SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

(Mark One)

/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED MARCH 31, 1996

OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NO. 0-23298

QLOGIC CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	33-0537669
(State of incorporation)	(I.R.S. Employer Identification No.)
3545 HARBOR BOULEVARD COSTA MESA, CALIFORNIA	92626
(Address of principal executive offices)	(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE (714) 438-2200

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:
NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

COMMON STOCK, PAR VALUE $0.10 PER SHARE

RIGHTS TO PURCHASE SERIES A JUNIOR PARTICIPATING PREFERRED STOCK
(Title of class)

Indicate by check mark whether the registrant (a) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes /X/ No / /

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this

Form 10-K or any amendment to this Form 10-K. / /

As of May 31, 1996, the aggregate market value of the voting stock held by non-affiliates of the registrant was $60,710,775.

As of May 31, 1996, the registrant had 5,613,901 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the following documents are incorporated herein by reference in the Parts of this report indicated below:

Part II, Items 6, 7 and 8	--	Annual Report to Stockholders for the year ended March 31, 1996
Part III, Items 10, 11, 12 and 13	--	Definitive proxy statement for the 1996 Annual Meeting of Stockholders which will be filed with the Securities and Exchange Commission within 120 days after the close of the 1996 year.

PART I

ITEM 1. BUSINESS.

INTRODUCTION

QLogic Corporation ("QLogic") was organized as a California corporation in 1992. Unless the context indicates otherwise, the "Company" and "QLogic" each refer to the Registrant and its subsidiary.

All references to years refer to the Company's fiscal years ended March 31, 1996, April 2, 1995, and April 3, 1994, as applicable, unless the calendar years are specified. References to dollar amounts, except share and per share data, are in thousands, unless otherwise specified.

SIGNIFICANT BUSINESS DEVELOPMENT

Distribution

Prior to December 28, 1992, QLogic's former parent company, Emulex Corporation ("Emulex"), operated its micro devices business as a division ("EMD"). On March 30, 1992, the Board of Directors of Emulex approved in principle a plan of reorganization (the "Reorganization Plan"). Pursuant to the Reorganization Plan, QLogic was formed as a separate corporation on November 18, 1992, and on December 28, 1992 exchanged 5,000,000 shares of its common stock for the net assets of EMD.

On February 24, 1994 (the "Distribution Date"), pursuant to the Reorganization Plan, Emulex declared a special dividend consisting of the distribution (the "Distribution") to its stockholders of all outstanding shares of common stock of QLogic. The purpose of the Distribution was to enable QLogic to gain independent access to equity markets so that it may use its capital stock as a source of funding for growth and acquisitions and to attract and retain key employees. The Distribution was completed on February 28, 1994, and QLogic became a publicly owned company on that date.

TECHNOLOGY AND PRODUCTS

The Company is a supplier of Small Computer Systems Interface (SCSI) Very Large Scale Integration (VLSI) semiconductor chips. SCSI is an industry standard for connecting peripheral devices to computer systems. The Company designs and markets a full line of SCSI application standard products that meet the requirements of host side (minicomputers, workstations and high-end PCs) as well as target side (hard disk, tape, CD-ROM, and removable media drives) systems designers.

In recent years the power and speed of computer operations have increased by several magnitudes, and continued improvements in computer technology have made possible new architectural advances in both standard microcomputer and Reduced Instruction Set Computer (RISC) configurations. Such advances have made Input/Output (I/O) performance critical to overall system performance. In many applications, intelligent I/O controllers must now manage and direct the flow of data at high speeds between multiple CPUs and peripheral devices such as disk and tape drives, scanners, printers and CD-ROMs. The Company addresses this I/O bottleneck by supplying a broad range of VLSI semiconductor solutions.

The Company markets its products to customers worldwide, both directly and through sales representatives. It also conducts its own product testing, engineering support and quality assurance, and uses outside subcontractors to manufacture wafers and assemble products to its specifications using its proprietary designs and incorporating its proprietary firmware and software.

PATENTS AND LICENSES

The Company believes that patents are of less significance in its industry than such factors as innovative skills, technological expertise and marketing abilities. The Company plans to continue to apply for patents both in the United States and in foreign countries, when it deems it to be advantageous to do so. The Company believes that there can be no assurance that patents will be issued, or that any patent issued will provide significant protection or could be successfully defended.

As is the case with many companies in the electronics industry, it may be desirable for the Company to obtain technology licenses from other companies in the future. The Company has occasionally received notices of claimed infringement of intellectual property rights and may receive additional such claims in the future. The Company evaluates all such claims and, if necessary, will seek to obtain appropriate licenses. There can be no assurance that any such licenses, if required, will be available on acceptable terms.

SELLING AND MARKETING

The Company markets its products worldwide to OEMs, VARs, systems integrators, industrial distributors, resellers, and end-users. At the end of fiscal 1996, the domestic selling organization included three regional directors located in satellite offices. At the end of fiscal 1996, the international selling organization included one country manager located in one international sales office.

The Company's export revenues were approximately 55, 62 and 71 percent of consolidated net revenues for 1996, 1995 and 1994, respectively. In 1996, the majority of export shipments were to Pacific Rim countries. The decline in export revenue is described in more detail in "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Net Revenues."

QLogic's export sales are subject to certain risks common to all export activities, such as governmental regulation and the risk of imposition of tariffs or other trade barriers. Export sales of many products must also be licensed by the Office of Export Administration of the U.S. Department of Commerce.

Tokyo Electron (TEL) is a Japan-based distributor that sells to a dozen Japan-based OEM's that use QLogic products. Products sold to TEL destined for Fujitsu and Hitachi accounted for 16 and 14 percent, respectively, of QLogic's revenue for fiscal year 1996. At the request of some Japan-based OEM's, the Company intends to transition product distribution to some OEM customers from TEL to a small newly formed distribution company. Although management does not believe the transition will adversely impact the Company's sales to Japan, there can be no assurance that the transition will successfully be completed. QLogic is reimbursing the distributor for its start up cost.

Company sales to Tokyo Electron (TEL) accounted for 42, 24 and 33 percent of total net revenues for fiscal 1996, 1995 and 1994, respectively. Company sales to Sun Microsystems accounted for 13 percent of total net revenues in fiscal 1996. Company sales to Avex Electronics accounted for 11 percent of total net revenues in fiscal 1996.

Company sales to Micropolis Corporation accounted for approximately 14 and 15 percent of total net revenues for fiscal 1995 and 1994, respectively. The Company's product sales to Digital Equipment Corporation accounted for approximately 11 percent of total net revenues in fiscal 1995. Company sales to Seagate accounted for 16 percent of total net revenues for 1994. Company sales to Micropolis, DEC, Sun, and Avex were less than 10% for years in which comparisons were not provided above.

Sales of QLogic products are highly concentrated among its top customers. Furthermore, QLogic's top three customers accounted for approximately 66 percent of revenues for fiscal 1996. There can be no assurances that sales to such customers will continue or remain at comparable levels. QLogic's operating results have been, and may continue to be, adversely affected by the development by one or more of such customers of alternative sources, including the internal development by such customers of products competitive with those of QLogic. The Company believes it is a supplier of quality products and has good customer relations with these customers; however, sales to any large customer depend on demand for the customer's products and upon its decision to continue using QLogic as a supplier. With the exception of TEL, Sun and Avex, the Company believes that the loss of any one customer would not have a material adverse effect on its business.

RELIANCE ON THE HIGH-PERFORMANCE COMPUTER MARKET

A significant portion of QLogic's products are currently used in high-performance workstations, personal computers and other office automation products. QLogic's operating results may be adversely affected by a downturn in these markets. The semiconductor and peripheral systems industries have experienced cyclical

declines and advances, uncertainty, slowing PC demand, and a declining semiconductor book-to-bill ratio. Factors contributing to cyclical change are complex and largely unpredictable. As QLogic grows, the cyclical nature of the industry may have a continuing impact on QLogic's business and operating results.

ORDER BACKLOG

At March 31, 1996, the Company had product orders of approximately $15.5 million compared with approximately $6.6 million at April 2, 1995. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Operating Income."

All backlog is for delivery within six months or less, with the exception of a small percentage of orders. The majority of orders are subject to rescheduling and/or cancellation with little or no penalty. Given the nature of the Company's business, most backlog is normally scheduled to ship within a six-month period. Purchase order release lead times depend upon the scheduling practices of the individual customer, and the rate of booking new orders fluctuates from month to month. Therefore, the level of backlog at any one point in time is not necessarily indicative of trends in the Company's business.

QLogic's customers have during fiscal 1996 encountered uncertain and changing demand for their products. They typically order from QLogic based on their forecasts. If demand falls below customers' forecasts, or if customers do not control their inventories effectively, they may cancel or reschedule shipments previously ordered from QLogic. QLogic has during fiscal 1996 experienced, and may at any time and with minimal notice in the future experience, cancellations and postponements of orders.

ENGINEERING AND DEVELOPMENT

At March 31, 1996, the Company employed approximately 63 engineers, other technicians and support personnel engaged in the development of new products and the improvement of existing products. Engineering and development expenses were approximately $7,191,000, $7,598,000 and $8,603,000 for fiscal 1996, 1995 and 1994, respectively.

COMPETITION

QLogic's principal competitors in the integrated circuit I/O controller market are Cirrus Logic Corporation, Symbios Logic, Inc., and Adaptec Inc. Some of the Company's larger disk drive and computer systems customers have the capability to develop I/O controller integrated circuits for use in their products that could replace the Company's products. At least one major customer in the past has started making their own circuits and stopped buying from QLogic. QLogic believes that one of its principal competitive strengths in the integrated circuit I/O controller market is its ability to obtain major design wins as the result of its systems level expertise, integrated circuit design capability and substantial experience in I/O applications, particularly SCSI.

QLogic's principal competitors in the host adapter market are Adaptec Corporation, Mylex Inc., and Advansys, Inc. In addition, some of the Company's customers involved in computer system manufacturing have the capability to develop host adapters for use in their products. Some of the potentially competing computer system manufacturers are also QLogic customers. QLogic believes that one of its principal competitive strengths in the host adapter market is its systems level expertise, integrated circuit design capability and substantial experience in I/O applications, particularly SCSI.

QLogic believes competitive factors in design wins are time to market, performance, product features, price, quality and technical support. The markets for QLogic's products are highly competitive and are characterized by rapid technological advances, frequent new product introductions and evolving industry standards. QLogic's competitors continue to introduce products with improved performance characteristics and its customers continue to develop new applications. QLogic will have to continue to develop market-appropriate products to remain competitive. While QLogic continues to devote significant resources to research and development, there can be no assurance that such efforts will be successful or that QLogic will develop and introduce new technology and products in a timely manner. In addition, while relatively few

competitors offer a full range of data I/O and SCSI products, additional domestic and foreign manufacturers may increase their presence in, and resources devoted to, these markets.

DEPENDENCE ON NEW PRODUCTS AND TECHNOLOGY

The markets for the products of QLogic are characterized by rapid changes in both product and process technologies. Because of continual improvements in these technologies, the Company believes that its future operating results will depend, in part, upon its ability to continue to improve product and process technologies and develop new technologies in order to maintain the performance advantages of products and processes relative to competitors, to adapt products and processes to technological changes, and to adopt emerging industry standards. Because of the complexity of its products, the Company has experienced delays from time to time in completing products on a timely basis. If the Company is unable to design, develop and introduce competitive new products on a timely basis, its future operating results would be adversely affected.

MANUFACTURING AND SUPPLIES

The Company produces two primary types of products, semiconductor products and circuit board products. The Company designs both the semiconductor and circuit board products, and both types of products are manufactured by outside vendors and then tested by QLogic personnel. Most component parts used by the outside vendors are standard off-the-shelf items which are, or can be, purchased from two or more sources.

The Company believes that its semiconductor requirements do not justify the high costs of owning, operating and constantly upgrading a wafer fabrication facility. The Company purchases semiconductor products at both the probed die stage and at the fully packaged stage. By contracting with multiple semiconductor suppliers through purchase agreements and technology exchange licenses, the Company feels that it can access the appropriate process technologies in required volumes to execute its business plan. The Company's reliance on third-party semiconductor manufacturers involves risks. The risks include possible limitations of availability of product due to market abnormalities, the possible unavailability of, or delays in obtaining access to, certain process technologies, and the absence of complete control over semiconductor delivery schedules, manufacturing yields, and total production costs. The Company's semiconductor suppliers had a lower degree of capacity utilization at the end of fiscal year 1996 than at the end of fiscal year 1995. The Company believes that it will be able to procure the material it needs, however, reduction in available supplier capacity could limit the Company's future growth. Any of these factors could adversely impact QLogic's revenues and profits.

The Company's employees monitor process yields in an effort to ensure consistent overall quality. Product is tested at both the wafer stage and at the fully packaged stage. Once packaged, all semiconductor parts are subjected to production testing as well as quality acceptance testing. Because probed die are typically procured on a fixed cost basis, any variation in final test yields affect the Company's cost per circuit. The Company retains the right to reject any parts based on failure to meet specified performance criteria. In the event the Company experiences poor test yields it would have a material adverse effect on operating results.

For circuit board products, the Company buys sets of material in kitted form, and process engineering services from distributors. The kitted material is delivered to a subcontractor that works in conjunction with the distributor to assemble and test the circuit board products to QLogic specifications. The Company believes that its current circuit board volumes do not justify the high costs of owning and operating a circuit board assembly factory. There are numerous subcontractors in the field of circuit board assembly. The Company promotes access to required circuit board assembly process technologies by creating designs that are usable by many suppliers and attempting to establish their ability to manufacture quality product to QLogic specifications using the required process technologies. The Company's reliance on third-party circuit board assemblers involves risks. The risks include possible limitations of availability of product due to market abnormalities, the possible unavailability of, or delays in obtaining access to, certain process technologies and the absence of complete control over delivery schedules, manufacturing yields, and total production costs. Any of these risks could adversely impact QLogic's revenues and profits.

The Company attempts to ensure circuit board to product quality through process audits, and inspecting finished products at the subcontractor's site as well as at the Company after receiving product. The Company may reject any circuit board products that do not meet QLogic quality and workmanship standards.

Electronic components have experienced a decrease in demand and a related increase in supply during fiscal 1996 causing reduced lead times and reduced costs on selected parts due to more available industry capacity. The decreased lead times allowed the Company to better react to demand changes. However, a significant delay in receiving these parts could have a material adverse effect upon the Company's business.

The Company has its own testing facility to test the quality of subcontracted circuits, and emphasizes the quality and reliability of its products. The Company has been ISO 9001/TickIT certified since October 1994. The Company performs required final tests on products and audits finished goods inventory quality assurance procedures. The Company believes it has satisfactory relationships with its suppliers. The Company has an ongoing quality control program, which includes reporting, employee education and training.

EMPLOYEES

The Company had 145 employees at March 31, 1996 and 161 employees at April 2, 1995. QLogic's future operating results will depend in large measure on its ability to attract and retain highly skilled employees who are in great demand. None of QLogic's employees is represented by a labor union.

ITEM 2. PROPERTIES.

The Company's corporate offices and principal product development, sales and operational facilities are currently located in one building approximately 70,000 square feet in size in Costa Mesa, California. The Company occupies the facility pursuant to a lease that expires in calendar 1999. The Company leases three sales offices domestically.

ITEM 3. LEGAL PROCEEDINGS.

In August 1993, Quality Semiconductor Incorporated (QSI) alleged that QLogic's corporate name and certain QLogic trademarks infringed upon QSI's rights in the trademark "Q", which QSI claims it owns for semiconductor products.

In December 1993, QSI filed a complaint in the U.S. District Court for the Northern District of California, alleging trademark infringement by QLogic. On May 13, 1994, the Court issued a preliminary injunction enjoining the Company from using its stylized "QLogic" trademark. As a result, QLogic adopted a new stylized logo, in accordance with the guidelines set forth in the Court's order. The District Court found that there had been no intentional infringement and that there had been no damage to QSI, but the Court did not resolve certain issues with respect to QLogic's continued use of the letter "Q" and adoption of new trademarks.

The parties reached an agreement on March 15, 1996, which settled all remaining issues in the matter and allowed QLogic to continue its use of the letter "Q" with certain restrictions. Under the agreement, QLogic made a one time payment to QSI for an amount which is to remain confidential, per the terms of the agreement. The settlement payment, which was accrued as of March 31, 1996, did not have a material adverse effect on QLogic's financial position or results of operations.

Following initiation of the dispute between QLogic and QSI, the Company sought coverage from its insurance carrier for its attorney's fees and expenses in defending the trademark action brought by QSI. The insurer denied coverage, prompting QLogic to file suit in August 1995 for declaratory relief and breach of contract. The litigation is pending.

The Company is not aware of any pending legal proceedings which could have a material adverse effect on the financial position or operations of the Company.

The Company believes that it is in compliance with all city, state, and federal rules and regulations pertaining to environmental impact and use.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matter was submitted during the fourth quarter of fiscal 1996 to a vote of security holders.

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive and certain other officers of the Company are as follows:

NAME	AGE	POSITION
H.K. Desai............................	50	President and Chief Executive Officer
Thomas R. Anderson....................	52	Vice President and Chief Financial Officer
Michael R. Manning....................	42	Secretary and Treasurer
David Tovey...........................	51	Vice President, Marketing

Officers of the Company are elected annually by the Board of Directors for each year period, or portion thereof, and serve at the discretion of the Board of Directors of the Company.

Mr. Desai joined the Company in August 1995 as President and Chief Technical Officer. He was subsequently promoted to President and Chief Executive Officer. From May 1995 to August 1995, he was Vice President, Engineering (Systems Products) at Western Digital Corporation, a manufacturer of disk drives. From July 1990 until May 1995, he served as director, and subsequently Vice President of Engineering at QLogic. From 1980 until joining the Company in 1990 Mr. Desai was an Engineering Section Manager at Unisys Corporation, a computer system manufacturer.

Mr. Anderson joined the Company in July 1993 as Chief Financial Officer. Prior to joining the Company, Mr. Anderson was Executive Vice President, Chief Operating Officer and Chief Financial Officer of HIARC, Inc., a software startup company. From October 1990 to December 1992, he was corporate Senior Vice President and Chief Financial Officer at Distributed Logic Corporation, a manufacturer of tape and disk controllers and subsystems. From June 1982 to April 1990, he held various positions, the latest of which was corporate Vice President and Chief Financial Officer with Cipher Data Products, Inc., a supplier of tape and optical disk drives to the computer industry.

Mr. Manning joined Emulex, a network product manufacturer (QLogic's former parent company) in July 1983 as Director of Tax. He was named Senior Director and Treasurer of Emulex in April 1991 and Secretary in August 1992. Mr. Manning joined the Company in June 1993. Prior to joining Emulex, Mr. Manning was a Tax Manager at KPMG Peat Marwick LLP, independent certified public accountants.

Mr. Tovey joined the Company in April 1994 as Vice President Marketing. From March 1985 to April 1994, he held various positions with Toshiba America Information Systems, a computer system manufacturer including director of technology planning and Vice President of OEM marketing. Prior to Toshiba, Mr. Tovey held various marketing and sales management positions with Unisys Corporation.

None of the executive officers of the Company has any family relationship with any other executive officer of the Company or director of the Company.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

PRINCIPAL MARKET AND PRICES

Shares of common stock of the Company are traded and quoted in the NASDAQ National Market System under the symbol QLGC. The following table sets forth the range of high and low sales prices per share of common stock of the Company for each quarterly period of the two most recent years as reported on NASDAQ.

	SALES PRICES	
	HIGH	LOW
FISCAL 1996		
First Quarter	5.12	4.25
Second Quarter	6.62	4.25
Third Quarter	8.87	5.62
Fourth Quarter	9.12	6.50

	HIGH	LOW
FISCAL 1995		
First Quarter	6.75	4.00
Second Quarter	6.75	4.25
Third Quarter	7.75	5.50
Fourth Quarter	9.38	4.12

NUMBER OF COMMON STOCKHOLDERS

The approximate number of record holders of common stock of the Company as of May 31, 1996 was 483.

DIVIDENDS

The Company has never paid cash dividends on its common stock and has no current intention to do so.

On June 4, 1996, the Board of Directors of the Company unanimously adopted a Shareholder Rights Plan ("the Rights Plan") pursuant to which it declared a dividend distribution of one preferred stock purchase right (a "Right") for each outstanding share of the common stock.

The Rights dividend will be payable on June 20, 1996 to the holders of record of shares of common stock on that date. Each Right entitles the registered holder, on certain events, to purchase from the Company 1/100th of a share of the Company's Series A Junior Participating Preferred Stock, par value $.001 per share, 200,000 shares authorized and no shares issued or outstanding at June 4, 1996 (the "Series A Preferred Stock"), at a price of $45.00 per 1/100th of a share, subject to adjustment.

ITEM 6. SELECTED FINANCIAL DATA

The following table of certain selected data regarding the Company should be read in conjunction with the consolidated financial statements and notes thereto.

SELECTED FINANCIAL DATA

	FISCAL YEAR ENDED				
	MARCH 31, 1996	APRIL 2, 1995	APRIL 3, 1994	MARCH 28, 1993	MARCH 29, 1992
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
SELECTED STATEMENTS OF OPERATIONS DATA:					
Net revenues	$53,779	$57,675	$44,902	$52,257	$39,386
Cost of sales	34,413	34,285	28,148	27,190	21,247
Gross profit	19,366	23,390	16,754	25,067	18,139
Operating expenses:					
Engineering and development	7,191	7,598	8,603	8,587	5,023
Selling and marketing	6,490	7,541	6,178	3,925	2,908
General and administrative	4,501	4,872	4,356	3,363	2,624
Impairment of goodwill	--	--	542	--	--
Amortization of goodwill	--	--	99	133	133
Consolidation charges	--	--	507	--	--
Total operating expenses	18,182	20,011	20,285	16,008	10,688
Operating income (loss)	1,184	3,379	(3,531)	9,059	7,451
Transaction costs	--	--	1,142	--	--
Interest income (expense)	19	(53)	(104)	(90)	(72)
Income (loss) before income taxes	1,203	3,326	(4,777)	8,969	7,379
Income tax provision (benefit)	537	1,361	(28)	3,109	2,560
Net income (loss)	$ 666	$ 1,965	$(4,749)	$ 5,860	$ 4,819
Net income per common and equivalent share(1)	$ 0.12	$ 0.35			
SELECTED BALANCE SHEET DATA:					
Working capital	$13,334	$10,564	$ 6,424	$ 5,315	$ 6,017
Total assets	$28,539	$24,592	$22,613	$18,457	$14,915
Long-term capitalized lease obligations, excluding current installments	$ 576	$ 853	$ 1,156	$ 986	$ 871
Other non-current liabilities	$ 2,016	$ 1,381	$ --	$ --	$ --
Stockholders' equity	$16,277	$15,581	$13,615	$11,193	$10,145

- ---------------

(1) Per share data has not been presented for periods prior to fiscal 1995 as the Company operated as a wholly owned subsidiary of Emulex Corporation.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following table sets forth selected items from the QLogic Corporation Consolidated Statements of Operations and should be read in conjunction with the Selected Financial Data and Consolidated Financial Statements included elsewhere herein. Reference to amounts are in thousands unless otherwise specified. Prior to December 28, 1992, Emulex Corporation ("Emulex") operated the micro devices business as a division ("EMD"). On March 30, 1992, the Board of Directors of Emulex approved in principle a plan of reorganization (the "Reorganization Plan"). Pursuant to the Reorganization Plan, QLogic was formed as a

separate corporation on November 18, 1992 and on December 28, 1992 exchanged 5,000,000 shares of its common stock for the net assets of EMD.

On February 24, 1994, pursuant to the Reorganization Plan, Emulex declared a special dividend consisting of the distribution (the "Distribution") to its stockholders of all outstanding shares of common stock of QLogic. The purpose of the Distribution was to enable QLogic to gain independent access to equity markets so that it may use its capital stock as a source of funding for growth and acquisitions and to attract and retain key employees.

	FISCAL YEAR ENDED					
	MARCH 31, 1996		APRIL 2, 1995		APRIL 3, 1994	
	(DOLLARS IN THOUSANDS)					
Net revenues	$53,779	100.0%	$57,675	100.0%	$44,902	100.0%
Cost of sales	34,413	64.0	34,285	59.4	28,148	62.7
Gross profit	19,366	36.0	23,390	40.6	16,754	37.3
Operating expenses:						
Engineering and development	7,191	13.4	7,598	13.2	8,603	19.2
Selling and marketing	6,490	12.1	7,541	13.1	6,178	13.8
General and administrative	4,501	8.3	4,872	8.4	4,356	9.7
Impairment of goodwill	--	--	--	--	542	1.2
Amortization of goodwill	--	--	--	--	99	0.2
Consolidation charges	--	--	--	--	507	1.1
Total operating expenses	18,182	33.8	20,011	34.7	20,285	45.2
Operating income (loss)	$ 1,184	2.2%	$ 3,379	5.9%	$(3,531)	(7.9)%

NET REVENUES

Net revenues for the year ended March 31, 1996 decreased $3.9 million or 6.8 percent from fiscal 1995 to $53.8 million. The decrease was primarily due to decreases in sales of the TEC, board, license and ISP product lines of $11.4 million, $1.5 million, $0.7 million, and $0.6 million, respectively. The decreases were partially offset by an increase in FAS and ISP product lines of $6.7 million and $4.3 million. The overall decline was due to unfavorable market conditions, particularly in the first quarter of fiscal 1996.

Export revenues for fiscal 1996 decreased $6.0 million or 16.7 percent from the prior fiscal year to approximately $29.8 million. The decrease resulted primarily from U.S. exports to Singapore declining $14.9 million. All of the Company's customers in Singapore are, or were, major customers. The decline in sales to Singapore was partially offset by an increase in sales to Japan of $9.1 million. The Company is negotiating with a small Japanese company to distribute the Company's products in Japan. The negotiations may result in a shift of revenue from the Company's primary distributor in Japan, Tokyo Electron, to the new distributor.

Net revenues for the year ended April 2, 1995 increased $12.8 million or 28.5 percent over fiscal 1994, to $57.7 million. The increase was a result of growth in board, ISP and other product sales of $9.6 million, $4.8 million, and $0.3 million, respectively. An offsetting sales decrease of $1.9 million occurred in the TEC product line.

COST OF SALES

The cost of sales percentage for the year ended March 31, 1996 was 64.0 percent, an increase of 4.6 percent over the prior fiscal year. The increase in the cost of sales percentage was primarily due to inventory write-down charges being higher in the current year compared to the prior year.

The cost of sales percentage for the year ended April 2, 1995 was 59.4 percent, a decrease of 3.3 percent from the prior fiscal year. The decrease in the cost of sales percentage was primarily due to inventory write-down charges in fiscal 1994 which were not required in fiscal 1995.

OPERATING EXPENSES

Operating expenses for the year ended March 31, 1996 decreased $1.8 million or 9.1 percent from the prior fiscal year. The decrease in operating expenses was due to selling and marketing expenses decreasing by $1.1 million primarily attributable to a reduction in advertising. Additionally, engineering and development expenditures decreased by $0.4 million due to reduced equipment repair, consulting, and depreciation expenses. General and administrative expenses decreased $0.4 million primarily due to decreased bad debt expense.

Operating expenses for the year ended April 2, 1995 decreased $0.3 million or 1.4 percent from the prior fiscal year. The decrease in operating expenses was due to non-recurring expenses in the previous fiscal year, namely consolidation charges of $0.5 million, goodwill amortization of $0.1 million and goodwill impairment of $0.5 million, which were not required in fiscal year 1995. Additionally, engineering and development expenditures decreased by $1.0 million. Offsetting expenditure increases occurred in general and administrative of $0.5 million related to bad debt expense, and in selling and marketing of $1.4 million reflecting costs to support market expansion.

OPERATING INCOME

The Company's results for the twelve month period ended March 31, 1996 were adversely impacted in the first half of the year by the loss of sales to Seagate Technology, Inc. Also during the fiscal year, one large OEM decreased purchases of one older product at a much faster rate than purchases increased for its replacement product. These events reduced the Company's gross profits for fiscal year 1996.

Operating income for the year ended March 31, 1996 decreased $2.2 million from the year ended April 2, 1995. The lower operating income for the year ended March 31, 1996 was associated with gross profit as a percentage of sales decreasing by 4.6 percent compared to the prior year. A partially offsetting factor was a decrease in operating expense of $1.8 million from the prior fiscal year.

Operating income for the year ended April 2, 1995 increased $6.9 million from the year ended April 3, 1994. The higher operating income for the year ended April 2, 1995 was associated with gross profit as a percentage of sales increasing by 3.3 percent compared to the prior year. Also contributing to the increase in operating income was an operating expense decrease of $0.3 million from the prior fiscal year.

Both the semiconductor and the computer peripherals industries are highly competitive and are characterized by rapidly changing technology and evolving industry standards. All of the Company's products compete with products available from numerous companies, many of which have substantially greater research and development, marketing and financial resources, manufacturing capability, customer support organizations and brand recognition than those of the Company. There can be no assurance that the Company's SCSI products will be able to compete successfully with other SCSI products offered presently or in the future by other SCSI vendors.

Although the Company believes that it provides an adequate allowance for sales returns, there can be no assurance that future sales returns will not exceed the Company's allowance in any particular fiscal quarter, and therefore, could have a material adverse effect on operating results.

The Company provides its major distributors and certain volume purchasers with price protection in the event that the Company reduces the price of its products. Although the Company believes that it has provided an adequate allowance for price protection, there can be no assurance that the impact of future price reductions by the Company will not exceed the Company's allowance in any specific fiscal period. Any price protection in excess of recorded allowances could result in a material adverse effect on operating results.

A significant portion of the Company's revenue in each fiscal quarter results from orders booked in that quarter. A significant percentage of the

Company's bookings and sales to major customers on a quarterly basis historically has occurred during the last month of the quarter and have typically been concentrated in the latter half of that month. Orders placed by major customers are typically based upon the customers' forecasted sales level for Company products and inventory levels of Company products desired to be maintained by the major distribution customers at the time of the orders. Major distribution customers sometimes receive negotiated cash rebates, market development funds, and extended payment terms from the Company for incentive purposes, in accordance with, or in some cases, above and beyond standard industry practice. Changes in purchasing patterns by one or more of the Company's major customers, customer policies pertaining to desired inventory levels of Company products, negotiations of rebate and market development funds, as well as changes in the ability of the Company to anticipate in advance the mix of customer orders or to ship large quantities of products near the end of a fiscal quarter, could result in material fluctuations in quarterly operating results. These factors could also increase the inventory levels maintained by the Company and adversely affect the inventory reserves required to be maintained by the Company.

The Company's revenue during the fourth quarter of fiscal 1996 resulted primarily from the Company's OEM business. In the Company's OEM business, backlog is a significant source of subsequent period revenue and profits. The Company's backlog at March 31, 1996 was approximately $15.5 million, a $8.9 million increase from the end of the prior fiscal year.

The Company believes that there is a desire among certain major distribution customers and volume purchasers to reduce their on-hand inventory levels of computer products, including the Company's products. This could have a significant adverse impact on the Company's operating results during the future period or periods that such customers initiate such inventory reductions. The timing of new product announcements and introductions by the Company or significant product returns by major distribution customers to the Company could also result in material fluctuations in quarterly operating results.

In addition to the factors described above that could adversely affect the Company's business and results of operations, and, therefore, the market valuation of its common stock, the Company's future results of operations may be impacted by various trends and uncertainties that are beyond the Company's control, including adverse changes in general economic conditions, government regulations and foreign currency fluctuations.

Other characteristics of the Company and the computer software and hardware industry may adversely impact the Company. As the Company's products become more complex, the Company could experience delays in product development that are common in the computer industry. Significant delays in product development and release would adversely affect the Company's results of operations. There can be no assurance that the Company will respond effectively to technological changes or new product announcements by other companies or that the Company's research and development efforts will be successful. Furthermore, introduction of new products, moving production of existing products to different suppliers, and customers' extended use of mature products involves substantial business risks because of the possibility of product "bugs" or performance problems, in which event the Company could experience significant product returns, warranty expenses and expedite charges, in addition to lower sales and lower profits.

As a result of the foregoing factors, past performance trends by the Company may not be indicative of future operating results and should not be used by investors in predicting or anticipating future results. The market price of the Company's common stock has been, and may continue to be, volatile. Factors identified above, along with other factors that may arise in the future, quarterly fluctuations in the Company's operating results and general conditions or perceptions of securities analysts relating to technology stocks in general or to the Company specifically, may have a significant impact on the market price of the Company's common stock and could cause substantial market price fluctuations over short periods.

NEW ACCOUNTING STANDARDS

Stock Compensation. Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("Statement No. 123"), issued in October 1995 and effective for fiscal years beginning

after December 15, 1995, encourages, but does not require, a fair market based method of accounting for employee stock options or similar equity instruments. Statement No. 123 allows an entity to elect to continue to measure compensation cost under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APBO No. 25"), but requires pro forma disclosures of net earnings and earnings per share as if the fair value based method of accounting had been applied. The Company expects to adopt Statement No. 123 in fiscal 1997. While the Company is still evaluating Statement No. 123, the Company currently expects to elect to continue to measure compensation costs under APBO No. 25, and comply with the pro forma disclosure requirements. If the Company makes this election, Statement No. 123 will have no impact on the Company's financial position or results of operations.

Impairment of Long-Lived Assets. Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("Statement No. 121"), issued in March 1995 and effective for fiscal years beginning after December 15, 1995, establishes accounting standards for the recognition and measurement of impairment of long-lived assets, certain identifiable intangibles, and goodwill either to be held or disposed of. Management believes the adoption of Statement No. 121 will not have a material impact on the Company's financial position or results of operations.

LIQUIDITY AND CAPITAL RESOURCES

QLogic has financed its recent working capital needs and capital expenditure requirements primarily from internally generated funds and facilities and equipment leases.

During the fiscal year, the Company's cash position improved from a cash balance of $1.1 million at April 2, 1995, to a record level of $8.4 million at March 31, 1996, with no outstanding bank indebtedness. The growth in cash is attributable to improvements in cash collection, improved cash management, and internal efficiency.

Working capital at March 31, 1996 increased by $2.8 million from April 2, 1995 primarily due to increases in cash offset by reduced liabilities, compared to a working capital increase of $4.1 million at the end of fiscal 1995 from the prior fiscal year, primarily due to increases in accounts receivable and inventories.

QLogic has a line of credit of up to $7.5 million with Silicon Valley Bank. There were no borrowings under the line of credit during the year ended March 31, 1996. The line of credit with Silicon Valley Bank expires July 5, 1996. It is the Company's intention to attempt to extend the line of credit.

QLogic anticipates capital expenditures in fiscal 1997 will be approximately $3.5 million. QLogic also has long-term capital lease commitments of approximately $0.9 million which are due over the next five years. QLogic believes that existing cash balances, facilities and equipment leases, cash flow from operating activities and its available line of credit should be sufficient to satisfy its anticipated long-term operating and capital expenditure requirements.

In order to increase working capital to take advantage of business opportunities, the Company may seek additional equity and/or debt financing within the next twelve months.

Prior to the Distribution, QLogic and Emulex entered into a Tax Sharing Agreement (the "Tax Sharing Agreement") for purposes of allocating pre-Distribution tax liabilities between QLogic and Emulex and to implement the Distribution as a tax-free distribution. The total amount due Emulex pursuant to the Tax Sharing Agreement at March 31, 1996 is $1,760,000 which is included in other non-current liabilities. Amounts due Emulex under the Tax Sharing Agreement are payable on December 30, 1999, and bear interest, commencing January 1, 1996, at the rate applicable to underpayments of Federal Income Taxes, which was 9 percent at March 31, 1996. Interest due Emulex is payable quarterly beginning April 1996.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements of the Company are referenced in Item 14(a).

INDEPENDENT AUDITORS' REPORT

The Board of Directors
QLogic Corporation:

We have audited the accompanying consolidated balance sheets of QLogic Corporation and subsidiary as of March 31, 1996 and April 2, 1995, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended March 31, 1996. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of QLogic Corporation and subsidiary as of March 31, 1996 and April 2, 1995, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 1996, in conformity with generally accepted accounting principles.

KPMG PEAT MARWICK LLP

Orange County, California
May 17, 1996

QLOGIC CORPORATION

CONSOLIDATED BALANCE SHEETS
MARCH 31, 1996 AND APRIL 2, 1995
(IN THOUSANDS, EXCEPT SHARE DATA)

	1996	1995
ASSETS		
Cash...	$ 8,414	$ 1,149
Accounts and notes receivable, less allowance for doubtful accounts		

of $506 in 1996 and $595 in 1995 (note 7 and 8)	7,033	9,358
Inventories (notes 3 and 8)	6,670	6,547
Deferred income taxes (note 5)	648	87
Prepaid expenses and other current assets	239	200
Total current assets	23,004	17,341
Property and equipment, net (notes 4 and 8)	5,520	6,773
Other assets	15	478
	$28,539	$24,592
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable (note 5)	$ 6,177	$ 4,937
Accrued expenses (notes 6 and 12)	3,218	1,537
Current installments of capitalized lease obligations (note 8)	275	303
Total current liabilities	9,670	6,777
Capitalized lease obligations, excluding current installments (note 8)	576	853
Other non-current liabilities (note 5)	2,016	1,381
Commitments and contingencies (notes 5 and 8)		
Stockholders' equity (notes 11 and 14):		
Preferred stock, $.10 par value; 1,000,000 shares authorized; none issued and outstanding	--	--
Common stock, $.10 par value; 12,500,000 shares authorized; 5,557,598 and 5,552,458 shares issued and outstanding in 1996 and 1995, respectively	556	555
Additional paid-in capital	16,801	16,772
Accumulated deficit	(1,080)	(1,746)
Total stockholders' equity	16,277	15,581
	$28,539	$24,592

See accompanying notes to consolidated financial statements.

QLOGIC CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED MARCH 31, 1996, APRIL 2, 1995 AND APRIL 3, 1994
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	1996	1995	1994
Net revenues (notes 7 and 9)	$ 53,779	$ 57,675	$44,902
Cost of sales (note 9)	34,413	34,285	28,148
Gross profit	19,366	23,390	16,754
Operating expenses (note 9):			
Engineering and development	7,191	7,598	8,603
Selling and marketing	6,490	7,541	6,178
General and administrative	4,501	4,872	4,356
Impairment of goodwill	--	--	542
Amortization of goodwill	--	--	99
Consolidation charges (note 6)	--	--	507
Total operating expenses	18,182	20,011	20,285
Operating income (loss)	1,184	3,379	(3,531)
Transaction costs (note 9)	--	--	1,142
Interest income (expense)	19	(53)	(104)
Income (loss) before income taxes	1,203	3,326	(4,777)
Income tax provision (benefit) (note 5)	537	1,361	(28)
Net income (loss)	$ 666	$ 1,965	$(4,749)
Net income per common and equivalent share	$ 0.12	$ 0.35	
Weighted average common and common equivalent shares	5,736,910	5,567,466	

See accompanying notes to consolidated financial statements.

QLOGIC CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED MARCH 31, 1996, APRIL 2, 1995 AND APRIL 3, 1994
(IN THOUSANDS)

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (ACCUMULATED DEFICIT)	RECEIVED FROM EMULEX CORP.	TOTAL STOCKHOLDERS' EQUITY
Balance on March 28, 1993	5,000	$1,000	$ 9,279	$ 1,038	$ (124)	$ 11,193
Net transactions with Emulex Corporation, March 29, 1993 to February 24, 1994	--	--	6,937	--	124	7,061
Issuance of common stock to Emulex Corporation	551	110	--	--	--	110
Adjustment to par value due to reverse stock split	--	(555)	555	--	--	--
Net loss	--	--	--	(4,749)	--	(4,749)
Balance on April 3, 1994	5,551	555	16,771	(3,711)	--	13.615
Net income	--	--	--	1,965	--	1,965
Issuance of common stock	1	--	1	--	--	1
Balance on April 2, 1995	5,552	555	16,772	(1,746)	--	15,581
Net income	--	--	--	666	--	666
Issuance of common stock	6	1	29	--	--	30
Balance on March 31, 1996	5,558	$ 556	$ 16,801	$ (1,080)	$ --	$ 16,277

See accompanying notes to consolidated financial statements.

QLOGIC CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 1996, APRIL 2, 1995 AND APRIL 3, 1994
(IN THOUSANDS, EXCEPT SHARE DATA)

	1996	1995	1994
Cash flows from operating activities:			
Net income (loss)	$ 666	$ 1,965	$(4,749)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	2,452	2,445	1,969
Amortization and impairment of goodwill	--	--	641
Loss on disposal of property and equipment	11	34	400
Provision (benefit) for deferred income taxes	(561)	(87)	519
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	2,325	(3,351)	39
Increase in inventories	(123)	(1,372)	(463)
Decrease (increase) in prepaid expenses and other current assets	(39)	30	(60)
Decrease (increase) in other assets	463	(101)	414
Increase (decrease) in accounts payable	1,240	(990)	1,128
Increase (decrease) in accrued expenses	1,681	(100)	639
Increase in other non-current liabilities	635	1,381	--
Net cash provided by (used in) operating activities	8,750	(146)	477

Cash flows used in investing activities:			
Additions to property and equipment	(1,210)	(1,282)	(2,957)
Net cash used in investing activities	(1,210)	(1,282)	(2,957)
Cash flows from financing activities:			
Principal payments under capital leases	(305)	(278)	(435)
Proceeds from exercise of stock options	30	1	--
Net transactions with Emulex Corporation	--	--	5,769
Net cash provided by (used in) financing activities	(275)	(277)	5,334
Net change in cash	7,265	(1,705)	2,854
Cash at beginning of year	1,149	2,854	--
Cash at end of year	$ 8,414	$ 1,149	$ 2,854
Cash paid during the year for:			
Interest	$ 101	$ 121	$ 14
Income taxes	$ 404	$ 252	$ --

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

During the stated years, QLogic engaged in the following significant non-cash investing and financing transactions:

- - During fiscal year 1994, QLogic received property and equipment with a net book value of $1,402 in exchange for an account payable from Emulex. At the time the transaction took place, QLogic was a wholly-owned subsidiary of Emulex.

- - Effective February 20, 1994, QLogic issued 551,000 shares, with a total value of $110, to Emulex in exchange for an account payable. At the time the transaction took place, QLogic was a wholly-owned subsidiary of Emulex.

- - Capital lease obligations of $475 were incurred during fiscal year 1994 when the Company entered into lease agreements for new equipment.

See accompanying notes to consolidated financial statements.

QLOGIC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1996, APRIL 2, 1995 AND APRIL 3, 1994
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

NOTE (1) BASIS OF PRESENTATION

QLogic Corporation ("QLogic" or the "Company") is a supplier of Small Computer Systems Interface ("SCSI") Very Large Scale Integration ("VLSI") semiconductor chips. The Company designs and markets a full line of SCSI application standard products.

Prior to December 28, 1992, Emulex Corporation ("Emulex") operated its micro devices business as a division ("EMD"). On March 30, 1992, the Board of Directors of Emulex approved in principle a plan of reorganization (the "Reorganization Plan") (see note 9). Pursuant to the Reorganization Plan, QLogic was formed as a separate corporation on November 18, 1992 and on December 28, 1992 exchanged 5,000,000 shares of its common stock for the net assets of EMD. The exchange was accounted for as a Reorganization of entities under common control, in a manner similar to a pooling of interests. Accordingly, QLogic recorded the net assets acquired at Emulex's historical carrying value of $10,279.

On February 24, 1994 (the "Distribution Date"), pursuant to the

Reorganization Plan, Emulex declared a special dividend consisting of the distribution (the "Distribution") to its stockholders of all outstanding shares of common stock of QLogic. The purpose of the Distribution was to enable QLogic to gain independent access to equity markets so that it may use its capital stock as a source of funding for growth and acquisitions and to attract and retain key employees. Costs related to the Distribution totaled approximately $1,142 and were charged to expense during fiscal year 1994.

The accompanying financial statements for periods prior to the Distribution are based on the specific assets and liabilities which were acquired by the Company in the aforementioned reorganization and were prepared from the books and records of Emulex using historical accounting principles.

Prior to the Distribution, Emulex performed various services on behalf of QLogic. Such services included accounting, finance, treasury, legal and tax advisory services. The accompanying consolidated financial statements reflect an allocation of costs related to those services. Management believes that the basis of all such allocations is reasonable.

Prior to December 1994, QLogic did not have separately identified cash balances. Emulex made all disbursements and cash collections on behalf of QLogic. Prior to the transfer of assets to QLogic, transactions with Emulex were accounted for in the Emulex investment. Subsequent to the transfer of assets, but prior to the Distribution, transactions with Emulex were accounted for as a receivable from Emulex. Subsequent to the Distribution, the receivable from Emulex was closed out to additional paid-in capital.

NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

Principles of Consolidation

The consolidated financial statements of the Company include the accounts of QLogic Corporation and its wholly-owned subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

Fiscal Year

QLogic's fiscal year ends on the Sunday nearest March 31. Fiscal years 1996 and 1995 each comprised 52 weeks. Fiscal year 1994 comprised 53 weeks.

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or net realizable value.

Property and Equipment

Property and equipment are stated at cost, and depreciation and amortization are provided on the straight-line method over estimated useful lives of two to seven years.

Goodwill

Goodwill represented the excess cost of net assets acquired over liabilities assumed and was stated at the lower of cost or net realizable value, less accumulated amortization. Amortization was provided on the straight-line method over the periods expected to be benefited. Amortization of goodwill was $99 for the year ended April 3, 1994.

Prior to the issuance in March 1995 of Statement of Financial Accounting

Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("Statement No. 121"), the Company assessed the recoverability of intangible assets by determining whether the amortization of the goodwill balance over its remaining life could be recovered through projected non-discounted future net income. The amount of goodwill impairment, if any, was measured based on projected discounted future net income streams using a discount rate reflecting the Company's average cost of capital.

Under the provisions of Statement No. 121, the Company now assesses the recoverability of long-lived assets and certain identifiable related assets by determining whether estimated future cash flows (undiscounted and without interest charges) expected to result from the use of the assets and their eventual disposition are less than the carrying amounts of the assets, in which case an impairment loss is recognized. Otherwise, an impairment loss is not recognized. Based upon such analysis, the Company believes there is no impairment as of March 31, 1996.

The Company recorded goodwill related to the acquisition of the minority interest in Computer Array Development, Inc. ("CAD") in the amount of $1,327 assuming a useful life of ten years beginning February 1988. The Company has continually evaluated the recoverability and possible existence of impairment of the remaining unamortized goodwill balance based on forecasts of non-discounted net income over the remaining amortization period of the goodwill. During the quarter ended December 26, 1993, the Company completed a forecast of its operations. The forecast showed a significant decrease in net income streams for products tied to CAD technology due to management's decision to change the future product mix emphasizing a greater share of revenue from other products which do not incorporate the CAD technology. Management's decision was made in part taking into consideration a first-time operating loss in the quarter ended December 26, 1993 on products tied to the CAD technology and performance in the quarter ended December 26, 1993 compared to the original plan.

The operating loss in the quarter ended December 26, 1993 was due primarily to customers shifting their production to products containing devices competitive with those marketed by QLogic. The forecast indicated that the expected results no longer supported recoverability of the unamortized goodwill and that a complete impairment of the asset in the amount of $542 had resulted. The amount of the impairment was measured based on the discounted net income streams over the remaining expected economic life of the asset, the discount rate being indicative of the Company's average cost of capital.

Accounting for Stock Options

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("Statement No. 123"), which encourages, but does not require, a fair value based method of accounting for employee stock options. Statement No. 123 will be effective for fiscal years beginning after December 15, 1995. While the Company is still evaluating Statement No. 123, it currently expects to elect to continue to measure compensation cost under APB Opinion No. 25, "Accounting for Stock Issued to Employees." Company management does not believe that

the adoption of this new standard will have a material effect on the consolidated financial statements of the Company.

Use of Estimates

Company management has made a number of estimates and assumptions relating to the reporting of assets and liabilities in conformity with generally accepted accounting principles. Actual results could differ from these estimates.

Revenue Recognition

QLogic recognizes revenue from the sale of product at the time of shipment. Prior to the Distribution, sales to Emulex were based on the average sales price of a product to non-affiliated customers. In instances where the only sales of a given product were to Emulex, the price was based on the overall gross margin on sales to non-affiliated customers for that quarter.

Sales of the Company's products are generally recognized upon shipment. Sales of the Company's products to distributors are subject to a limited right of return. A portion of sales to distributors, representing estimated returns, is not recognized.

The Company generally warrants its products to be free from defects for periods of one to five years from shipment. Estimated warranty expense is recognized upon shipment of product.

Research and Development

Research and development costs, including costs related to the development of new products and process technology, are expensed as incurred.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company was included in Emulex's consolidated Federal and combined state income tax group prior to the Distribution. The Company's income taxes were determined on a separate return basis.

Fair Value of Financial Instruments

In December 1991, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments" ("Statement No. 107"), which requires all entities to disclose the fair value of financial instruments, both assets and liabilities recognized and not recognized on the balance sheet, for which it is practicable to estimate fair value. Statement No. 107 defines fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. As of March 31, 1996, the fair value of all financial instruments approximated carrying value.

Reverse Stock Split

On February 24, 1994, the Company declared a 1-for-2 reverse split of the Company's common stock. The par value remained $0.10 per share. All references to the number of shares and per share information have been adjusted to reflect the reverse stock split.

Net Income per Share

Net income per common and equivalent share for the years ended March 31, 1996 and April 2, 1995 was computed based on the weighted average number of common and equivalent shares outstanding. The Company has granted certain stock options (see note 11) which have been treated as common stock equivalents in computing both primary and fully diluted income per share. Primary income per share approximates fully diluted income per share for the years ended March 31, 1996 and April 2, 1995.

Per share data has not been presented for periods prior to the Distribution as the Company operated as a wholly-owned subsidiary.

NOTE (3) INVENTORIES

Components of inventories are as follows:

	1996	1995
Raw materials	$2,122	$2,279
Work in progress	1,455	1,192
Finished goods	3,093	3,076
	$6,670	$6,547

NOTE (4) PROPERTY AND EQUIPMENT

Components of property and equipment are as follows:

	1996	1995
Product and test equipment	$ 9,285	$ 9,463
Furniture and fixtures	1,086	1,839
Semiconductor designs	2,552	1,803
Leasehold improvements	842	933
Land and buildings	358	358
	14,123	14,396
Less accumulated depreciation and amortization	8,603	7,623
	$ 5,520	$ 6,773

NOTE (5) INCOME TAXES

The components of the income tax provision (benefit) are as follows:

	1996	1995	1994
Federal			
Current	$ 872	$1,216	$(378)
Deferred	(453)	(64)	364
State:			

Current	226	232	(169)
Deferred	(108)	(23)	155
	$ 537	$1,361	$ (28)

The effective income tax on income (loss) before income taxes differs from expected Federal income tax for the following reasons:

	1996	1995	1994
Expected income tax provision (benefit) at 34%	$ 409	$1,130	$(1,624)
State income tax, net of Federal tax benefit	74	138	(14)
Tax benefit of net operating loss	(26)	(84)	--
Tax benefit of net operating loss allocable to Emulex	--	--	1,609
Tax benefit of research and development and other credits	(391)	(729)	--
Increase in valuation allowance	312	813	--
Nondeductible permanent differences	39	27	--
Other, net	120	66	1
	$ 537	$1,361	$ (28)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are as follows:

	1996	1995
Deferred tax assets:		
Alternative minimum tax credit	$ 92	$ 238
Reserves not currently deductible	1,555	1,239
Depreciation	940	526
Research and development credit	1,085	491
Other	101	84
Total gross deferred tax assets	3,773	2,578
Less valuation allowance	1,918	1,606
	1,855	972
Deferred tax liabilities:		
Research and development expenditures	875	809
State tax expense	332	--
Other	--	76
Total gross deferred tax liabilities	1,207	885
Net deferred tax assets	$ 648	$ 87

QLogic has approximately $1,085 of research and development credit carryovers at March 31, 1996. If unused, these credits will expire in the years 2008 to 2011. In addition, the Company has approximately $92 of alternative minimum tax credit carryovers which may be carried over indefinitely.

QLogic also has approximately $200 of net operating loss carryovers at

March 31, 1996. Utilization of these carryovers will be limited to approximately $50 a year over the next four fiscal years, as a result of the Company filing short period tax returns in 1994. Any unused carryover at the end of this period will be fully utilizable in any future year until 2009, after which any unused carryover will expire.

Based on the Company's current and historical pre-tax earnings, management believes it is more likely than not that the Company will realize the benefit of the existing net deferred tax assets at March 31, 1996. Management believes the existing net deductible temporary differences will reverse during periods in which the Company generates net taxable income; however, there can be no assurance that the Company will generate any earnings or any specific level of continuing earnings in future years.

During fiscal year 1994, QLogic and Emulex entered into a Tax Sharing Agreement for purposes of allocating pre-Distribution tax liabilities between QLogic and Emulex. Under the Tax Sharing Agreement, Emulex generally will be liable for and will indemnify QLogic against (a) pre-Distribution Federal, state and local tax liabilities of Emulex and its subsidiaries (including QLogic), (b) taxes or liabilities resulting from a breach of any covenant or representation by Emulex contained in the Tax Sharing Agreement, (c) taxes imposed on QLogic or its stockholders in the event that the Distribution is taxable due to any reason other than a breach of certain covenants or representations by QLogic and (d) taxes relating to the recapture or restoration or certain pre-Distribution tax items (such as depreciation recapture) of Emulex or its subsidiaries. QLogic will be liable for and will indemnify Emulex and its subsidiaries against (i) post-Distribution Federal, state and local tax liabilities of QLogic, (ii) taxes or liabilities resulting from a breach of any covenant or representation by QLogic contained in the Tax Sharing Agreement, and (iii) taxes imposed on Emulex in the event that the Distribution is taxable due to a breach of certain covenants and representations by QLogic in the Tax Sharing Agreement unless, prior to the breach, there is obtained, on the basis of valid representations, (1) a ruling from the Internal Revenue Service reasonably satisfactory to Emulex, or (2) an opinion acceptable to Emulex from counsel (such acceptance not to be unreasonably withheld, provided that, if counsel for Emulex does not concur with such opinion, Emulex's refusal to accept such opinion will not be considered unreasonable), in each case to the effect that the breach will not cause the Distribution to become subject to Federal income tax. In any event, if QLogic becomes liable to indemnify Emulex pursuant to these provisions, it is likely that the liability will be material to QLogic.

The Tax Sharing Agreement provides that the party having responsibility for a tax liability under the Tax Sharing Agreement generally will be primarily responsible for, and bear the fees, costs and expenses (including attorneys' and accountants' fees) of, the defense of an audit or other proceeding arising out of or related to that tax liability.

The Tax Sharing Agreement also generally provides that, subject to certain limitations, Emulex will pay to QLogic the net benefit realized by Emulex from the carryback to tax years before the Distribution of certain tax attributes of QLogic arising in tax years after the Distribution and QLogic will pay to Emulex the net benefit realized by QLogic from the use after the Distribution Date of certain tax attributes of Emulex arising in pre-Distribution tax years. Accordingly, QLogic has recognized no deferred tax assets with respect to such tax attributes.

The total amount due Emulex pursuant to the Tax Sharing Agreement at March 31, 1996 and April 2, 1995 totaled $1,760 and $1,209, respectively, and is included in other non-current liabilities. Amounts due Emulex under the Tax Sharing Agreement are payable on December 30, 1999, and bear interest, commencing January 1, 1996, at the rate applicable to underpayments of Federal income taxes, which was 9 percent at March 31, 1996. Interest due Emulex is payable quarterly beginning in April 1996. The total amount of accrued interest payable to Emulex at March 31, 1996 is $28, which is included in accounts payable in the accompanying balance sheet.

NOTE (6) CONSOLIDATION CHARGES AND DISTRIBUTION EXPENSES

QLogic incurred significant nonrecurring charges related to the restructuring of QLogic's operations during the third quarter of fiscal 1994. The charges included employee termination expenses for 13 employees of approximately $250, an accrual for facilities and manufacturing consolidation of approximately $207, and other provisions of approximately $50. Of the total $507 of consolidation charges, $403 of costs and payments had been charged against the related accruals as of April 2, 1995, representing severance and other related expense of $300 and lease obligations of $103. During the year ended March 31, 1996 costs and payments were charged against the remaining accrual representing lease obligations of $104. At March 31, 1996, the balance of the accrual is zero.

NOTE (7) EXPORT REVENUES AND SIGNIFICANT CUSTOMERS

QLogic's export shipments (primarily to Pacific Rim countries) were approximately $29,800, $35,765 and $31,858, representing 55, 62 and 71 percent of net revenues for 1996, 1995 and 1994, respectively. The following table represents sales to customers accounting for greater than 10% of total Company sales, or customer accounts receivable accounting for greater than 10% of total Company accounts receivable.

	SALES			ACCOUNTS RECEIVABLE	
	1996	1995	1994	1996	1995
Customer 1	42%	24%	33%	34%	20%
Customer 2	13%	n/a	n/a	15%	n/a
Customer 3	11%	n/a	n/a	17%	n/a

With the exception of these customers, management of QLogic believes that the loss of any one customer would not have a material adverse effect on its business.

NOTE (8) COMMITMENTS AND CONTINGENCIES

Line of Credit

On July 10, 1995, the Company obtained an unsecured line of credit from a bank. Maximum borrowings under the line of credit are $7.5 million subject to a borrowing base based on accounts receivable and inventories, with a $1 million sub-limit for letters of credit. Interest on outstanding advances is payable monthly at the bank's prime rate plus 0.5 percent. The line of credit expires on July 5, 1996. The line of credit contains certain restrictive covenants that, among other things, require the maintenance of certain financial ratios and restrict the Company's ability to incur additional indebtedness. The Company was in compliance with all such covenants as of March 31, 1996. In the event of a default under the line of credit, amounts outstanding would become secured by substantially all of the assets of the Company. There were no borrowings under the line of credit as of March 31, 1996. The Company is attempting to extend the line of credit through the end of fiscal 1997.

Leases

The Company leases certain equipment under long-term non-cancelable capital lease agreements which expire at various dates through the year 2000. The required lease payments and, accordingly, the capitalized lease obligation and related assets have been included in the accompanying financial statements. The cost of equipment held under capital leases was $2,299 and $2,485 at March 31, 1996 and April 2, 1995, respectively.

The related accumulated depreciation was $1,425 and $1,206 at March 31, 1996 and April 2, 1995, respectively.

Future minimum non-cancelable lease commitments are as follows:

	CAPITAL LEASES	OPERATING LEASES
FISCAL YEAR:		
1997	$ 342	$ 712
1998	269	712
1999	234	712
2000	145	415
Total minimum lease payments	$ 990	$ 2,551
Less amounts representing interest (at rates ranging from 4% to 9%)	139	
Present value of future minimum capitalized lease obligations	$ 851	
Less current installments under capitalized lease obligations	275	
Capitalized lease obligations, excluding current installments	$ 576	

Rent expense for fiscal 1996 and 1995 was $653 and $689, respectively.

Litigation

QLogic is involved in various legal proceedings which have arisen in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position or results of operations.

NOTE (9) TRANSACTIONS WITH EMULEX

For purposes of governing certain ongoing relationships between Emulex and QLogic after the Distribution and to provide mechanisms for an orderly transition, Emulex and QLogic entered into certain agreements. Such agreements include: (i) a Distribution Agreement, providing for, among other things, the Distribution and the division between Emulex and QLogic of certain liabilities; (ii) an Employee Benefits Allocation Agreement, providing for certain allocations between Emulex and QLogic of responsibilities with respect to employee compensation, benefit and labor matters; (iii) a Tax Sharing Agreement (see note 5); (iv) an Administrative Services Agreement; (v) a Lease Assignment; and (vi) a License Agreement. Subsequent to the Distribution, Emulex and QLogic may be in positions of potential conflict due to the ongoing relationships between the companies. In addition, Emulex and QLogic share one common director.

Net transactions with Emulex include disbursements by Emulex for operating expenses, income taxes and allocated expenses, net of Emulex cash collections for QLogic.

Transaction cost for fiscal 1994 represent amounts allocated to QLogic by

Emulex related to the Distribution.

QLOGIC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

There were no sales to Emulex during the years ended March 31, 1996 or April 2, 1995. Revenue and cost of sales from sales to Emulex were $76 and $51, respectively, for the year ended April 3, 1994.

NOTE (10) EMPLOYEE RETIREMENT SAVINGS PLAN

In 1989, Emulex established a pretax savings and profit sharing plan under Section 401(k) of the Internal Revenue Code for substantially all domestic employees, including QLogic employees. Under the plan, eligible employees are able to contribute up to 12% of their compensation. Emulex contributions matched up to 3% of a participant's compensation. Emulex's contributions on behalf of QLogic's employees were $133 in 1994.

In 1994, in anticipation of the Distribution, QLogic established a pretax savings and profit sharing plan under Section 401(k) of the Internal Revenue Code for substantially all domestic employees. Under the plan, eligible employees are able to contribute up to 12% of their compensation. QLogic contributions match up to 3% of a participant's compensation. QLogic's direct contributions on behalf of its employees were $193, $205 and $22 in 1996, 1995 and 1994, respectively. Emulex's contributions on behalf of QLogic's employees were $34 in 1994.

NOTE (11) INCENTIVE COMPENSATION PLANS

On January 12, 1994, the Company's Board of Directors adopted the QLogic Corporation Stock Awards Plan (the "Stock Awards Plan") and the QLogic Corporation Non-Employee Director Stock Option Plan (the "Director Plan") (collectively the "Stock Option Plans"), both of which became effective upon the Distribution.

The Stock Awards Plan provides for the issuance of incentive and non-qualified stock options, restricted stock and other stock-based incentive awards for officers and key employees. The Stock Awards Plan permits the Compensation Committee of the Board of Directors to select eligible employees to receive awards and to determine the terms and conditions of awards. A total of 1,100,000 shares were originally reserved for issuance under the Stock Awards Plan; on August 22, 1995, 250,000 additional shares were authorized for a total of 1,350,000 shares reserved for issuance under the Stock Awards Plan. As of March 31, 1996, no shares of restricted stock were issued, options to purchase 761,998 shares of Common Stock were outstanding, and there were 581,109 shares available for future grants.

In connection with the Distribution, each option to purchase Emulex common stock ("Old Emulex Options") was converted into two separately exercisable options: one option to purchase Emulex common stock and one option to purchase Company common stock ("New QLogic Options"). The exercise price of Old Emulex Options was allocated between the New QLogic Options based on relative stock market prices of the underlying common stock.

Options granted under the Company's Stock Awards Plan provide that an employee holding a stock option may exchange stock which the employee already owns as payment against the exercise of an option. This provision applies to all options outstanding at March 31, 1996.

Under the terms of the Director Plan, each eligible director received an initial grant of stock options effective as of the Distribution Date. New directors receive, at fair market value, an option to purchase 12,500 shares of common stock of the Company upon election to the Board. A total of 125,000 shares have been reserved for issuance under the Director Plan. As of March 31, 1996, options for a total of 87,500 shares were outstanding and the remaining 37,500 shares were available for grant.

QLOGIC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Stock option activity in 1996, 1995 and 1994 under the Company's Stock Option Plans was as follows:

	SHARES	AVERAGE OPTION PRICE PER SHARE
Conversion of old Emulex options to new QLogic options at the Distribution Date	657,607	$ 8.65
Options granted at Distribution	112,500	6.50
Options canceled	(12,180)	10.12
Options outstanding at April 3, 1994	757,927	8.31
Granted	193,900	5.27
Canceled	(79,073)	8.40
Exercised	(1,753)	1.16
Options outstanding at April 2, 1995	871,001	7.66
Granted	395,983	5.66
Canceled	(407,346)	7.35
Exercised	(5,140)	5.72
Options outstanding at March 31, 1996	854,498	$ 6.89

At March 31, 1996, 365,553 share options were exercisable under the Company's Stock Option Plans.

NOTE (12) ACCRUED EXPENSES

Components of accrued expenses are as follows:

	1996	1995
Payroll	$ 393	$ 356
Vacation	362	416
Other	2,463	765
	$3,218	$1,537

NOTE (13) CONDENSED QUARTERLY RESULTS (UNAUDITED)

The following summarizes certain unaudited quarterly financial information for fiscal 1996, 1995 and 1994. Per share data for periods prior to the Distribution has not been presented because QLogic operated as a wholly-owned subsidiary of Emulex.

THREE MONTHS ENDED

	JUNE	SEPTEMBER	DECEMBER	MARCH
FISCAL 1996				
Net revenues............................	$ 9,570	$13,105	$14,886	$16,218
Operating income (loss).................	(1,162)	375	695	1,276
Net income (loss).......................	(724)	214	444	732
Net income (loss) per share.............	(0.13)	0.04	0.08	0.13
FISCAL 1995				
Net revenues............................	$14,235	$15,349	$15,419	$12,672
Operating income........................	948	1,117	1,246	68
Net income..............................	534	651	745	35
Net income per share....................	0.10	0.12	0.13	0.01

QLOGIC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

	THREE MONTHS ENDED			
	JUNE	SEPTEMBER	DECEMBER	MARCH
1994Net revenues........................	$12,986	$11,626	$ 8,923	$11,367
Operating income (loss).................	575	505	(4,924)	313
Net income (loss).......................	362	317	(5,515)	87

NOTE (14) SHAREHOLDER RIGHTS PLAN (UNAUDITED)

On June 4, 1996, the Board of Directors of the Company unanimously adopted a Shareholder Rights Plan ("the Rights Plan"), pursuant to which it declared a dividend distribution of one preferred stock purchase right (a "Right") for each outstanding share of the common stock.

The Rights dividend will be payable on June 20, 1996 to the holders of record of shares of common stock on that date. Each Right entitles the registered holder, on certain events, to purchase from the Company 1/100th of a share of the Company's Series A Junior Participating Preferred Stock, par value $.001 per share, 200,000 shares authorized and no shares issued or outstanding at June 4, 1996 (the "Series A Preferred Stock"), at a price of $45.00 per 1/100th of a share, subject to adjustment.

The Rights become exercisable (i) the 10th business day following the date of a public announcement that a person or a group of affiliated or associated persons (an "Acquiring Person") has acquired beneficial ownership of 15% or more of the outstanding shares of common stock, or (ii) the 10th business day following the commencement of, or announcement of an intention to make a tender offer or exchange offer the consummation of which would result in the person or group making the offer becoming an Acquiring Person (the earlier of the dates described in clauses (i) and (ii) being called the "Date of Distribution").

The Rights held by an Acquiring Person or its affiliates are not exercisable. All shares of common stock that will be issued prior to the Distribution Date will include such Rights. The Rights will expire at the close of business on June 4, 2006 (the "Scheduled Expiration Date"), unless prior thereto the Date of Distribution occurs, or unless the Scheduled Expiration Date is extended.

In the event the Company's assets are liquidated, the holders of the shares of Series A Preferred Stock will be entitled to an aggregate payment of $1.00 per share or 100 times the payment to be distributed per share of common stock, whichever is greater. Each share of Series A Preferred Stock will have 100 votes, voting together with the shares of common stock. Finally, in the event of any merger, consolidation or other transaction in which shares of common stock are exchanged, each share of Series A Preferred Stock will entitle the holder to receive 100 times the amount received per share of common stock, subject to adjustment.

Holders of Rights will be entitled to purchase shares or assets of the Company or an Acquiring Person with a value that is double the exercise price in the event of certain acquisitions involving the Acquiring Person, directly or indirectly.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Reference is made to the Company's Definitive Proxy Statement for its 1996 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days after the end of fiscal 1996, for information relating to the Company's Directors. Such information is incorporated herein by reference.

See the information presented in Part I of this report under the heading "Executive Officers of the Registrant" for information relating to the Company's executive officers.

ITEM 11. EXECUTIVE COMPENSATION.

Reference is made to the Company's Definitive Proxy Statement for its 1996 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days after the end of fiscal 1996, for information relating to Executive Compensation. Such information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

Reference is made to the Company's Definitive Proxy Statement for its 1996 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days after the end of fiscal 1996, for information relating to security ownership of certain beneficial owners and management. Such information is incorporated herein by reference.

There are no arrangements, known to the Company, which might at a subsequent date result in a change in control of the Company.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Reference is made to the Company's Definitive Proxy Statement for its 1996 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days after the end of fiscal 1996, for information relating to certain relationships and related transactions. Such information is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES AND REPORTS ON FORM 8-K.

(a) Financial Statements and Schedules

(1) Consolidated Financial Statements

The following consolidated financial statements of the Company for the years ended March 31, 1996, April 2, 1995 and April 3, 1994 are filed as part of this report:

FINANCIAL STATEMENT INDEX

(2) Financial Statement Schedule

The following consolidated financial statement schedule of the Company for the years ended March 31, 1996, April 2, 1995 and April 3, 1994 is filed as part of this report:

All other Schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are not applicable and, therefore, have been omitted.

(3) Exhibits Index

EXHIBIT NO.	ITEM CAPTION
*2.1	Distribution Agreement dated as of January 24, 1994 among Emulex Corporation, a Delaware corporation, Emulex Corporation, a California corporation, and QLogic Corporation.
*3.1	Certificate of Incorporation of Emulex Micro Devices Corporation, dated November 13, 1992.
*3.2	EMD Incorporation Agreement, dated as of January 1, 1993.
*3.3	Certificate of Amendment of Certificate of Incorporation, dated May 26, 1993.
*3.4	By-Laws of QLogic Corporation.
***3.5	Amendments to By-Laws of QLogic Corporation.
*10.1	Form of QLogic Corporation Non-Employee Director Stock Option Plan.
*10.2	Form of QLogic Corporation Stock Awards Plan.
*10.3	Form of Tax Sharing Agreement among Emulex Corporation, a Delaware corporation, Emulex Corporation, a California corporation, and QLogic Corporation.
*10.4	Administrative Services Agreement, dated as of February 21, 1993, among Emulex Corporation, a California corporation, Emulex Corporation, a Delaware corporation and QLogic Corporation.

EXHIBIT NO.	ITEM CAPTION
*10.5	Employee Benefits Allocation Agreement, dated as of January 24, 1994, among Emulex Corporation, a Delaware corporation, Emulex Corporation, a California corporation, and QLogic Corporation.
*10.6	Form of Assignment, Assumption and Consent Re: Lease among Emulex Corporation, a California corporation, QLogic Corporation and C.J. Segerstrom & Sons, a general partnership.
*10.7	Intellectual Property Assignment and Licensing Agreement, dated as of January 24, 1994, between Emulex Corporation, a California corporation, and QLogic Corporation.
*10.8	Form of QLogic Corporation Savings Plan.
*10.9	Form of QLogic Corporation Savings Plan Trust.
**10.10	Loan and Security Agreement with Silicon Valley Bank.
***10.11	Form of Indemnification Agreement between QLogic Corporation and Directors.
***10.12	Supplement to Tax Sharing Agreement, dated June 2, 1995, between QLogic Corporation and Emulex Corporation.
10.13	Separation Agreement between QLogic Corporation and Bill Caldwell, dated July 26, 1995.
10.14	Separation Agreement between QLogic Corporation and Mel Gable, dated June 14, 1995.
10.15	Separation Agreement between QLogic Corporation and Joe Pleso, dated October 18, 1995.
10.16	Employment Agreement between QLogic Corporation and HK Desai dated August 4, 1995.
21.1	Subsidiary of the registrant.
23.1	Consent of Independent Auditors.
27	Financial Data Schedule.

---

* Previously filed as an exhibit to Registrant's Registration Statement on Form 10 filed January 28, 1994 and incorporated herein by reference.

** Previously filed as an exhibit to Registrant's annual Report on Form 10-K for the year ended April 3, 1994 and is incorporated herein by reference.

*** Previously filed as an exhibit to Registrant's annual Report on Form 10-K for the year ended April 2, 1995 and is incorporated herein by reference.

(b) Reports on Form 8-K.

There were no reports on Form 8-K filed during the last quarter of the period covered by this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

QLOGIC CORPORATION

By: /s/ H.K. DESAI

H.K. Desai
President and Chief Executive Officer

Date: June 14, 1996

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the

Registrant and in the capacities indicated on June 14, 1996.

SIGNATURE	TITLE
PRINCIPAL EXECUTIVE OFFICER: /s/ H.K. DESAI (H.K. Desai)	President and Chief Executive Officer
PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER: /s/ THOMAS R. ANDERSON (Thomas R. Anderson)	Vice President and Chief Financial Officer
/s/ GARY E. LIEBL (Gary E. Liebl)	Director and Chairman of the Board
/s/ JAMES A. BIXBY (James A. Bixby)	Director
/s/ CAROL L. MILTNER (Carol L. Miltner)	Director
/s/ GEORGE D. WELLS (George D. Wells)	Director

SCHEDULE II

QLOGIC CORPORATION

VALUATION AND QUALIFYING ACCOUNTS
YEARS ENDED MARCH 31, 1996, APRIL 2, 1995 AND APRIL 3, 1994
(IN THOUSANDS)

CLASSIFICATION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO COSTS AND EXPENSES	AMOUNTS WRITTEN OFF	BALANCE AT END OF PERIOD
Year Ended March 31, 1996				
Allowance for doubtful accounts.............	$ 595	$ 23	$ (112)	$ 506
Inventory reserves...........................	$1,464	$2,914	$(2,537)	$1,841
Year Ended April 2, 1995				
Allowance for doubtful accounts.............	$ 204	$ 625	$ (234)	$ 595
Inventory reserves...........................	$1,388	$1,013	$ (937)	$1,464
Year Ended April 3, 1994				
Allowance for doubtful accounts.............	$ 26	$ 200	$ (22)	$ 204
Inventory reserves...........................	$1,093	$1,508	$(1,213)	$1,388

EXHIBIT INDEX

EXHIBIT NO.	ITEM CAPTION	SEQUENTIALLY NUMBERED PAGE
*2.1	Distribution Agreement dated as of January 24, 1994 among Emulex Corporation, a Delaware corporation, Emulex Corporation, a California corporation, and QLogic Corporation...................................	

*3.1	Certificate of Incorporation of Emulex Micro Devices Corporation, dated November 13, 1992..
*3.2	EMD Incorporation Agreement, dated as of January 1, 1993..............
*3.3	Certificate of Amendment of Certificate of Incorporation, dated May 26, 1993...
*3.4	By-Laws of QLogic Corporation...
***3.5	Amendments to By-Laws of QLogic Corporation...........................
*10.1	Form of QLogic Corporation Non-Employee Director Stock Option Plan.....
*10.2	Form of QLogic Corporation Stock Awards Plan..........................
*10.3	Form of Tax Sharing Agreement among Emulex Corporation, a Delaware corporation, Emulex Corporation, a California corporation, and QLogic Corporation..
*10.4	Administrative Services Agreement, dated as of February 21, 1993, among Emulex Corporation, a California corporation, Emulex Corporation, a Delaware corporation and QLogic Corporation...........................
*10.5	Employee Benefits Allocation Agreement, dated as of January 24, 1994, among Emulex Corporation, a Delaware corporation, Emulex Corporation, a California corporation, and QLogic Corporation.
*10.6	Form of Assignment, Assumption and Consent Re: Lease among Emulex Corporation, a California corporation, QLogic Corporation and C.J. Segerstrom & Sons, a general partnership..............................
*10.7	Intellectual Property Assignment and Licensing Agreement, dated as of January 24, 1994, between Emulex Corporation, a California corporation, and QLogic Corporation..
*10.8	Form of QLogic Corporation Savings Plan...............................
*10.9	Form of QLogic Corporation Savings Plan Trust.........................
**10.10	Loan and Security Agreement with Silicon Valley Bank..................
***10.11	Form of Indemnification Agreement between QLogic Corporation and Directors...
***10.12	Supplement to Tax Sharing Agreement, dated June 2, 1995, between QLogic Corporation and Emulex Corporation....................................
10.13	Separation Agreement between QLogic Corporation and Bill Caldwell, dated July 26, 1995..
10.14	Separation Agreement between QLogic Corporation and Mel Gable, dated June 14, 1995..
10.15	Separation Agreement between QLogic Corporation and Joe Pleso, dated October 18, 1995...
10.16	Employment Agreement between QLogic Corporation and HK Desai dated August 4, 1995...
21.1	Subsidiary of the registrant..
23.1	Consent of Independent Auditors.......................................
27	Financial Data Schedule...

- ---------------

* Previously filed as an exhibit to Registrant's Registration Statement on Form 10 filed January 28, 1994 and incorporated herein by reference.

** Previously filed as an exhibit to Registrant's annual Report on Form 10-K for the year ended April 3, 1994 and is incorporated herein by reference.

*** Previously filed as an exhibit to Registrant's annual Report on Form 10-K for the year ended April 2, 1995 and is incorporated herein by reference.

EXHIBIT 10.13

JULY 26, 1995

Mr. William C. Caldwell
17101 San Pedro Circle
Foutain Valley, CA 92708

Dear Bill:

This letter confirms the following agreements with you regarding termination of your employment with QLogic Corporation, a Delaware corporation ("QLogic"):

1. It is acknowledged that on July 26, 1995 (the "Termination Date") you resigned as an employee and officer of QLogic and any or all of its subsidiaries or affiliates.

2. You will be paid your base salary, allowances, and benefits for your services as an employee of QLogic, as in effect immediately prior to the Termination Date, through July 26, 1995; provided, however, that you will not accrue any additional entitlement to any employee benefits or be entitled to receive vacation or sick leave benefits after the Termination Date. You will also not receive any bonus for services prior to the Termination Date.

3. After the Termination Date, QLogic will provide you with gross separation payments equal to the regular amount of your prorated base salary for each payroll period, as in effect immediately prior to the Termination Date. Such separation payments shall be payable over the six (6) month period commencing July 27, 1995 and ending January 26, 1996 (the "Separation Payment Period") and shall be paid in equal installments on the customary QLogic salary payment days. Such separation payments are beyond that provided by QLogic policy or by law. There will, of course, be deductions and withholdings from the gross amount for applicable federal, state and local income and employment taxes, FICA, etc. Unless you make other arrangements with QLogic, checks will be mailed to your home or deposited in your bank if you so designate.

4. After the Termination Date, the group health benefits you were receiving as of the Termination Date will cease. You may extend after the Termination Date, for yourself and your covered dependents, the group health coverage that you

were receiving as of the Termination Date by selecting COBRA coverage. You can only extend the type of coverage in effect as of the Termination Date, without any additions, deletions, or modifications. If you elect to continue your coverage under COBRA, QLogic will pay the applicable premiums for yourself and your electing covered dependents through the end of the Separation Payment Period. After the end of the Separation Payment Period, in order to continue coverage under COBRA, you will be required to pay the full amount of the applicable premium cost of providing benefits and an additional administrative charge. The payment of the applicable premium through the end of the Separation Payment Period will be contingent on your continued eligibility for COBRA continuation coverage and will not operate to extend the continuation coverage period required by the provisions of applicable law.

5. Anything set forth in this letter to the contrary notwithstanding, if you accept and commence part-time or fulltime employment (as an employee, consultant, or otherwise) with any other employer prior to the end of the Separation Payment Period, the compensation, benefits and payments QLogic would otherwise be obligated to provide to you under this agreement will be reduced to the extent of, and by amounts equal to, the total compensation and economic

value of benefits received by you from such other employer for your services prior to the end of the Separation Payment Period. You will promptly report any such other employment, compensation, and benefits to QLogic.

6. The payments and benefits provided for you above shall be in lieu of and in full satisfaction of any and all obligations of QLogic and any and all other rights you may otherwise have to compensation and benefits from QLogic, including, without limitation, any and all rights to compensation or benefits under or with respect to the management bonus plan, the cash profit sharing plan, the discretionary bonus plan, the employee stock option plan, vacation, sick leave, and the like; provided, however, that the indemnification obligations of QLogic to you with respect to your actions or omissions as an employee or officer of QLogic or its affiliates shall remain and continue, without change or amendment, and shall survive this agreement.

7. On or before July 28, 1995, you will return and/or account for all QLogic property in your possession, including, without limitation, i.d. badge, keys, credit cards (telephone, car rental, air travel, etc.) manuals, supplies, equipment, etc. You will also promptly transfer to QLogic any and all club memberships purchased by QLogic on your behalf or offered to you as a result of your employment status with QLogic.

8. You will submit to QLogic, within a reasonable period of time, all outstanding business expenses for reconciliation and reimbursement. QLogic will pay only for business expenses incurred prior to the Termination Date and only according to its established expense reimbursement policy.

9. Before you begin a new employment position, you will inform QLogic of the name and address of your new employer and the expected date of commencement of your new employment. You will also inform QLogic if you change your residence address and/or telephone number so that contact may be maintained with you at all times during the term of this agreement.

10. You hereby forever release and discharge QLogic, all of its respective subsidiaries, and all of their successors, affiliates, assigns, employees, former employees, attorneys, agents, officers, directors, and shareholders from any and all causes of actions, judgments, liens, indebtedness, damages, losses, claims, liabilities, and demands of every kind and character, known or unknown, suspected, or unsuspected, absolute or contingent, prior to the date of execution of this agreement including but not limited to claims arising out of or in any manner relating to (i) your employment with QLogic, your position as an officer of QLogic or any of its subsidiaries, and/or termination of such employment or positions; (ii) any restrictions on the right of QLogic or any of the released parties to terminate employees; (iii) any common law claims or actions; (iv) any statements made by any of the released parties; or (v) any federal, state, or governmental statute, regulation, or ordinance, including, without limitation, title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the California Fair Employment and Housing Act, and claims with any division of the California Department of Industrial Relations or Employment department. You hereby waive any and all rights you may have under California Civil Code Section 1542 (or any analogous state law or federal law or regulation) which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

The foregoing release does not apply to any of the obligations of QLogic under this agreement.

11. It is understood and agreed that this agreement is fully integrated, represents the entire understanding of the parties, and there are no other agreements, representations, promises, or negotiations which have not been expressly set forth herein except for the Technical/Professional Employee Invention and Nondisclosure Agreement or other agreements of similar import previously executed by you, any outstanding stock option agreements, and any other employee benefit plans sponsored by QLogic in which you were participating as of the Termination Date which will remain in effect in accordance with their terms after termination of your employment as provided therein. Nothing contained herein shall constitute or imply any admission of liability or wrongdoing by any party. This agreement can be amended, modified, or terminated only by an instrument in writing executed by you and the chief executive officer of QLogic.

12. You agree that you are still bound by the Technical/Professional Employee Invention and Nondisclosure Agreement and any and all other agreements of similar import which you previously executed. You further agree and understand that pursuant to said agreement you are prohibited for a period of two years from employing or attempting to employ in competition with QLogic any of QLogic's employees and that you agree not to divert or attempt to divert by solicitation or any other means the customers, of QLogic existing at the Termination Date. You further agree that you will not in any way disparage QLogic or any of its employees or directors, or engage in any conduct adverse to QLogic's interests, including but not limited to the disclosure to competitors, diversion or attempted diversion by solicitation or any other means of any of QLogic's prospective customers, joint venturers or business opportunities existing, identified or for which discussions were initiated prior to the Termination Date, confidential information, technology or proprietary rights (including without limitation, any of those relating in any manner to "Project Callisto"). Should you violate this or any other provision of this agreement, you understand and agree that you will forfeit any and all remaining payments under this agreement.

13. It is understood and agreed that:

a. In the event of any dispute, controversy, or claim concerning this agreement, its validity, interpretation, enforcement, or breach, the prevailing party, in addition to all other legal or equitable remedies possessed, shall recover his or its reasonable attorneys fees and costs in connection with any such dispute, controversy, or claim. Any such dispute, controversy, or claim shall be resolved by arbitration in the City of Costa Mesa, California, in accordance with the then - existing commercial arbitration rules of the American Arbitration Association, and judgment upon any award rendered by the arbitrator(s) may be entered by any state or federal court having jurisdiction thereof. The arbitrator shall have the authority only to enforce the legal and contractual rights of the parties and shall not add to modify, disregard or refuse to enforce any contractual provision. The arbitrator shall have no right, power or jurisdiction to award a party any punitive or exemplary damages of any kind. The parties acknowledge and agree that by entering into this agreement they are agreeing to this arbitration provision and are waiving all rights to a trial by jury. The provisions of California Code of Civil Procedure Sections 1281, et seq. govern this arbitration provision. The parties intend that this agreement to arbitrate shall be valid, enforceable, and irrevocable.

b. This paragraph 13 shall only operate to require arbitration of claims for money damages. Should a party wish to seek injunctive or other non-monetary relief, those claims shall be brought in a court of competent jurisdiction.

14. It is understood, acknowledged, and agreed that:

a. In consideration of the additional separation payments provided hereunder, which payments and benefits are beyond those provided by QLogic policy or by law, you after knowingly and voluntarily waiving various rights and claims, including any possible claims for age discrimination under the federal law known as the Age Discrimination and Employment Act of 1967, as amended. You understand that this waiver does not extend to rights or claims that may arise after the date this agreement is executed.

b. You have been given a period of at least 21 days within which to consider this letter agreement, and you have consulted with an attorney regarding it.

c. You understand that you may revoke this letter agreement within seven days following its execution, and that this letter agreement shall not become effective or enforceable Until this seven-day revocation period has expired.

15. Should any portion, word, clause, phrase, sentence or paragraph of this letter agreement be declared void or unenforceable, such portion shall be considered independent and severable from the agreement, the validity of which shall remain unaffected.

16. During the Separation Payment Period, you will provide such assistance as QLogic may reasonably request to transfer all of your responsibilities to other QLogic employees as promptly and expeditiously as possible.

Please confirm your agreement to the foregoing by dating and signing this letter agreement where indicated below and returning a signed copy to QLogic.

Sincerely,

QLOGIC CORPORATION

By:
Joseph F. Pleso
President and CEO

Agreed this 26th day of July 1995

William C. Caldwell

EXHIBIT 10.14

Mr. Melvin G. Gable
1035 Timberline Lane
Cowan Heights, CA 92705

Dear Mr. Gable:

June 14, 1995

This letter confirms the following agreements with you regarding termination of your employment with QLogic Corporation, a Delaware corporation ("QLogic"):

1. It is acknowledged that on June 7, 1995 (the "Termination Date") you resigned as an employee, officer and director of QLogic and any or all of its subsidiaries or affiliates.

2. You will be paid your base salary, allowances, and benefits for your services as an employee of QLogic, as in effect immediately prior to the Termination Date, through the Termination Date. You will not accrue any additional compensation or entitlement to any employee benefits or be entitled to receive vacation or sick leave benefits after the Termination Date except as expressly provided herein. You will also not receive any bonus for services prior to the Termination Date.

3. After the Termination Date, QLogic will provide you with gross separation payments equal to the regular amount of your prorated base salary for each payroll period, as in effect immediately prior to the Termination Date. Such separation payments shall be payable over the six (6) month period commencing June 8, 1995 and ending December 7, 1995 (the "Separation Payment Period") and shall be paid in equal installments on the customary QLogic salary payment days. Such separation payments are beyond that provided by QLogic policy or by law. There will, of course, be deductions and withholdings from the gross amount for applicable federal, state and local income and employment taxes, FICA, etc. Unless you make other arrangements with QLogic, checks will be mailed to your home or deposited in your bank if you so designate.

4. After the Termination Date, the group health benefits you were receiving as of the Termination Date will cease. You may extend after the Termination Date, for yourself and your covered dependents, the group health coverage that you were receiving as of the Termination Date by selecting COBRA coverage. You can only extend the type of coverage in effect as of the Termination Date, without any additions, deletions, or mod)fications. If you elect to continue your coverage under COBRA, QLogic will pay the applicable premiums for yourself

and your electing covered dependents through the end of the Separation Payment Period. After the end of the Separation Payment Period, in order to continue coverage under COBRA, you will be required to pay the full amount of the applicable premium cost of providing benefits and an additional administrative charge. The payment of the applicable premium through the end of the Separation Payment Period will be contingent on your continued eligibility for COBRA continuation coverage and will not operate to extend the continuation coverage period required by the provisions of applicable law.

5. Anything set forth in this letter to the contrary notwithstanding, if you accept and commence part-time or full-time employment (as an employee, consultant, or otherwise) with any other employer prior to the end of the Separation Payment Period, the compensation, benefits and payments QLogic would otherwise be obligated to provide to you under this agreement will be reduced to the extent of, and by amounts equal to, the total compensation and economic value of benefits received by you from such other employer for your services prior to the end of the Separation Payment Period. You will promptly report any such other employment, compensation, and benefits to QLogic.

6. The payments and benefits provided for you above shall be in lieu of and in full satisfaction of any and all obligations of QLogic and any and all other rights you may otherwise have to compensation and benefits from QLogic, including, without limitation, any and all rights to compensation or benefits under or with respect to the management bonus plan, the cash profit sharing plan, the discretionary bonus plan, the employee stock option plan, vacation, sick leave, and the like; provided. however. that the indemnification obligations of QLogic to you with respect to your actions or omissions as an employee, officer or director of QLogic or its affiliates shall remain and continue, without change or amendment, and shall survive this agreement.

7. On or before June 14, 1995, you will return and/or account for all QLogic property in your possession, including, without limitation, i.d. badge, keys, credit cards (telephone, car rental, air travel, etc.) manuals, supplies, equipment, etc. You will also promptly transfer to QLogic any and all club memberships purchased by QLogic on your behalf or offered to you as a result of your employment status with QLogic.

8. You will submit to QLogic, within a reasonable period of time, all outstanding business expenses for reconciliation and reimbursement. QLogic will pay only for business expenses incurred prior to the Termination Date and only according to its established expense reimbursement policy.

9. Before you being a new employment position, you will inform QLogic of the name and address of your new employer and the expected date of commencement of your new employment. You will also inform QLogic if you change your residence address and/or telephone number so that contact may be maintained with you at all times during the term of this agreement.

10. You hereby forever release and discharge QLogic, all of its respective subsidiaries, and all of their successors, affiliates, assigns, employees, former employees, attorneys, agents, officers, directors, and shareholders from any and all causes of actions, judgments, liens, indebtedness, damages, losses, claims, liabilities, and demands of every kind and character, known or unknown, suspected, or unsuspected, absolute or contingent, prior to the date of execution of this agreement including but not limited to claims arising out of or in any manner relating to (i) your employment with QLogic, your position as an officer and/or director of QLogic Corporation, a Delaware corporation, QLogic, or any of their subsidiaries, and/or termination of such employment or positions; (ii) any restrictions on the right of QLogic or any of the released parties to terminate employees; (iii) any common law claims or actions; (iv) any statements made by any of the released parties; (v) any federal, state, or governmental statute, regulation, or ordinance, including, without limitation, title VII of the Civil ordinance, including, without limitation, title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the California Fair Employment and Housing Act, and claims with

any division of the California Department of Industrial Relations or Employment department, or (vi) the Key Employee Retention Agreement and Assignment of Agreement. You hereby waive any and all rights you may have under California Civil Code Section 1542 (or any analogous state law or federal law or regulation) which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

The foregoing release does not apply to any of the obligations of QLogic under this agreement or to any of the indemnification obligations of QLogic referred to in Paragraph 6 above.

11. It is understood and agreed that this agreement is fully integrated, represents the entire understanding of the parties, and there are no other agreements, representations, promises, or negotiations which have not been expressly set forth herein except for the Technical/Professional Employee Invention and Nondisclosure Agreement previously executed by you, any outstanding stock option agreements, and any other employee benefit plans sponsored by QLogic in which you were participating as of the Termination Date which will remain in effect in accordance with their terms after termination of your employment as provided therein. Nothing contained herein shall constitute or imply any admission of liability or wrongdoing by any party. This agreement can be amended, mod)fied, or terminated only by an instrument in writing executed by you and the chief executive officer of QLogic.

12. You agree that you are still bound by the Technical/Professional Employee Invention and Nondisclosure Agreement which you previously executed. You further agree and understand that pursuant to said agreement you are prohibited for a period of two years from employing or attempting to employ in competition with QLogic any of QLogic's

employees and that you agree not to divert or attempt to divert by solicitation or any other means the customers, of QLogic existing at the Termination Date. You further agree that you will not in any way disparage QLogic or any of its employees or directors, or engage in any conduct adverse to QLogic's interests, including but not limited to the disclosure to competitors, diversion or attempted diversion by solicitation or any other means of any of QLogic's prospective customers, joint venturers or business opportunities existing, identified or for which discussions were initiated prior to the Termination Date, confidential information, technology or proprietary rights (including without limitation, any of those relating in any manner to "Project Callisto"). Should you violate this or any other provision of this agreement, you understand and agree that you will forfeit any and all remaining payments under this agreement.

13. It is understood and agreed that:

a. In the event of any dispute, controversy, or claim concerning this agreement, its validity, interpretation, enforcement, or breach, the prevailing party, in addition to all other legal or equitable remedies possessed, shall recover his or its reasonable attorneys fees and costs in connection with any such dispute, controversy, or claim. Any such dispute, controversy, or claim shall be resolved by arbitration in the City of Costa Mesa, California, in accordance with the then - existing commercial arbitration rules of the American Arbitration Association, and judgment upon any award rendered by the arbitrator(s) may be entered by any state or federal court having jurisdiction thereof. The arbitrator shall have the authority only to enforce the legal and contractual rights of the parties and shall not add to modify, disregard or refuse to enforce any contractual provision. The arbitrator shall have no right, power or jurisdiction to award a party any punitive or exemplary damages of any king. The parties acknowledge and agree that by entering into this agreement they are agreeing to this arbitration provision and are waiving all rights to a trial by jury. The provisions of California Code of Civil Procedure Sections 1281, et seq. govern this agreement to arbitrate shall be valid, enforceable, and irrevocable.

b. This paragraph 13 shall only operate to require arbitration of claims for money damages. Should a party wish to seek injunctive or other non-monetary relief, those claims shall be brought in a court of competent jurisdiction.

14. It is understood, acknowledged, and agreed that:

a. In consideration of the additional separation payments provided hereunder, which payments and benefits are beyond those provided by QLogic policy or by law, you after knowingly and voluntarily waiving various rights and claims, including any possible claims for age discrimination under the federal law known as the Age Discrimination and Employment Act of 1967, as amended. You understand that this waiver does not extend to rights or claims that may arise after the date this agreement is executed.

b. You have been given a period of at least 2 l days within which to consider this letter agreement, and you have consulted with an attorney regarding it.

c. You understand that you may revoke this letter agreement within seven days following its execution, and that this letter agreement shall not become effective or enforceable Until this seven-day revocation period has expired.

15. Should any portion, word, clause, phrase, sentence or paragraph of this letter agreement be declared void or unenforceable, such portion shall be considered independent and severable from the agreement, the validity of which shall remain unaffected.

Please confirm your agreement to the foregoing by dating and signing this letter agreement where indicated below and returning a signed copy to QLogic.

Sincerely,

QLOGIC CORPORATION

By:-a/}
Thomas R. Anderson
Chief Financial Officer

Agreed this 1 ~ day of June l995

- -Melvin G. Gable

EXHIBIT 10.15

October 18, 1995

Mr. Joseph F. Pleso
1152 Timberline Lane
Santa Ana, CA 92705

Dear Mr. Pleso:

This letter confirms the following agreements with you regarding termination of your employment with QLogic Corporation, a Delaware corporation ("QLogic"):

1. It is acknowledged that on October 10, 1995 (the "Termination Date") you resigned as an employee and officer of QLogic and any or all of its subsidiaries or affiliates.

2. You will be paid your base salary, sales commissions, allowances, and benefits for your services as an employee of QLogic, as in effect immediately prior to the Termination Date, for your services through the Termination Date.

You will not accrue any additional compensation or entitlement to any employee benefits or be entitled to receive vacation or sick leave benefits after the Termination Date except as expressly provided herein. You will also not receive any bonus for services prior to the Termination Date or sales commissions in respect of sales after the Termination Date. Sales commissions otherwise payable to you in respect of sales prior to the Termination Date will be subject to adjustment for returns, credits, bad debts, and other like events after the Termination Date.

3. After the Termination Date, QLogic will provide you with gross separation payments equal to the regular amount of your prorated base salary for each payroll period, as in effect immediately prior to the Termination Date. Such separation payments shall be payable over the six (6) month period commencing October 11, 1995 and ending April 10, 1996 (the "Separation Payment Period") and shall be paid in equal installments on the customary QLogic salary payment days. Such separation payments are beyond that provided by QLogic policy or by law. There will, of course, be deductions and withholdings from the gross amount for applicable federal, state and local income and employment

taxes, FICA, etc. Unless you make other arrangements with QLogic, checks will be mailed to your home or deposited in your bank if you so designate.

4. After the Termination Date, the group health benefits you were receiving as of the Termination Date will cease.

You may extend after the Termination Date, for yourself and your covered dependents, the group health coverage that you were receiving as of the

Termination Date by selecting COBRA coverage.

You can only extend the type of coverage in effect as of the Termination Date, without any additions, deletions, or modifications. If you elect to continue your coverage under COBRA, QLogic will pay the applicable premiums for yourself and your electing covered dependents through the end of the Separation Payment Period. After the end of the Separation Payment Period, in order to continue coverage under COBRA, you will be required to pay the full amount of the applicable premium cost of providing benefits and an additional administrative charge. The payment of the applicable premium through the end of the Separation Payment Period will be contingent on your continued eligibility for COBRA continuation coverage and will not operate to extend the continuation coverage period required by the provisions of applicable law.

5. Anything set forth in this letter to the contrary notwithstanding, if you accept and commence part-time or full-time employment (as an employee, consultant, or otherwise) with any other employer prior to the end of the Separation Payment Period, the compensation, benefits and payments QLogic would otherwise be obligated to provide to you under this agreement will be reduced to the extent of, and by amounts equal to, the total compensation and economic value of benefits received by you from such other employer for your services prior to the end of the Separation Payment Period. You will promptly report any such other employment, compensation, and benefits to QLogic.

6. The payments and benefits provided for you above shall be in lieu of and in full satisfaction of any and all obligations of QLogic and any and all other rights you may OTHERWISE HAVE to compensation and benefits from QLogic, including, without limitation, any and all rights to compensation or benefits under or with respect to the management bonus plan, the cash profit sharing plan, the discretionary bonus plan, the

employee stock option plan, vacation, sick leave, and the like; provided. however, that the indemnification obligations of QLogic to you with respect to your actions or omissions as an employee or officer of QLogic or its affiliates shall remain and continue, without change or amendment, and shall survive this agreement.

7. On or before October 18, 1995, you will return and/or account for all QLogic property in your possession, including, without limitation, i.d. badge, keys, credit cards (telephone, car rental, air travel, etc.) manuals, supplies, equipment, etc. You will also promptly transfer to QLogic any and all club memberships purchased by QLogic on your behalf or offered to you as a result of your employment status with QLogic.

8. You will submit to QLogic, within a reasonable period of time, all outstanding business expenses for reconciliation and reimbursement. QLogic will pay only for business expenses incurred prior to the Termination Date and only according to its established expense reimbursement policy.

9. Before you begin a new employment position, you will inform QLogic of the name and address of your new employer and the expected date of commencement of your new employment. You will also inform QLogic if you change your residence address and/or telephone number so that contact may be maintained with you at all times during the term of this agreement.

10. You hereby forever release and discharge QLogic, all of its respective subsidiaries, and all of their successors, affiliates, assigns, employees, former employees, attorneys, agents, officers, directors, and shareholders from any and all causes of actions, judgments, liens, indebtedness, damages, losses, claims, liabilities, and demands of every kind and character, known or unknown, suspected, or unsuspected, absolute or contingent, prior to the date of execution of this agreement including but not limited to claims arising out of or in any manner relating to (i) your employment with QLogic,

your position as an officer of QLogic, and/or termination of such employment or positions; (ii) any restrictions on the right of QLogic or any of the released parties to terminate employees; (iii) any common law claims or actions; (iv) any statements made by any of the released parties; (v) any federal, state, or governmental statute, regulation, or ordinance, including, without limitation, title VII

of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the California Fair Employment and Housing Act, and claims with any division of the California Department of Industrial Relations or Employment department, or (vi) the Key Employee Retention Agreement and Assignment of Agreement, if applicable. You hereby waive any and all rights you may have under California Civil Code Section 1542 (or any analogous state law or federal law or regulation) which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

The foregoing release does not apply to any of the obligations of QLogic under this agreement, the indemnification obligations of QLogic referred to in Paragraph 6 above, your employee stock option agreement(s), or the QLogic retirement savings plan.

11. It is understood and agreed that this agreement is fully integrated, represents the entire understanding of the parties, and there are no other agreements, representations, promises, or negotiations which have not been expressly set forth herein except for the Technical/Professional Employee Invention and Nondisclosure Agreement previously executed by you, any outstanding stock option agreements, and any other employee benefit plans sponsored by QLogic in which you were participating as of the Termination Date which will remain in effect in accordance with their terms after termination of your employment as provided therein. Nothing contained herein shall constitute or imply any admission of liability or wrongdoing by any party. This agreement can be amended, modified, or terminated only by an instrument in writing executed by you and the chief executive officer of QLogic.

12. You agree that you are still bound by the Technical/Professional Employee Invention and Nondisclosure Agreement which you previously executed. You further agree and understand that pursuant to said agreement and/or this agreement you are prohibited for a period of two years from employing or

attempting to employ in competition with QLogic any of QLogic's employees. You further agree that you will not in any way disparage QLogic or any of its employees or directors, or engage in any conduct adverse to QLogic's interests, including but not limited to the disclosure to competitor-s or diversion or attempted diversion by solicitation or any other means of any of QLogic's business opportunities existing, identified or for which discussions were initiated prior to the Termination Date, confidential information, technology or proprietary rights. Should you violate this or any other provision of this agreement, you understand and agree that you will forfeit any and all remaining payments under this agreement.

13. It is understood and agreed that:

a. In the event of any dispute, controversy, or claim concerning this agreement, its validity, interpretation, enforcement, or breach, the prevailing party, in addition to all other legal or equitable remedies possessed, shall recover his or its reasonable attorneys fees and costs in connection with any such dispute, controversy, or claim. Any such dispute, controversy, or claim shall be resolved by arbitration in the City of Costa Mesa, California, in accordance with the then existing commercial arbitration rules of the American Arbitration Association, and judgment upon any award rendered by the arbitrator(s) may be entered by any state or federal COURT HAVING jurisdiction thereof. The arbitrator shall have the authority only to enforce the legal and contractual rights of the parties and shall not add to modify, disregard or refuse to enforce any contractual provision. The arbitrator shall have no right, power or jurisdiction to award a party any punitive or exemplary damages of any kind. The parties acknowledge and agree that by entering into this agreement they are agreeing to this arbitration provision and are waiving all rights to a trial by jury. The provisions of California Code of Civil Procedure Sections 1281, et seq. govern this arbitration provision. The parties intend that this agreement to arbitrate shall be valid, enforceable, and irrevocable.

b. This paragraph 13 shall only operate to require arbitration of claims for money damages. Should a party wish to seek injunctive or other non-monetary relief, those claims shall be brought in a court of competent jurisdiction.

14. It is understood, acknowledged, and agreed that:

a. In consideration of the additional separation payments provided hereunder, which payments and benefits are beyond those provided by QLogic policy or by law, you after knowingly and voluntarily waiving various rights and claims, including any possible claims for age discrimination under the federal law known as the Age Discrimination and Employment Act of 1967, as amended. You understand that this waiver does not extend to rights or claims that may arise after the date this agreement is executed.

b. You have been given a period of at least 21 days within which to consider this letter agreement, and you have consulted with an attorney regarding it.

c. You understand that you may revoke this letter agreement within seven days following its execution, and that this letter agreement shall not become effective or enforceable Until this seven-day revocation period has expired.

15. Should any portion, word, clause, phrase, sentence or paragraph of this letter agreement be declared void or unenforceable, such portion shall be considered independent and severable from the agreement, the validity of which shall remain unaffected.

Please confirm your agreement to the foregoing by dating and signing this letter agreement where indicated below and returning a signed copy to QLogic.

Sincerely,

QLOGIC CORPORATION

By:
H. K. Desai
President

EXHIBIT 10.16

August 4, 1995

Mr. Harshad K. Desai
28346 Chat Drive
Laguna Niguel, CA

Dear Mr. Desai:

You are currently employed as an officer of QLogic Corporation, a Delaware corporation (the "Company" or "QLogic"). Because the Company wishes to assure itself of both present and future continuity of management in the event of any Change in Control (as defined below), as well as objectivity of management in the event of a proposed Change in Control, you, and the Company are hereby entering into the following agreements:

1. Severance Payment and Employee benefits. If a Change in Control (as defined below) shall occur after the date of this Agreement, you are then still an employee of the Company, and at any time within two years after the Change in Control and prior to your Normal Retirement Date (as defined below) your employment is terminated by the Company without Cause (as defined below) or by you because of a Demotion (as defined below):

(a) Severance Payment. The Company will pay to you within 15 days after the date of termination of your employment (the "Termination Date") a lump-sum severance payment (the "Severance Payment") equal to the present value of two times the sum of your Annual Base Pay (as defined below) plus your Annual Incentive Pay (as defined below); provided, however, that the Severance Payment will be reduced by the aggregate amount of severance payments received by you under any other severance policy, plan, program, or arrangement of the Company. Such present value shall be determined as if an aggregate amount equal to two times the sum of your Annual Base Pay plus your Annual Incentive Pay (minus, if applicable, the aggregate amount of severance payments received by you under any other severance policies, plan, program, or arrangement of the Company) would otherwise have been paid to you in 24 equal monthly installments commencing one month after the Termination Date, using a discount rate equal to the then-applicable interest rate adopted by the Pension Benefit Guaranty Corporation for purposes of benefit valuations in connection with non-multiemployer pension plan terminations assuming the immediate commencement of benefit payments, as set forth in Appendix B to Part 2619 of Title 29 of the Code of Federal Regulations, or any successor appendix, schedule, rule or regulation.

In lieu of a cash lump sum, you may, in your sole discretion, elect to receive the Severance Payment in equal annual installments over five years (or such lesser number of years as you may elect). Such installments shall be paid to you on each anniversary of the Termination Date, beginning with the first such anniversary and continuing on each such anniversary thereafter until fully paid. Such election to receive the Severance Payment in installments may be made and/or revoked by you at any time

QLOGIC CORPORATION
3545 HARBOR BLVD.
COSTA MESA, CA 92626
714.438.2200, 800.662.4471
FAX: 714.668.5090

[QLOGIC LOGO]

and from time to time prior to the termination of your employment by providing written notice to the Secretary of QLogic of such election. Any such election by you to receive the Severance Payment in

installments that has been made and not revoked prior to your termination shall, effective the date of such termination, be irrevocable and binding on all parties hereto.

In the event that at the time of your termination there is not in effect an election by you to receive the Severance Payment in installments, such Severance Payment shall be paid to you in a single cash lump sum as provided in the first paragraph of this subparagraph (a). In the event that you have made an appropriate election to receive the Severance Payment in annual installments, and you become entitled to such Severance Payment as provided in this Agreement, then such Severance Payment, to the extent at any time unpaid and/or deferred, shall be deemed to bear interest at the aforementioned discount rate or, if less, the maximum rate permitted by law. Accrued interest shall be due and payable together with each annual installment of the Severance Payment.

(b) Employee benefits. The Company shall provide or arrange to provide to you continuation of your Employee benefits (as defined below) for two years following the Termination Date; provided, however, that such Employee benefits will be reduced to the extent comparable benefits are actually received by you (i) from another employer during such two-year period (and any such benefits actually received by you shall be reported promptly by you to the Company) or (ii) under any other policy, plan, program, or arrangement of the Company.

Any or all of such Employee benefits may be provided to you, in the discretion of the Company, pursuant to policies or plans of the Company which exist as of the Termination Date and/or pursuant to policies, plans, or arrangements which are implemented or adopted by the Company on or after the Termination Date, including those which are implemented or adopted by the Company for your benefit only or for the benefit of you and selected other employees or former employees of the Company. The Company, in its discretion, may also fulfill its obligation to provide continuation of any or all of your Employee benefits in accordance with the foregoing by paying to you in cash from time to time the minimum amount necessary to enable you to purchase a comparable Employee Benefit from another benefit provider; provided, however, that this cash alternative shall not be utilized by the Company if and to the extent comparable Employee benefits are not available to be purchased by you.

(c) Certain Payment Reductions

(1) For purposes of this subparagraph (c), (i) a Payment shall mean any payment or distribution in the nature of compensation to or for your benefit, whether paid or payable pursuant to this Agreement or otherwise; (ii) Agreement Payment shall mean a Payment paid or payable pursuant to this Agreement (determined without regard to this subparagraph (c)); (iii) Net After Tax Receipt shall mean the Present Value of a Payment net of all taxes imposed on you with respect thereto under Sections 1 and 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), determined by applying the highest marginal rate under Section 1 of the Code which applied to your taxable income for the immediately preceding taxable year; (iv) "Present Value" shall mean such value determined in accordance with Section 280G(d) (4) of the Code; and (v) "Reduced Amount" shall mean the smallest aggregate amount of Payments which (a) is less than the sum of all Payments (determined without regard to this subparagraph (c)) and (b) results in aggregate Net After Tax Receipts which are equal to or greater than the Net After Tax Receipts which would result if the aggregate Payments were equal to the sum of all Payments (determined without regard to this subparagraph (c)) or any other amount less than the sum of all payments (determined without regard to this subparagraph (c)) .

(2) Anything in this Agreement to the contrary notwithstanding, in the event QLogic's independent public accountants (the "Accounting Firm") shall determine that receipt of all Payments would subject you to tax under Section 4999 of the Code, it shall determine whether some amount of Payments would meet the definition of a "Reduced Amount." If the Accounting Firm determines that there is a Reduced Amount, the aggregate Agreement Payments shall be reduced to such Reduced Amount; provided, however, that if the Reduced Amount exceeds the aggregate Agreement Payments, the aggregate Payments shall, after the reduction of all Agreement Payments, be reduced (but not below zero) in the amount of such excess.

(3) If the Accounting Firm determines that aggregate Agreement Payments or Payments, as the case may be, should be reduced to the Reduced Amount, the Company shall promptly give you notice to that effect and a copy of the detailed calculation thereof, and you may then elect, in your sole discretion, which and how much of the Payments shall be eliminated or reduced (as long as after such election the present value of the aggregate Payments equals the Reduced Amount), and you shall advise the Company in writing of your election within ten days of your receipt of notice. If no such election is made by you within such ten-day period, the Company may elect which of the Agreement Payments or Payments, as the case may be, shall be eliminated or reduced (as long as after such election the present value of the aggregate Agreement Payments or Payments, as the case may be, equals the Reduced Amount) and shall notify you promptly of such election. All determinations made by the Accounting Firm under this Paragraph 1 (c) shall be binding upon the Company and you and shall be made within 60 days after a termination of your employment. As promptly as practicable following such determination, the Company shall pay to or distribute for your benefit such Payments as are then due to you under this Agreement and shall promptly pay to or distribute for your benefit in the future such Payments as become due to you under this Agreement.

(4) While it is the intention of the Company and you to reduce the amounts payable or distributable to you hereunder only if the aggregate Net After Tax Receipts to you would thereby be increased, as a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that amounts will have been paid or distributed by the Company to or for your benefit pursuant to this Agreement which should not have been so paid or distributed ("Overpayment") or that additional amounts which will have not been paid or distributed by the Company to or for your benefit pursuant to this Agreement could have been so paid or distributed ("Underpayment"), in each case, consistent with the calculation of the Reduced Amount hereunder. In the event that the Accounting Firm, based either upon the assertion of a deficiency by the Internal Revenue Service against the Company or you which the Accounting Firm believes has a high probability of success or controlling precedent or other substantial authority, determines that an Overpayment has been made, any such Overpayment paid or distributed by the Company to or for your benefit shall be treated for all purposes as a loan to you which you shall repay to the Company together with interest at the applicable federal rate provided for in Section 7872(f)(2) of the Code; provided, however, that no such loan shall be deemed to have been made and no amount shall be payable by you to the Company if and to the extent such deemed loan and payment would not either reduce the amount on which you are subject to tax under Section 1 and Section 4999 of the Code or generate a refund of such taxes. In the event that the Accounting Firm, based upon controlling precedent or other substantial authority, determines that an Underpayment has occurred, any such Underpayment shall be promptly paid by the Company to or for your benefit together with interest at the applicable federal rate provided for under Section 7872(f)(2) of the Code.

(5) The Company will bear the fees and expenses of the Accounting Firm in making the determinations required by this Paragraph 1(c).

2. Accelerated Vesting of Stock Options. If a Change in Control shall occur after the date of this Agreement and you are then still an employee of the Company:

(a) Partial Acceleration. Upon the Change in Control, the vesting of your right to exercise each QLogic Option (as defined below) held by you as of the Change in Control based on the length of your continued employment following the grant of such QLogic Option will be accelerated by one year so that your right to exercise such QLogic Option after the Change in Control will be determined as if such QLogic Option had been granted to you one year before the actual date of grant of such QLogic Option; provided, however, that the term and expiration date of, and any other restrictions on your right to exercise, such QLogic Option shall not be affected by the Change in Control; provided further, however, that, if the stock option agreement evidencing such QLogic Option shall provide for acceleration of vesting of your right to exercise such QLogic Option upon a Change in Control which is more favorable to you than the foregoing provisions of this subparagraph (a), the acceleration provisions of your stock option agreement shall apply and this subparagraph (a) shall be disregarded.

(b) Full Acceleration. If, within two years after the Change in Control and prior to your Normal Retirement Date, your employment with the Company is terminated by the Company without Cause or by you because of a Demotion, the vesting of your right to exercise each QLogic Option held by you as of the Termination Date will be fully accelerated as of the Termination Date so that you will have the right to exercise such QLogic Option in full at any time during its remaining term.

3. No Mitigation. You shall not be obligated to seek employment or otherwise mitigate the Severance Payment to you under this Agreement, nor shall the Severance Payment be reduced by any compensation earned by you as a result of your employment by another employer after the Termination Date.

4. Employment Rights. Nothing in this Agreement, expressed or implied, shall obligate the Company or you to continue your employment with the Company or limit the right of you or the Company to terminate your employment at any time before or after a Change in Control. Notwithstanding the foregoing, if your employment is terminated by the Company without Cause or by you because of a Demotion after commencement by the Company of substantive discussions with any third party which result in a Change in Control in which such third party has a significant involvement within one year after commencement of such discussions and prior to your Normal Retirement Date, your right to receive payments and benefits under this Agreement will be determined as if your employment had terminated immediately following the Change in Control.

follows:

5. Definitions. For purposes of this Agreement, the terms set forth below are defined as

(a) "Annual Base Pay" means an amount equal to the greatest of (i) your annual fixed or base compensation as in effect immediately prior to a Change in Control, (ii) your annual fixed or base compensation as in effect immediately prior to commencement by the Company of substantive discussions with any third party that results in a Change in Control in which such third party has a significant involvement within one year after commencement of such discussions, and (iii) your annual fixed or base compensation as in effect immediately prior to the Termination Date.

(b) "Annual Incentive Pay" means an amount equal to the highest annual average of the aggregate bonuses or incentive payments of cash compensation in addition to fixed or base compensation paid to you for your services in any two of the last three full fiscal years of the Company immediately preceding the fiscal year of the Company in which the Change in Control occurs (or such lesser number of full fiscal years during which you were employed by the Company if less than three) or, if higher, the highest annual average of the aggregate annual bonuses or incentive payments of cash compensation paid to you for services in any two of the last three full fiscal years of the Company immediately preceding the fiscal year of the Company in which the Termination Date occurs (or such lesser number of full fiscal years during which you were employed by the Company if less than three).

(c) "Cause" for termination of your employment by the Company will exist if (i) you become permanently disabled and are unable to perform your duties as an employee of the Company or (ii) you commit any of the following acts and any of such acts shall be determined by the board of directors of the Company to have been materially harmful to the Company at a meeting of the board of directors called and held for such purpose (after reasonable notice to you and an opportunity for you and your representative to make a presentation to the board of directors): an act of fraud, embezzlement or theft in connection with your duties or in the course of your employment with the Company; intentional wrongful damage to property of the Company; intentional wrongful disclosure of trade secrets or confidential information of the Company; or intentional wrongful engagement in any Competitive Activity (as defined below) while you are employed by the Company.

(d) "Change in Control" shall be deemed to have occurred only if (i) QLogic is merged or consolidated or reorganized into or with another corporation and less than 51% of the combined voting power of the then-outstanding securities of the surviving corporation immediately thereafter is held in the aggregate by the holders of Voting Stock (as defined below) of QLogic immediately prior to such transaction; (ii) QLogic sells or otherwise transfers all or substantially all of its assets to any other corporation if less than 51% of the combined voting power of the then-outstanding voting securities of such corporation immediately after such sale or transfer is held in the aggregate by the holders of Voting Stock of the Company immediately prior to such sale or transfer; (iii) the Company sells or otherwise transfers all or substantially all of its assets to another corporation if less than 51% of the Voting Stock of the transferee corporation immediately after such sale or transfer is held in the aggregate by QLogic, the Company or the holders of Voting Stock of QLogic immediately prior to such sale or transfer; (iv) there is a report filed on Schedule 13D or Schedule 14D-1 (or any successor schedule or report) promulgated under the Securities Exchange Act of 1934 (the "Exchange Act") disclosing that any person has become the beneficial owner of securities representing 33-1/3% or more of the combined voting power of the then outstanding securities entitled to vote generally in the election of directors of QLogic (the "Voting Stock"); (v) QLogic shall file a report or proxy statement with the Securities and Exchange Commission pursuant to the Exchange Act disclosing in response to Item 1 of Form 8-K thereunder or Item 6(e) of Schedule 14A thereunder (or any successor schedule or report) that a change in control of QLogic has or may have occurred or will or may occur in the future pursuant to any then-existing contract or transaction; or (vi) during any period of two consecutive years, individuals who at the beginning of any such period constitute the directors of QLogic cease for any reason to constitute at least a majority thereof unless the election or the nomination for election by QLogic's shareholders of each director of QLogic first elected during such period (y) was approved by a vote of at least a majority of the directors of QLogic then still in office who were directors of QLogic at the beginning of any such period and (z) such election or nomination was not made in connection with an actual or threatened election contest relating to the election of directors of QLogic, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act. Notwithstanding the foregoing, a "Change in Control" shall not be deemed to have occurred for purposes of this Agreement solely because QLogic, an entity in which QLogic directly or indirectly beneficially owns more than 50% of the voting securities, or any QLogic-sponsored employee stock ownership plan or any other employee benefit plan of QLogic or any entity holding shares of Voting Stock for or pursuant to the terms of any such plan either files or becomes obligated to file a report or proxy statement under or in response to Schedule 13D, or Schedule 14D-1, Item 1 of Form 8-K or Item 6(e) of Schedule 14A (or any successor report or schedule) under the Exchange Act, disclosing beneficial ownership by it of shares of Voting Stock of QLogic, whether in excess of 33-1/3% or otherwise, or because QLogic reports that a change in control of QLogic has or may have occurred or will or may occur in the future by reason of such beneficial ownership.

(e) "Competitive Activity" means your participation, without the consent of the board of directors of the Company, in the management of any business enterprise if such enterprise engages in substantial and direct competition with the Company and such enterprise's sales of any product or service competitive with any product or service of the Company amounted to 10% of such enterprise's net sales for its most recently completed fiscal year and if the Company's consolidated net sales of such products or services amounted to 10% of the Company's consolidated net sales for its most recently completed fiscal year. "Competitive Activity" shall not include (i) the mere ownership of securities in any enterprise and exercise of rights appurtenant thereto or (ii) participation in management of any enterprise or business operation thereof other than in connection with competitive operation of such enterprise.

(f) "Demotion" will be deemed to have occurred if any of the following changes with respect to your employment with the Company shall occur during the two-year period immediately following a Change in Control and prior to your Normal Retirement Date and not be remedied within 15 days after written notice thereof from you to the Company: (i) a sign)ficant adverse change in the nature or scope of the powers, functions, titles, working environment, frequency or mode of business travel, responsibilities or duties in respect of the Company which you had immediately prior to the Change in Control; (ii) a reduction of your annual aggregate cash compensation below the sum of your annual fixed or base compensation as in effect immediately prior to the Change in Control plus the highest annual average of the aggregate bonuses or incentive payments of cash compensation in addition to fixed or base compensation paid to you for your services in any two of the last three full fiscal years of the Company immediately preceding the fiscal year of the Company in which the Change in Control occurred (or such lesser number of full fiscal years during which you were employed by the Company if less than three); (iii) a reduction of the Employee benefits which you were receiving immediately prior to the Change in Control below the comparable employee benefits provided by the Company to its other executive of ficers from time to time; or (iv) relocation of the principal executive offices of the Company to, or any requirement of you to have as your principal location of work at, any place which is more than 50 miles from the location thereof immediately prior to the Change in Control.

The parties acknowledge that, in the event of a Change in Control, it may be mutually advantageous for you and your employer to discuss and implement changes in your employment on a trial basis even though such employment changes may constitute a "Demotion" under the terms of this Agreement. Accordingly, any change with respect to your employment to which you do not object will not constitute a Demotion; provided, however, that your acceptance on a trial basis of a change which would otherwise constitute a Demotion will not constitute a waiver of your right to object to such change subsequently and to treat such change as a Demotion if it is not remedied within 15 days after written notice to the Company of your unwillingness to continue accepting such change.

(g) "Employee benefits" means benefits provided to you by the Company immediately prior to a Change in Control, or, if greater, benefits provided to you by the Company immediately prior to commencement by the Company of substantive discussions with any third party which result in a Change in Control in which such third party has a significant involvement within one year after commencement of such discussions, or, if greater, benefits provided to you by the Company immediately prior to the Termination Date, in each case under any and all medical or health, life insurance, disability income, tax assistance, or executive automobile benefit policies, plans, programs or arrangements in which you are a participant at the applicable time.

(h) "QLogic Option" means each option to purchase shares of stock of QLogic which is granted to you by QLogic prior to a Change in Control and each option to purchase shares of stock of QLogic's successor (by purchase of assets, merger, consolidation, reorganization or otherwise) which is granted to you by such successor in connection with or after a Change in Control in exchange or substitution for an option granted to you by QLogic prior to the Change in Control.

(i) "Normal Retirement Date" means the date designated by the Company for your normal retirement under any retirement policy or plan which is applied to the Company's executive officers in a non-discriminatory manner or, if no such policy or plan has been established, the date when you attain age 65.

6. Withholding of Taxes. The Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as shall be required pursuant to any law or government regulation or ruling.

7. Notice. For all purposes of this Agreement, all communications provided for herein shall be in writing and shall be deemed to have been duly given when delivered or five business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed to the Company (to the attention of the Secretary of the Company) at its principal executive office and to you at your principal residence, or to such other address as either party may have furnished to the other in writing and in accordance herewith, except that any notice of change of address shall be effective only upon receipt.

8. Successors. This Agreement shall inure to the benefit of and be binding upon the Company and their successors. In the event of a Change in Control, any parent company, which directly or indirectly controls a majority of the outstanding Voting Stock of the Company, or a successor to the Company (by way of merger, consolidation, reorganization, sale of assets or otherwise) shall, in the case of a successor, by an agreement in form and substance reasonably satisfactory to you, expressly assume and agree to perform this Agreement and, in the case of a parent company, by an agreement in form and substance reasonably satisfactory to you, guarantee and agree to cause the performance of this Agreement, in each case, in the same manner and to the same extent as the Company would be required to perform if no Change in Control had taken place.

9. Severability: Entire Agreement: Amendments. This Agreement sets forth the entire understanding among us as to the subject matter hereof. There are no terms, conditions, representations, warranties or covenants other than those contained herein. No term or provision of this Agreement may be amended, waived, released, discharged or modified in any respect except in writing, signed by the appropriate party(s). No waiver of any breach or default shall constitute a waiver of any other breach or default whether of the same or any other covenant or condition. A delay or failure to assert rights or a breach of this Agreement shall not be deemed to be a waiver of such rights either with respect to that

breach or any subsequent breach. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

10. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California, without giving effect to the principles of conflict of laws of such state.

11. Counterparts. This agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same agreement.

12. Board Approval. The Company hereby represents that the execution, delivery, and performance of this Agreement has been duly authorized by its board of directors.

13. Dispute Resolution. Any dispute between you and the Company arising from or relating to this Agreement shall be resolved by arbitration in accordance with the rules of the American Arbitration Association in Costa Mesa, California. The prevailing party in any such arbitration shall be entitled to recover his or its costs and reasonable attorneys fees.

14. Late Payment Interest. Any payment which is not made to you when due under this Agreement shall bear interest at the rate of 10% per annum from the due date to the payment date.

Very truly yours,

QLOGIC CORPORATION, a Delaware Corporation

AGREED:

Harshad K. Desai

By: Thomas R. Anderson
Vice President, and
Chief Financial Officer

EXHIBIT 21.1

QLOGIC CORPORATION

SUBSIDIARY OF REGISTRANT

QLOGIC FOREIGN SALES CORPORATION
A U.S. VIRGIN ISLANDS CORPORATION

EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

The Board of Directors
QLogic Corporation:

The audits referred to in our report dated May 17, 1996 included the related financial statement schedule as of March 31, 1996 and for each of the years in the three-year period ended March 31, 1996. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We consent to incorporation by reference in the registration statement on Form S-8 of our reports included herein.

KPMG PEAT MARWICK LLP

Orange County, California
June 14, 1996

<ARTICLE> 5
<MULTIPLIER> 1,000
<CURRENCY> U.S. DOLLARS

<PERIOD-TYPE>	YEAR
<FISCAL-YEAR-END>	MAR-31-1996
<PERIOD-START>	APR-03-1995
<PERIOD-END>	MAR-31-1996
<EXCHANGE-RATE>	1
<CASH>	8,414
<SECURITIES>	0
<RECEIVABLES>	7,033
<ALLOWANCES>	506
<INVENTORY>	6,670
<CURRENT-ASSETS>	23,004
<PP&E>	14,123
<DEPRECIATION>	8,603
<TOTAL-ASSETS>	28,539
<CURRENT-LIABILITIES>	9,670
<BONDS>	0
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	556
<OTHER-SE>	15,721
<TOTAL-LIABILITY-AND-EQUITY>	16,277
<SALES>	53,779
<TOTAL-REVENUES>	53,779
<CGS>	34,413
<TOTAL-COSTS>	34,413
<OTHER-EXPENSES>	18,271
<LOSS-PROVISION>	(89)
<INTEREST-EXPENSE>	(19)
<INCOME-PRETAX>	1,203
<INCOME-TAX>	537
<INCOME-CONTINUING>	666
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	666
<EPS-PRIMARY>	0.12
<EPS-DILUTED>	0.12