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 27, 2006

CALLAWAY GOLF COMPANY

(Exact name of registrant as specified in its charter)

DELAWARE	**1-10962**	**95-3797580**
(State or Other Jurisdiction of Incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

2180 Rutherford Road, Carlsbad, California	**92008-7328**
(Address of principal executive offices)	**(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 1 – REGISTRANT'S BUSINESS AND OPERATIONS

Item 1.01 Entry into a Material Definitive Agreement.

The Compensation and Management Succession Committee (the "Committee") of the Board of Directors of Callaway Golf Company (the "Company") approved grants of restricted stock, stock options and performance shares, effective as of January 27, 2006, under the Company's 2004 Equity Incentive Plan to Steven C. McCracken, Bradley J. Holiday, Robert A. Penicka and John F. Melican. Each of these executive officers received stock options, restricted stock and performance shares as provided below.

Name	Stock Options	Shares of Restricted Stock	Performance Shares
Steven C. McCracken	31,677	10,173	Up to 15,260
Bradley J. Holiday	31,677	10,173	Up to 15,260
Robert A. Penicka	31,677	10,173	Up to 15,260
John F. Melican	15,839	5,086	Up to 7,629

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 and will expire on January 27, 2016. The Form of Notice of Grant of Stock Option and Option Agreement for Officers is filed herewith as Exhibit 10.61 and is incorporated herein by this reference.

The restricted stock is subject to certain restrictions on transfer and forfeiture if the executive officer ceases to be an employee of the Company. The restricted stock is scheduled to vest on January 27, 2009, subject to accelerated vesting upon certain change in control events and upon certain termination of employment events. The Form of Restricted Stock Grant for Officers is filed herewith as Exhibit 10.62 and incorporated herein by this reference.

The performance shares represent the right to receive shares of the Company's common stock and will be paid only if the Company achieves a minimum performance threshold as of the end of the three year performance period from 2006 through 2008, with the number of performance shares earned ultimately determined based on the degree to which the Company meets financial targets as of the end of the performance period. For the 2006-2008 performance period, the financial target metric is Average Economic Profit Spread, which is based on return on invested capital minus the weighted average cost of capital. The final number of performance shares paid to the executive officers will be approved by the Committee and will only be paid provided the executive officer is employed on the last day of the performance period. The Form of Performance Unit Grant 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.

(c) Exhibits.

The following exhibits are being filed or furnished herewith:

Exhibit No.	Description
10.61	Form of Notice of Grant of Stock Option and Option Agreement for Officers
10.62	Form of Restricted Stock Grant for Officers
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: February 2, 2006

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

EXHIBIT INDEX

Exhibit No.	Description
10.61	Form of Notice of Grant of Stock Option and Option Agreement for Officers
10.62	Form of Restricted Stock Grant for Officers
10.63	Form of Performance Unit Grant

Exhibit 10.61

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:

SHARES	EXERCISE PRICE	SCHEDULED VESTING DATE	SCHEDULED EXPIRATION DATE

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.

The exercise price must be paid in the form of cash, unless otherwise determined by the Board of Directors or Committee administering the plan ("Committee") in their 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 subsidiary 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 subsidiary 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 subsidiary (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 subsidiary, 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. The Committee 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 an employee or consultant of the Company or its subsidiary at that time, provided, however, that the Board of Directors, or appropriate committee thereof, 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 Committee elects to provide that the Option does not vest in connection with a Change in Control and your employment 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 employment. 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 be an employee or consultant of the Company or its subsidiary for any reason including death. Subject to Section 2 (Vesting), if you cease for any reason to be an employee of the Company or its subsidiary, that portion of the Option which has not yet vested shall be terminated.

4. Cancellation, Forfeiture and Rescission.

(a) If during your employment 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 an employee on the Cancellation Date, the "Look-Back Period" is ninety days. If you are no longer an employee 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 employment 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. 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.

6. 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.

7. 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 7 AND IRREVOCABLY AGREE TO ARBITRATE ANY DISPUTE IDENTIFIED ABOVE.

_____ ***(Employee)*** _____ ***(Company)***

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the Effective Date.

CALLAWAY GOLF COMPANY

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 10.62

Callaway Golf Company *Recipient:*
Restricted Stock Grant *Effective Grant Date:*
Number of Shares:
Plan: **2004 Equity Incentive Plan**

CALLAWAY GOLF COMPANY, a Delaware corporation (the "**Company**"), has elected to grant to you, the Recipient named above, an award of stock subject to the restrictions and on the terms and conditions set forth below. Terms not otherwise defined in this Restricted Stock Grant 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 Restricted Stock Grant 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 Restricted Stock Grant, the provisions of the Plan will control.

2. **Grant of Restricted Stock.** Effective as of the Effective Grant Date identified above, the Company has granted and issued to the Recipient the Number of Shares of the Company's Common Stock identified above (the "**Restricted Stock**"), subject to the terms, conditions and restrictions set forth in this Restricted Stock Grant.

3. **Restrictions on the Granted Stock.** The Restricted Stock is subject to the following restrictions:

(a) **No Transfer.** The shares of Restricted Stock may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered until the restrictions set forth in this paragraph lapse or expire as provided in paragraph 4, and any additional requirements or restrictions contained in this Restricted Stock Grant have been satisfied, terminated or waived by the Company in writing.

(b) **Cancellation of Unvested Shares.** In the event Recipient ceases to be an employee of the Company or its subsidiary for any reason before the restrictions set forth in this paragraph have lapsed or expired as provided in paragraph 4, the Company will cancel and void all shares of Restricted Stock for which such restrictions have not lapsed or expired (i.e. unvested shares); *provided, however*, that the Board of Directors or its designee may, in its discretion, determine not to cancel and void all or part of such unvested shares, in which case the Board of Directors or designee may impose whatever conditions it considers appropriate on any shares that are not cancelled or voided.

(c) **Certificate.** The certificate(s) representing the Restricted Stock will remain in the physical custody of the Company or its designated agent until the restrictions set forth in this paragraph lapse or expire as provided in paragraph 4, and any additional requirements or restrictions contained in this Restricted Stock Grant have been satisfied, terminated or expressly waived by the Company in writing. Notwithstanding the foregoing, the Company may elect to maintain the shares in book-entry form with its transfer agent unless and until the Company is required to deliver the certificates hereunder.

(d) **Restrictive Legend.** The certificate(s) representing the Restricted Stock may bear a legend making reference to any restrictions (or other terms and conditions) imposed by this Restricted Stock Grant as the Company deems necessary or appropriate to enforce such restrictions (or other terms and conditions).

4. **Lapse of Restrictions.** The restrictions imposed under paragraph 3 will lapse and expire, and the shares of Restricted Stock 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 employment agreement between Recipient and the Company or its subsidiary, 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 shares of Restricted Stock set forth below in accordance with the vesting schedule set forth below (the **"Vesting Schedule"**):

Number of Shares	Date Restrictions Lapse

The Board of Directors or its designee, however, may, in its discretion, accelerate the Vesting Schedule (in which case, the Board of Directors or designee 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 an employee or consultant of the Company or its subsidiary at that time, provided, however, that the Board of Directors, or appropriate committee thereof, 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 Restricted Stock 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 Restricted Stock in connection with a Change in Control. Notwithstanding the foregoing, if the Committee elects to provide that such restrictions do not lapse in connection with a Change in Control and Recipient's employment 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 employment. For purposes hereof, "Change in Control" shall have the meaning set forth in Exhibit A attached hereto.

(b) **Payment of Taxes.** Upon the lapse of the restrictions 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 the lapse of such restrictions. In this regard, you authorize the Company and/or its subsidiary 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 subsidiary or from proceeds of the sale of shares of Restricted Stock. Alternatively, or in addition, if permissible under local law, the Company may (1) sell or arrange for the sale of shares of Restricted Stock that you acquire to meet the withholding obligation for tax-related items, and/or (2) withhold from the shares of Restricted Stock for which the restrictions have lapsed that number of shares having an aggregate Fair Market Value (as defined in the Plan), determined as of the date the tax withholding 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 subsidiary (a) makes no representations or undertakings regarding the treatment of any tax-related items in connection with any aspect of the Restricted Stock, including the grant or vesting or and subsequent sale of shares of Restricted Stock or the receipt of any dividends; and (b) do not commit to structure the terms of the grant or any aspect of the Restricted Stock to reduce or eliminate your liability for tax-related items.

(c) **Release of Certificate.** As soon as practicable after the lapse and removal of the restrictions applicable to all or any portion of the Restricted Stock as provided in this paragraph, the Company will release (or cause to be issued) certificate(s) representing such Restricted Stock to the Recipient, provided that the Recipient has paid to the Company, by cash or check or by any other method permitted by paragraph 4(b), an amount sufficient to satisfy any taxes or other amounts required by any governmental authority to be withheld and paid over to such authority for the Recipient's account, or otherwise made arrangements satisfactory to the Company for the payment of such amounts through withholding or otherwise.

5. **Voting and Other Rights.** Notwithstanding anything to the contrary in the foregoing, during the period prior to the lapse and removal of the restrictions set forth in paragraph 3, except as otherwise provided herein, the Recipient will have all of the rights of a shareholder with respect to all of the Restricted Stock, including without limitation the right to vote the Restricted Stock and the right to receive all dividends or other distributions with respect to the Restricted Stock. In connection with the payment of such dividends or other distributions, the Company will be entitled to deduct any taxes or other amounts required by any governmental authority to be withheld and paid over to such authority for the Recipient's account.

6. **Section 83(b) Election**. The Recipient will be entitled to make an election pursuant to Section 83(b) of the Internal Revenue Code, or comparable provisions of any state tax law, to include in the Recipient's gross income the amount by which the fair market value of the Restricted Stock the Recipient acquires exceeds the consideration paid for such shares *only if*, prior to making any such election, the Recipient (a) timely notifies the Company in writing of the Recipient's intention to make such election by delivering to the Company a copy of a fully-executed Section 83(b) Election Form approved by the Company and (b) pays to the Company an amount sufficient to satisfy any taxes or other amounts required by any governmental authority to be withheld or paid over to such authority for the Recipient's account, or otherwise makes arrangements satisfactory to the Company for the payment of such amounts through withholding or otherwise. **Recipient hereby acknowledges that (i) the foregoing does not set forth all the requirements for effecting a valid 83(b) election, (ii) that Recipient will need to take additional action, including making certain filings with the Internal Revenue Service to make a valid 83(b) election and (iii) that the Company has no responsibility for ensuring that Recipient satisfies the requirements for a valid 83(b) election.**

7. **Taxable Event. The Recipient acknowledges that the Restricted Stock 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 awards is set forth in the Plan Prospectus.

8. **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.

9. **Governing Law.** This Restricted Stock Grant will be governed by and construed in accordance with the laws of the State of Delaware and applicable federal law.

10. **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 10 AND IRREVOCABLY AGREE TO ARBITRATE ANY DISPUTE IDENTIFIED ABOVE.

_____ ***(Employee)*** _____***(Company)***

IN WITNESS WHEREOF, the Company and Recipient have executed this Restricted Stock Grant 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 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 performance share unit award subject to the restrictions and on the terms and conditions set forth below. Terms not otherwise defined in this Performance Unit Grant 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 Grant 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 Performance Unit Grant, 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 with respect to the Company's Common Stock identified above (the "**PSUs**"), subject to the terms, conditions and restrictions set forth in this Performance Unit Grant.

3. **Restrictions on the PSU.** The PSU is subject to the following restrictions:

(a) **No Transfer.** The PSU 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 when the restrictions set forth in paragraph 4 expire, and any additional requirements or restrictions contained in this Performance Unit Grant have been satisfied, terminated or waived by the Company in writing.

(b) **Cancellation of Unvested Shares.** In the event Recipient ceases to be an employee of the Company or its subsidiary for any reason before the restrictions set forth in paragraph 4 expire, this award shall be cancelled and no additional shares of Common Stock shall be issued pursuant hereto; *provided, however*, that the Compensation and Management Succession Committee of the Board of Directors (the "Committee") or its designee may, in its discretion, determine not to cancel and void all or part of such unvested award, in which case the Committee or its designee may impose whatever conditions it considers appropriate.

4. **Lapse of Restrictions.** The restrictions imposed under paragraph 3 will lapse and expire, and the PSU 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 employment agreement between Recipient and the Company or its subsidiary, 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 Committee or its designee, however, may, in its discretion, accelerate the Vesting Schedule (in which case, the Committee or designee 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 an employee or consultant of the Company or its subsidiary at that time, provided, however, that the Committee, 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 PSUs 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 PSUs in connection with a Change in Control. Notwithstanding the foregoing, if the Committee elects to provide that such restrictions do not lapse in connection with a Change in Control and Recipient's employment 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 employment. 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 each PSU vests, the Company shall deliver to the Recipient the number of shares of Common Stock represented by the PSU that vest on such date.

(c) **Payment of Taxes.** Upon 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 issuance. In this regard, Recipient authorizes the Company and/or its subsidiary 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 subsidiary 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 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 upon the vesting of the PSU 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 Recipient's employer (a) make no representations or undertakings regarding the treatment of any tax-related items in connection with any aspect of the PSU grant, including the grant or vesting of the PSU, the subsequent sale of shares of Common Stock acquired pursuant to such vesting and the receipt of any dividends; and (b) do not commit to structure the terms of the grant or any aspect of the PSU 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 rights with respect to dividends paid on the Common Stock) issuable under this Agreement until the shares are actually transferred to the Recipient following the applicable vesting date.

6. **Taxable Event. The Recipient acknowledges that the PSU 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.

7. **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.

8. **Governing Law.** This Performance Unit Grant will be governed by and construed in accordance with the laws of the State of Delaware and applicable federal law.

9. **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 9 AND IRREVOCABLY AGREE TO ARBITRATE ANY DISPUTE IDENTIFIED ABOVE.

_____ (Employee) **_____ (Company)**

IN WITNESS WHEREOF, the Company and Recipient have executed this Performance Unit Grant 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.