALLAWAY GOLF COMPANY

Dated: January 19, 2007

By: /s/ Bradley J. Holiday
Bradley J. Holiday
Senior Executive Vice President
and Chief Financial Officer

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
10.60	Performance Unit Program
10.61	Form of Notice of Grant of Stock Option and Option Agreement
10.62	Form of Restricted Stock Unit Grant
10.63	Form of Performance Unit Grant

**CALLAWAY GOLF COMPANY
2004 EQUITY INCENTIVE PLAN
PERFORMANCE UNIT PROGRAM**

1. Purposes of the Program. This Callaway Golf Company Performance Unit Program ("**Program**"), established pursuant to Section 10.2 of the Callaway Golf Company 2004 Equity Incentive Plan ("**Plan**") sets forth a program for payment of performance awards to those Participants designated for participation and is intended to increase stockholder value and the success of the Company by attracting, retaining and motivating Participants to perform to the best of their abilities and to achieve the Company's objectives. The Program's goals are to be achieved by providing such Participants with performance awards based on the achievement of goals relating to the performance of the Company or one of its business units or upon the achievement of objectively determinable performance goals. The Program is intended to permit the payment of awards under the Plan that may qualify as performance-based compensation under Code Section 162(m).

2. Definitions.

(a) "**Award**" means, with respect to each Participant, the award determined pursuant to Section 8(a) below for a Performance Period. Each Award is determined by a Payout Formula for a Performance Period, subject to the Committee's authority under Section 8(a) to eliminate or reduce the Award otherwise payable.

(b) "**Base Salary**" means, as to any Performance Period, the Participant's salary actually earned during the Performance Period (including without limitation any compensation that is deferred by Participant into a Company-sponsored retirement or deferred compensation plan, but excluding any employer matching contributions by the Company associated with any such retirement or deferred compensation plan and excluding any other Company contributions) and excludes all bonuses, incentives, commissions, expatriate premiums, fringe benefits (including without limitation car allowances), relocation allowances, stock option grants, equity awards, employee benefits and other similar items of compensation. Such Base Salary shall be before both (i) deductions for taxes or benefits, and (ii) deferrals of compensation pursuant to Company-sponsored plans.

(c) "**Board**" means the Board of Directors of the Company.

(d) "**Code**" means the Internal Revenue Code of 1986, as amended.

(e) "**Committee**" means the Compensation and Management Succession Committee of the Board or any successor thereto, or another sub-committee of the Board, which shall, with respect to payments hereunder intended to qualify as performance-based compensation under Code Section 162(m), consist solely of two or more members of the Board who are not employees of the Company and who otherwise qualify as "outside directors" within the meaning of Section 162(m), appointed pursuant to Section 3.1 of the Plan or per section 3, Company employees to whom the Committee delegates specific administrative tasks.

(f) “**Company**” means Callaway Golf Company or any of its subsidiaries (as such term is defined in Code Section 424(f)).

(g) “**Extraordinary Items**” means (i) extraordinary, unusual and/or nonrecurring items of gain or loss, (ii) gains or losses on the disposition of a business, (iii) changes in tax or accounting regulations or laws, or (iv) the effects of a merger or acquisition, (v) asset write-downs, (vi) litigation or claim judgments or settlements, (vii) any accruals for reorganization and restructuring programs, and (viii) any extraordinary non-recurring items as described in Accounting Principles Board Opinion No. 30, all of which must be identified in the audited financial statements, including footnotes, or in the Management’s Discussion and Analysis section of the Company’s annual report.

(h) “**Fiscal Year**” means a fiscal year of the Company.

(i) “**Maximum Award**” means as to any Participant for any Performance Period, \$3 million, as required by Section 10.2 of the Plan.

(j) “**Participant**” means an eligible executive, member of senior management, and other employees of the Company selected by the Committee, in its sole discretion, to participate in the Program for a Performance Period, pursuant to the eligibility criteria established by the Committee in accordance with Section 4.

(k) “**Payout Determination Date**” means the date upon which the Committee or the Chief Executive Officer, as applicable, determines the amounts payable pursuant to the Target Award and Payout Formula with respect to any previously completed Performance Period, in accordance with Section 8(a).

(l) “**Payout Formula**” means, as to any Performance Period, the formula or payout matrix established by the Committee pursuant to Section 7 in order to determine the Awards (if any) to be paid to Participants, which is generally expressed as a percentage (which may be more than 100%) of the Target Award. The formula or matrix may differ from Participant to Participant.

(m) “**Performance-Based Compensation**” means compensation that is intended to qualify as “performance-based compensation” within the meaning of Section 162(m).

(n) “**Performance Criteria**” means the one or more criteria that the Committee shall select for purposes of establishing the Performance Goals for a Performance Period. The Performance Criteria that shall be used to establish such Performance Goals may be based on any one of, or combination of, the following: (i) cash flow; (ii) earnings (including gross margin, earnings before interest and taxes (“EBIT”), earnings before taxes (“EBT”), and net earnings); (iii) earnings per share; (iv) growth in earnings or earnings per share; (v) stock price; (vi) return on equity or average stockholders’ equity; (vii) total stockholder return; (viii) return on capital; (ix) return on assets or net assets; (x) return on investment; (xi) sales, growth in sales or return on sales; (xii) income or net income; (xiii) operating income or net operating income; (xiv) operating profit or net operating profit; (xv) operating margin; (xvi) return on operating revenue; (xvii) economic profit, (xviii) market share; (xix) overhead or other expense reduction; (xx) growth in stockholder value relative to various indices, and (xxi) strategic plan development and implementation.

(o) "**Performance Goals**" means, for a Performance Period, the one or more goals (or combined goals) based upon the Performance Criteria and established by the Committee (in its discretion) to be applicable to a Participant with respect to an Award. Performance Goals may be based on a Company-wide basis, with respect to one or more business units, divisions, or business segments, and in either absolute terms or relative to the performance of one or more comparable companies or the performance of one or more relevant indices. As determined by the Committee, the Performance Goals applicable to an Award may provide for a targeted level or levels of achievement using one or more of the Performance Criteria. The Performance Goals may be based on absolute target numbers or growth in one or more such categories compared to a prior Performance Period. The Performance Criteria which constitute the Performance Goals may, as the Committee specifies, either include or exclude the effect of payment of awards under this Program and any other bonus or incentive plans of the Company. The Performance Goals may differ from Participant to Participant and from Award to Award. In establishing a Performance Goal on the Target Determination Date, the Committee may provide that the attainment of the Performance Goal shall be measured by appropriately adjusting the evaluation of Performance Goal performance to exclude any of the Extraordinary Items.

(p) "**Performance Period**" means any Fiscal Year or such other period as determined by the Committee in its sole discretion.

(q) "**Program**" means this Callaway Golf Company Performance Unit Program.

(r) "**Program Year**" means the Company's Fiscal Year.

(s) "**Section 162(m)**" means Section 162(m) of the Code, or any successor to Section 162(m), as that Section may be interpreted from time to time by the Internal Revenue Service, whether by regulation, notice or otherwise.

(t) "**Target Award**" means the target award payable under the Program to a Participant for the Performance Period, expressed as a percentage of Participant's Base Salary or a specific dollar amount, as determined by the Committee in accordance with Section 6.

(u) "**Target Determination Cutoff Date**" means the latest possible date that the Committee may set a Target Award and Payout Formula that will not jeopardize a Target Award's qualification as Performance-Based Compensation.

(v) "**Target Determination Date**" means the date upon which the Committee sets the Target Award and Payout Formula with respect to any Performance Period, in accordance with Section 7.

3. Program Administration.

(a) The Committee shall be responsible for the general administration and interpretation of the Program and for carrying out its provisions. Subject to the requirements for qualifying compensation as Performance-Based Compensation, the Committee may delegate specific administrative tasks to Company employees or others as appropriate for proper administration of the Program. Subject to the limitations on Committee discretion imposed under Section 162(m), the Committee shall have such powers as may be necessary to discharge its duties hereunder, including, but not by way of limitation, the following powers and duties, but subject to the terms of the Program:

(i) discretionary authority to adopt Target Awards and Payout Formula under this Program for a given Performance Period on or prior to the Target Determination Cutoff Date;

(ii) discretionary authority to construe and interpret the terms of the Program, and to determine eligibility, Awards and the amount, manner and time of payment of any Awards hereunder;

(iii) to prescribe forms and procedures for purposes of Program participation and distribution of Awards; and

(iv) to adopt rules, regulations and bylaws, to formally amend the Program and to take such actions as it deems necessary or desirable for the proper administration of the Program.

(b) Any rule or decision by the Committee that is not inconsistent with the provisions of the Program shall be conclusive and binding on all persons, and shall be given the maximum deference permitted by law.

4. Eligibility. The employees eligible to participate in the Program for a given Performance Period shall be determined by the Committee for each Program Year and set forth in a writing on or prior to the Target Determination Cutoff Date in a format substantially similar to the attached Exhibit A or such other format as is approved by the Committee for such Program Year, and are generally expected to include executive officers of the Company who are subject to Section 16 of the Securities and Exchange Act of 1934 and any other members of senior management of the Company who are specifically designated by the Committee, in its sole discretion, for participation in the Program. Unless specifically excepted, a Participant must be actively employed on the Payout Determination Date to be eligible to receive a payment hereunder. No person shall be automatically entitled to participate in the Program.

5. Performance Goal Determination. On the Target Determination Date, the Committee, in its sole discretion, shall establish the Performance Goals for each Participant for the Performance Period. Such Performance Goals shall be set forth in writing on or prior to the Target Determination Cutoff Date in a format substantially similar to the attached Exhibit B or such other format as is approved by the Committee for such Program Year.

6. Target Award Determination. On the Target Determination Date, the Committee, in its sole discretion, shall establish a Target Award for each Participant. Each Participant's Target Award shall be determined by the Committee, in its sole discretion, and each Target Award shall be set forth in writing on or prior to the Target Determination Cutoff Date in a format substantially similar to the attached Exhibit B or such other format as is approved by the Committee for such Program Year.

7. Determination of Payout Formula. On the Target Determination Date, the Committee, in its sole discretion, shall establish a Payout Formula for purposes of determining the Award (if any) payable to each Participant in a format substantially similar to the attached Exhibit B or such other format as is approved by the Committee for such Program Year. Each Payout Formula (a) shall be set forth in writing on or prior to the Target Determination Cutoff Date, (b) shall provide for the payment of a Participant's Award if the Performance Goals for the Performance Period are achieved, and (c) may provide for an Award payment greater than or less than the Participant's Target Award, depending upon the extent to which the Performance Goals are achieved. Notwithstanding the preceding, in no event shall a Participant's Award for any Performance Period exceed the Maximum Award.

8. Payout Determination; Award Payment.

(a) Payout Determination and Certification. On the Payout Determination Date, the Committee shall certify in writing (which may be by approval of the minutes in which the certification was made) the extent to which the Performance Goals applicable to each Participant for the Performance Period were achieved or exceeded. The Award for each Participant shall be determined by applying the Payout Formula to the level of actual performance that has been certified by the Committee. Notwithstanding any contrary provision of the Program, the Committee, in its sole discretion, may eliminate or reduce the Award payable to any Participant that which otherwise would be payable under the Payout Formula. Notwithstanding any contrary provision of the Program, the Company's Chief Executive Officer may determine whether and to the extent the Performance Goals applicable to Participants who are not Section 16 officers were achieved or exceeded, and may, in his or her sole discretion, eliminate or reduce the Award payable to any such Participants that which otherwise would be payable under the Payout Formula.

(b) Right to Receive Payment. Each Award under the Program shall be paid solely from the general assets of the Company. Nothing in this Program shall be construed to create a trust or to establish or evidence any Participant's claim of any right to payment of an Award other than as an unsecured general creditor with respect to any payment to which he or she may be entitled.

(c) Form of Distributions. The Company shall distribute all Awards to the Participant in cash, unless the Committee determines to substitute shares of the Company's Common Stock for the cash payment in accordance with Section 10.2 of the Plan.

(d) Timing of Distributions. Subject to Section 8(e) below, the Company shall distribute amounts payable to Participants as soon as is practicable following the determination and written certification of the Award for a Performance Period, but in no event later than 2 1/2 months after the end of the calendar year that includes the applicable Payout Determination Date.

(e) Deferral. The Committee may defer payment of Awards, or any portion thereof, to Participants as the Committee, in its discretion, determines to be necessary or desirable to preserve the deductibility of such amounts under Section 162(m). In addition, the Committee, in its sole discretion, may permit a Participant to defer receipt of the payment of Awards that would otherwise be delivered to a Participant under the Program. Any such deferral elections shall be subject to such rules and procedures as shall be determined by the Committee in its sole discretion, which shall comply with the requirements of Section 409A of the Code and the regulations and other guidance thereunder.

(f) Withholding. In accordance with Section 13 of the Plan, the Company may withhold from the Awards payable to Participants under this Program amounts necessary to satisfy any federal, state, local or foreign tax withholding obligation relating to such payments.

9. Term of Program. The Program shall become effective on January 1, 2007 and shall first apply to the 2007 Program Year. The Program shall continue until the earlier of (a) the date as of which the Committee terminates the Program, or (b) the date the Company's shareholders fail to re-approve the Program provisions contained in the Plan in accordance with the requirements of Treasury Regulation 1.162-27(e)(4)(vi), the first re-approval of which must occur no later than the first Company shareholder's meeting during the 2009 Program Year.

10. Amendment and Termination of the Program. The Committee may amend, modify, suspend or terminate the Program, in whole or in part, at any time, including adopting amendments deemed necessary or desirable to correct any defect or to supply omitted data or to reconcile any inconsistency in the Program or in any Award granted hereunder; provided, however, that no amendment, alteration, suspension or discontinuation shall be made which would (i) increase the amount of compensation payable pursuant to such Award or (ii) cause compensation that is, or may become, payable hereunder to fail to qualify as Performance-Based Compensation. Notwithstanding the foregoing, the Committee may amend Exhibits A and B with respect to any Program Year at any time prior to the Target Determination Cutoff Date for such Program Year. To the extent necessary or advisable under applicable law, including Section 162(m), Program amendments shall be subject to stockholder approval. At no time before the actual distribution of funds to Participants under the Program shall any Participant accrue any vested interest or right whatsoever under the Program except as otherwise stated in this Program.

11. Governing Plan Document. The Program is subject to all the provisions of the Plan and is further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted by the Committee, the Board or the Company pursuant to the Plan. In the event of any conflict between the provisions of this Program and those of the Plan, the provisions of the Plan shall control.

EXHIBIT A

**2004 EQUITY INCENTIVE PLAN
EXECUTIVE CASH PERFORMANCE UNIT PROGRAM
ELIGIBILITY CRITERIA
_____ PROGRAM YEAR**

The following employees are eligible to be Participants under the Program for the _____ Program Year:

{Name and Title of Employees}

EXHIBIT B

**2004 EQUITY INCENTIVE PLAN
EXECUTIVE CASH PERFORMANCE UNIT PROGRAM
AWARD CALCULATION METHODOLOGY
FOR PROGRAM YEAR**

TARGET AWARDS

A minimum threshold level of corporate performance is required before any Award will be paid pursuant to this Program. As the metric for that threshold, the Company will use _____ as the Performance Goal.

Target Awards as a percentage of Base Salary will vary by the employee's position. The Committee has set a separate Target Awards for the Participants covered by this Program based upon their positions. Target Awards as a percentage of Base Salary are as follows:

{Insert Name and Target Award}

PAYOUT FORMULA

Corporate And Subsidiary/Group Accomplishments

The Committee has identified an allocation formula for Awards based upon corporate and subsidiary/group objectives. This allocation has been set as follows.

{Insert Formula}

Notwithstanding the foregoing, as provided in Section 8(a) of the Plan, the Committee, in its sole discretion, may eliminate or reduce the Award payable to any Participant that otherwise would be payable under the Payout Formula, including without limitation the amount calculable under the Payout Formula resulting from the foregoing adjustment.

NOTICE OF GRANT OF STOCK
OPTION AND OPTION AGREEMENT

CALLAWAY GOLF COMPANY
ID: 95-3797580
2180 RUTHERFORD ROAD
CARLSBAD, CA 92008

Plan: 2004 Equity Incentive Plan

1. Grant of Option. Effective _____ (“**Effective Date**”), you have been granted a Non-qualified Stock Option (“**Option**”) to buy shares of Callaway Golf Company (the “**Company**”) common stock upon the following terms:

<u>SHARES</u>	<u>EXERCISE PRICE</u>	<u>SCHEDULED VESTING DATE</u>	<u>SCHEDULED EXPIRATION DATE</u>
---------------	-----------------------	-------------------------------	----------------------------------

The Option is granted to you pursuant to the terms and conditions of this Notice of Grant of Stock Option and Option Agreement (this “**Agreement**”), and the Company’s 2004 Equity Incentive Plan (as amended and restated from time to time, the “**Plan**”), the provisions of which Plan are by this reference incorporated in this Agreement. In the event of any conflict between the provisions of the Plan and the provisions of this Agreement, the provisions of the Plan shall be controlling. The Company has provided you with a copy of the Plan and a prospectus for the Plan. Capitalized terms not otherwise defined in this Agreement, including Exhibit A attached hereto, will have the meanings ascribed to them in the Plan.

The exercise price must be paid in the form of cash, unless otherwise determined by the Board of Directors or a designated Board committee (the “**Board**”), in its sole discretion. Upon exercise of the Option, you must pay in the form of a check or cash or other cash equivalents to the Company any such additional amount as the Company determines that it is required to withhold under applicable laws in respect of such exercise. In this regard, you authorize the Company and/or its Affiliate to withhold all applicable tax-related items legally payable by you from your wages or other cash compensation paid to you by the Company and/or its Affiliate or from proceeds of the sale of shares of Common Stock. Alternatively, or in addition, if permissible under local law, the Company may (1) sell or arrange for the sale of shares of Common Stock that you acquire to meet the withholding obligation for tax-related items, and/or (2) withhold from the shares of Common Stock otherwise issuable to you upon the exercise of the Option that number of shares having an aggregate Fair Market Value (as defined in the Plan), determined as of the date the withholding tax obligation arises, equal to the amount of the total withholding tax obligation; provided, however, that, the number of shares so withheld shall not have an aggregate Fair Market Value in excess of the minimum required withholding. You acknowledge that the ultimate liability for all tax-related items legally due by you is and remains your responsibility and that Company and/or its Affiliate (a) makes no representations or undertakings regarding the treatment of any tax-related items in connection with any aspect of the option grant, including the grant, vesting or exercise of the option, the subsequent sale of shares of Common Stock acquired pursuant to such exercise and the receipt of any dividends; and (b) do not commit to structure the terms of the grant or any aspect of the Option to reduce or eliminate your liability for tax-related items.

2. Vesting. Subject to Section 3 (Term and Termination) and Section 4 (Cancellation, Forfeiture and Rescission) of this Agreement, and subject to the accelerated vesting provisions, if any, set forth in any employment agreement between you and the Company or its Affiliate, as the same may be amended, modified, extended or renewed from time to time, the Option shall vest in accordance with the vesting schedule set forth above subject to your Continuous Service through the applicable vesting dates. The Board may, in its discretion, accelerate the vesting schedule (in which case it may impose whatever conditions it considers appropriate on the accelerated portion). In addition, the entire Option shall vest and become exercisable immediately prior to any Change in Control, if you are in the Continuous Service of the Company or its Affiliate at that time, provided, however, that the Board of Directors, in its sole discretion, may provide that such Option does not vest and become exercisable immediately prior to any such Change in Control, and instead provide that the Option shall be assumed or that an equivalent option or right shall be substituted by a successor company, in which case the amount and price of such assumed or substituted option shall be determined by adjusting the amount and price of the Option consistent with the terms of the transaction giving rise to the Change in Control. Notwithstanding the foregoing, if the Board elects to provide that the Option does not vest in connection with a Change in Control and your Continuous Service is terminated for any reason within one year following such Change in Control, then the entire assumed or substituted option shall vest and become exercisable immediately upon such termination of your Continuous Service. For purposes hereof, "Change in Control" shall have the meaning set forth in **Exhibit A** attached hereto.

3. Term and Termination. Subject to Section 4 (Cancellation, Forfeiture and Rescission) hereof, the Option shall expire on the earlier of (i) the scheduled expiration date set forth above or (ii) in the case of an Option that has vested, one (1) year from the date on which you cease to provide Continuous Service to the Company or its Affiliate for any reason including death. Subject to Section 2 (Vesting), if you cease for any reason to provide Continuous Service to the Company or its Affiliate, that portion of the Option which has not yet vested shall be immediately terminated.

4. Cancellation, Forfeiture and Rescission.

(a) If during your Continuous Service or during any period thereafter that you are receiving Special Severance from the Company, you directly or indirectly disclose or misuse any confidential information or trade secrets of the Company then:

(1) any unexercised portion of the Option is automatically cancelled as of the date you first committed the act or acts described above (the "Cancellation Date"); and

(2) any exercise of all or any portion of the Option exercised on or after the Cancellation Date or during the "Look-Back Period" preceding the Cancellation Date shall be rescinded, and you shall be required to pay to the Company, within ten days of receiving written notice from the Company, the amount of any gain realized as the result of any such rescinded exercise (the "Option Gain").

The Company shall notify you in writing of any such rescission within two years of any such exercise. If you are still providing Continuous Service on the Cancellation Date, the "Look-Back Period" is ninety days. If you are no longer providing Continuous Service on the Cancellation Date, the "Look-Back Period" is the longer of ninety days or the number of days elapsed from the date of termination of your Continuous Service to the Cancellation Date. For purposes of

this Agreement, an “indirect” use of the Company’s confidential information or trade secrets shall be presumed to have occurred if you take a comparable position with a competitor in which case you shall have the burden of proving that no use or disclosure of confidential information or trade secrets occurred or will occur. For purposes of this Agreement, and in the absence of proof of actual gain on the date of exercise, “Option Gain” shall mean the New York Stock Exchange closing price on the date of exercise minus the exercise price of the Option, multiplied by the number of shares you purchased upon the exercise, without regard to any subsequent market price decrease or increase.

(b) In lieu of paying to the Company any Option Gain required to be paid to Company pursuant to this Section 4, you may return to the Company the number of shares purchased upon exercise of the Option. You hereby agree that the Company may set off against any amount the Company may now or hereafter owe you the amount of any Option Gain required to be paid by you to Company under this Section 4. This Section 4 does not limit any other legal or equitable remedy available to the Company. As a condition of each exercise of all or any portion of the Option, you will be required to certify to the Company on a form of notice of exercise acceptable to the Company that you have not committed any of the acts described in paragraph (a) above.

You acknowledge that you have read each provision of this Section 4 and have had an opportunity to ask questions with respect to this Section. You acknowledge that you understand that the Company is granting the Option subject to the terms of this Section 4.

_____ (Optionee)

5. Nature of Grant. In accepting the grant, you acknowledge that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan and this Agreement;

(b) the grant of the Option is voluntary and occasional and does not create any contractual or other right to receive future grants of options, or benefits in lieu of options, even if options have been granted repeatedly in the past, and all decisions with respect to future option grants, if any, will be at the sole discretion of the Company;

(c) your participation in the Plan shall not create a right to Continued Service with the Company or an Affiliate and shall not interfere with the ability the Company or an Affiliate to terminate your service relationship at any time with or without cause;

(d) you are voluntarily participating in the Plan;

(e) the Option is an extraordinary benefit and is not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company or an Affiliate;

(f) the future value of the underlying shares of Common Stock is unknown and cannot be predicted with certainty, and if the underlying shares of Common Stock do not

increase in value, the Option will have no value, and if you exercise your Option and obtain shares of Common Stock, the value of those shares of Common Stock acquired upon exercise may increase or decrease in value, even below the exercise price; and

(g) in consideration of the grant of the Option, no claim or entitlement to compensation or damages shall arise from termination of the Option or diminution in value of the Option or shares of Common Stock purchased through exercise of the Option resulting from termination of your Continuous Service by the Company or an Affiliate (for any reason whatsoever and whether or not in breach of local labor laws) and you irrevocably release the Company and its Affiliates from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, then, by signing this Agreement, you shall be deemed irrevocably to have waived your entitlement to pursue such claim.

6. Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to the Option granted under and participation in the Plan or future options that may be granted under the Plan by electronic means or to request your consent to participate in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

7. Taxable Event. You acknowledge that the issuance of the Option shares will have significant tax consequences to you and you are hereby advised to consult with your own tax advisors concerning such tax consequences. A general description of the U.S. federal income tax consequences related to option awards is set forth in the Plan Prospectus.

8. Amendment. This Agreement may be amended only by a writing executed by the Company and you which specifically states that it is amending this Agreement. Notwithstanding the foregoing, this Agreement may be amended solely by the Board by a writing which specifically states that it is amending this Agreement, so long as a copy of such amendment is delivered to you, and provided that no such amendment adversely affecting your rights hereunder may be made without your written consent. Without limiting the foregoing, the Board reserves the right to change, by written notice to you, the provisions of this Agreement in any way it may deem necessary or advisable to carry out the purpose of the grant as a result of any change in applicable laws or regulations or any future law, regulation, ruling, or judicial decision, provided that any such change will be applicable only to rights relating to that portion of the Option which is then subject to restrictions as provided herein.

9. Miscellaneous.

(a) The rights and obligations of the Company under this Agreement will be transferable by the Company to any one or more persons or entities, and all covenants and agreements hereunder will inure to the benefit of, and be enforceable by the Company's successors and assigns.

(b) You agree upon request to execute any further documents or instruments necessary or desirable in the sole determination of the Company to carry out the purposes or intent of this Agreement.

(c) You acknowledge that the Option granted to you under the Plan, and its underlying shares of Common Stock, are subject to all general Company policies as amended from time to time, including the Company's insider trading policies.

10. Severability. The provisions of this Agreement shall be deemed to be severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or the application thereof to any person or any circumstance, is held to be invalid or unenforceable under present or future laws effective during the term of this Agreement, such provision shall be fully severed, and in lieu thereof there shall automatically be added as part of this Agreement a suitable and equitable provision in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision.

11. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Delaware and applicable federal law.

12. Irrevocable Arbitration of Disputes.

(a) You and the Company agree that any dispute, controversy or claim arising hereunder or in any way related to this Agreement, its interpretation, enforceability, or applicability, that cannot be resolved by mutual agreement of the parties shall be submitted to binding arbitration. The parties agree that arbitration is the parties' only recourse for such claims and hereby waive the right to pursue such claims in any other forum, unless otherwise provided by law. Any court action involving a dispute which is not subject to arbitration shall be stayed pending arbitration of arbitrable disputes.

(b) You and the Company agree that the arbitrator shall have the authority to issue provisional relief. You and the Company further agree that each has the right, pursuant to California Code of Civil Procedure section 1281.8, to apply to a court for a provisional remedy in connection with an arbitrable dispute so as to prevent the arbitration from being rendered ineffective.

(c) Any demand for arbitration shall be in writing and must be communicated to the other party prior to the expiration of the applicable statute of limitations.

(d) The arbitration shall be administered by JAMS pursuant to its Employment Arbitration Rules and Procedures. The arbitration shall be conducted in San Diego by a former or retired judge or attorney with at least 10 years experience in employment-related disputes, or a non-attorney with like experience in the area of dispute, who shall have the power to hear motions, control discovery, conduct hearings and otherwise do all that is necessary to resolve the matter. The parties must mutually agree on the arbitrator. If the parties cannot agree on the arbitrator after their best efforts, an arbitrator will be selected from JAMS pursuant to its Employment Arbitration Rules and Procedures. The Company shall pay the costs of the arbitrator's fees.

(e) The arbitration will be decided upon a written decision of the arbitrator stating the essential findings and conclusions upon which the award is based. The arbitrator shall have the authority to award damages, if any, to the extent that they are available under applicable law(s). The arbitration award shall be final and binding, and may be entered as a judgment in any court having competent jurisdiction. Either party may seek review pursuant to California Code of Civil Procedure section 1286, et seq.

(f) It is expressly understood that the parties have chosen arbitration to avoid the burdens, costs and publicity of a court proceeding, and the arbitrator is expected to handle all aspects of the matter, including discovery and any hearings, in such a way as to minimize the expense, time, burden and publicity of the process, while assuring a fair and just result. In particular, the parties expect that the arbitrator will limit discovery by controlling the amount of discovery that may be taken (e.g., the number of depositions or interrogatories) and by restricting the scope of discovery only to those matters clearly relevant to the dispute. However, at a minimum, each party will be entitled to at least one (1) deposition and shall have access to essential documents and witnesses as determined by the arbitrator.

(g) The provisions of this Section shall survive the expiration or termination of the Agreement, and shall be binding upon the parties.

THE PARTIES HAVE READ SECTION 12 AND IRREVOCABLY AGREE TO ARBITRATE ANY DISPUTE IDENTIFIED ABOVE.

_____ (Optionee)

_____ (Company)

13. **Data Privacy.** You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this document by and among, as applicable, your employer, and the Company and its subsidiaries and affiliates for the exclusive purpose of implementing, administering and managing your participation in the Plan.

You understand that the Company and your employer may hold certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all options or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in your favor, for the purpose of implementing, administering and managing the Plan ("Data"). You understand that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in your country or elsewhere, and that the recipients' country may have different data privacy laws and protections than your country. You understand that you may request a list with the names and addresses of any potential recipients of the Data by contacting your local human resources representative. You authorize the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom you may elect to deposit any shares of stock acquired upon exercise of the Option. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that you may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, without cost, by contacting in writing your local human resources representative. You understand, however, that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.

IN WITNESS WHEREOF, the undersigned have executed this Notice of Grant of Stock Option and Option Agreement as of the Effective Date.

CALLAWAY GOLF COMPANY

OPTIONEE

By: _____

EXHIBIT A

1. “**Affiliate**” means the Company’s “parent” or “subsidiary” as such terms are defined in Rule 405 of the Securities Act (together “Affiliates”). The Board shall have the authority to determine the time or times at which “parent” or “subsidiary” status is determined within the foregoing definition of Affiliate.

2. A “**Change in Control**” means the following and shall be deemed to occur if any of the following events occurs:

(a) Any person, entity or group, within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934 (the “**Exchange Act**”) but excluding the Company and its subsidiaries and any employee benefit or stock ownership plan of the Company or its subsidiaries and also excluding an underwriter or underwriting syndicate that has acquired the Company’s securities solely in connection with a public offering thereof (such person, entity or group being referred to herein as a “Person”) becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of either the then outstanding shares of Common Stock or the combined voting power of the Company’s then outstanding securities entitled to vote generally in the election of directors; or

(b) Individuals who, as of the effective date hereof, constitute the Board of Directors of the Company (the “**Incumbent Board**”) cease for any reason to constitute at least a majority of the Board of Directors of the Company, provided that any individual who becomes a director after the effective date hereof whose election, or nomination for election by the Company’s shareholders, is approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered to be a member of the Incumbent Board unless that individual was nominated or elected by any Person having the power to exercise, through beneficial ownership, voting agreement and/or proxy, 20% or more of either the outstanding shares of Common Stock or the combined voting power of the Company’s then outstanding voting securities entitled to vote generally in the election of directors, in which case that individual shall not be considered to be a member of the Incumbent Board unless such individual’s election or nomination for election by the Company’s shareholders is approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board; or

(c) Consummation by the Company of the sale, lease, exchange or other disposition (in one transaction or a series of related transactions) by the Company of all or substantially all of the Company’s assets or a reorganization or merger or consolidation of the Company with any other person, entity or corporation, other than

(i) a reorganization or merger or consolidation that would result in the voting securities of the Company outstanding immediately prior thereto (or, in the case of a reorganization or merger or consolidation that is preceded or accomplished by an acquisition or series of related acquisitions by any Person, by tender or exchange offer or otherwise, of voting securities representing 5% or more of the combined voting power of all securities of the Company, immediately prior to such acquisition or the first acquisition in such series of acquisitions) continuing to represent, either by remaining outstanding or by being converted into voting securities of another entity, more than 50% of the combined voting power of the voting securities of the Company or such other entity outstanding immediately after such reorganization or merger or consolidation (or series of related transactions involving such a reorganization or merger or consolidation), or

(ii) a reorganization or merger or consolidation effected to implement a recapitalization or reincorporation of the Company (or similar transaction) that does not result in a material change in beneficial ownership of the voting securities of the Company or its successor; or

(d) Approval by the shareholders of the Company or an order by a court of competent jurisdiction of a plan of complete liquidation or dissolution of the Company.

3. **“Continuous Service”** means that your service with the Company or its Affiliates, whether as an employee, director or consultant, is not interrupted or terminated. A change in the capacity in which you render service to the Company or an Affiliate as an employee, consultant or director or a change in the entity for which you render such service, provided that there is no interruption or termination of the your service with the Company or an Affiliate, shall not terminate your Continuous Service. For example, a change in status from an employee of the Company to a consultant of a subsidiary or to a director shall not constitute an interruption of Continuous Service. To the extent permitted by law, the Board, in its sole discretion, may determine whether Continuous Service shall be considered interrupted in the case of any leave of absence approved by that party, including sick leave, military leave or any other personal leave. Notwithstanding the foregoing, a leave of absence shall be treated as Continuous Service for purposes of vesting in the Option only to such extent as may be provided in the Company’s leave of absence policy, in the written terms of any leave of absence agreement or policy applicable to you, or as otherwise required by law.

Callaway Golf Company
Employee/Consultant
Stock Unit Grant

Recipient:
Effective Grant Date:
Number of Stock Units/Equivalent Shares:
Plan: 2004 Equity Incentive Plan

CALLAWAY GOLF COMPANY, a Delaware corporation (the “**Company**”), has elected to grant to you, the Recipient named above, a Stock Unit award subject to the restrictions and on the terms and conditions set forth below, in consideration for your services to the Company. Terms not otherwise defined in this Stock Unit Grant Agreement (“**Agreement**”) will have the meanings ascribed to them in the Plan identified above (the “**Plan**”).

1. **Governing Plan.** The Recipient hereby acknowledges receipt of a copy of the Plan and the prospectus for the Plan (the “**Plan Prospectus**”). This Stock Unit award is subject in all respects to the applicable provisions of the Plan, which are incorporated herein by this reference. In the case of any conflict between the provisions of the Plan and this Agreement, the provisions of the Plan will control.
2. **Grant of Stock Unit.** Effective as of the Effective Grant Date identified above, the Company has granted and issued to the Recipient the Number of Stock Units with respect to the Company’s Common Stock identified above (the “**SUs**”), representing an unfunded, unsecured promise of the Company to deliver shares of Common Stock in the future, subject to the claims of the Company’s creditors and the terms, conditions and restrictions set forth in this Agreement. Nothing contained in this Agreement, and no action taken pursuant to its provisions, will create or be construed to create a trust of any kind or a fiduciary relationship between Recipient and the Company or any other person.
3. **Restrictions on the SU.** The SU is subject to the following restrictions:
 - (a) **No Transfer.** The SU and the shares of Common Stock it represents may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered until shares are actually issued, and any additional requirements or restrictions contained in this Agreement have been satisfied, terminated or waived by the Company in writing.
 - (b) **Cancellation of Unvested Shares.** In the event Recipient ceases to provide “Continuous Service” (as defined below) for any reason before the SU vests pursuant to paragraph 4 and the restrictions set forth in paragraph 3 expire, this award shall be cancelled with respect to any then unvested shares (and any related unvested dividend equivalents) and no additional shares of Common Stock shall vest; provided, however, that the Board of Directors or a designated Board committee (the “**Board**”) may, in its discretion, determine not to cancel and void all or part of such unvested award, in which case the Board may impose whatever conditions it considers appropriate with respect to such portion of the unvested award.

For purposes of this Agreement, “**Continuous Service**” means that the Recipient’s service with the Company or its “parent” or “subsidiary” as such terms are defined in Rule 405 of the Securities Act (each an “**Affiliate**” and together “**Affiliates**”), whether as an employee, director or consultant, is not interrupted or

terminated. The Board shall have the authority to determine the time or times at which “parent” or “subsidiary” status is determined within the foregoing definition of Affiliate. A change in the capacity in which the Recipient renders service to the Company or an Affiliate as an employee, consultant or director or a change in the entity for which the Recipient renders such service, provided that there is no interruption or termination of the Recipient’s service with the Company or an Affiliate, shall not terminate a Recipient’s Continuous Service. For example, a change in status from an employee of the Company to a consultant of a subsidiary or to a director shall not constitute an interruption of Continuous Service. To the extent permitted by law, the Board, in its sole discretion, may determine whether Continuous Service shall be considered interrupted in the case of any leave of absence approved by that party, including sick leave, military leave or any other personal leave. Notwithstanding the foregoing, a leave of absence shall be treated as Continuous Service for purposes of vesting in the SU only to such extent as may be provided in the Company’s leave of absence policy, in the written terms of any leave of absence agreement or policy applicable to the Recipient, or as otherwise required by law.

4. **Lapse of Restrictions.** The restrictions imposed under paragraph 3 will lapse and expire, and the SU will vest, in accordance with the following:

- (a) **Vesting Schedule.** Subject to earlier cancellation, and subject to the accelerated vesting provisions, if any, set forth in any agreement between Recipient and the Company or its Affiliate, as the same may be amended, modified, extended or renewed from time to time, the restrictions imposed under paragraph 3 will lapse and be removed with respect to the number of SUs set forth below in accordance with the vesting schedule set forth below (the “**Vesting Schedule**”); provided, however, that to the extent required by Section 409A of the Code and the regulations and other guidance thereunder, no shares subject to this award shall vest prior to the date that is at least 12 months and 30 days following the Effective Grant Date set forth above:

Number of Shares

Date Restrictions Lapse

The Board, however, may, in its discretion, accelerate the Vesting Schedule (in which case, the Board may impose whatever conditions it considers appropriate on the accelerated portion).

In addition, the restrictions imposed under paragraph 3 will automatically lapse and be removed immediately prior to any Change in Control, if the Recipient is providing Continuous Service to the Company or its Affiliate at that time, provided, however, that the Board, in its sole discretion, may provide that such restrictions do not automatically lapse immediately prior to any such Change in Control, and instead provide that the SUs shall continue under the same terms and conditions or shall continue under the same terms and conditions with respect to shares of a successor company that may be issued in exchange or settlement of such SUs in connection with a Change in Control. Notwithstanding the foregoing, if the Board elects to provide that such restrictions do not lapse in connection with a Change in Control and Recipient’s Continuous Service is

terminated for any reason within one year following such Change in Control, then such restrictions shall lapse and be removed immediately upon such termination of Continuous Service. For purposes hereof, "Change in Control" shall have the meaning set forth in Exhibit A attached hereto.

- (b) **Effect of Vesting.** The Company will deliver to Recipient a number of shares of Common Stock equal to the number of vested shares of Common Stock subject to the SU on the vesting date or dates provided herein; provided, however, that if within the 30-day period following the Effective Grant Date, Recipient elects to defer delivery of such shares of Common Stock beyond the vesting date, then the Company will deliver such shares to Recipient on the date or dates that Recipient so elects (the "**Settlement Date**"); provided further, that notwithstanding any such deferral election, if Recipient ceases to provide Continuous Service and has a "separation from service" with the Company for purposes of Section 409A of the Code, then, subject to the provisions of Section 409A of the Code, all vested shares of Common Stock subject to the award shall be delivered to Recipient as soon as administratively practicable after the date of separation from service. If such deferral election is made, the Board will, in its sole discretion, establish the rules and procedures for such deferrals. Notwithstanding the foregoing, in the event that the Company determines that Recipient's sale of shares of Company stock on the date the shares subject to the award are scheduled to be delivered, whether or not deferred (the "**Original Distribution Date**") would violate its policy regarding insider trading of the Company's stock, as determined by the Company in accordance with such policy, then such shares shall not be delivered on such Original Distribution Date and shall instead be delivered as soon as practicable following the next date that Recipient could sell such shares pursuant to such policy; provided, however, that in no event shall the delivery of the shares be delayed pursuant to this provision beyond the later of: (1) December 31st of the same calendar year of the Original Distribution Date, or (2) the 15th day of the third calendar month following the Original Distribution Date.
- (c) **Payment of Taxes.** If applicable, upon vesting and/or issuance of Common Stock in accordance with the foregoing, Recipient must pay in the form of a check or cash or other cash equivalents to the Company such amount as the Company determines it is required to withhold under applicable laws as a result of such vesting and/or issuance. In this regard, Recipient authorizes the Company and/or its Affiliate to withhold all applicable tax-related items legally payable by Recipient from his or her wages or other cash compensation paid to Recipient by the Company and/or Affiliate or from proceeds of the sale of shares of Common Stock. Alternatively, or in addition, if permissible under applicable law, the Company may (1) cause the Recipient to sell shares of Common Stock that Recipient acquires to meet the withholding obligation for tax-related items, and/or (2) withhold from the shares of Common Stock otherwise issuable to Recipient that number of shares having an aggregate Fair Market Value (as defined in the Plan), determined as of the date the withholding tax obligation arises, equal to the amount of the total withholding tax obligation; provided, however, that, the number of shares so withheld shall not have an aggregate Fair Market Value in excess of the minimum required withholding. Recipient acknowledges that the ultimate liability for all tax-related items legally due by Recipient is and remains Recipient's responsibility and that Company and/or its

Affiliates (1) make no representations or undertakings regarding the treatment of any tax-related items in connection with any aspect of the SU grant, including the grant or vesting of the SU, the subsequent sale of shares of Common Stock and the receipt of any dividends; and (2) do not commit to structure the terms of the grant or any aspect of the SU to reduce or eliminate Recipient's liability for tax-related items.

5. **Dividend Equivalents.** If a cash dividend is paid with respect to shares of Common Stock, Recipient shall be credited with additional SUs as dividend equivalent payments ("**Dividend SUs**") on unissued SUs which will be earned upon the vesting of the SUs on which the Dividend SUs were credited, and paid out upon issuance of the Common Stock represented by the SUs on which the Dividend SUs were credited. Any credited Dividend SUs will be included in future calculations of unissued SUs that are eligible to receive additional SUs as dividend equivalent payments in connection with subsequent cash dividend payments. Dividend SUs shall be paid in additional shares of Common Stock at the time of issuance, except that any fractional Dividend SUs shall be paid in cash.
6. **Nature of Grant.** In accepting the grant, Recipient acknowledges that:
- (a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan and this Agreement;
 - (b) the grant of the SU is voluntary and occasional and does not create any contractual or other right to receive future grants of SUs, or benefits in lieu of SUs, even if SUs have been granted repeatedly in the past, and all decisions with respect to future SU grants, if any, will be at the sole discretion of the Company;
 - (c) Recipient's participation in the Plan shall not create a right to Continued Service with the Company or an Affiliate and shall not interfere with the ability the Company or an Affiliate to terminate Recipient's service relationship at any time with or without cause;
 - (d) Recipient is voluntarily participating in the Plan;
 - (e) the SU is an extraordinary benefit and is not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company or an Affiliate;
 - (f) the future value of the underlying shares of Common Stock is unknown and cannot be predicted with certainty, and if Recipient vests in the SU and obtains shares of Common Stock, the value of those shares may increase or decrease in value; and
 - (g) in consideration of the grant of the SU, no claim or entitlement to compensation or damages shall arise from termination of the SU or diminution in value of the

SU or shares of Common Stock acquired through vesting of the SU resulting from termination of Recipient's Continuous Service by the Company or an Affiliate (for any reason whatsoever) and Recipient irrevocably releases the Company and its Affiliates from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, then, by signing this Agreement, Recipient shall be deemed irrevocably to have waived his or her entitlement to pursue such claim.

7. **Electronic Delivery.** The Company may, in its sole discretion, decide to deliver any documents related to the SU and participation in the Plan or future SUs that may be granted under the Plan by electronic means or to request Recipient consent to participate in the Plan by electronic means. Recipient hereby consents to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.
8. **Taxable Event. The Recipient acknowledges that the issuance of the SU shares will have significant tax consequences to the Recipient and Recipient is hereby advised to consult with Recipient's own tax advisors concerning such tax consequences.** A general description of the U.S. federal income tax consequences related to Stock Unit awards is set forth in the Plan Prospectus.
9. **Amendment.** This Agreement may be amended only by a writing executed by the Company and Recipient which specifically states that it is amending this Agreement. Notwithstanding the foregoing, this Agreement may be amended solely by the Board by a writing which specifically states that it is amending this Agreement, so long as a copy of such amendment is delivered to Recipient, and provided that no such amendment adversely affecting Recipient's rights hereunder may be made without Recipient's written consent. Without limiting the foregoing, the Board reserves the right to change, by written notice to Recipient, the provisions of this Agreement in any way it may deem necessary or advisable to carry out the purpose of the grant as a result of any change in applicable laws or regulations or any future law, regulation, ruling, or judicial decision, provided that any such change will be applicable only to rights relating to that portion of the Award which is then subject to restrictions as provided herein.
10. **Miscellaneous.**
 - (a) The rights and obligations of the Company under this Agreement will be transferable by the Company to any one or more persons or entities, and all covenants and agreements hereunder will inure to the benefit of, and be enforceable by the Company's successors and assigns.
 - (b) Recipient agrees upon request to execute any further documents or instruments necessary or desirable in the sole determination of the Company to carry out the purposes or intent of this Agreement.
 - (c) Recipient acknowledges that the SU award granted to Recipient under the Plan, and its underlying shares of Common Stock, are subject to all general Company policies as amended from time to time, including the Company's insider trading policies.

11. **Severability.** The provisions of this Agreement shall be deemed to be severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or the application thereof to any person or any circumstance, is held to be invalid or unenforceable under present or future laws effective during the term of this Agreement, such provision shall be fully severed, and in lieu thereof there shall automatically be added as part of this Agreement a suitable and equitable provision in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision.
12. **Governing Law.** This Agreement will be governed by and construed in accordance with the laws of the State of Delaware and applicable federal law.
13. **Irrevocable Arbitration of Disputes.**
- (a) You and the Company agree that any dispute, controversy or claim arising hereunder or in any way related to this Agreement, its interpretation, enforceability, or applicability, that cannot be resolved by mutual agreement of the parties shall be submitted to binding arbitration. The parties agree that arbitration is the parties' only recourse for such claims and hereby waive the right to pursue such claims in any other forum, unless otherwise provided by law. Any court action involving a dispute which is not subject to arbitration shall be stayed pending arbitration of arbitrable disputes.
 - (b) You and the Company agree that the arbitrator shall have the authority to issue provisional relief. You and the Company further agree that each has the right, pursuant to California Code of Civil Procedure section 1281.8, to apply to a court for a provisional remedy in connection with an arbitrable dispute so as to prevent the arbitration from being rendered ineffective.
 - (c) Any demand for arbitration shall be in writing and must be communicated to the other party prior to the expiration of the applicable statute of limitations.
 - (d) The arbitration shall be administered by JAMS pursuant to its Employment Arbitration Rules and Procedures. The arbitration shall be conducted in San Diego by a former or retired judge or attorney with at least 10 years experience in employment-related disputes, or a non-attorney with like experience in the area of dispute, who shall have the power to hear motions, control discovery, conduct hearings and otherwise do all that is necessary to resolve the matter. The parties must mutually agree on the arbitrator. If the parties cannot agree on the arbitrator after their best efforts, an arbitrator will be selected from JAMS pursuant to its Employment Arbitration Rules and Procedures. The Company shall pay the costs of the arbitrator's fees.
 - (e) The arbitration will be decided upon a written decision of the arbitrator stating the essential findings and conclusions upon which the award is based. The arbitrator shall have the authority to award damages, if any, to

the extent that they are available under applicable law(s). The arbitration award shall be final and binding, and may be entered as a judgment in any court having competent jurisdiction. Either party may seek review pursuant to California Code of Civil Procedure section 1286, et seq.

- (f) It is expressly understood that the parties have chosen arbitration to avoid the burdens, costs and publicity of a court proceeding, and the arbitrator is expected to handle all aspects of the matter, including discovery and any hearings, in such a way as to minimize the expense, time, burden and publicity of the process, while assuring a fair and just result. In particular, the parties expect that the arbitrator will limit discovery by controlling the amount of discovery that may be taken (e.g., the number of depositions or interrogatories) and by restricting the scope of discovery only to those matters clearly relevant to the dispute. However, at a minimum, each party will be entitled to at least one (1) deposition and shall have access to essential documents and witnesses as determined by the arbitrator.
- (g) The provisions of this Section shall survive the expiration or termination of the Agreement, and shall be binding upon the parties.

THE PARTIES HAVE READ SECTION 13 AND IRREVOCABLY AGREE TO ARBITRATE ANY DISPUTE IDENTIFIED ABOVE.

_____ (Company)

_____ (Recipient)

14. **Data Privacy.** Recipient hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of his or her personal data as described in this document by and among, as applicable, the Company and its Affiliates for the exclusive purpose of implementing, administering and managing Recipient's participation in the Plan.

Recipient understands that the Company and its Affiliates may hold certain personal information about Recipient, including, but not limited to, Recipient's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all SUs or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in Recipient's favor, for the purpose of implementing, administering and managing the Plan ("Data"). Recipient understands that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these Data recipients may be located in Recipient's country or elsewhere, and that the Data recipients' country may have different data privacy laws and protections than Recipient's country. Recipient understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting the local human resources representative. Recipient authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing Recipient's participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom Recipient may elect to deposit any SUs or shares of Common Stock. Recipient understands that Data will be

held only as long as is necessary to implement, administer and manage Recipient's participation in the Plan. Recipient understands that he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, without cost, by contacting in writing the local human resources representative. Recipient understands, however, that refusing or withdrawing consent may affect Recipient's ability to participate in the Plan. For more information on the consequences of refusal to consent or withdrawal of consent, Recipient understands that he or she may contact the local human resources representative.

IN WITNESS WHEREOF, the Company and Recipient have executed this Agreement effective as of the Effective Grant Date.

CALLAWAY GOLF COMPANY

RECIPIENT

By: _____

EXHIBIT A

A "Change in Control" means the following and shall be deemed to occur if any of the following events occurs:

- (a) Any person, entity or group, within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934 (the "Exchange Act") but excluding the Company and its subsidiaries and any employee benefit or stock ownership plan of the Company or its subsidiaries and also excluding an underwriter or underwriting syndicate that has acquired the Company's securities solely in connection with a public offering thereof (such person, entity or group being referred to herein as a "Person") becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of either the then outstanding shares of Common Stock or the combined voting power of the Company's then outstanding securities entitled to vote generally in the election of directors; or
- (b) Individuals who, as of the effective date hereof, constitute the Board of Directors of the Company (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of Directors of the Company, provided that any individual who becomes a director after the effective date hereof whose election, or nomination for election by the Company's shareholders, is approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered to be a member of the Incumbent Board unless that individual was nominated or elected by any Person having the power to exercise, through beneficial ownership, voting agreement and/or proxy, 20% or more of either the outstanding shares of Common Stock or the combined voting power of the Company's then outstanding voting securities entitled to vote generally in the election of directors, in which case that individual shall not be considered to be a member of the Incumbent Board unless such individual's election or nomination for election by the Company's shareholders is approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board; or
- (c) Consummation by the Company of the sale, lease, exchange or other disposition (in one transaction or a series of related transactions) by the Company of all or substantially all of the Company's assets or a reorganization or merger or consolidation of the Company with any other person, entity or corporation, other than
 - (i) a reorganization or merger or consolidation that would result in the voting securities of the Company outstanding immediately prior thereto (or, in the case of a reorganization or merger or consolidation that is preceded or accomplished by an acquisition or series of related acquisitions by any Person, by tender or exchange

offer or otherwise, of voting securities representing 5% or more of the combined voting power of all securities of the Company, immediately prior to such acquisition or the first acquisition in such series of acquisitions) continuing to represent, either by remaining outstanding or by being converted into voting securities of another entity, more than 50% of the combined voting power of the voting securities of the Company or such other entity outstanding immediately after such reorganization or merger or consolidation (or series of related transactions involving such a reorganization or merger or consolidation), or

- (ii) a reorganization or merger or consolidation effected to implement a recapitalization or reincorporation of the Company (or similar transaction) that does not result in a material change in beneficial ownership of the voting securities of the Company or its successor; or
- (d) Approval by the shareholders of the Company or an order by a court of competent jurisdiction of a plan of complete liquidation or dissolution of the Company.

Callaway Golf Company
Performance Unit Grant

Recipient:
Effective Grant Date:
Number of Performance Units:
Plan: **2004 Equity Incentive Plan**

CALLAWAY GOLF COMPANY, a Delaware corporation (the “**Company**”), has elected to grant to you, the Recipient named above, a Performance Unit award subject to the restrictions and on the terms and conditions set forth below, in consideration for your services to the Company. Terms not otherwise defined in this Performance Unit Grant Agreement (“**Agreement**”) will have the meanings ascribed to them in the Plan identified above (the “**Plan**”).

1. **Governing Plan.** The Recipient hereby acknowledges receipt of a copy of the Plan and a prospectus for the Plan (the “**Plan Prospectus**”). This Performance Unit award is subject in all respects to the applicable provisions of the Plan, which are incorporated herein by this reference. In the case of any conflict between the provisions of the Plan and this Agreement, the provisions of the Plan will control.
2. **Grant of Performance Unit.** Effective as of the Effective Grant Date identified above, the Company has granted and issued to the Recipient the Number of Performance Units identified above (the “**PU**”), representing an unfunded, unsecured promise of the Company to deliver cash in the future, subject to the claims of the Company’s creditors and the terms, conditions and restrictions set forth in this Agreement. Nothing contained in this Agreement, and no action taken pursuant to its provisions, will create or be construed to create a trust of any kind or a fiduciary relationship between Recipient and the Company or any other person.
3. **Restrictions on the PU.** The PU is subject to the following restrictions:
 - (a) **No Transfer.** The PU and the cash payment right it represents may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered until the cash payment is actually made to the Recipient when the restrictions set forth in paragraph 4 expire, and any additional requirements or restrictions contained in this Agreement have been satisfied, terminated or waived by the Company in writing.
 - (b) **Cancellation of Unvested Portion of PU.** In the event Recipient ceases to provide “Continuous Service” (as defined below) for any reason before the restrictions set forth in paragraph 4 expire, this award shall be cancelled with respect to any then unvested portion and no additional portion shall vest or become payable; *provided, however*, that the Board of Directors or a designated Board committee (the “**Board**”) may, in its discretion, determine not to cancel and void all or part of such unvested award, in which case the Board may impose whatever conditions it considers appropriate with respect to such portion of the unvested award.

For purposes of this Agreement, “**Continuous Service**” means that the Recipient’s service with the Company or its “parent” or “subsidiary” as such terms are defined in Rule 405 of the Securities Act (each an “**Affiliate**” and together “**Affiliates**”), whether as an employee, director or consultant, is not interrupted or terminated. The Board shall have the authority to determine the time or times at which “parent” or “subsidiary” status is determined within the foregoing definition of Affiliate. A change in the capacity in which the Recipient renders service to the Company or an Affiliate as an employee, consultant or director or a change in the entity for which the Recipient renders such service, provided that there is no interruption or termination of the Recipient’s service with the

Company or an Affiliate, shall not terminate a Recipient's Continuous Service. For example, a change in status from a director of the Company to a consultant of a subsidiary or to an employee shall not constitute an interruption of Continuous Service. To the extent permitted by law, the Board, in its sole discretion, may determine whether Continuous Service shall be considered interrupted in the case of any leave of absence approved by that party, including sick leave, military leave or any other personal leave. Notwithstanding the foregoing, a leave of absence shall be treated as Continuous Service for purposes of vesting in the PU only to such extent as may be provided in the Company's leave of absence policy, in the written terms of any leave of absence agreement or policy applicable to the Recipient, or as otherwise required by law.

4. **Lapse of Restrictions.** The restrictions imposed under paragraph 3 above will lapse and expire, and the PU will vest, in accordance with the following:
- (a) **Vesting Schedule.** Subject to earlier cancellation, and subject to the accelerated vesting provisions, if any, set forth in any agreement between Recipient and the Company or its Affiliate, as the same may be amended, modified, extended or renewed from time to time, the restrictions imposed under paragraph 3 will lapse and be removed in accordance with the vesting schedule set forth in Exhibit B attached hereto (the "Vesting Schedule"). The Board, however, may, in its discretion, accelerate the Vesting Schedule (in which case, the Board may impose whatever conditions it considers appropriate on the accelerated portion). In addition, the restrictions imposed under paragraph 3 will automatically lapse and be removed immediately prior to any Change in Control, if the Recipient is providing Continuous Service to the Company or its Affiliate at that time, provided, however, that the Board, in its sole discretion, may provide that such restrictions do not automatically lapse immediately prior to any such Change in Control, and instead provide that the PUs shall continue under the same terms and conditions or shall continue under the same terms and conditions under a similar award with reference to the performance metrics of a successor company that may be issued in exchange or settlement of such PUs in connection with a Change in Control. Notwithstanding the foregoing, if the Board elects to provide that such restrictions do not lapse in connection with a Change in Control and Recipient's Continuous Service is terminated for any reason within one year following such Change in Control, then such restrictions shall lapse and be removed immediately upon such termination of Continuous Service. For purposes hereof, "Change in Control" shall have the meaning set forth in Exhibit A attached hereto.
- (b) **Effect of Vesting.** Unless deferred under a deferred compensation plan sponsored by the Company, effective as of the date the PU vests, the Company shall deliver to the Recipient a cash payment in accordance with the payout levels described on Exhibit B attached hereto.
- (c) **Payment of Taxes.** Recipient authorizes the Company and/or its Affiliate to withhold all applicable tax-related items legally payable by Recipient from his or her wages or other cash compensation paid to Recipient by the Company and/or its Affiliate and from the cash payment contemplated by this Agreement in connection with the vesting of the PU. The Company shall reduce the cash payment by the amount of cash sufficient to cover all withholding taxes applicable to the cash payment. Recipient acknowledges that the ultimate liability for all tax-related items legally due by Recipient is and remains Recipient's responsibility and that Company and/or Recipient's employer (1) make no representations or undertakings regarding the treatment of any tax-related items in connection with any aspect of the PU grant, including the grant, vesting or payment of the PU, and (2) do not commit to structure the terms of the grant or any aspect of the PU to reduce or eliminate Recipient's liability for tax-related items.

5. **Nature of Grant.** In accepting the grant, Recipient acknowledges that:
- (a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan and this Agreement;
 - (b) the grant of the PU is voluntary and occasional and does not create any contractual or other right to receive future grants of PUs, or benefits in lieu of PUs, even if PUs have been granted repeatedly in the past, and all decisions with respect to future PU grants, if any, will be at the sole discretion of the Company;
 - (c) Recipient's participation in the Plan shall not create a right to Continued Service with the Company or an Affiliate and shall not interfere with the ability the Company or an Affiliate to terminate Recipient's service relationship at any time with or without cause;
 - (d) Recipient is voluntarily participating in the Plan;
 - (e) the PU is an extraordinary benefit and is not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company or an Affiliate; and
 - (f) in consideration of the grant of the PU, no claim or entitlement to compensation or damages shall arise from termination of the PU or diminution in value of the PU resulting from termination of Recipient's Continuous Service by the Company or an Affiliate (for any reason whatsoever) and Recipient irrevocably releases the Company and its Affiliates from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, then, by signing this Agreement, Recipient shall be deemed irrevocably to have waived his or her entitlement to pursue such claim.
6. **Electronic Delivery.** The Company may, in its sole discretion, decide to deliver any documents related to the PU and participation in the Plan or future PUs that may be granted under the Plan by electronic means or to request Recipient consent to participate in the Plan by electronic means. Recipient hereby consents to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.
7. **Taxable Event.** **The Recipient acknowledges that the PU will have significant tax consequences to the Recipient and Recipient is hereby advised to consult with Recipient's own tax advisors concerning such tax consequences.** A general description of the U.S. federal income tax consequences related to awards under the Plan is set forth in the Plan Prospectus.
8. **Amendment.** This Agreement may be amended only by a writing executed by the Company and Recipient which specifically states that it is amending this Agreement. Notwithstanding the foregoing, this Agreement may be amended solely by the Board by a writing which specifically

states that it is amending this Agreement, so long as a copy of such amendment is delivered to Recipient, and provided that no such amendment adversely affecting Recipient's rights hereunder may be made without Recipient's written consent. Without limiting the foregoing, the Board reserves the right to change, by written notice to Recipient, the provisions of this Agreement in any way it may deem necessary or advisable to carry out the purpose of the grant as a result of any change in applicable laws or regulations or any future law, regulation, ruling, or judicial decision, provided that any such change will be applicable only to rights relating to that portion of the award which is then subject to restrictions as provided herein.

9. Miscellaneous.

- (a) The rights and obligations of the Company under this Agreement will be transferable by the Company to any one or more persons or entities, and all covenants and agreements hereunder will inure to the benefit of, and be enforceable by the Company's successors and assigns.
- (b) Recipient agrees upon request to execute any further documents or instruments necessary or desirable in the sole determination of the Company to carry out the purposes or intent of this Agreement.
- (c) Recipient acknowledges that the PU award granted to Recipient under the Plan is subject to all general Company policies as amended from time to time.

10. Severability. The provisions of this Agreement shall be deemed to be severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or the application thereof to any person or any circumstance, is held to be invalid or unenforceable under present or future laws effective during the term of this Agreement, such provision shall be fully severed, and in lieu thereof there shall automatically be added as part of this Agreement a suitable and equitable provision in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision.

11. Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of Delaware and applicable federal law.

12. Irrevocable Arbitration of Disputes.

- (a) You and the Company agree that any dispute, controversy or claim arising hereunder or in any way related to this Agreement, its interpretation, enforceability, or applicability, that cannot be resolved by mutual agreement of the parties shall be submitted to binding arbitration. The parties agree that arbitration is the parties' only recourse for such claims and hereby waive the right to pursue such claims in any other forum, unless otherwise provided by law. Any court action involving a dispute which is not subject to arbitration shall be stayed pending arbitration of arbitrable disputes.
- (b) You and the Company agree that the arbitrator shall have the authority to issue provisional relief. You and the Company further agree that each has the right, pursuant to California Code of Civil Procedure section 1281.8, to apply to a court for a provisional remedy in connection with an arbitrable dispute so as to prevent the arbitration from being rendered ineffective.
- (c) Any demand for arbitration shall be in writing and must be communicated to the other party prior to the expiration of the applicable statute of limitations.

- (d) The arbitration shall be administered by JAMS pursuant to its Employment Arbitration Rules and Procedures. The arbitration shall be conducted in San Diego by a former or retired judge or attorney with at least 10 years experience in employment-related disputes, or a non-attorney with like experience in the area of dispute, who shall have the power to hear motions, control discovery, conduct hearings and otherwise do all that is necessary to resolve the matter. The parties must mutually agree on the arbitrator. If the parties cannot agree on the arbitrator after their best efforts, an arbitrator will be selected from JAMS pursuant to its Employment Arbitration Rules and Procedures. The Company shall pay the costs of the arbitrator's fees.
- (e) The arbitration will be decided upon a written decision of the arbitrator stating the essential findings and conclusions upon which the award is based. The arbitrator shall have the authority to award damages, if any, to the extent that they are available under applicable law(s). The arbitration award shall be final and binding, and may be entered as a judgment in any court having competent jurisdiction. Either party may seek review pursuant to California Code of Civil Procedure section 1286, et seq.
- (f) It is expressly understood that the parties have chosen arbitration to avoid the burdens, costs and publicity of a court proceeding, and the arbitrator is expected to handle all aspects of the matter, including discovery and any hearings, in such a way as to minimize the expense, time, burden and publicity of the process, while assuring a fair and just result. In particular, the parties expect that the arbitrator will limit discovery by controlling the amount of discovery that may be taken (e.g., the number of depositions or interrogatories) and by restricting the scope of discovery only to those matters clearly relevant to the dispute. However, at a minimum, each party will be entitled to at least one (1) deposition and shall have access to essential documents and witnesses as determined by the arbitrator.
- (g) The provisions of this Section shall survive the expiration or termination of the Agreement, and shall be binding upon the parties.

THE PARTIES HAVE READ SECTION 12 AND IRREVOCABLY AGREE TO ARBITRATE ANY DISPUTE IDENTIFIED ABOVE.

_____ (Recipient)

_____ (Company)

13. **Data Privacy.** Recipient hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of his or her personal data as described in this document by and among, as applicable, Recipient's employer, and the Company and its subsidiaries and affiliates for the exclusive purpose of implementing, administering and managing Recipient's participation in the Plan.

Recipient understands that the Company and Recipient's employer may hold certain personal information about Recipient, including, but not limited to, Recipient's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all PUs or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in Recipient's favor, for the purpose of implementing, administering and managing the Plan ("Data"). Recipient understands that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in Recipient's country or elsewhere, and that the recipients' country may have different data privacy laws and protections than Recipient's country. Recipient understands that he or she may request a list with the names and addresses of any

potential recipients of the Data by contacting the local human resources representative. Recipient authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing Recipient's participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom Recipient may elect to deposit any proceeds acquired upon vesting of the PU. Recipient understands that Data will be held only as long as is necessary to implement, administer and manage Recipient's participation in the Plan. Recipient understands that he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, without cost, by contacting in writing the local human resources representative. Recipient understands, however, that refusing or withdrawing consent may affect Recipient's ability to participate in the Plan. For more information on the consequences of refusal to consent or withdrawal of consent, Recipient understands that he or she may contact the local human resources representative.

IN WITNESS WHEREOF, the Company and Recipient have executed this Agreement effective as of the Effective Grant Date.

CALLAWAY GOLF COMPANY

RECIPIENT

By: _____

EXHIBIT A

A “Change in Control” means the following and shall be deemed to occur if any of the following events occurs:

- (a) Any person, entity or group, within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934 (the “Exchange Act”) but excluding the Company and its subsidiaries and any employee benefit or stock ownership plan of the Company or its subsidiaries and also excluding an underwriter or underwriting syndicate that has acquired the Company’s securities solely in connection with a public offering thereof (such person, entity or group being referred to herein as a “Person”) becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of either the then outstanding shares of Common Stock or the combined voting power of the Company’s then outstanding securities entitled to vote generally in the election of directors; or
- (b) Individuals who, as of the effective date hereof, constitute the Board of Directors of the Company (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board of Directors of the Company, provided that any individual who becomes a director after the effective date hereof whose election, or nomination for election by the Company’s shareholders, is approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered to be a member of the Incumbent Board unless that individual was nominated or elected by any Person having the power to exercise, through beneficial ownership, voting agreement and/or proxy, 20% or more of either the outstanding shares of Common Stock or the combined voting power of the Company’s then outstanding voting securities entitled to vote generally in the election of directors, in which case that individual shall not be considered to be a member of the Incumbent Board unless such individual’s election or nomination for election by the Company’s shareholders is approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board; or
- (c) Consummation by the Company of the sale, lease, exchange or other disposition (in one transaction or a series of related transactions) by the Company of all or substantially all of the Company’s assets or a reorganization or merger or consolidation of the Company with any other person, entity or corporation, other than
 - (i) a reorganization or merger or consolidation that would result in the voting securities of the Company outstanding immediately prior thereto (or, in the case of a reorganization or merger or consolidation that is preceded or accomplished by an acquisition or series of related acquisitions by any Person, by tender or exchange offer or otherwise, of voting securities representing 5% or more of the combined voting power of all securities of the Company, immediately prior to such acquisition or the first acquisition in such series of acquisitions) continuing to represent, either by remaining outstanding or by being converted into voting securities of another entity, more than 50% of the combined voting power of the voting securities of the Company or such other entity outstanding immediately after such reorganization or merger or consolidation (or series of related transactions involving such a reorganization or merger or consolidation), or
 - (ii) a reorganization or merger or consolidation effected to implement a recapitalization or reincorporation of the Company (or similar transaction) that does not result in a material change in beneficial ownership of the voting securities of the Company or its successor; or

-
- (d) Approval by the shareholders of the Company or an order by a court of competent jurisdiction of a plan of complete liquidation or dissolution of the Company.

EXHIBIT B

Vesting of PUs:

The PUs will vest, if at all, on _____, subject to achievement of the Threshold performance metrics described below. Upon vesting, the recipient will be entitled to a cash payment based upon the number of PUs that vest determined under the payout levels described below. No PUs will vest if the Threshold performance targets are not met. No additional PUs will vest for exceeding the Maximum performance targets. If the vesting of the PUs accelerates in connection with a Change in Control pursuant to Section 4(a) of the Agreement, the PUs will be paid out at the Target performance level.

Performance Metric

Definitions

Payout Levels

Performance between target payout levels will be interpolated, as determined by the Board