

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): June 6, 2006

**CALLAWAY GOLF COMPANY**

(Exact Name of Registrant as Specified in Charter)

**Delaware**  
(State or Other Jurisdiction of  
Incorporation)

**001-10962**  
(Commission  
File Number)

**95-3797580**  
(I.R.S. Employer  
Identification No.)

**2180 Rutherford Road**  
**Carlsbad, CA**  
(Address of Principal Executive Offices)

**92008-7328**  
(Zip Code)

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

Check the appropriate box below if the Form 8-K is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- 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))

**Item 1.01 Entry into a Material Definitive Agreement.**

***Approval of the Amended and Restated 2001 Non-Employee Directors Stock Incentive Plan***

On June 6, 2006, the stockholders of Callaway Golf Company (the "Company") approved an Amendment and Restatement of the Company's 2001 Non-Employee Directors Stock Incentive Plan (the "Plan"). The Plan, as amended and restated, adds restricted stock and restricted stock units as permitted awards under the Plan and includes other changes intended to allow the Board greater flexibility in setting the terms and conditions of awards under the Plan. Specifically, the Plan establishes a maximum number of shares that could be issued pursuant to any initial or annual grant; subject to that maximum, the actual number of shares to be issued pursuant to any award would be determined by the Board in its discretion. Also, the terms and provisions relating to the vesting of and other restrictions on awards would be determined by the Board and set forth in individual award agreements. The aggregate number of shares authorized under the Plan remains unchanged at 500,000, and the term of the Plan (which expires on December 31, 2011) remains unchanged.

The foregoing summary of the Plan is qualified in its entirety by reference to the complete text of the Plan. A copy of the Plan, as amended and restated, is attached to this Current Report on Form 8-K as Exhibit 10.56 and incorporated herein by reference.

A copy of the form of Non-Employee Director Restricted Stock Unit Grant Agreements is attached to this Current Report on Form 8-K as Exhibit 10.57 and incorporated herein by this reference.

**Item 8.01 Other Events**

On June 6, 2006, in connection with the approval of the amended and restated Plan, the Board of Directors, upon the recommendation of the Compensation and Management Succession Committee, granted 3,698 Restricted Stock Units to each of the Company's non-employee directors, namely, Ronald S. Beard, Samuel H. Armacost, John C. Cushman, III, Yotaro Kobayashi, Richard L. Rosenfield and Anthony S. Thornley. The Restricted Stock Units are scheduled to vest on the third anniversary of the grant date. Dividend equivalents accrue on the Restricted Stock Units and are paid to the Director only if the Restricted Stock Units vest and the underlying shares of Common Stock are issued to the Director.

**Item 9.01. Financial Statements and Exhibits.**

(d) The following exhibits are filed with this Current Report:

- 10.56 Amended and Restated 2001 Non-Employee Directors Stock Incentive Plan.\*
- 10.57 Form of Non-Employee Director Restricted Stock Unit Grant Agreement.\*

\* Filed with this report.

**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.

Date: June 9, 2006

CALLAWAY GOLF COMPANY

By: /s/ George Fellows  
President and  
Chief Executive Officer

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**EXHIBITS**

<u>Exhibit Number</u>	<u>Description</u>
10.56	Amended and Restated 2001 Non-Employee Directors Stock Incentive Plan.
10.57	Form of Non-Employee Director Restricted Stock Unit Grant Agreement.

**CALLAWAY GOLF COMPANY**  
**2001 NON-EMPLOYEE DIRECTORS STOCK INCENTIVE PLAN**  
**AMENDED AND RESTATED EFFECTIVE AS OF JUNE 6, 2006**

**ARTICLE I**  
**GENERAL**

**1. Adoption.** This Callaway Golf Company Non-Employee Directors Stock Incentive Plan (the “**Plan**”), which was previously called the Callaway Golf Company Non-Employee Directors Stock Option Plan, was adopted by Callaway Golf Company (the “**Company**”) and approved by its shareholders, effective January 1, 2001. The Company hereby amends and restates the Plan in its entirety, effective June 6, 2006 subject to approval by the Company’s shareholders.

**2. Purpose.** The Plan is designed to promote the interests of the Company and its shareholders by using investment interests in the Company to attract and retain highly qualified independent directors.

**3. Administration.** The Plan shall be administered by the Company’s Board of Directors (the “**Board**”) or a committee designated by the Board, which shall, subject to limitations contained in the Plan, have the authority to determine whether grants will be comprised of options or other awards or a combination, the number of shares covered by such options or other awards, and the exercise price of options. The Board shall have sole authority to construe the Plan, to determine all questions arising under the Plan, to adopt and amend such rules and regulations for the administration of the Plan as it may deem desirable, and otherwise to carry out the terms of the Plan. The interpretation and construction by the Board of any provisions of the Plan or of any option or other award granted under the Plan shall be final.

**4. Eligible Directors.** Each person who is a duly elected or appointed member of the Board, but is not then otherwise an employee of the Company or any of its subsidiaries or affiliates and has not been an employee of the Company or any of its subsidiaries or affiliates since the beginning of the Company’s preceding fiscal year shall be eligible to receive grants of options or other awards under this Plan (an “**Eligible Director**”).

**5. Annual and One-Time Grants.** Each Eligible Director shall receive a one-time grant of options and/or other awards upon first being appointed to serve on the Board. The grant date for one-time grants shall be the date upon which such appointment is effective. In addition, each Eligible Director shall receive an annual grant of options and/or other awards for each fiscal year in which they are elected to serve on the Board, provided that any director who is first appointed to the Board within three months prior to the Company’s annual meeting of shareholders shall not be eligible to receive an annual grant upon election at such annual meeting but would be eligible upon election at the following annual meeting of shareholders. The grant date for annual grants shall be the date on which the annual meeting of the Company’s shareholders takes place.

**6. Common Stock Subject to the Plan; Grant Limit.** The shares that may be made subject to awards hereunder shall be authorized and unissued shares of the Company’s common stock, \$0.01 par value per share (“**Common Stock**”). The aggregate number of shares that may be issued upon exercise of options and the grant or vesting of other awards under the Plan shall not exceed 500,000 shares of Common Stock, subject to adjustment in accordance with Article IV. (For avoidance of doubt, the aggregate number of shares available under the Plan is not reset as a result of this Amendment and Restatement, and the Plan continues to draw from the 500,000 shares originally authorized as of January 1, 2001.) The maximum number of shares that may be made subject to any one-time grant to an individual Eligible Director is 20,000 shares. The maximum number of shares (not including a one-time grant) that may be made subject to any annual grant to an individual Eligible Director is 10,000 shares.

**7. Share Usage.** Shares of Common Stock covered by an option or other award shall not be counted as used unless and until they are actually issued and delivered to an Eligible Director. If an option or other award lapses, expires, terminates or is canceled prior to the issuance of shares thereunder or if shares of Common Stock are issued under the Plan to an Eligible Director and are thereafter reacquired by the Company, the shares subject to such options or other awards and the reacquired shares shall again be available for issuance under the Plan. The following items shall not be counted against the total number of shares available for issuance under the Plan: (i) the payment in cash of dividends or dividend equivalents and (ii) any dividends or dividend equivalents that are reinvested into additional shares or credited as additional Restricted Stock or Restricted Stock Units (each as defined below). Shares that are withheld in payment of the exercise price of an option shall be counted against the number of shares available for issuance under the Plan.

**8. Amendment of the Plan.** The Board may from time to time suspend or discontinue the Plan or revise or amend it in any respect whatsoever, except that no such amendment shall alter or impair or diminish any rights or obligations under any option or other award theretofore granted under the Plan without the consent of the person to whom such option or other award was granted. In addition, without further shareholder approval, the Plan may not be amended so as to (i) increase the number of shares subject to the Plan (as adjusted under Article IV); (ii) increase the individual share limits set forth in Article I, Section 5; (iii) change the class of persons eligible to receive options or other awards under the Plan; (iv) (except pursuant to an adjustment under Article IV), reduce the exercise price of options or cancel outstanding options and in exchange substitute new options with lower exercise prices and ; (v) provide for the grant of options having an exercise price per option share less than the fair market value on the grant date; or (vi) extend the final date upon which options or other awards may be granted under the Plan.

**9. Term of Plan.** Options and other awards may be granted under the Plan until December 31, 2011, whereupon the Plan will terminate. Notwithstanding the foregoing, each option or other award granted under the Plan shall remain in effect until such option or other award has been exercised or terminated, as applicable, in accordance with its terms and the terms of the Plan.

**10. Award Agreements; Vesting and Restrictions.** Provisions relating to the vesting and/or other terms and restrictions of options or other awards shall be set forth in award agreements, provided that no option or other award shall vest sooner than one year from the grant date. All options and other awards shall be subject to the requirement that, if at any time the Company shall determine, in its discretion, that the listing, registration or qualification of the shares subject to such options or other awards upon any securities exchange or under any state or federal law, or the consent or approval of any government regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such option or award or the issuance or purchase of shares in connection therewith, such option or award may not be exercised or transferred in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Company.

**11. Nonassignability.** No option or Restricted Stock Unit (as defined below) granted under the Plan shall be assignable or transferable by the grantee except by will or by the laws of descent and distribution or pursuant to a qualified domestic relations order (as defined by the Internal Revenue Code of 1986, as amended). During the lifetime of the optionee, the option shall be exercisable only by the optionee, and no other person shall acquire any rights therein. Restricted Stock (as defined below) shall be subject to the restrictions on transferability described in Article III.

**12. Definition of "Fair Market Value."** For purposes of the Plan, the term "fair market value," when used in reference to the value of a share of the Company's Common Stock, means the closing price for the Common Stock on the New York Stock Exchange during regular session trading for a single trading day as reported for such day in *The Wall Street Journal* or other reliable source. The applicable trading day for determining Fair Market Value in connection with the grant of awards shall be the date of grant. If no reported

price for the Common Stock exists for the applicable trading day, then such price on the last preceding date for which such price exists shall be determinative of Fair Market Value.

**13. Rights as a Shareholder.** An optionee or a transferee of an option shall have no rights as a shareholder with respect to any shares issuable or issued upon exercise of the option until the date of the receipt by the Company of all amounts payable in connection with exercise of the option, including the exercise price. A grantee of Restricted Stock shall have only those shareholder rights as the Company, in its sole discretion, expressly grants pursuant to its authority under Section 3 of Article III to determine all terms and conditions of Restricted Stock. A grantee of Restricted Stock Units shall have no rights as a shareholder unless and until the time that the restrictions are removed and the grantee receives in exchange therefor unrestricted shares of the Company's Common Stock (if any).

**14. Purchase for Investment.** Unless the shares of Common Stock to be issued upon exercise of an option or upon the granting or vesting of another award under the Plan have been effectively registered under the Securities Act of 1933 as now in force or hereafter amended, the Company shall be under no obligation to issue any such shares unless the grantee shall give a written representation and undertaking to the Company which is satisfactory in form and scope to counsel to the Company and upon which, in the opinion of such counsel, the Company may reasonably rely, that he or she is acquiring the shares of Common Stock issued to him or her for his or her own account as an investment and not with a view to, or for sale in connection with, the distribution of any such shares of Common Stock, and that he or she will make no transfer of the same except in compliance with any rules and regulations in force at the time of such transfer under the Securities Act of 1933, or any other applicable law, and that if shares of Common Stock are issued without such registration, a legend to this effect may be endorsed upon the securities so issued.

**15. No Fractional Shares.** Only whole shares of Common Stock will be issued pursuant to the grant, vesting, or exercise of awards, or pursuant to dividend accrual on awards. In the event of any adjustment in the number of shares covered by any option or other award pursuant to Article IV, each such option or other award shall cover only the number of full shares resulting from such adjustment.

**16. No Individual Rights.** No provision of the Plan or any option or other award granted under the Plan shall confer or be deemed to confer on any Eligible Director any right to serve or continue to serve on the Company's Board.

**17. Governing Law.** The Plan and any award agreement hereunder shall be interpreted and construed in accordance with the laws of the State of Delaware and applicable federal law.

## **ARTICLE II STOCK OPTIONS**

**1. Grants of Options.** The Board, in its sole discretion, shall determine whether and how many options shall be granted to an Eligible Director, subject to the limits set forth in Article I, Section 5. Options so granted shall have the exercise price, vesting schedule and term, and shall be subject to such other terms and conditions, as are set forth in an individual option agreement described in Section 4 below.

**2. Exercise Price.** Notwithstanding any other provision of Article II, the exercise price per share of options shall not be less than the fair market value of a share of Common Stock on the grant date.

**3. Payment of Exercise Price.** The option exercise price shall be payable upon the exercise of an option in legal tender of the United States or such other consideration as the Board may deem acceptable, including, without limitation, Common Stock (delivered by or on behalf of the person exercising the option or retained by the Company from the Common Stock otherwise issuable upon exercise), provided, however, that the Board

may, in the exercise of its discretion, allow exercise of an option in a broker-assisted or similar transaction in which the exercise price is not received by the Company until immediately after exercise. Upon proper exercise, the Company shall deliver to the person entitled to exercise the option or his or her designee a certificate or certificates for the shares of Common Stock to which the option pertains. For avoidance of doubt, shares of Common Stock tendered to the Company or deducted or withheld from the number of shares that otherwise would be received upon the exercise of an option as payment of the exercise price shall not be added back to the aggregate number of shares subject to the Plan.

**4. Option Agreements.** Each option granted under the Plan shall be evidenced by an option agreement duly executed on behalf of the Company and by the Eligible Director to whom such option is granted and stating the number of shares of Common Stock issuable upon exercise of the option, the exercise price, the time during which the option is exercisable, and the times at which the option vests and becomes exercisable. Such option agreements may but need not be identical and shall comply with and be subject to the terms and conditions of the Plan, a copy of which shall be provided to each option recipient and incorporated by reference into each option agreement. Each option agreement may contain such other terms, provisions and conditions not inconsistent with the Plan as may be determined by the Board.

**5. Term of Options and Effect of Termination.** Notwithstanding any other provision of the Plan, no options shall be exercisable after the expiration of ten years from the date of their grant. In the event that any outstanding option under the Plan expires by reason of lapse of time or is otherwise terminated without exercise for any reason, then the shares of Common Stock subject to any such option which have not been issued pursuant to the exercise of the option shall again become available in the pool of shares of Common Stock for which options may be granted under the Plan. In the event that the holder of any option granted under this Plan shall cease to be a director of the Company for any reason, all options granted under this Plan to such holder shall be exercisable, to the extent already exercisable at the date such holder ceases to be a director, for a period of one year after that date (or, if sooner, until the expiration of the option according to its terms), and shall then terminate. In the event of the death of an optionee while such optionee is a director of the Company or within the period after termination of such status during which he or she is permitted to exercise an option, such option may be exercised by any person or persons designated by the optionee on a Beneficiary Designation Form adopted by the Board for such purpose or, if there is no effective Beneficiary Designation Form on file with the Company, by the executors or administrators of the optionee's estate or by any person or persons who shall have acquired the option directly from the optionee by his or her will or the applicable laws of descent and distribution.

### **ARTICLE III RESTRICTED STOCK AND RESTRICTED STOCK UNITS**

**1. Grant of Restricted Stock and Stock Units.** The Board may grant Restricted Stock and Restricted Stock Units on such terms and conditions and subject to such repurchase or forfeiture restrictions, if any (which may be based on continuous service on the Board or any other measure) as the Board shall determine in its sole discretion, and which terms, conditions and restrictions shall be set forth in the agreement evidencing the award. For purposes of this Plan, “**Restricted Stock**” means an award of shares of Common Stock, the rights of ownership of which may be subject to restrictions prescribed by the Board, and “**Restricted Stock Units**” means an award similar to restricted stock but that is denominated in units of Common Stock.

**2. Issuance of Shares.** Upon the satisfaction of any terms, conditions and restrictions prescribed with respect to Restricted Stock or Restricted Stock Units, or upon a grantee's release from any terms, conditions and restrictions of Restricted Stock or Restricted Stock Units, as determined by the Board, (i) the shares of Restricted Stock shall become freely transferable by the Participant and (ii) Restricted Stock Units shall be paid in cash, shares of Common Stock or a combination of cash and shares of Common Stock as the Board shall determine in its sole discretion. Any fractional shares subject to such awards shall be paid in cash.



**3. Dividends and Distributions.** Grantees holding shares of Restricted Stock or Restricted Stock Units may, if the Board so determines, be credited with dividends paid with respect to the underlying shares or dividend equivalents while they are so held in a manner determined by the Board in its sole discretion. The Board may apply any restriction to the dividends or dividend equivalents that the Board deems appropriate. The Board, in its sole discretion, may determine the form of payment of dividends or dividend equivalents, including cash, shares of Common Stock, Restricted Stock or Restricted Stock Units.

#### **ARTICLE IV RECAPITALIZATIONS AND REORGANIZATIONS**

**1. Anti-dilution Adjustments.** The aggregate number of shares of Common Stock available for issuance upon exercise of options or the grant or vesting of other awards under the Plan, the number of shares for which each option (issued and unissued) can be exercised, the exercise price per share of options (issued and unissued), and the number of shares of Restricted Stock or Restricted Stock Units constituting an award shall be proportionately adjusted for any increase or decrease in the number of issued and outstanding shares of Common Stock resulting from a subdivision or consolidation of shares or the payment of a stock dividend or any other increase or decrease in the number of issued and outstanding shares of Common Stock effected without receipt of consideration by the Company.

**2. Corporate Transactions.** If the Company shall be the surviving corporation in any merger or consolidation, each outstanding option shall pertain to and apply to the securities to which a holder of the same number of shares of Common Stock that are subject to that option would have been entitled. The Company shall have the discretion, exercisable at any time before a merger or consolidation, to take such action in respect of awards other than options as it determines to be necessary or advisable. Such authorized action may include (but shall not be limited to) establishing, amending or waiving the type, terms, conditions or duration of, or restrictions on awards so as to provide for earlier or later lifting of restrictions thereon.

**3. Change in Control.** A dissolution or liquidation or change in control of the Company, or a merger or consolidation in which the Company is not the surviving corporation, shall cause each outstanding option to terminate, unless the agreement of merger or consolidation shall otherwise provide; provided that, in the event such dissolution, liquidation, change in control, merger or consolidation will cause outstanding options to terminate, each optionee shall have the right immediately prior to such dissolution, liquidation, merger or consolidation or upon such change in control to exercise his or her option or options in whole or in part without regard to any vesting requirements. In the event of a change in control, except as otherwise provided in the agreement evidencing the award, the vesting of shares subject to Restricted Stock or of Restricted Stock Units shall accelerate, and the forfeiture provisions to which such shares or units are subject shall lapse, if and to the same extent that the vesting of outstanding options accelerates in connection with the change in control. If unvested options are to be assumed or substituted by a successor company without acceleration upon the occurrence of a change in control, the terms and conditions of Restricted Stock or Restricted Stock Units shall continue with respect to shares of the successor company that may be issued in exchange or upon settlement of such awards, and the number of shares subject to such assumed or substituted awards shall be adjusted in the same manner as provided for options.

For purposes hereof, 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 or other disposition 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 liquidation of the Company.

**4. Determination by the Board.** To the extent that the foregoing adjustments relate to stock or securities of the Company, such adjustments shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. The grant of an option or other award pursuant to the Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure or to merge or to consolidate or to dissolve, liquidate or sell, or transfer all of any part of its business or assets.

Callaway Golf Company  
 Non-Employee Director  
 Restricted Stock Unit Grant

Recipient:  
 Effective Grant Date:  
 Number of Restricted Stock Units/Equivalent Shares:  
 Plan: 2001 Non-Employee Directors Stock Incentive Plan

CALLAWAY GOLF COMPANY, a Delaware corporation (the “**Company**”), has elected to grant to you, the Recipient named above, a Restricted 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 Restricted 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 Restricted 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 Restricted Stock Unit.** Effective as of the Effective Grant Date identified above, the Company has granted and issued to the Recipient the Number of Restricted Stock Units with respect to the Company’s Common Stock identified above (the “**RSUs**”), 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 RSU.** The RSU is subject to the following restrictions:
  - (a) **No Transfer.** The RSU 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 RSU 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 (the “Board”) or its designee may, in its discretion, determine not to cancel and void all or part of such unvested award, in which case the Board or its designee 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 (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 or its designee, 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 RSU 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 RSU 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 RSUs set forth below in accordance with the vesting schedule set forth below (the "**Vesting Schedule**"):

Number of Shares	Date Restrictions Lapse
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The Board or its designee, however, may, in its discretion, accelerate the Vesting Schedule (in which case, the Board or designee may impose whatever conditions it considers appropriate on the accelerated portion). Notwithstanding the foregoing, if Recipient elects to defer receipt of the shares pursuant to paragraph 4(b) of this Agreement, then any shares subject to this award that would otherwise vest prior to the date that is 12 months following the date of such election shall instead vest on the date that is 12 months following the date of Recipient's election to defer.

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 RSUs 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 RSUs 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 RSU on the vesting date or dates provided herein; provided, however, that if the first vesting date occurs no sooner than 12 months following the Effective Grant Date and 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 or its designee 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 31<sup>st</sup> of the same calendar year of the Original Distribution Date, or (2) the 15<sup>th</sup> 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 RSU grant, including the grant or vesting of the RSU, 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 RSU to reduce or eliminate Recipient’s liability for tax-related items.

5. **Voting and Other Rights.** Notwithstanding anything to the contrary in the foregoing, until the issuance of shares of Common Stock pursuant to Section 4(b), the Recipient shall not have any right in, to or with respect to any of the shares of Common Stock (including any voting rights or rights with respect to dividends paid on the Common Stock) issuable under this Agreement until the shares are actually issued to the Recipient.
6. **Dividend Equivalents.** If a cash dividend is paid with respect to shares of Common Stock, Recipient shall be credited with dividend equivalent payments on unissued RSUs which will be earned upon the vesting of the RSUs on which the dividend equivalents were paid and paid out

upon issuance of the Common Stock represented by the RSUs on which the dividend equivalents were paid. The Company, in its discretion, will determine whether dividend equivalents shall be paid in additional shares of Common Stock or cash at the time of issuance.

7. **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 RSU is voluntary and occasional and does not create any contractual or other right to receive future grants of RSUs, or benefits in lieu of RSUs, even if RSUs have been granted repeatedly in the past, and all decisions with respect to future RSU 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 RSU 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 RSU 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 RSU, no claim or entitlement to compensation or damages shall arise from termination of the RSU or diminution in value of the RSU or shares of Common Stock acquired through vesting of the RSU 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.

8. **Electronic Delivery.** The Company may, in its sole discretion, decide to deliver any documents related to the RSU and participation in the Plan or future RSUs 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.

9. **Taxable Event.** **The Recipient acknowledges that the issuance of the RSU 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 restricted stock unit awards is set forth in the Plan Prospectus.

10. **Treatment of Parachute Payments.** To the extent that any or all of the payments and benefits provided for in this Agreement and pursuant to any other agreements with Recipient constitute “parachute payments” within the meaning of Section 280G of the Code and, but for this Section 10, would be subject to the excise tax imposed by Section 4999 of the Code, then the aggregate amount of such payments and benefits shall be reduced by the minimum amounts necessary to equal one dollar less than the amount which would result in such payments and benefits being subject to such excise tax. The reduction, unless the Recipient elects otherwise, shall be in such order that provides Recipient with the greatest after-tax amount possible. All determinations required to be made under this Section 10, including whether a payment would result in a parachute payment and the assumptions to be utilized in arriving at such determination, shall be made by a nationally recognized accounting firm agreed to by the Company and Recipient. The Company shall pay the cost of the accounting firm, and the accounting firm shall provide detailed supporting calculations both to the Company and the Recipient. The determination of the accounting firm shall be final and binding upon the Company and the Recipient, except that if, as a result of subsequent events or conditions (including a subsequent payment or the absence of a subsequent payment or a determination by the Internal Revenue Service or applicable court), it is determined that the excess parachute payments, excise tax or any reduction in the amount of payments and benefits, is or should be other than as determined initially, an appropriate adjustment shall be made, as applicable, to reflect the final determination.
11. **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 (or appropriate committee thereof) 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 (or appropriate committee thereof) 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.
12. **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.
13. **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.

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

15. **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 15 AND IRREVOCABLY AGREE TO ARBITRATE ANY DISPUTE IDENTIFIED ABOVE.**

\_\_\_\_\_(Company)

\_\_\_\_\_(Director)

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

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- 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.

### Additional Provisions for International Participants

**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 RSUs 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 (e.g., the United States) 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 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.

**Language.** If you have received this Agreement or any other document related to the Plan translated into a language other than English and if the translated version is different than the English version, the English version will control.