FORM 8-K

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CALLAWAY GOLF CO

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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

January 20, 2009
Date of Report (Date of earliest event reported)

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)**

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

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))

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

(e) On January 20, 2009, the Compensation and Management Succession Committee (the "Committee") of the Board of Directors of Callaway Golf Company (the "Company") approved for the following executive officers (the "Executive Officers") (i) a payout under the Company' s 2008 annual incentive program and (ii) the grant of equity awards under the Company' s 2009 long-term incentive program:

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

2008 Annual Incentive Program

The Company' s 2008 annual incentive program provides for the payment of cash performance awards to members of the Company' s senior management, including the Executive Officers, based upon the achievement of designated financial performance goals provided certain individual performance objectives are achieved. In 2008, the designated financial performance goals were based upon corporate net income and corporate net sales and for Mr. Yang a portion of his goals were also based upon the performance of the Company' s international business. The financial performance goals were subject to certain threshold performance goals below which no payments were scheduled to be paid.

During the first half of 2008, the Company had record sales and earnings and was on track to meet or exceed the designated target financial performance goals. During the second half of 2008, however, there was a rapid decline in worldwide macroeconomic conditions. As a result, the Company, like many other businesses, saw a sharp decline in its business, which affected its full year results for 2008. Although the Company' s full year results for 2008 included earnings growth compared to 2007, the Company did not meet the threshold performance goals under the 2008 annual incentive plan.

Although the Company did not achieve threshold performance, the Committee approved a limited payout to the Executive Officers under the 2008 annual incentive plan. In approving the payout, the Committee considered the Company' s performance in 2008 as well as the individual performance of each of the Executive Officers. With regard to the Company' s performance, the Committee considered, among other things, (i) that the Company had achieved record sales and earnings in the first half of 2008 and (ii) that despite the decline in worldwide economic conditions in the second half of 2008, the Company was able to achieve for 2008 its second highest sales level ever and increase earnings by over 5% compared to 2007. With regard to individual performance, the Committee considered each of the Executive Officer' s overall individual performance in 2008, including the performance of the individual objectives for 2008 as well as the actions taken to address the declining worldwide economic conditions and maximize the Company' s profitability in that environment. The Committee also considered that the Company only missed the threshold corporate sales goal by 0.6% and the threshold corporate net income goal by 5.9%. As a result of these factors, the Committee approved a payout under the 2008 annual incentive plan for each of the Executive Officers at a level that was 32% less than the payout that would have been earned for threshold performance.

The amount of the annual incentive payout for 2008 for each of the Executive Officers as a percentage of base salary is 34% for Mr. Fellows and 18.7% for each of the other Executive Officers. Based upon these percentages, the amount of the payout for each of the Executive Officers is $311,231 for Mr. Fellows; $102,850 for Mr. McCracken; $93,500 for Mr. Holiday; $71,096 for Mr. Yang; and $66,421 for Mr. Laverty.

Long-Term Incentive Program

On January 20, 2009, the Committee approved the 2009 long-term incentive program for the Company' s Executive Officers. This program consists of the grant of stock options and restricted stock units. Consistent with the Company' s executive compensation programs, the Committee approved a targeted long-term incentive grant value for each of the Executive Officers as follows: $3.2 million for Mr. Fellows and $350,000 for each of the other Executive Officers. For each Executive Officer, 2/3 of the grant value will be allocated to stock options and 1/3 will be allocated to restricted stock units. Consistent with the Company' s equity grant guidelines, the awards will be granted effective on the second trading day following the issuance of the Company' s actual earnings release announcing final 2008 results.

Stock Options. The stock options will 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 are scheduled to vest over a three year period with one-third vesting at the end of each year from the date of grant. The stock options expire no later than ten years after the grant date. The number of shares underlying the stock options will be determined based upon the targeted value allocated to stock options for each officer divided by the estimated value of a stock option for one share. The estimated value will be based upon the same Black-Scholes option valuation model the Company uses for financial reporting purposes. The stock options will generally be granted pursuant to the Form of Notice of Grant of Stock Option and Grant Agreement included herewith as Exhibit 10.54 and incorporated herein by this reference. If the Company does not have sufficient shares available under its equity award plans to grant all of the stock options, a portion may be granted subject to shareholder approval of additional shares. If shareholder approval is not obtained, then upon exercise of the option, the Executive Officer will receive (instead of shares of stock) a cash payment equal to the aggregate difference between the exercise price of the stock option and the closing price of the Company' s common stock on the date of exercise. For any options granted subject to shareholder approval as discussed above, the options will be granted pursuant to the Form of Notice of Grant and Agreement for Contingent Stock Option/SAR filed herewith as Exhibit 10.55 and incorporated herein by this reference.

Restricted Stock Units. Each restricted stock unit represents the contingent right to receive one share of the Company' s common stock upon vesting. The restricted stock units are scheduled to vest on January 20, 2012. The restricted stock unit awards provide for the accrual of dividend equivalent rights in the form of additional units but the additional units do not vest unless and until the underlying awards vest. The number of restricted stock units to be granted will be determined based upon the targeted value allocated to restricted stock units for each officer divided by the closing price of the Company' s common stock on the effective date of grant. The Form of Restricted Stock Unit Grant Agreement for the executive officers is included herewith as Exhibit 10.56 and incorporated herein by this reference.

SECTION 9 - FINANCIAL STATEMENTS AND EXHIBITS

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits are being filed or furnished herewith:

Exhibit No.	Description
10.54	Form of Notice of Grant of Stock Option and Option Agreement, incorporated herein by this reference to Exhibit 10.61 to the Company' s Current Report on Form 8-K, as filed with the Commission on January 22, 2007 (file no. 1-10962).
10.55	Form of Notice of Grant and Agreement for Contingent Stock Option/SAR (included in this report)
10.56	Form of Restricted Stock Unit Grant Agreement, incorporated herein by this reference to Exhibit 10.62 to the Company' s Current Report on Form 8-K, as filed with the Commission on January 22, 2007 (file no. 1-10962).

SIGNATURES

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

Date: January 23, 2009

By: /s/ Bradley J. Holiday

Name: Bradley J. Holiday

Title: Senior Executive Vice President and Chief Financial Officer

Exhibit Index

Exhibit Number	Description
10.55	Form of Notice of Grant and Agreement for Contingent Stock Option/SAR

Exhibit 10.55

NOTICE OF GRANT AND AGREEMENT FOR CONTINGENT STOCK OPTION/SAR

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

PLAN: 2004 INCENTIVE PLAN

1. Grant of Option. Effective _____ ("**Effective Date**"), you have been granted a Contingent Non-qualified Stock Option / SAR ("**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 Incentive Plan (as amended and restated from time to time, the "**Plan**"), the provisions of which Plan are by this reference incorporated in this Agreement. In the event of any conflict between the provisions of the Plan and the provisions of this Agreement, the provisions of the Plan shall be controlling. The Company has provided you with a copy of the Plan and a prospectus for the Plan. Capitalized terms not otherwise defined in this Agreement, including Exhibit A attached hereto, will have the meanings ascribed to them in the Plan.

2. Exercise. The exercise provisions governing the Option are contingent upon the approval by the Company' s shareholders of a proposal to increase the share reserve under the Plan at any time after the date of grant and on or before the date of exercise of the Option (the "Shareholder Approval"). If, and only if, Shareholder Approval is obtained, then upon exercise of the Option, you may purchase the number of vested shares of the Company' s Common Stock underlying your Option by paying the exercise price to the Company, as specified in this Section 2. If, and only if, Shareholder Approval is not obtained, then as soon as administratively practicable following your exercise of the Option, but not more than ten days after your exercise, you shall receive, in lieu of shares, a lump sum cash payment (the "Cash Payment"). Subject to applicable tax withholdings, as discussed below, the Cash Payment shall be in an amount equal to the number of vested shares being exercised multiplied by the excess of (i) the per share Fair Market Value (as defined in the Plan) as of the exercise date of the Company' s Common Stock purchasable under the Option, over (ii) the per share exercise price listed above; *provided, however,* that in no event shall the Cash Payment per vested share be more than two and one-half times the per share exercise price of the Option. In order to receive the Cash Payment, you must deliver a Notice of Exercise (in a form designated by the Company) to the Secretary of the Company, or to such other person as the Company may designate, during regular business hours, together with such additional documents as the Company may then require.

If Shareholder Approval is obtained, the exercise price of the Option must be paid in the form of cash, unless otherwise determined by the Board of Directors or a designated Board committee (the "**Board**"), in its sole discretion. Upon exercise of the Option, you must pay in the form of a check or cash or other cash equivalents to the Company any such additional amount as the Company determines that it is required to withhold under applicable laws in respect of such exercise. Upon exercise or upon receiving

a Cash Payment, you authorize the Company and/or its Affiliate to withhold all applicable tax-related items legally payable by you from your wages or other cash compensation paid to you by the Company and/or its Affiliate or from proceeds of the sale of shares of Common Stock or your Cash Payment. Alternatively, or in addition, if permissible under local law, the Company may (1) sell or arrange for the sale of shares of Common Stock that you acquire to meet the withholding obligation for tax-related items, and/or (2) withhold from the shares of Common Stock otherwise issuable to you upon the exercise of the Option that number of shares having an aggregate Fair Market Value (as defined in the Plan), determined as of the date the withholding tax obligation arises, equal to the amount of the total withholding tax obligation; provided, however, that, the number of shares so withheld shall not have an aggregate Fair Market Value in excess of the minimum required withholding. You acknowledge that the ultimate liability for all tax-related items legally due by you is and remains your responsibility and that Company and/or its Affiliate (a) makes no representations or undertakings regarding the treatment of any tax-related items in connection with any aspect of the option grant, including the grant, vesting or exercise of the option, the Cash Payment in lieu of shares, 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.

3. Vesting. Subject to Section 4 (Term and Termination) and Section 5 (Cancellation, Forfeiture and Rescission) of this Agreement, and subject to the accelerated vesting provisions, if any, set forth in any employment agreement between you and the Company or its Affiliate, as the same may be amended, modified, extended or renewed from time to time, the Option shall vest in accordance with the vesting schedule set forth above subject to your Continuous Service through the applicable vesting dates. The Board may, in its discretion, accelerate the vesting schedule (in which case it may impose whatever conditions it considers appropriate on the accelerated portion). In addition, the entire Option shall vest and become exercisable immediately prior to any Change in Control, if you are in the Continuous Service of the Company or its Affiliate at that time, provided, however, that the Board of Directors, in its sole discretion, may provide that such Option does not vest and become exercisable immediately prior to any such Change in Control, and instead provide that the Option shall be assumed or that an equivalent option or right shall be substituted by a successor company, in which case the amount and price of such assumed or substituted option shall be determined by adjusting the amount and price of the Option consistent with the terms of the transaction giving rise to the Change in Control. Notwithstanding the foregoing, if the Board elects to provide that the Option does not vest in connection with a Change in Control and your Continuous Service is terminated for any reason within one year following such Change in Control, then the entire assumed or substituted option shall vest and become exercisable immediately upon such termination of your Continuous Service. For purposes hereof, "Change in Control" shall have the meaning set forth in **Exhibit A** attached hereto.

4. Term and Termination. Subject to Section 5 (Cancellation, Forfeiture and Rescission) hereof, the Option shall expire on the earlier of (i) the scheduled expiration date set forth above or (ii) in the case of an Option that has vested, one (1) year from the date on which you cease to provide Continuous Service to the Company or its Affiliate for any reason including death. Subject to Section 3 (Vesting), if you cease for any reason to provide Continuous Service to the Company or its Affiliate, that portion of the Option which has not yet vested shall be immediately terminated.

5. Cancellation, Forfeiture and Rescission.

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

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

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

The Company shall notify you in writing of any such rescission within two years of any such exercise. If you are still providing Continuous Service on the Cancellation Date, the "Look-Back Period" is ninety days. If you are no longer providing Continuous Service on the Cancellation Date, the "Look-Back Period" is the longer of ninety days or the number of days elapsed from the date of termination of your Continuous Service to the Cancellation Date. For purposes of this Agreement, an "indirect" use of the Company' s confidential information or trade secrets shall be presumed to have occurred if you take a comparable position with a competitor in which case you shall have the burden of proving that no use or disclosure of confidential information or trade secrets occurred or will occur. For purposes of this Agreement, and in the absence of proof of actual gain on the date of exercise, "Option Gain" shall mean the New York Stock Exchange closing price on the date of exercise minus the exercise price of the Option, multiplied by the number of shares you purchased upon the exercise, without regard to any subsequent market price decrease or increase.

(b) In lieu of paying to the Company any Option Gain required to be paid to Company pursuant to this Section 5, 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 5. This Section 5 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 5 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 5.

_____ (Optionee)

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

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

(b) the grant of the Option is voluntary and occasional and does not create any contractual or other right to receive future grants of options, or benefits in lieu of options (other than cash in lieu of options as provided in Section 2), even if options have been granted repeatedly in the past, and all decisions with respect to future option grants, if any, will be at the sole discretion of the Company;

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

(d) you are voluntarily participating in the Plan;

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

(f) the future value of the underlying shares of Common Stock is unknown and cannot be predicted with certainty, and if the underlying shares of Common Stock do not increase in value, the Option will have no value, and if you exercise your Option and obtain shares of Common Stock, the value of those shares of Common Stock acquired upon exercise may increase or decrease in value, even below the exercise price; and

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

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

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

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

10. Miscellaneous.

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

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

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

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

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

13. Irrevocable Arbitration of Disputes.

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

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

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

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

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

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

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

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

_____ (Optionee)

_____ (Company)

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

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

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

CALLAWAY GOLF COMPANY	**OPTIONEE**
By: _____	_____

EXHIBIT A

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

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

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

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

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

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

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

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

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