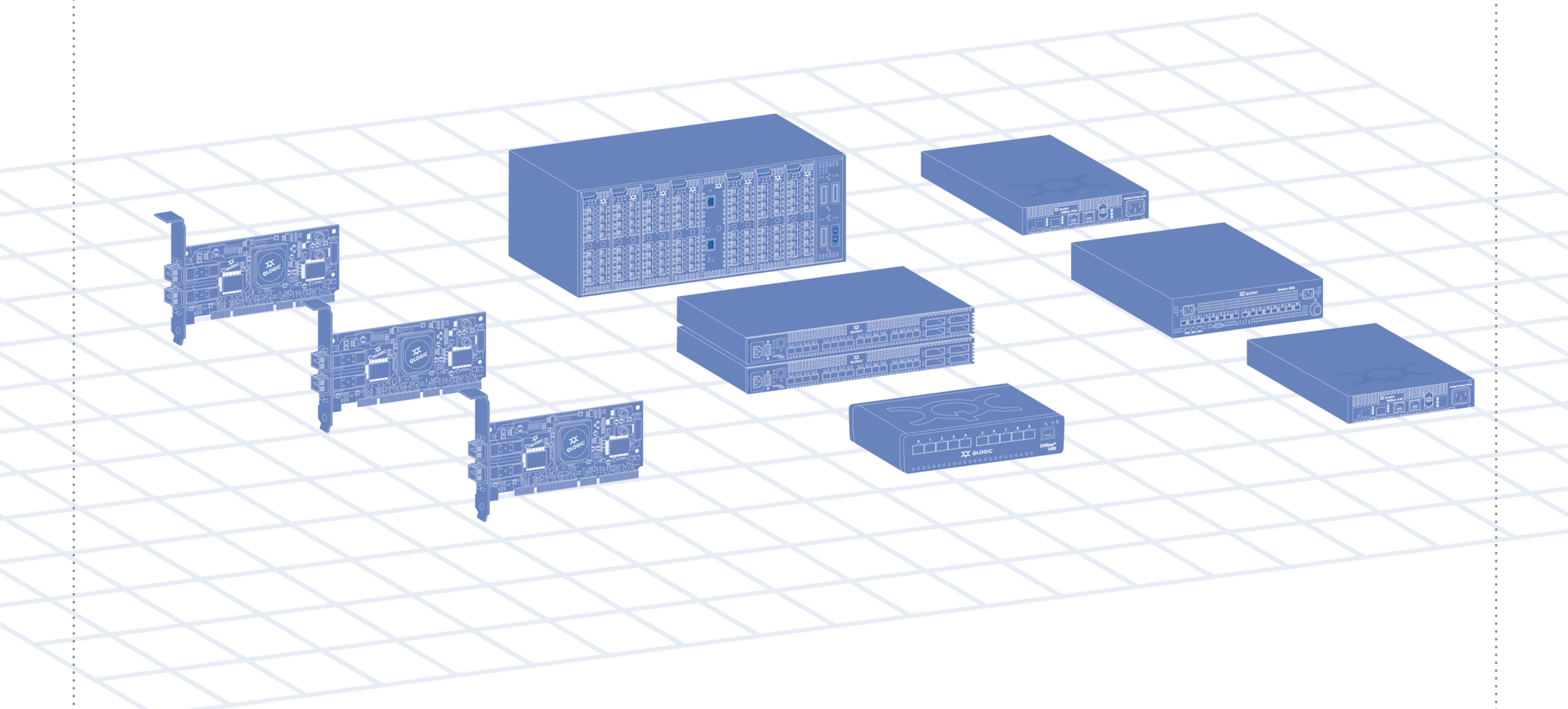
QLogic Corporation

Notice of Annual Meeting, Proxy Statement and 2006 Annual Report on Form 10-K

2006



Letter to Stockholders

Dear Stockholder,

In fiscal year 2006, QLogic enjoyed record financial performance from continuing operations, the second consecutive year of market share leadership for the Company's flagship line of SANblade® host bus adapters (HBAs), and successful execution of three strategic initiatives: 4Gb Fibre Channel leadership; globalization; and entry into new growth markets.

Net revenue from continuing operations for fiscal 2006 was a record $494.1 million, up 15% from $428.7 million for fiscal 2005. Income from continuing operations for fiscal 2006 was a record $121.8 million, or $0.70 per share on a diluted basis, an increase of 9% from $111.4 million, or $0.59 per share on a diluted basis, for fiscal 2005.

According to the Dell'Oro Group, QLogic was the market share leader in Fibre Channel HBAs with 46.1% of Fibre Channel HBA ports shipped in calendar year 2005. QLogic was also the revenue leader in 2005 with 43.5% market share.

QLogic demonstrated product leadership in fiscal 2006 by introducing a complete line of 4Gb Fibre Channel products, including the fastest and most reliable 4Gb HBAs. The reliability of our 4Gb HBAs is backed up with the industry's only 5-year warranty.

In fiscal 2006, QLogic achieved major milestones in its important global expansion initiative, which was implemented to better serve our rapidly expanding world-wide customer base. By opening a facility in Ireland and partnering with an independent contract manufacturer in Malaysia, QLogic expanded its capability to provide local fulfillment to the Europe/Middle-East/Africa and Asia-Pacific regions. In addition, QLogic launched its QLogic Global Services in partnership with an international service provider, to provide in-region local language support around the world.

To enter new and potentially high-growth markets, QLogic acquired PathScale and Troika Networks, giving the Company entry into the rapidly expanding markets for high performance computing (HPC) and storage virtualization. Based on industry analyst forecasts, QLogic estimates that by 2009 InfiniBand host channel adapters (HCAs) and storage virtualization platforms will address total available markets in excess of $400 million each.

Fiscal 2006 also brought industry recognition from The Wall Street Journal, where QLogic was listed in 2006 as one of the top five performing companies during the last 10 years.

In summary, the Company's focus on delivering strong financial performance, extending market share leadership for our flagship product line, global expansion, and entering new and potentially high-growth markets has positioned QLogic for continued success in the next fiscal year and beyond.

H.K. Desai
Chairman of the Board, Chief Executive Officer and President

QLOGIC CORPORATION

26650 Aliso Viejo Parkway
Aliso Viejo, CA 92656
(949) 389-6000

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held on August 24, 2006

To the Stockholders of QLogic Corporation:

You are cordially invited to attend the Annual Meeting of Stockholders of QLogic Corporation, a Delaware corporation, which will be held at The Fairmont Hotel, 4500 MacArthur Boulevard, Newport Beach, California 92660, at 10:00 a.m., Pacific Daylight Time, on Thursday, August 24, 2006, to consider and act upon the following matters, all as more fully described in the accompanying Proxy Statement:

1. To elect seven directors to the Board of Directors to serve until our next Annual Meeting or until their successors have been elected and qualified;

2. To approve an amendment to the QLogic Corporation 2005 Performance Incentive Plan;

3. To ratify the appointment of KPMG LLP as our independent auditors for the fiscal year ending April 1, 2007; and

4. To transact such other business as may properly come before the meeting or any postponements or adjournments thereof.

Stockholders of record of our common stock at the close of business on July 7, 2006, the record date fixed by the Board of Directors, are entitled to notice of, and to vote at, the meeting and at any postponements or adjournments thereof.

By Order of the Board of Directors

MICHAEL L. HAWKINS
Secretary

Aliso Viejo, California
July 14, 2006

YOUR VOTE IS IMPORTANT

Please vote by using the internet, by telephone or by signing and returning the enclosed proxy card as soon as possible to ensure your representation at the Annual Meeting. Your proxy card contains instructions for each of these voting options.

QLOGIC CORPORATION

26650 Aliso Viejo Parkway
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PROXY STATEMENT

APPROXIMATE DATE PROXY MATERIAL FIRST SENT TO STOCKHOLDERS
July 14, 2006

These proxy materials are provided in connection with the solicitation of proxies by the Board of Directors of QLogic Corporation, a Delaware corporation, for the Annual Meeting of Stockholders to be held at The Fairmont Hotel, 4500 MacArthur Boulevard, Newport Beach, California 92660, at 10:00 a.m., Pacific Daylight Time, on Thursday, August 24, 2006, and at any postponements or adjournments thereof, for the purposes stated in the Notice of Annual Meeting of Stockholders preceding this Proxy Statement. Unless the context otherwise requires, the terms "us," "we," "our" and "QLogic" include QLogic Corporation and its consolidated subsidiaries.

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE MEETING

Q: What information is included in these materials?

A: This proxy statement includes information on the nominees for directors and the other matters to be voted on at the meeting. This proxy statement also includes information on the voting process and requirements, the compensation of directors and some of our executive officers, and certain other required information.

Q: What am I being asked to vote on at the meeting?

A: There are three matters scheduled to be voted on at the meeting:

(1) The election of seven directors to the Board of Directors, each of whom will serve until our next annual meeting or until their successors are elected and qualified.

(2) The approval of an amendment to the QLogic Corporation 2005 Performance Incentive Plan.

(3) The ratification of the appointment of KPMG LLP as our independent auditors for fiscal year 2007.

Q: How does the Board recommend that I vote on each of these matters?

A: Our Board of Directors recommends that you vote your shares:

- FOR each of the director nominees (FOR PROPOSAL ONE);
- FOR the approval of the amendment to the QLogic Corporation 2005 Performance Incentive Plan (FOR PROPOSAL TWO); and
- FOR ratification of the appointment of KPMG LLP as our independent auditors for fiscal year 2007 (FOR PROPOSAL THREE).

Q: What classes of shares are entitled to vote?

A: Each share of our common stock outstanding on July 7, 2006 (the "Record Date") is entitled to one vote on all items being voted on at the meeting. On the Record Date, we had 162,220,105 shares of common stock outstanding.

Q: What shares can vote?

A: You can vote all of the shares that you owned on the Record Date. These shares include (1) shares held directly in your name as the stockholder of record, and (2) shares held for you as the beneficial owner through a stockbroker, bank or other nominee.

Q: What is the difference between holding shares as a stockholder of record and as a beneficial owner?

A: Most of our stockholders hold their shares through a stockbroker, bank or other nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially:

Stockholder of Record — If your shares are registered in your name with our transfer agent, Computershare Investor Services, LLC, you are considered a stockholder of record with respect to those shares, and you are receiving these proxy materials directly from us. As the stockholder of record, you have the right to grant your voting proxy directly to us or to vote in person at the meeting. We have enclosed a proxy card for you to use.

Beneficial Owner — If your shares are held in a stock brokerage account, by a bank or other nominee (commonly referred to as being held in "street name"), you are considered to be the beneficial owner of those shares, and these proxy materials are being forwarded to you by your broker, bank or nominee as the stockholder of record. As the beneficial owner, you have the right to direct your broker, bank or other nominee how to vote your shares and are also invited to attend the meeting. However, since you are not the stockholder of record, you may not vote your shares in person at the meeting unless you obtain a signed proxy from the record holder giving you the right to vote the shares. Your broker, bank or nominee has enclosed or provided a voting instruction card for you to use in directing the broker, bank or nominee how to vote your shares.

Q: How do I vote?

A: If you are a stockholder of record, you may vote by one of the following methods:

- via the internet,
- by telephone,
- by mail, or
- in person at the Annual Meeting.

If you own your shares in "street name," that is through a brokerage or bank account or in another nominee form, you must provide instructions to the broker, bank or nominee as to how your shares should be voted. Your broker, bank or nominee will usually provide you instructions at the time you receive this Proxy Statement. If you own your shares in this manner, you cannot vote in person at the Annual Meeting unless you receive a proxy to do so from the broker, bank or nominee.

Q: Can I revoke my proxy?

A: Yes. To revoke your proxy, you must do one of the following before the votes are cast at the meeting: (1) deliver a written notice of your revocation to our Corporate Secretary at our principal executive office, 26650 Aliso Viejo Parkway, Aliso Viejo, California 92656, or (2) execute and deliver a later dated proxy. Alternatively, you can attend the meeting and vote in person.

Q: What does it mean if I get more than one proxy card?

A: It means that you hold shares registered in more than one account. Sign and return all proxies for each proxy card that you get in order to ensure that all of your shares are voted.

Q: What is the quorum requirement for the meeting?

A: For a "quorum" to exist at the meeting, stockholders holding a majority of the votes entitled to be cast by the stockholders entitled to vote generally must be present in person or represented by proxy at the meeting. There must be a quorum for any action to be taken at the meeting (other than postponements or adjournments of the meeting). If you submit a properly executed proxy card, even if you abstain from voting, then your shares will be counted for purposes of determining the presence of a quorum. If a broker indicates on a proxy that it lacks discretionary authority as to certain shares to vote on a particular matter, commonly referred to as "broker non-votes," those shares will still be counted for purposes of determining the presence of a quorum at the meeting.

Q: What is the voting requirement for each of the above matters?

A: In the election of directors, the seven persons receiving the highest number of votes will be elected. For each of the other matters, approval will require the affirmative vote of stockholders holding a majority of those shares present or represented at the meeting and entitled to vote on the matter. If you are a beneficial owner and do not provide the stockholder of record with voting instructions, your shares may constitute broker non-votes (as described in the answer to the previous question) with respect to certain matters.

Q: How can I vote on each of the matters?

A: In the election of directors, you may vote FOR all of the nominees, or your vote may be WITHHELD with respect to one or more of the nominees. For the other matters, you may vote FOR or AGAINST the matter, or you may indicate that you wish to ABSTAIN from voting on the matter.

Q: How are abstentions and broker non-votes treated?

A: Abstentions have the same effect as votes "AGAINST" a matter. In tabulating the voting results for any particular proposal, shares that constitute broker non-votes are not considered entitled to vote on that proposal. Therefore, broker non-votes will not affect the outcome of any matter at the meeting.

Q: How will the votes be counted?

A: Your shares of common stock will be voted according to your directions on the proxy card. If you sign your proxy card or broker voting instruction card with no further instructions, your shares will be voted in accordance with the recommendations of the Board of Directors (FOR all director nominees named in the proxy statement and FOR the other proposals).

Q: Who will count the votes?

A: We have appointed Automatic Data Processing ("ADP") to act as the inspector of election for the meeting. We believe ADP will use procedures that are consistent with Delaware law concerning the voting of shares, the determination of the presence of a quorum and the determination of the outcome of each matter submitted for a vote. ADP will separately tabulate all votes FOR and AGAINST each matter, all votes WITHHELD in the election of directors, all abstentions and all broker non-votes.

Q: How will voting on any other business be conducted?

A: We do not expect any matters to be presented for a vote at the meeting, other than the matters described in this proxy statement. If you grant a proxy, the officers named as proxy holders, H.K. Desai and Anthony J. Massetti, or their nominees or substitutes, will each have the discretion to vote your shares on any additional matters that are properly presented at the meeting. If, for any unforeseen reason, any of our nominees is not available as a candidate for director, the person named as the proxy holder will vote your proxy for another candidate or other candidates nominated by the Board of Directors.

Q: Who is paying for this proxy solicitation?

A: We will pay the cost of soliciting the proxies. The solicitation of proxies may be made in person, by telephone, or by electronic communication by officers, directors and regular employees, who will not be paid additional compensation for these activities. We will send copies of the solicitation material to brokers, fiduciaries and custodians who will forward the material to the beneficial owners of our shares. On request, we will reimburse brokers and other persons representing beneficial owners of shares for their reasonable expenses in forwarding solicitation material to the beneficial owners.

STOCK OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth information regarding the beneficial ownership of our common stock as of July 7, 2006 by:

- each director and nominee for director;
- each of the executive officers named in the Summary Compensation Table on page 12 of this proxy statement; and
- all current directors and executive officers as a group.

Name	Amount and Nature of Beneficial Ownership	Percent(1)
H.K. Desai(2)	5,523,632	3.3%
Joel S. Birnbaum(3)	33,554	*
Larry R. Carter(4)	368,001	*
James R. Fiebiger(5)	325,001	*
Balakrishnan S. Iyer(6)	129,333	*
Carol L. Miltner(7)	261,467	*
George D. Wells(8)	323,629	*
Denis R. Maynard(9)	432,376	*
Anthony J. Massetti(10)	286,801	*
Stephen J. Carter(11)	179,654	*
Robert W. Miller(12)	43,250	*
All Directors and Executive Officers as a group (13 persons)(13)	7,960,641	4.7%

* Less than 1% of the outstanding shares of our common stock.

(1) Based upon 162,220,105 shares of common stock outstanding as of July 7, 2006 and any shares which may be purchased pursuant to stock options that are exercisable by such person on or before September 5, 2006. The number of shares beneficially owned by each director or executive officer is determined under the rules of the Securities and Exchange Commission, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, each individual is considered the beneficial owner of any shares as to which the individual has the sole or shared voting power or investment power. Such persons are also deemed under the same rules to beneficially own any shares that they have the right to acquire by September 5, 2006, through the exercise of stock options or similar rights.

(2) Includes 5,497,650 shares which may be purchased pursuant to stock options that are exercisable on or before September 5, 2006.

(3) Consists of 33,554 shares which may be purchased pursuant to stock options that are exercisable on or before September 5, 2006.

(4) Consists of 368,001 shares which may be purchased pursuant to stock options that are exercisable on or before September 5, 2006.

(5) Includes 320,001 shares which may be purchased pursuant to stock options that are exercisable on or before September 5, 2006.

(6) Consists of 129,333 shares which may be purchased pursuant to stock options that are exercisable on or before September 5, 2006.

(7) Includes 250,667 shares which may be purchased pursuant to stock options that are exercisable on or before September 5, 2006.

(8) Includes 316,001 shares which may be purchased pursuant to stock options that are exercisable on or before September 5, 2006.

(9) Includes 431,250 shares which may be purchased pursuant to stock options that are exercisable on or before September 5, 2006.

(10) Includes 281,124 shares which may be purchased pursuant to stock options that are exercisable on or before September 5, 2006.

(11) Consists of 179,654 shares which may be purchased pursuant to stock options that are exercisable on or before September 5, 2006.

(12) Includes 31,250 shares which may be purchased pursuant to stock options that are exercisable on or before September 5, 2006.

(13) Includes 7,890,802 shares which may be purchased pursuant to stock options that are exercisable on or before September 5, 2006.

PRINCIPAL STOCKHOLDERS

The following table sets forth information regarding the beneficial ownership of our common stock as of July 7, 2006 by each person known by us to beneficially own more than five percent of our common stock:

Name and Address	Amount and Nature of Beneficial Ownership	Percent(1)
Barclays Global Investors, N.A.(2) 45 Fremont Street San Francisco, California 94105	19,944,497	12.3

(1) Based upon 162,220,105 shares of common stock outstanding as of July 7, 2006. The number of shares beneficially owned by each person or entity is determined under the rules of the Securities and Exchange Commission, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, each person or entity is considered the beneficial owner of any shares as to which the person or entity has the sole or shared voting power or investment power.

(2) Based on information contained in a report on Schedule 13G/A that Barclays Global Investors, N.A. filed with the Securities and Exchange Commission on April 10, 2006 on behalf of itself and affiliated entities ("Barclays"). Such filing indicates that Barclays has sole voting power with respect to 17,925,833 shares and sole dispositive power with respect to all such shares.

PROPOSAL ONE

ELECTION OF DIRECTORS

Our Board of Directors currently consists of seven directors. We have nominated the following seven persons to serve as our directors: (1) H.K. Desai, (2) Joel S. Birnbaum, (3) Larry R. Carter, (4) James R. Fiebiger, (5) Balakrishnan S. Iyer, (6) Carol L. Miltner, and (7) George D. Wells. If elected, each nominee will continue in office until our next annual meeting or until the director's successor has been duly elected and qualified, or until the earlier of the director's death, resignation or retirement.

Each of the nominees for director named above has consented to be named as a nominee in our proxy statement, and we expect that each of the nominees will be able to serve if elected. In the event that any of the nominees for director should become unable to serve if elected, it is intended that the persons named in the enclosed proxy, or their nominee or substitute, will vote your shares FOR the election of a substitute nominee as may be recommended by the Board of Directors.

The following table and paragraphs below set forth the names and certain information concerning the seven nominees for election to our Board of Directors:

Nominee(1)	Position with QLogic	Age
H.K. Desai	Chairman of the Board, Chief Executive Officer and President	60
Joel S. Birnbaum(2)	Director	68
Larry R. Carter(3)	Director	63
James R. Fiebiger(2)(4)	Director	64
Balakrishnan S. Iyer(3)(4)	Director	50
Carol L. Miltner(2)(4)	Director	63
George D. Wells(3)(5)	Director	71

(1) The Nominating and Governance Committee identifies candidates and recommends to the Board of Directors nominees for membership on the Board. Following the recommendation of the Nominating and Governance Committee, the Board of Directors selects the nominees for election as directors at the annual meeting of stockholders.

(2) Member of the Nominating and Governance Committee.

(3) Member of the Audit Committee.

(4) Member of the Compensation Committee.

(5) Lead Director for meetings of the independent directors.

Mr. Desai joined us in August 1995 as our President and Chief Technical Officer. Mr. Desai was subsequently promoted to President and Chief Executive Officer and became a director in January 1996, and became Chairman of the Board in May 1999. From May 1995 to August 1995, Mr. Desai was Vice President, Engineering (Systems Products) at Western Digital Corporation, a manufacturer of disk drives. From July 1990 until May 1995, Mr. Desai served as Director of Engineering, and subsequently Vice President of Engineering, for QLogic. Mr. Desai is Chairman of the Board of Lantronix, Inc.

Dr. Birnbaum has served as a director since February 2005. Dr. Birnbaum has served as a consultant in the technology industry since his retirement from Hewlett-Packard Company in 1999 and he currently chairs the National Research Council Committee on Improving Cyber Security in the United States. From 1981 until his retirement in 1999, Dr. Birnbaum held several executive positions with Hewlett-Packard Company, including Senior Vice President for Research and Development and Director of HP Laboratories. Prior to this, Dr. Birnbaum spent 15 years at International Business Machines Corporation (“IBM”) where he last served as Director of Computer Sciences.

Mr. Carter has served as a director since June 1999. Since January 1995, Mr. Carter has worked for Cisco Systems, Inc., a computer networking products company, currently as Senior Vice President, Office of the President, and previously as Senior Vice President and Chief Financial Officer. From July 1992 to January 1995, Mr. Carter served as Vice President and Corporate Controller of Advanced Micro Devices, Inc., a semiconductor company. Mr. Carter has also served as Chief Financial Officer for VLSI Technology, Inc., which is now owned by Philips Semiconductors, Inc., and for SGS Thompson Microelectronics, Inc. Mr. Carter currently serves on the Board of Directors of Cisco Systems, Inc. and is a trustee of Loyola Marymount University.

Dr. Fiebiger has served as a director since February 2000. Dr. Fiebiger is currently a consultant to the semiconductor and the electronic design automation industries. From December 1999 until October 2004, Dr. Fiebiger was Chairman and Chief Executive Officer of Lovoltech, Inc., a fabless semiconductor company specializing in low voltage devices. Dr. Fiebiger served as Vice Chairman of GateField Corporation, a fabless semiconductor company, from February 1999 until the company was sold to Actel Corporation in November 2000. He served as GateField’s President and Chief Executive Officer from June 1996 until February 1999. From October 1993 until June 1996, he was Managing Director and Chairman of Thunderbird Technologies, Inc., a semiconductor technology licensing company. From December 1987 to September 1993, he was President and Chief Operating Officer of VLSI Technology, Inc. Dr. Fiebiger has also served as Senior Corporate Vice President and Assistant General Manager for Motorola's Worldwide Semiconductor Sector. Dr. Fiebiger currently serves on the Board of Directors of Mentor Graphics Corp., Actel Corporation, Power Integrations, Inc. and Pixelworks, Inc.

Mr. Iyer has served as a director since June 2003. From October 1998 to June 2003, Mr. Iyer was the Senior Vice President and Chief Financial Officer of Conexant Systems, Inc., a designer, developer and seller of semiconductor system solutions for communications applications. Prior to October 1998, Mr. Iyer served as the Senior Vice President and Chief Financial Officer of VLSI Technology, Inc. Mr. Iyer has held a number of senior finance positions at Advanced Micro Devices, Inc., a semiconductor company. Mr. Iyer currently serves on the Board of Directors of Conexant Systems, Inc., IHS, Inc., Invitrogen Corporation, Power Integrations, Inc. and Skyworks Solutions, Inc.

Ms. Miltner has served as a director since February 1994. In October 2002, Ms. Miltner assumed the role of Chief Executive Officer of POSITIVE IMPACT, a national consulting company specializing in sales, strategic planning and compensation advice and seminars. From January 2000 to October 2002, Ms. Miltner served as Chief Executive Officer of the Global Technology Distribution Council, an international forum of the Chairmen and Chief Executive Officers representing the world's largest technology distributors. From February 1999 to January 2000, she was a partner in a national seminar and consulting company, IMPACT, LLC. From July 1991 to February 1999, Ms. Miltner was President of Motivation by Miltner. Prior to 1991, she spent nineteen years in sales management positions for IBM, Xerox Corporation and Apple Computer, and served as the Senior Vice President of Sales for Ingram Micro, a provider of technology products and services. Ms. Miltner currently serves on the Board of Directors of SRS Labs, Inc.

Mr. Wells has served as a director since February 1994. Mr. Wells was President and Chief Executive Officer of Exar Corporation, a manufacturer of analog and mixed-signal integrated circuits, from June 1992 until he retired in October 1996. Before joining Exar, Mr. Wells served as President and Chief Operating Officer of LSI Logic, a manufacturer of HCMOS and BiCMOS application specific integrated circuits, for seven years.

BOARD OF DIRECTORS

Meetings

The Board of Directors held nine meetings during the fiscal year ended April 2, 2006. Each of our directors holding office during the last fiscal year attended 75% or more of the aggregate of the total number of meetings of the Board of Directors and of the total number of meetings of each committee on which the director was a member. Our directors are encouraged to attend our Annual Meeting of Stockholders each year. All of the directors serving at the time of our 2005 Annual Meeting of Stockholders attended the annual meeting.

Director Independence

Our Board of Directors consists of seven directors, all of whom (except for Mr. Desai) are independent under the requirements set forth in The Nasdaq Stock Market listing standards.

Communications with Board of Directors

You may communicate with any director, the entire Board of Directors, or any committee of the Board, by sending a letter to the director, the Board or the committee addressed to: Board of Directors, c/o Lead Director — QLogic Corporation, 26650 Aliso Viejo Parkway, Aliso Viejo, California 92656. The Lead Director or his designee will review all letters, categorize them, and forward them to the appropriate parties.

Executive Sessions of Our Independent Directors

Our outside directors generally meet without management present after each regularly scheduled board meeting, but in any case at least two times per year. The Board of Directors has designated Mr. Wells as the Lead Director. As the Lead Director, Mr. Wells is responsible for (i) establishing the agenda for the executive sessions held by our independent directors and acting as chair of those sessions, (ii) polling the other independent directors for agenda items both for regular board meetings and executive sessions of the independent directors and (iii) working with the Chairman of the Board and Chief Executive Officer on the agenda for regular board meetings.

Committees

Our Board of Directors has established an Audit Committee, a Compensation Committee and a Nominating and Governance Committee.

The Audit Committee. Balakrishnan S. Iyer (Chairperson), Larry R. Carter and George D. Wells are the current members of the Audit Committee. Each member of the Audit Committee meets the independence requirements of The Nasdaq Stock Market listing standards, and is an "audit committee financial expert" as defined by rules adopted by the Securities and Exchange Commission ("SEC"). The Audit Committee held nine meetings during the fiscal year ended April 2, 2006. The Audit Committee operates under a written charter which is available on our website under the Investor Relations section at *www.qlogic.com.* The Audit Committee selects, engages and reviews the performance of our independent auditors each year. In addition, the Audit Committee approves non-audit services and fees to be paid to the independent auditors. The Audit Committee reports to our Board of Directors with respect to auditing and accounting matters.

The Compensation Committee. Carol L. Miltner (Chairperson), James R. Fiebiger and Balakrishnan S. Iyer are the current members of the Compensation Committee. Each member of the Compensation Committee meets the independence requirements of The Nasdaq Stock Market listing standards. The Compensation Committee held thirteen meetings during the fiscal year ended April 2, 2006. The Compensation Committee reviews the performance of our executive officers and reviews the compensation programs for other key employees, including salary and cash incentive payment levels and stock-based compensation grants under the QLogic Corporation 2005 Performance Incentive Plan.

The Nominating and Governance Committee. James R. Fiebiger (Chairperson), Joel S. Birnbaum and Carol L. Miltner are the current members of the Nominating and Governance Committee. Each member of the Nominating and Governance Committee meets the independence requirements of The Nasdaq Stock Market listing standards. The Nominating and Governance Committee held five meetings during the fiscal year ended April 2, 2006. The Nominating and Governance Committee's principal functions are to identify prospective director nominees and recommend to our Board of Directors nominees for membership on the Board of Directors, to develop and recommend to our Board of Directors the governance principles applicable to the Board of Directors, to oversee the assessment of our Board of Directors, and to recommend to our Board of Directors nominees for each committee. The Nominating and Governance Committee expects normally to be able to identify from its own resources the names of qualified director nominees, but it will accept from stockholders recommendations of individuals to be considered as nominees. Any stockholder wishing to propose a nominee for consideration by the Nominating and Governance Committee should submit a recommendation in writing to our Corporate Secretary at our principal executive office in accordance with the procedures set forth below. The Nominating and Governance Committee reviews on an annual basis the performance of individual board members and the overall effectiveness of the board, and reviews this information with the full board of directors. The Nominating and Governance Committee operates under a written charter which is available on our website under the Investor Relations section at *www.qlogic.com.*

A stockholder may submit the name of a director candidate for consideration by the Nominating and Governance Committee by writing to the Secretary of the Company at the address set forth on the cover of this proxy statement. The stockholder must submit the following information in support of the candidate: (a) the name, address and telephone number of the stockholder recommending the candidate; (b) a representation that the stockholder submitting the recommendation is a stockholder of record or beneficial owner of shares of stock of the Company; (c) the name and address of the candidate; (d) a description of any arrangement or understanding between the stockholder and the candidate and any other person or persons regarding the submission of the candidate's name for consideration; (e) such other information regarding the candidate as the Company would be required to include in a proxy statement filed pursuant to the proxy rules of the SEC if the Board were to nominate the candidate for election as a director; (f) the consent of the candidate to be identified to the board as a candidate for consideration and to be identified in the proxy; and (g) the agreement of the candidate to serve on the board if elected. The Nominating and Governance Committee may request any additional information that its deems relevant in evaluating the background and experience of any candidate.

In evaluating a director candidate, the Nominating and Governance Committee will consider the candidate's independence, character, corporate governance skills and abilities, business experience, training and education, commitment to performing the duties of a director, and other skills, abilities or attributes that fill specific needs of the board or its committees. The committee will use the same criteria in evaluating candidates suggested by stockholders as for candidates suggested by other sources.

Director Education

The Board of Directors encourages its members to attend specialized training programs on corporate governance and related board topics. The entire Board has participated in director education programs sponsored by the Forum for Corporate Directors. In addition, certain members of the Board have participated in outside board education programs.

Compensation of Directors

Directors' Fees. The Compensation Committee of the Board of Directors recommended, and the Board of Directors approved, increases in non-employee director cash compensation effective July 1, 2006, which is described below. Each of our non-employee directors receives a quarterly retainer of $11,250 for serving as a member of the Board of Directors and additional quarterly retainer fees as set forth below for serving as a chairperson and/or a member of one or more committees of the Board of Directors:

Lead Director	$2,500
Audit Committee Chair	$5,000
Audit Committee member	$2,500
Compensation Committee Chair	$2,500
Compensation Committee member	$1,250
Nominating and Governance Committee Chair	$2,250
Nominating and Governance Committee member	$1,000

For each meeting of the Board of Directors in excess of nine per fiscal year, members of the Board of Directors are entitled to an additional fee of $1,500 for attendance in person and $750 for participation by telephone. For each Audit Committee meeting in excess of twelve per fiscal year, Compensation Committee meeting in excess of five per fiscal year, and Nominating and Governance Committee meeting in excess of four per fiscal year, committee members (including committee chairs) are entitled to an additional fee of $1,000 for attendance in person and $500 for participation by telephone.

Directors who are employees of QLogic receive no additional compensation for serving on the Board of Directors. Directors are entitled to reimbursement for out-of-pocket expenses in connection with attendance at all Board and Committee Meetings.

Stock Awards. The QLogic Corporation 2005 Performance Incentive Plan, as amended (the "2005 Plan"), provides that each non-employee director will automatically be granted an option to purchase 50,000 shares of common stock when he or she is first appointed or elected to the Board. The 2005 Plan also provides that thereafter, on the date of each annual meeting at which directors are elected, the director will automatically be granted an additional option to purchase 25,000 shares of common stock (75,000 shares if the non-employee director is also the Chairman of the Board) if the director is reelected at that annual meeting. The per share exercise price of each option granted to our non-employee directors equals the last reported per share sale price of the common stock on the date of grant. These stock options have maximum 10-year terms, and become exercisable as to one-third of the shares subject to the option on each anniversary of the date the option is granted if the director to whom the option is granted is still a member of our Board of Directors on such anniversary.

If stockholders approve the proposed amendments to the 2005 Plan (Proposal Two), the automatic grants to continuing non-employee directors described above will be modified. Effective for the grants made in connection with the 2006 Annual Meeting, each of our non-employee directors who is reelected as a director at our annual meeting of stockholders will automatically be granted an option to purchase 16,000 shares of common stock and an award of 3,000 restricted stock units (or, in the case of a non-employee Chairman of the Board, an option to purchase 50,000 shares of common stock and an award of 8,000 restricted stock units). The options will have the same vesting and other terms described above. The restricted stock units will be subject to the same vesting schedule as the options and will be payable in an equivalent number of shares of common stock upon vesting. The grants to newly elected or appointed non-employee directors would not be affected by the proposed amendment.

In fiscal year 2006, prior to QLogic's March 2006 2-for-1 stock-split, we granted stock options to purchase 20,000 shares of common stock at a per share exercise price of $34.81 to each of Messrs. Carter, Fiebiger, Iyer and Wells, and to Ms. Miltner, and stock options to purchase 10,330 shares of common stock at a per share exercise price of $34.81 to Mr. Birnbaum (share numbers and exercise prices have not been adjusted for the 2-for-1 stock split).

The following table summarizes all compensation paid to each of our non-employee directors during fiscal year 2006.

	Annual Compensation			Long-Term Compensation
Name	Annual Retainer ($)	Committee Retainer ($)	Total Cash Compensation ($)	Securities Underlying Options (#)(1)
Joel S. Birnbaum	36,000	4,000	40,000	10,330
Larry R. Carter	36,000	4,000	40,000	20,000
James R. Fiebiger	36,000	5,000	41,000	20,000
Balakrishnan S. Iyer	36,000	10,000	46,000	20,000
Carol L. Miltner	36,000	8,000	44,000	20,000
George D. Wells	36,000	9,000	45,000	20,000

(1) Not adjusted to reflect QLogic's 2-for-1 stock split in March 2006.

Vote Required for Proposal One

The seven director nominees receiving the highest number of votes cast at the meeting will be elected to our Board of Directors to serve until our next Annual Meeting of Stockholders or until their successors are elected and qualified, or until the earlier of the director's death, resignation or retirement. Proxies cannot be voted for more than seven nominees for director. Unless authority to vote for directors has been withheld in the proxy, the persons named in the enclosed proxy, or their nominee or substitute, intend to vote at the meeting for the election of the seven director nominees.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" THE ELECTION OF EACH OF THE NOMINEES.

EXECUTIVE OFFICERS

The following table and paragraphs set forth the names of and certain information concerning our executive officers as of July 7, 2006:

Name	Position with QLogic	Age
H.K. Desai	Chairman of the Board, Chief Executive Officer and President	60
Denis R. Maynard	Senior Vice President, Worldwide Sales and Marketing	47
Anthony J. Massetti	Senior Vice President and Chief Financial Officer	44
Robert W. Miller	Senior Vice President, Worldwide Operations	50
Nancy M. Tullos	Senior Vice President, Human Resources	54
Stephen J. Carter	Vice President, General Manager, Switch Products Group	54
Scott M. Metcalf	Vice President, General Manager, System Interconnect Group	55

For information on the business background of Mr. Desai, see "Proposal One — Election of Directors" above.

Mr. Maynard joined us in August 2001 as Vice President, Worldwide Sales and Marketing and became our Senior Vice President, Worldwide Sales and Marketing in July 2002. From July 1993 until August 2001, Mr. Maynard held several positions with Cisco Systems, most recently as director of worldwide field operations. He has also served as Regional Manager and Operations Director for Southern California for Cisco Systems. From 1990 until 1993, he was Western Regional Sales Manager for Banyan Systems.

Mr. Massetti joined us in July 2002 as Vice President, Finance. He became our Vice President and Chief Financial Officer in May 2004 and a Senior Vice President in June 2005. From March 2001 to July 2002, Mr. Massetti was Senior Director of Finance for Sandisk Corporation. From March 2000 to February 2001, Mr. Massetti was the Chief Executive Officer of Aurum Solutions, Ltd. Prior to March 2000, Mr. Massetti spent 17 years in various accounting and finance positions at IBM.

Mr. Miller originally joined us in June 1990 as Staff Engineer and was promoted to Director of Engineering in July 1994, Director of Operations in August 1995, and Vice President of Operations in July 1997. From April 2002 to January 2003, Mr. Miller served as Vice President of Worldwide Operations for Quantum Corporation, and from January 2003 to February 2004, he served as Vice President of Worldwide Operations for Chelsio Communication, Inc., a maker of 10Gb Ethernet adaptors. Mr. Miller rejoined QLogic in May 2005 as the Senior Vice President of Worldwide Operations.

Ms. Tullos joined us in November 2004 as Vice President of Human Resources. She was promoted to Senior Vice President, Human Resources in June 2005. From September 1998 to October 2004, Ms. Tullos served as Vice President of Human Resources for Broadcom Corporation. From January 1998 to August 1998, Ms. Tullos served as Vice President, Global Human Resources for CyberMedia, Inc. Prior to 1998, Ms. Tullos held various positions in the human resources departments at Micropolis Corporation and Western Digital Corporation.

Mr. Carter joined the Company in May 2003 as Vice President, General Manager, Switch Products Group. From September 1998 to April 2003, Mr. Carter served as Vice President and General Manager in the Data Storage and Information Management business unit at Imation Corp. From August 1978 to August 1998, Mr. Carter held various product development and marketing management positions with IBM.

Mr. Metcalf joined the Company in April 2006 in connection with QLogic's acquisition of PathScale, Inc. as Vice President, General Manager, System Interconnect Group. From October 2003 to April 2006, Mr. Metcalf served as the Chief Executive Officer of PathScale, Inc. From June 2001 to June 2002, Mr. Metcalf served as the Chief Executive Officer of Semio, Inc.

Code of Ethics

We have adopted and implemented a Business Ethics Policy (the "Code of Ethics") that applies to all Company officers, employees and directors. The Code of Ethics operates as a tool to help our officers, employees and directors understand and adhere to the high ethical standards we expect. The Code of Ethics is available on our website at *www.qlogic.com*. Stockholders may also obtain copies at no cost by writing to the Secretary of the Company.

EXECUTIVE COMPENSATION AND OTHER INFORMATION

Executive Compensation

The following table sets forth compensation earned during the periods presented by our Chief Executive Officer and our other four most highly compensated executive officers at the end of fiscal year 2006 (collectively, the "Named Executive Officers"). The position identified in the table for each person is his current position with us unless we indicate otherwise.

Summary Compensation Table

		Annual Compensation(1)		Long-Term Compensation	
Name and Principal Position	**Year**	**Salary ($)**	**Bonus ($)**	**Securities Underlying Options/SARs (#)(2)**	**All Other Compensation ($)(3)**
H. K. Desai	2006	676,600	750,000(4)	225,000	9,153
Chairman of the Board, Chief	2005	682,564	665,000	1,350,000	8,676
Executive Officer and President	2004	576,606	615,000	1,363,500	8,577
Denis R. Maynard	2006	315,064	190,000	34,000	426
Senior Vice President,	2005	270,963	193,439	240,000	347
Worldwide Sales and Marketing	2004	218,593	166,000	146,000	296
Anthony J. Massetti	2006	259,304	170,000	40,000	7,153
Senior Vice President and	2005	193,982	126,089	240,000	5,589
Chief Financial Officer	2004	172,323	75,000	71,000	5,313
Stephen J. Carter(5)	2006	234,303	120,000	26,000	7,081
Vice President, General,	2005	203,237	119,426	140,000	6,145
Manager, Switch Products Group	2004	169,830	100,000	132,500	5,322
Robert W. Miller(6)	2006	214,029	125,000	123,000	6,844
Senior Vice President,	2005	—	—	—	—
Worldwide Operations	2004	—	—	—	—

(1) In accordance with applicable rules of the Securities and Exchange Commission, the compensation described in this table does not include perquisites and other personal benefits received by the executive officers that do not exceed $50,000 or 10% of the officer's salary and bonus disclosed in this table. For informational purposes, the Company provided the following perquisites to Named Executive Officers during fiscal year 2006: Mr. Desai: $9,000 automobile allowance; Mr. Maynard: $7,800 automobile allowance and $1,200 for tax services; Mr. Massetti: $7,350 automobile allowance and $1,024 for tax services; Mr. Carter: $7,200 automobile allowance and $310 for tax services; and Mr. Miller: $6,914 automobile allowance.

(2) The amounts in the table represent shares of our common stock covered by stock options granted to the named individual under the QLogic Corporation Stock Awards Plan and the QLogic Corporation 2005 Performance Incentive Plan (for grants made after August 23, 2005). All amounts have been adjusted to reflect QLogic's 2-for-1 stock split in March 2006.

(3) This column consists of matching contributions to the QLogic Corporation Retirement Savings Plan and group term life insurance premiums paid with respect to the named individual, and includes the following for fiscal year 2006:

(a) life insurance premiums paid by QLogic in the amount of $2,657 to Mr. Desai, $426 to Mr. Maynard, $243 to Mr. Massetti, $453 to Mr. Carter and $423 to Mr. Miller, for group term life insurance coverage equal to two times annual salary and bonus, up to a maximum of $600,000; and

(b) 401(k) plan matching contributions, available to all employees, paid by QLogic in the amount of $6,496 to Mr. Desai, $6,910 to Mr. Massetti, $6,628 to Mr. Carter and $6,421 to Mr. Miller.

(4) Mr. Desai's bonus for 2006 consisted of an incentive bonus payment of $675,000 and a special bonus payment of $75,000 for the successful completion of the sale of QLogic's hard disk drive and tape drive controller business.

(5) Mr. Carter joined QLogic in May 2003.

(6) Mr. Miller originally worked for QLogic from 1990 to 2002, and rejoined QLogic in May 2005.

Stock Option Grants

The following table sets forth information regarding the stock options that we granted during fiscal year 2006 to each of our Named Executive Officers:

Option Grants in Fiscal Year 2006

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term ($)(4)	
Name	Number of Securities Underlying Options Granted(1)	% of Total Options Granted to Employees in Fiscal Year(2)	Exercise Price ($/Share)	Expiration Date(3)	5%	10%
H. K. Desai	225,000	8.2%	$16.475	12/05/15	$2,331,234	$5,907,804
Denis R. Maynard	34,000	1.2%	$16.475	12/05/15	$ 352,276	$ 892,735
Anthony J. Massetti	40,000	1.5%	$16.475	12/05/15	$ 414,442	$1,050,276
Stephen J. Carter	26,000	0.9%	$16.475	12/05/15	$ 269,387	$ 682,680
Robert W. Miller	100,000	3.6%	$15.175	05/09/15	$ 954,347	$2,418,504
	23,000	0.8%	$16.475	12/05/15	$ 238,304	$ 603,909

(1) The amounts in the table represent shares of our common stock covered by stock options granted to the named individual under the QLogic Corporation 2005 Performance Incentive Plan or in the case of Mr. Miller's May 2005 grant the QLogic Corporation Stock Awards Plan. Each option becomes exercisable on a cumulative basis as to 25% of the option shares one year after the date of grant and as to an additional 6.25% of the option shares each three-month interval thereafter.

(2) Options to purchase an aggregate of 2,756,458 shares of common stock were granted to employees, including the above executive officers, during the fiscal year ended April 2, 2006.

(3) Options granted have a term of 10 years, subject to earlier termination.

(4) These columns present hypothetical future values of the stock obtainable upon exercise of the option net of the option's exercise price, assuming that the market price of our common stock appreciates at a 5% and 10% compound annual rate over the ten-year term of the options. The 5% and 10% rates of stock price appreciation are presented as examples pursuant to the rules and regulations of the Securities and Exchange Commission and do not necessarily reflect an estimate or projection of our future stock price performance. The potential realizable values presented are not intended to indicate the value of the options.

Option Exercises and Holdings

The following table sets forth information for the Named Executive Officers concerning options they exercised during fiscal year 2006 and unexercised options they held at the end of fiscal year 2006:

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values(1)

Name	Shares Acquired on Exercise	Value Realized ($)	Number of Securities Underlying Unexercised Options at Fiscal Year End		Value of Unexercised In-the-Money Options at Fiscal Year End ($)(2)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
H. K. Desai	0	0	4,907,025	1,596,097	7,812,941	5,925,239
Denis R. Maynard	60,000	417,858	346,750	257,250	320,381	1,004,469
Anthony J. Massetti	0	0	219,872	225,128	585,938	990,063
Stephen J. Carter	0	0	141,624	156,876	350,636	616,864
Robert W. Miller	0	0	0	123,000	0	483,625

(1) Share numbers have been adjusted for all of our stock splits and stock dividends.

(2) Based on the last sales price of our shares of common stock on March 31, 2006 ($19.35), minus the per share exercise price of the unexercised options, multiplied by the number of shares represented by the unexercised options.

Employment Contracts, Termination of Employment and Change-in-Control Arrangements

The following is a description of the terms and conditions of each employment or change in control agreement that we have with our Named Executive Officers:

H.K. Desai. We have an agreement with Mr. Desai under which Mr. Desai is entitled to receive the following payments and benefits in the event that we terminate him without cause or if he is demoted at any time within two years after a change in control of QLogic and Mr. Desai elects to terminate his employment: (1) a severance payment equal to the present value of two times the sum of Mr. Desai's annual salary plus the highest annual average of any two of his last three annual bonuses; (2) continuation for two years following termination of employment of his health, life insurance, disability income, tax assistance, and executive automobile benefits (reduced to the extent similar benefits are received by him from another employer); and (3) acceleration of vesting of his stock options based on the length of his continued employment following the grant of the option by one year upon a change in control of QLogic and full acceleration of vesting of such exercise right in the event of termination of his employment without cause or because of a demotion within two years after the change in control.

REPORT OF COMPENSATION COMMITTEE

This section of the proxy statement will not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filings under the Securities Act of 1933 (the "Securities Act") or under the Securities Exchange Act of 1934 (the "Exchange Act", and together with the Securities Act, the "Acts"), except to the extent that we specifically incorporate this information by reference, and will not otherwise be deemed filed under the Acts.

Carol L. Miltner, James R. Fiebiger and Balakrishnan S. Iyer presently serve on the Compensation Committee. The Compensation Committee reviews the performance of our executive officers. It determines the compensation of the Chief Executive Officer and reviews and determines the compensation programs for other key employees, including salary and cash incentive payment levels and stock awards under the QLogic Corporation 2005 Performance Incentive Plan.

Compensation Policies and Philosophy. Our executive compensation policies are designed to attract, retain and reward executives who contribute to our success, to provide economic incentives for executives to achieve our business objectives by linking the executives' compensation to QLogic's performance, to strengthen the relationship between executive pay and stockholder value and to reward individual performance. We use a combination of base salary, annual pay-for-performance incentive cash payments ("Cash Incentive Payments") dependent on QLogic's performance goals and objectives for the performance period, and long-term equity grants to achieve these objectives.

A substantial amount of the Compensation Committee's annual cycle of work relates to the determination of compensation for QLogic's executive officers, including the Chief Executive Officer. Following the end of each fiscal year, the Compensation Committee makes determinations of base cash compensation ("Base Salary") for the then current fiscal year and makes determinations of Cash Incentive Payments relating to the just completed fiscal year. We also periodically award executive officers long-term equity incentives.

The Cash Incentive Payments are determined taking into account QLogic's financial results, individual performance reviews and scoring of progress to corporate business goals. The Compensation Committee's process for determining compensation also includes a review of QLogic's executive compensation programs and practices and an analysis, for each QLogic executive, of all elements of compensation. We engage an independent third party executive compensation consultant to assist us in comparing these compensation components separately and in the aggregate to compensation at companies that QLogic uses as its "peer group" for compensation analysis purposes (the peer group is also sometimes referred to in this Compensation Committee Report as the "market"). The peer group consists of a technology industry subset of companies of comparable size and complexity to QLogic or technology companies against which QLogic competes for business and employees. The compensation of executive officers is also compared with the compensation of other QLogic employees for internal pay equity purposes.

In determining Base Salary, Cash Incentive Payments and long-term equity incentives for executive officers, the Compensation Committee reviews QLogic's performance and individual performance information and peer group executive compensation information derived from compensation surveys and public filings. For this review, we examine total compensation including all aspects of the executive officer's total cash compensation (Base Salary plus incentives), the target value of equity grants, and the outstanding holdings for each executive officer.

The Compensation Committee considers a number of factors, which include the level and types of compensation paid to executives in similar positions by comparable or competitive companies. In addition, we evaluate corporate performance by looking at factors such as performance relative to competitors, performance relative to business conditions, and success in meeting financial objectives. We also review the individual performance of each executive, including a review of the ability of a given executive to meet individual performance objectives, demonstration of job knowledge and skills, and the ability to work with others toward the achievement of QLogic's goals.

Section 162(m) of the Internal Revenue Code of 1986, as amended, establishes a limitation on the deductibility of compensation payable in any particular tax year to the Chief Executive Officer and the four most highly compensated other executive officers. While QLogic attempts to maximize the deductibility of compensation paid to the Chief Executive Officer and the four most highly compensated other executive officers, QLogic retains the flexibility necessary to provide total compensation in line with competitive practice, QLogic's compensation philosophy, and QLogic's best interests. QLogic therefore may from time to time pay compensation to its executive officers that may not be deductible under Section 162(m).

Components of Compensation. The Compensation Committee believes that the proportion of compensation at risk should rise as an employee's level of responsibility increases. As such we have set the target pay philosophy to provide more reward linked to incentive pay.

Base Salaries. The aim of the Compensation Committee is to pay executives Base Salaries that are commensurate with the qualifications, duties and responsibilities of the executives and that are competitive in the marketplace. Increases in Base Salaries are provided to reward the individual for contribution during the prior fiscal year in helping to meet financial and business objectives, as well as the executives' performance of their individual responsibilities. In general, we attempt to set compensation that is near the average (the 45th to 55th percentile) of the Base Salaries paid to executives of our peer group companies.

Total cash compensation (Base Salary plus Cash Incentive Payments). Our pay for performance philosophy ensures that annual incentive compensation follows achievement of business-specific goals and individual goals. Target incentives for individual officers range from 25% to 100% of their respective Base Salaries and are generally targeted to offer incentive compensation at or above market (55th — 65th percentile of our peer group companies). The Compensation Committee's plan for annual incentive compensation measures performance against pre-established financial goals and other business objectives. Under our plan, Cash Incentive Payments are made annually. Annual incentive performance targets and Cash Incentive Payment recommendations for executives, other than executive officers, are proposed by QLogic's management team, reviewed and, when appropriate, revised and approved by the Compensation Committee. Cash Incentive Payment recommendations for executive officers are approved by the Compensation Committee.

Long-term incentives. Our long-term incentive program is designed to encourage creation of long-term value for our stockholders, retain qualified key employees, and build equity ownership among executives. We have historically used stock options to balance these goals. Beginning in fiscal year 2007, we intend to utilize a combination of stock options and restricted stock units to balance these goals. Stock options are aimed at motivating performance and retention, while restricted stock unit grants are aimed at retention. No restricted stock units were granted to officers in fiscal year 2006. We believe that stock options are truly performance based in that executives do not receive any benefit unless stock price increases (creating more shareholder value). The Compensation Committee feels that long-term incentives should provide significant motivation and upside, and grants are generally targeted at the 75th percentile of our peer group companies. If QLogic does not provide shareholder return through stock price growth, awards of stock options may provide actual rewards that have little or no value. The grant sizes of long-term incentives are usually based upon factors such as comparable equity compensation offered by other technology companies, the seniority of the executive and the contribution that the executive is expected to make to QLogic. In determining the size of periodic grants to executives, the Compensation Committee also considers prior grants to the executive, the executive's performance during the prior fiscal year, and his or her expected contributions during future periods. The number of options granted to executive officers during fiscal year 2006 was substantially below levels of the prior two fiscal years as the committee delayed the grant of awards while it carefully evaluated its historical practice of awarding stock options as long-term incentives and developed a long-term incentive model that includes a mix of stock options and restricted stock units.

Compensation of the Chief Executive Officer. The Compensation Committee annually reviews the performance of the Chief Executive Officer. As the Chief Executive Officer, Mr. Desai's compensation was determined based on consideration of the various factors discussed above, including QLogic's performance, the individual performance of Mr. Desai, a review of the compensation packages of executives in technology companies, and Mr. Desai's performance compared to various objective and subjective goals established by the Board of Directors. It is the practice of the Compensation Committee to establish performance goals at the commencement of each fiscal year, to provide a performance appraisal to the Chief Executive Officer at the end of each fiscal year, and to approve incentive payments based on the Chief Executive Officer's performance as measured against such objectives. Mr. Desai's goals for fiscal year 2006, as established by the Compensation Committee, included both objective components and subjective components. The objective components included revenue and profitability goals. The subjective elements included goals to divest the hard disk drive and tape drive controller business, and goals to identify and acquire companies and technologies and expand research and development activities to further the Company's future growth. Mr. Desai also had several management objectives, including, as recommended by corporate governance guidelines, continued work with the Nominating and Governance Committee of the Board on succession planning. The Compensation Committee reviewed Mr. Desai's performance during fiscal year 2006 and determined that he had met the key objectives established by the Compensation Committee. The Compensation Committee in setting Mr. Desai's incentive payment for fiscal year 2006 noted the following key achievements under Mr. Desai's leadership during fiscal year 2006: (i) the Company achieved the revenue and profitability targets established; (ii) the Company successfully completed the sale of the hard disk drive and tape drive controller business; (iii) the Company acquired the business of Troika Networks, and its virtualization technology; and (iv) the Company entered into an agreement to acquire Pathscale, Inc. and its InfiniBand technology (the acquisition of which was completed after the end of fiscal year 2006).

Respectfully submitted,

Compensation Committee

Carol L. Miltner, Chair
James R. Fiebiger
Balakrishnan S. Iyer

Compensation Committee Interlocks and Insider Participation

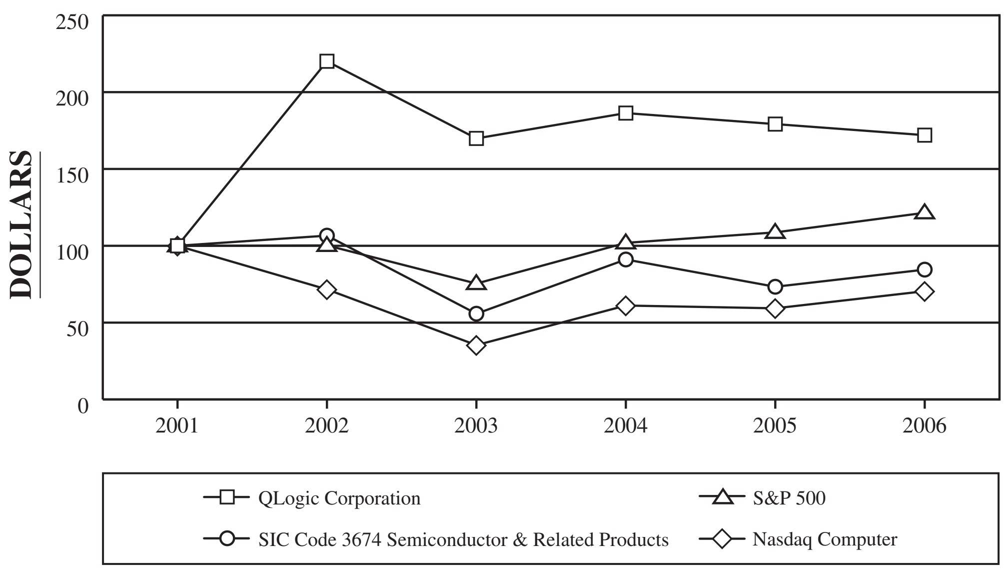
The members of the Compensation Committee for fiscal year 2006 were Carol L. Miltner, James R. Fiebiger and Balakrishnan S. Iyer. No member of this committee was at any time during fiscal year 2006 or at any other time an officer or employee of QLogic, and no member had any relationship with QLogic requiring disclosure under Item 404 of Regulation S-K. No executive officer of QLogic has served on the board of directors or compensation committee of any other entity that has or has had one or more executive officers who served as a member of the Board of Directors or the Compensation Committee during fiscal year 2006.

STOCKHOLDER RETURN PERFORMANCE PRESENTATION

The graph below compares the cumulative total stockholder return on our common stock with the cumulative total return on the Standard & Poor's 500 Index, the SIC Code Index (Semiconductor & Related Products — 3674) and the Nasdaq Computer Index for the five fiscal year period ended April 2, 2006. During fiscal year 2006, the Company divested its hard disk drive controller and tape drive controller business, solidifying its focus on the storage area network market. As a result of these changes, the Company believes that the Nasdaq Computer Index is a more appropriate index for assessing stockholder return performance than the SIC Code 3674 Index for Semiconductor & Related Products.

The graph below will not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filings under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent that we specifically incorporate this information by reference, and will not otherwise be deemed filed under the Acts.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
AMONG QLOGIC CORPORATION



	Cumulative Total Return					
	4/1/01	**3/31/02**	**3/30/03**	**3/28/04**	**4/3/05**	**4/2/06**
QLogic Corporation	100.00	220.09	169.87	186.36	179.20	172.00
S&P 500 Index	100.00	100.24	75.42	101.91	108.73	121.48
SIC Code Index (Semiconductor & Related Products — 3674)	100.00	106.61	55.80	91.09	73.34	84.49
Nasdaq Computer Index	100.00	71.63	35.35	61.12	59.32	70.45

* $100 invested on 4/1/01 in stock or on 3/31/01 in index-including reinvestment of dividends. Index calculated on month-end basis.

PROPOSAL TWO

APPROVAL OF AMENDMENT TO THE QLOGIC CORPORATION 2005 PERFORMANCE INCENTIVE PLAN

General

At the Annual Meeting, stockholders will be asked to approve an amendment to the QLogic Corporation 2005 Performance Incentive Plan (the "Amendment"), which was adopted by the Board of Directors, subject to stockholder approval. The Board of Directors approved the proposed Amendment to enable QLogic to continue to attract and retain the highest quality directors, which is essential to QLogic's long-term growth and success, and to more closely align non-employee director compensation with the philosophy used in establishing compensation for executive officers. If stockholders do not approve the proposed Amendment, the current annual grant levels to non-employee directors described under **"Compensation of Directors — Stock Awards"** above will continue in effect.

The QLogic Corporation 2005 Performance Incentive Plan, as amended (the "2005 Plan") sets forth the material terms of the automatic award grants to non-employee directors. The 2005 Plan originally provided for an annual option grant to non-employee directors of 20,000 shares and to any non-employee director that served as Chairman of the Board of 54,000 shares. Due to our March 2006 2-for-1 stock split, the annual option grants automatically doubled from 20,000 and 54,000 shares to 40,000 and 108,000 shares, respectively. At a meeting held on June 1, 2006, the Board of Directors reduced the annual option grant from 40,000 and 108,000 shares to 25,000 and 75,000 shares, respectively. The proposed Amendment would (i) reduce the number of shares of Common Stock subject to the annual option grant to non-employee directors from 25,000 shares to 16,000 shares and provide for an additional grant of 3,000 restricted stock units, (ii) reduce the number of shares of Common Stock subject to the annual option grant to any non-employee director that serves as Chairman of the Board from 75,000 shares to 50,000 shares and provide for an additional grant of 8,000 restricted stock units, and (iii) provide that the restricted stock units would be subject to the same vesting requirements as the current option grants and would be payable in an equivalent number of shares of Common Stock upon vesting. The Amendment would also make appropriate changes to the 2005 Plan to reflect that equity awards other than stock options will be granted to non-employee directors. The Amendment only relates to the automatic equity awards to non-employee directors of QLogic and does not affect the option grants made to newly elected or appointed non-employee directors. The preceding summary is qualified in its entirety by the full text of the Amendment, which appears as Exhibit A to this Proxy Statement.

QLogic is not seeking an increase in the aggregate number of shares available for award grant purposes under the 2005 Plan.

Summary Description of the 2005 Performance Incentive Plan

The principal terms of the 2005 Plan are summarized below. The following summary is qualified in its entirety by the full text of the 2005 Plan, which was filed as Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 2, 2005. All numbers presented in the following description have been adjusted to reflect the March 2006 2-for-1 stock split.

Purpose. The purpose of the 2005 Plan is to promote the success of QLogic and the interests of our stockholders by providing an additional means for us to attract, motivate, retain and reward directors, officers, employees and other eligible persons through the grant of awards and incentives for high levels of individual performance and improved financial performance of QLogic. Equity-based awards are also intended to further align the interests of award recipients and our stockholders.

Administration. Our Board of Directors or one or more committees appointed by our Board of Directors will administer the 2005 Plan. Our Board of Directors has delegated general administrative authority for the 2005 Plan to the Compensation Committee. A committee may delegate some or all of its authority with respect to the 2005 Plan to another committee of directors, and certain limited authority to grant awards to employees may be delegated to one or more of our officers. (The appropriate acting body, be it the Board of Directors, a committee within its delegated authority, or an officer within his or her delegated authority, is referred to in this proposal as the "Administrator").

The Administrator has broad authority under the 2005 Plan with respect to award grants including, without limitation, the authority:

- to select participants and determine the type(s) of award(s) that they are to receive;
- to determine the number of shares that are to be subject to awards and the terms and conditions of awards, including the price (if any) to be paid for the shares or the award;
- to cancel, modify, or waive our rights with respect to, or modify, discontinue, suspend, or terminate, any or all outstanding awards, subject to any required consents;
- to accelerate or extend the vesting or exercisability or extend the term of any or all outstanding awards;
- subject to the other provisions of the 2005 Plan, to make certain adjustments to an outstanding award and to authorize the conversion, succession or substitution of an award; and
- to allow the purchase price of an award or shares of our common stock to be paid in the form of cash, check, or electronic funds transfer, by the delivery of already-owned shares of our common stock or by a reduction of the number of shares deliverable pursuant to the award, by services rendered by the recipient of the award, by notice and third party payment or cashless exercise on such terms as the Administrator may authorize, or any other form permitted by law.

No Repricing. In no case (except due to an adjustment to reflect a stock split or similar event or any repricing that may be approved by stockholders) will any adjustment be made to a stock option or stock appreciation right award under the 2005 Plan (by amendment, cancellation and regrant, exchange or other means) that would constitute a repricing of the per share exercise or base price of the award.

Eligibility. Persons eligible to receive awards under the 2005 Plan include our officers, employees, directors and certain of our consultants and advisors. All of our officers and employees (including all of our named executive officers) are considered eligible under the 2005 Plan. Our six non-employee directors are eligible only for automatic award grants under the 2005 Plan. Non-employee directors are not eligible for discretionary awards under the 2005 Plan. A summary of the material terms of the automatic award grants to non-employee directors can be found under the heading **"Compensation of Directors — Stock Awards"** in Proposal One above.

Authorized Shares; Limits on Awards. The maximum number of shares of our common stock that may be issued or transferred pursuant to awards under the 2005 Plan equals the sum of (i) 14,000,000 shares, plus (ii) the number of shares subject to stock option grants under the Stock Awards Plan and outstanding on August 23, 2005 (the date of the 2005 Annual Meeting) which expire, or for any reason are canceled or terminated, after August 23, 2005 without being exercised. As of July 7, 2006, a total of 20,339,382 shares of our Common Stock were then subject to outstanding grant awards under the Stock Awards Plan. No additional awards will be granted under the Stock Awards Plan.

The following other limits are also contained in the 2005 Plan:

- The maximum number of shares that may be delivered pursuant to options qualified as incentive stock options granted under the plan is 40,000,000 shares.
- The maximum number of shares subject to those options and stock appreciation rights that are granted during any calendar year to any individual under the plan is 4,000,000 shares.
- The maximum number of shares that constitute "full-value awards" that may be delivered pursuant to awards granted under the plan, other than in the circumstances described in the next sentence, is 2,800,000 shares. This limit on so-called "full-value awards" does not apply, however, to (1) shares delivered in respect of stock option grants, and (2) shares delivered in respect of stock appreciation right grants.

- “Performance-Based Awards” under Section 5.2 of the 2005 Plan payable only in cash and not related to shares and granted to a participant in any one calendar year will not provide for payment of more than $5,000,000.

To the extent that an award is settled in cash or a form other than shares, the shares that would have been delivered had there been no such cash or other settlement will not be counted against the shares available for issuance under the 2005 Plan. In the event that shares are delivered in respect of a dividend equivalent right, only the actual number of shares delivered with respect to the award shall be counted against the share limits of the 2005 Plan. To the extent that shares are delivered pursuant to the exercise of a stock appreciation right or stock option, the number of underlying shares as to which the exercise related shall be counted against the applicable share limits, as opposed to only counting the shares actually issued. (For purposes of clarity, if a stock appreciation right relates to 100,000 shares and is exercised at a time when the payment due to the participant is 15,000 shares, 100,000 shares shall be charged against the applicable share limits with respect to such exercise.) Shares that are subject to or underlie awards which expire or for any reason are cancelled or terminated, are forfeited, fail to vest, or for any other reason are not paid or delivered under the 2005 Plan will again be available for subsequent awards under the 2005 Plan. In addition, the 2005 Plan generally provides that shares issued in connection with awards that are granted by or become obligations of QLogic through the assumption of awards (or in substitution for awards) in connection with an acquisition of another company will not count against the shares available for issuance under the 2005 Plan.

Types of Awards. The 2005 Plan authorizes stock options, stock appreciation rights, restricted stock, stock bonuses and other forms of awards granted or denominated in our common stock or units of our common stock, as well as cash bonus awards pursuant to Section 5.2 of the 2005 Plan. The 2005 Plan retains flexibility to offer competitive incentives and to tailor benefits to specific needs and circumstances. Any award may be paid or settled in cash.

A stock option is the right to purchase shares of our common stock at a future date at a specified price per share (the “exercise price”). The per share exercise price of an option generally may not be less than the fair market value of a share of our common stock on the date of grant. The maximum term of an option is ten years from the date of grant. An option may either be an incentive stock option or a nonqualified stock option. Incentive stock option benefits are taxed differently from nonqualified stock options, as described under “**Federal Income Tax Consequences of Awards Under the 2005 Plan**” below. Incentive stock options are also subject to more restrictive terms and are limited in amount by the U.S. Internal Revenue Code and the 2005 Plan. Incentive stock options may only be granted to our employees.

A stock appreciation right is the right to receive payment of an amount equal to the excess of the fair market value of a share of our common stock on the date of exercise of the stock appreciation right over the base price of the stock appreciation right. The base price will be established by the Administrator at the time of grant of the stock appreciation right and generally cannot be less than the fair market value of a share of our common stock on the date of grant. Stock appreciation rights may be granted in connection with other awards or independently. The maximum term of a stock appreciation right is ten years from the date of grant.

The per share exercise price of an option or the per share base price of a stock appreciation right may, however, be less than the fair market value of a share of our common stock on the date of grant in the case of awards granted retroactively in tandem with or as a substitution for another award.

The other types of awards that may be granted under the 2005 Plan include, without limitation, stock bonuses, restricted stock, performance stock, stock units, dividend equivalents, or similar rights to purchase or acquire shares, and cash awards granted consistent with Section 5.2 of the 2005 Plan as described below.

Performance-Based Awards. The Administrator may grant awards that are intended to be performance-based awards within the meaning of Section 162(m) of the U.S. Internal Revenue Code (“Performance-Based Awards”). Performance-Based Awards are in addition to any of the other types of awards that may be granted under the 2005 Plan (including options and stock appreciation rights which may also qualify as performance-based awards for Section 162(m) purposes). Performance-Based Awards may be in the form of restricted stock, performance stock, stock units, other rights, or cash bonus opportunities.

The vesting or payment of Performance-Based Awards (other than options or stock appreciation rights) will depend on the absolute or relative performance of QLogic on a consolidated, subsidiary, segment, division, or business unit basis. The Administrator will establish the criterion or criteria and target(s) on which performance will be measured. The Administrator must establish criteria and targets in advance of applicable deadlines under the U.S. Internal Revenue Code and while the attainment of the performance targets remains substantially uncertain. The criteria that the Administrator may use for this purpose will include one or more of the following: earnings per share, cash flow (which means cash and cash equivalents derived from either net cash flow from operations or net cash flow from operations, financing and investing activities), total stockholder return, gross revenue, revenue growth, operating income (before or after taxes), net earnings (before or after interest, taxes, depreciation and/or amortization), return on equity or on assets or on net investment, cost containment or reduction, the fair market value of a share of our common stock, or any combination thereof. The performance measurement period with respect to an award may range from three months to ten years. Performance targets will be adjusted to mitigate the unbudgeted impact of material, unusual or nonrecurring gains and losses, accounting changes or other extraordinary events not foreseen at the time the targets were set unless the Administrator provides otherwise at the time of establishing the targets.

Performance-Based Awards may be paid in stock or in cash (in either case, subject to the limits described under the heading "**Authorized Shares; Limits on Awards**" above). Before any Performance-Based Award (other than an option or stock appreciation right) is paid, the Administrator must certify that the performance target or targets have been satisfied. The Administrator has discretion to determine the performance target or targets and any other restrictions or other limitations of Performance-Based Awards and may reserve discretion to reduce payments below maximum award limits.

Deferrals. The Administrator may provide for the deferred payment of awards, and may determine the other terms applicable to deferrals. The Administrator may provide that deferred settlements include the payment or crediting of interest or other earnings on the deferred amounts, or the payment or crediting of dividend equivalents where the deferred amounts are denominated in shares.

Acceleration of Awards; Possible Early Termination of Awards. Generally, and subject to limited exceptions set forth in the 2005 Plan, if any person acquires more than 30% of the outstanding common stock or combined voting power of QLogic, if certain changes in a majority of our Board of Directors occur over a period of not longer than two years, if stockholders prior to a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction do not continue to own more than 50% of the voting securities of QLogic (or a successor or a parent) following such a transaction involving QLogic or any of its subsidiaries, if a sale or other disposition of all or substantially all of our assets or the acquisition of assets or stock of another entity by QLogic or any of its subsidiaries occurs, or if QLogic is dissolved or liquidated, then awards then-outstanding under the 2005 Plan may become fully vested or paid, as applicable, and may terminate or be terminated in such circumstances. The Administrator also has the discretion to establish other change in control provisions with respect to awards granted under the 2005 Plan. For example, the Administrator could provide for the acceleration of vesting or payment of an award in connection with a change in control event that is not described above and provide that any such acceleration shall be automatic upon the occurrence of any such event.

Transfer Restrictions. Subject to certain exceptions contained in Section 5.7 of the 2005 Plan, awards under the 2005 Plan generally are not transferable by the recipient other than by will or the laws of descent and distribution and are generally exercisable, during the recipient's lifetime, only by the recipient. Any amounts payable or shares issuable pursuant to an award generally will be paid only to the recipient or the recipient's beneficiary or representative. The Administrator has discretion, however, to establish written conditions and procedures for the transfer of awards to other persons or entities, provided that such transfers comply with applicable federal and state securities laws.

Adjustments. As is customary in incentive plans of this nature, each share limit and the number and kind of shares available under the 2005 Plan and any outstanding awards, as well as the exercise or purchase prices of awards, and performance targets under certain types of performance-based awards, are subject to adjustment in the event of certain reorganizations, mergers, combinations, recapitalizations, stock splits, stock dividends, or other similar events that change the number or kind of shares outstanding, and extraordinary dividends or distributions of property to the stockholders.

No Limit on Other Authority. The 2005 Plan does not limit the authority of the Board of Directors or any committee to grant awards or authorize any other compensation, with or without reference to our common stock, under any other plan or authority.

Termination of or Changes to the 2005 Plan. The Board of Directors may amend or terminate the 2005 Plan at any time and in any manner. Stockholder approval for an amendment will be required only to the extent then required by applicable law or any applicable listing agency or required under Sections 162, 422 or 424 of the U.S. Internal Revenue Code to preserve the intended tax consequences of the plan. For example, stockholder approval will be required for any amendment that proposes to increase the maximum number of shares that may be delivered with respect to awards granted under the 2005 Plan. (Adjustments as a result of stock splits or similar events will not, however, be considered an amendment requiring stockholder approval.) Unless terminated earlier by the Board of Directors, the authority to grant new awards under the 2005 Plan will terminate on June 8, 2015. Outstanding awards, as well as the Administrator's authority with respect thereto, generally will continue following the expiration or termination of the plan. Generally speaking, outstanding awards may be amended by the Administrator (except for a repricing), but the consent of the award holder is required if the amendment (or any plan amendment) materially and adversely affects the holder.

Automatic Grants to Non-Employee Directors. Currently, the 2005 Plan provides for automatic option grants to non-employee directors upon their election or appointment to the Board of Directors and upon their reelection at each annual meeting of stockholders. If stockholders approve the proposed amendment to the 2005 Plan, the annual grants will be modified to reduce the number of shares subject to the option grants and include a grant of restricted stock units. The current and proposed grants to non-employee directors are described in more detail under the heading "**Compensation of Directors — Stock Awards**" above.

Federal Income Tax Consequences of Awards under the 2005 Plan

The U.S. federal income tax consequences of the 2005 Plan under current federal law, which is subject to change, are summarized in the following discussion of the general tax principles applicable to the 2005 Plan. This summary is not intended to be exhaustive and, among other considerations, does not describe state, local, or international tax consequences.

With respect to nonqualified stock options, we are generally entitled to deduct, and the participant recognizes, taxable income in an amount equal to the difference between the option exercise price and the fair market value of the shares at the time of exercise. With respect to incentive stock options, we are generally not entitled to a deduction nor does the participant recognize income at the time of exercise, although the participant may be subject to the U.S. federal alternative minimum tax.

The current federal income tax consequences of other awards authorized under the 2005 Plan generally follow certain basic patterns: nontransferable restricted stock subject to a substantial risk of forfeiture results in income recognition equal to the excess of the fair market value over the price paid (if any) only at the time the restrictions lapse (unless the recipient elects to accelerate recognition as of the date of grant); bonuses, stock appreciation rights, cash and stock-based performance awards, dividend equivalents, stock units, and other types of awards are generally subject to tax at the time of payment; and compensation otherwise effectively deferred is taxed when paid. In each of the foregoing cases, we will generally have a corresponding deduction at the time the participant recognizes income.

If an award is accelerated under the 2005 Plan in connection with a "change in control" (as this term is used under the U.S. Internal Revenue Code), we may not be permitted to deduct the portion of the compensation attributable to the acceleration ("parachute payments") if it exceeds certain threshold limits under the U.S. Internal Revenue Code (and certain related excise taxes may be triggered). Furthermore, we may not be permitted in certain circumstances to deduct the aggregate compensation in excess of $1,000,000 attributable to awards that are not "performance-based" within the meaning of Section 162(m) of the U.S. Internal Revenue Code.

Specific Benefits under the 2005 Performance Incentive Plan

As described above, if stockholders approve the proposed Amendment, automatic grants of stock options and restricted stock units will be made to our non-employee directors beginning with their reelection at our 2006 Annual Meeting. The number of stock options and restricted stock units that will be granted, based on the following assumptions, to our six non-employee directors as a group pursuant to the formulaic annual grants is 864,000 (16,000 x 6 x 9) stock options and 162,000 (3,000 x 6 x 9) restricted stock units. This represents the aggregate number of shares that would be subject to annual grants of stock options and restricted stock units to non-employee directors for calendar years 2006 through 2014 (the nine remaining years in the term of the 2005 Plan), assuming, among other future variables, that there are no new eligible non-employee directors, there continue to be six eligible non-employee directors seated (none of whom serves as the Chairman of the Board of Directors), and there are no changes to types of annual awards and the number of shares subject to each annual grant (16,000 shares subject to stock option grants and 3,000 restricted stock units) is not increased or decreased. The actual number of shares that will be subject to stock options for initial one-time grants to new directors under the 2005 Plan is not determinable.

Aggregate Past Grants Under the 2005 Plan

As of July 7, 2006, awards covering 6,349,492 shares of our common stock had been granted under the 2005 Plan. The following table shows information regarding the distribution of those awards among the persons and groups identified below, option exercises and restricted stock unit vesting prior to and option and unvested restricted stock unit holdings as of that date.

	Stock Options				Restricted Stock Units		
			Number of Shares Underlying Options as of July 7, 2006				
Name and Position	Number of Shares Subject to Past Option Grants	Number of Shares Acquired on Exercise	Exercisable/	Unexercisable	Number of Restricted Stock Units Subject to Past Grants	Number of Units Vested as of July 7, 2006	Number of Units Outstanding and Unvested as of July 7, 2006
Executive Group:							
H.K. Desai Chairman of the Board, Chief Executive Officer and President	775,000	0	0	775,000	120,000	0	120,000
Dennis R. Maynard Senior Vice President, Worldwide Sales and Marketing	89,000	0	0	89,000	12,000	0	12,000
Anthony J. Massetti Senior Vice President and Chief Financial Officer	115,000	0	0	115,000	25,000(1)	0	25,000
Stephen J. Carter Vice President, General Manager, Switch Products Group	61,000	0	0	61,000	7,500	0	7,500
Robert W. Miller Senior Vice President, Worldwide Operations	63,000	0	0	63,000	8,500	0	8,500
Total for Executive Group (7 persons):	1,186,000	0	0	1,186,000	180,550	0	180,550
Non-Executive Director Group:							
Joel S. Birnbaum	20,660	0	0	20,660	0	0	0
Larry R. Carter	40,000	0	0	40,000	0	0	0
James R. Fiebiger	40,000	0	0	40,000	0	0	0
Balakrishnan S. Iyer	40,000	0	0	40,000	0	0	0
Carol L. Miltner	40,000	0	0	40,000	0	0	0
George D. Wells	40,000	0	0	40,000	0	0	0
Total for Non-Executive Director Group:	220,660	0	0	220,660	0	0	0

Name and Position	Stock Options: Number of Shares Subject to Past Option Grants	Stock Options: Number of Shares Acquired on Exercise	Stock Options: Number of Shares Underlying Options as of July 7, 2006: Exercisable/	Stock Options: Number of Shares Underlying Options as of July 7, 2006: Unexercisable	Restricted Stock Units: Number of Restricted Stock Units Subject to Past Grants	Restricted Stock Units: Number of Units Vested as of July 7, 2006	Restricted Stock Units: Number of Units Outstanding and Unvested as of July 7, 2006
Each other person who has received 5% or more of the options, warrants or rights under the 2005 Plan	N/A	N/A	N/A	N/A	N/A	N/A	N/A
All employees, including all current officers who are not executive officers or directors, as a group	4,436,987	0	0	4,273,347	325,345	0	322,145
Total	5,843,647	0	0	5,680,007	505,845	0	502,645

(1) The Compensation Committee of the Board of Directors has also committed to award Mr. Massetti, subject to his continued employment with the Company, an additional 25,000 Restricted Stock Units for each of the next three years at the time of the Company's annual grant of Restricted Stock Units. The awards in future years would be subject to the normal terms applicable to Restricted Stock Units and would vest as follows: year one award — three year vesting; year two award — two year vesting; and year three award — one year vesting.

Mr. Desai and each of the non-executive directors identified above is a nominee for reelection as a director at the 2006 annual meeting.

The closing market price for a share of our common stock as of July 7, 2006 was $16.63 per share.

Vote Required for Approval of the Amendment to the 2005 Performance Incentive Plan

The Board of Directors believes that the adoption of the Amendment to the 2005 Plan will promote the interests of QLogic and its stockholders and will help us continue to be able to attract, retain and reward persons important to our success.

All members of the Board of Directors are eligible for awards under the 2005 Plan and thus have a personal interest in the approval of the Amendment to the 2005 Plan.

Approval of the Amendment to the 2005 Plan requires the affirmative vote of a majority of the common stock present in person or represented by proxy and entitled to vote at the Annual Meeting.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" APPROVAL OF THE AMENDMENT TO THE 2005 PERFORMANCE INCENTIVE PLAN AS DESCRIBED ABOVE AND SET FORTH IN EXHIBIT A HERETO.

PROPOSAL THREE

RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

The Audit Committee of the Board of Directors has appointed KPMG LLP to serve as our independent auditors for fiscal year 2007. KPMG LLP has served as our independent auditors since our inception. One or more representatives of KPMG LLP are expected to be present at the annual meeting, will have an opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions.

Vote Required for Approval of Proposal Three

This matter is not required to be submitted for stockholder approval, but the Board of Directors has elected to seek ratification of the appointment of KPMG LLP as our independent auditors for fiscal year 2007 by seeking the affirmative vote of the holders of a majority of the shares of our common stock present in person or represented by proxy and entitled to vote at the Annual Meeting.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" THE RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS OUR INDEPENDENT AUDITORS FOR FISCAL YEAR 2007. If the appointment is not ratified, the Audit Committee will consider whether it should select other independent auditors.

PRINCIPAL ACCOUNTANTS' FEES

In connection with the audit of the financial statements for the fiscal year ended April 2, 2006, QLogic entered into an engagement letter with KPMG LLP which set forth the terms by which KPMG will perform audit services for us. That agreement is subject to alternative dispute resolution procedures and an exclusion of punitive damages.

For the fiscal years ended April 2, 2006 and April 3, 2005, we incurred fees for services rendered by KPMG LLP in the following amounts:

	Fiscal Year 2006	Fiscal Year 2005
Audit Fees	$897,600	$601,000
Audit-Related Fees	252,373	9,000
Tax Fees	26,877	74,230
All Other Fees	—	18,518

Audit-Related Fees in fiscal year 2006 consist primarily of the audit of our hard disk drive controller and tape drive controller business in connection with the sale of this business in November 2005 and costs associated with due diligence assistance related to two acquisitions.

Tax Fees billed in fiscal years 2006 and 2005 consisted of tax compliance and consulting, including international tax advice.

- Fees for tax consulting services totaled $26,877 and $69,097 in fiscal years 2006 and 2005, respectively. Tax consulting services relate to proposed transactions or advice that assists in structuring a transaction to obtain a particular tax result.
- Fees for tax compliance services totaled $5,133 in fiscal year 2005. Tax compliance services are services to document, compute and obtain government approval for amounts to be included in tax filings based upon preexisting facts or transactions that have already occurred, and consisted primarily of assistance in preparing federal, state and foreign tax returns.

Other Fees billed in 2005 consisted of assistance with retirement plans in the United Kingdom and related regulatory compliance.

The Audit Committee has adopted a policy regarding the pre-approval of audit and non-audit services to be provided by our independent auditors. The policy provides that KPMG LLP is required to seek pre-approval by the Audit Committee (or a designated member of the committee) of all tax and other non-audit related services by providing a description of the services to be performed and specific fee estimates for each such service. In fiscal year 2006, all fees of KPMG LLP were pre-approved by the Audit Committee.

The Audit Committee has concluded that the performance by KPMG LLP of the above non-audit services is compatible with maintaining the independence of KPMG LLP.

AUDIT COMMITTEE REPORT

This section of the proxy statement will not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filings under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent that we specifically incorporate this information by reference, and will not otherwise be deemed filed under such Acts.

Our Audit Committee is comprised of Balakrishnan S. Iyer, Larry R. Carter and George D. Wells. Each member of the Audit Committee meets the independence requirements of The Nasdaq Stock Market listing standards, and is an "audit committee financial expert" as defined by rules adopted by the Securities and Exchange Commission. The Audit Committee reviews our financial reporting process, system of internal controls, audit process and process for monitoring compliance with laws and regulations. The Audit Committee operates under a written charter which was last amended on June 29, 2004. A copy of the Audit Committee charter was included with the proxy statement for the 2004 Annual Meeting and is also available on our website at *www.qlogic.com.*

Management is responsible for the preparation, presentation and integrity of our financial statements; accounting and financial reporting principles; internal controls; and procedures designed to ensure compliance with accounting principles generally accepted in the United States of America, and applicable laws and regulations. Our independent auditors are responsible for auditing those financial statements and expressing an opinion as to their conformity with accounting principles generally accepted in the United States of America. As described more fully in its charter, the purpose of the Audit Committee is to assist our Board of Directors in its general oversight of our financial reporting, internal control and audit functions. The members of the Audit Committee are not professional accountants or auditors, and their functions are not intended to duplicate or to certify the activities of management and the independent auditors, nor can the Audit Committee certify that the independent auditors are "independent" under applicable rules. The Audit Committee serves a board-level oversight role, in which it provides advice, counsel and direction to management and the auditors on the basis of the information it receives, discussions with management and the auditors, and the experience of the Audit Committee's members in business, financial and accounting matters. The Audit Committee relies, without independent verification, on the information provided to the Audit Committee and on the representations made by management and the independent auditors.

The Audit Committee held nine meetings during fiscal year 2006. The meetings were designed, among other things, to facilitate and encourage communication among the Audit Committee, management and our independent auditors, KPMG LLP. The Audit Committee discussed with KPMG LLP the overall scope and plans for its audits. The Audit Committee has reviewed our audited consolidated financial statements and discussed such statements with management, and management represented to the Audit Committee that the consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America. During fiscal year 2006 and in early fiscal year 2007, the Audit Committee held discussions with KPMG LLP, and KPMG LLP presented to the Audit Committee the matters required to be discussed with the independent auditors by Statement on Auditing Standards No. 61, as amended, "Communication with Audit Committees."

The Audit Committee also received from KPMG LLP the disclosures required by Independence Standards Board Standard No. 1 and discussed with KPMG LLP its independence. When evaluating KPMG LLP's independence, the Audit Committee considered whether its services to us beyond those rendered in connection with its audit and review of our consolidated financial statements were compatible with maintaining KPMG LLP's independence. The Audit Committee also reviewed, among other things, the amount of fees paid to KPMG LLP for audit and non-audit services.

Based on the review and discussions noted above, and the report of the independent auditors, the Audit Committee recommended to the Board of Directors that our audited consolidated financial statements be included in our Annual Report on Form 10-K for the fiscal year ended April 2, 2006, and be filed with the United States Securities and Exchange Commission.

Respectfully submitted,

Audit Committee

Balakrishnan S. Iyer, Chair
Larry R. Carter
George D. Wells

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors, executive officers and beneficial owners of more than 10% of our common stock to file various reports with the Securities and Exchange Commission and the National Association of Securities Dealers concerning their ownership and changes in ownership of our securities. Copies of these filings must be furnished to us. To our knowledge, based solely on review of the copies of such reports furnished to us and written representations that no other reports were required, during our fiscal year 2006, our directors, executive officers and 10% beneficial owners have complied with all Section 16(a) filing requirements, with the exceptions noted herein. One late Form 4 was filed by each of Joel Birnbaum, Larry Carter, James Fiebiger, Carol Miltner and George Wells on August 31, 2005 to report an option grant on August 23, 2005, and one late Form 4 was filed by Balakrishnan Iyer on September 1, 2005 to report an option grant on August 23, 2005. Each of the aforementioned late filings pertained to automatic grants of a pre-established number of options to non-employee directors under the QLogic Corporation 2005 Performance Incentive Plan on the date of the 2005 Annual Meeting of Stockholders.

EQUITY COMPENSATION PLAN INFORMATION

We currently maintain the following compensation plans:

- QLogic Corporation 2005 Performance Incentive Plan
- QLogic Corporation Stock Awards Plan
- QLogic Corporation Non-Employee Director Stock Option Plan
- QLogic Corporation 1998 Employee Stock Purchase Plan

Each of the plans identified above was approved by our stockholders.

The following table sets forth, for these plans and other stock option grants, the number of shares of our common stock subject to outstanding options, the weighted-average exercise price of outstanding options, and the number of shares remaining available for future award grants as of April 2, 2006:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights as of April 2, 2006 (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans as of April 2, 2006 (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	24,178,756(1)	$20.75(1)	18,011,286(2)
Equity compensation plans and other option grants not approved by security holders(3)(4)	9,000	$ 0.71	—

(1) Does not include options outstanding under our Employee Stock Purchase Plan for the offering period that included April 2, 2006 as the number of shares subject to those options, as well as the exercise price of those options, is indeterminable until the end of the offering period.

(2) Of these shares, 15,120,848 were available for additional award grants under the 2005 Performance Incentive Plan and 2,890,438 were available for additional purchases under the Employee Stock Purchase Plan. The shares available for awards under the 2005 Performance Incentive Plan are, subject to certain other limits of the 2005 Performance Incentive Plan, generally available for any type of award authorized under the 2005 Performance Incentive Plan including stock options, stock appreciation rights, restricted stock awards, unrestricted stock awards, deferred stock awards, performance unit awards and other stock-based awards.

(3) Consists of one option granted to an individual outside of any of our stockholder-approved plans. The grant was made in 1996 and has a maximum term of ten years.

(4) Does not include options to purchase an aggregate of 666,166 shares, at a weighted-average exercise price of $26.66, granted under plans assumed in connection with certain acquisition transactions. No additional awards may be granted under these assumed plans.

STOCKHOLDER PROPOSALS

Any stockholder desiring to submit a proposal for action at our 2007 Annual Meeting of Stockholders and include it in our proxy statement with respect to such meeting should arrange for such proposal to be delivered to us at our principal place of business no later than March 16, 2007, which is 120 calendar days prior to the anniversary of this year's mailing date, in order to be considered for possible inclusion in the proxy statement for that meeting. If the date of next year's annual meeting is moved more than 30 days before or after the anniversary date of this year's annual meeting, the deadline for inclusion of proposals in our proxy statement for our 2007 Annual Meeting of Stockholders is instead a reasonable time before we begin to print and mail the proxy materials. Matters pertaining to such proposals, including the number and length thereof, eligibility of persons entitled to have such proposals included, and other aspects, are regulated by the Securities Exchange Act of 1934, as amended, rules and regulations of the Securities and Exchange Commission, other laws and regulations, and our Bylaws, to which interested persons should refer. You may obtain a complete copy of our Bylaws without charge by submitting a written request to our Corporate Secretary at our principal executive office. Stockholders wishing to submit for consideration a possible board candidate should follow the procedures set forth under "**Board of Directors — Committees — The Nominating and Governance Committee**".

If a stockholder wishes to present a proposal at our 2007 Annual Meeting of Stockholders and the proposal is not intended to be included in the proxy statement relating to such meeting, we must receive a written notice of the proposal no later than 60 nor more than 90 days prior to the date of the annual meeting; provided, however, that in the event that the first public disclosure of the date of such annual meeting is made less than 70 days prior to the date of such meeting, proposals must be received not later than the close of business on the tenth day following the day on which such public disclosure was first made (the "Bylaw Deadline"). The written notice must contain the additional information required by our Bylaws. If you give notice of such a proposal after the Bylaw Deadline, you may not be permitted to present the proposal to the stockholders for a vote at the meeting.

Rules of the Securities and Exchange Commission also establish a different deadline for submission of stockholder proposals that are not intended to be included in our proxy statement with respect to discretionary voting, which is May 30, 2007 for our 2007 Annual Meeting of Stockholders (the "Discretionary Vote Deadline"). If you give notice of such a proposal after May 30, 2007, the proxy holders will be allowed to use their discretionary voting authority to vote against the stockholder proposal when and if the proposal is raised at our 2007 Annual Meeting of Stockholders. Because the Bylaw Deadline is not capable of being determined until we publicly announce the date for our 2007 Annual Meeting of Stockholders, it is possible that the Bylaw Deadline may occur after the Discretionary Vote Deadline. In such a case, a proposal received after the Discretionary Vote Deadline but before the Bylaw Deadline would be eligible to be presented at our 2007 Annual Meeting of Stockholders, and we believe that the proxy holders would be allowed to use the discretionary authority granted by the proxy card to vote against the proposal at the meeting without including any disclosure of the proposal in the proxy statement relating to such meeting.

ANNUAL REPORT TO STOCKHOLDERS

Our Annual Report on Form 10-K for the fiscal year ended April 2, 2006, including our audited consolidated financial statements and financial statement schedule, was mailed to our stockholders with this Proxy Statement. Upon request, we will provide you with an additional copy of our Annual Report on Form 10-K for fiscal year 2006. You should send your written requests to our Corporate Secretary, at QLogic Corporation, 26650 Aliso Viejo Parkway, Aliso Viejo, California 92656. This Proxy Statement and the Company's Annual Report on Form 10-K for the year ended April 2, 2006 are also available at the Company's website, *www.qlogic.com* and from the Securities and Exchange Commission website, *www.sec.gov.*

The SEC has adopted rules that permit companies and intermediaries, such as brokers, to satisfy delivery requirements for proxy statements with respect to two or more shareholders sharing the same address by delivering a single proxy statement addressed to those shareholders. This process, which is commonly referred to as "householding," potentially provides extra convenience for shareholders and cost savings for companies. The Company and some brokers household proxy materials, delivering a single proxy statement to multiple shareholders sharing an address unless contrary instructions have been received from the affected shareholders. Once you have received notice from your broker or the Company that the broker or the Company will be householding materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement, or if you are receiving multiple copies of the proxy statement and wish to receive only one, please notify your broker if your shares are held in a brokerage account or the Company's agent, ADP, if you hold registered shares. You can notify ADP by sending a written request to: ADP, Householding Department, 51 Mercedes Way, Edgewood, NY 11717, or by calling ADP at (800) 542-1061.

OTHER MATTERS

We have not received notice of and do not expect any matters to be presented for a vote at the meeting, other than the proposals described in this proxy statement. If you grant a proxy, the person(s) named as proxy holder, or his nominee or substitute, will have the discretion to vote your shares on any additional matters properly presented for a vote at the meeting. If for any unforeseen reason, any of our nominees for director are not available, the proxy holder will vote your proxy for such other candidate or candidates nominated by the Board of Directors.

By Order of the Board of Directors

Michael L. Hawkins

Michael L. Hawkins
Secretary

Aliso Viejo, California
July 14, 2006

STOCKHOLDERS ARE URGED TO SPECIFY THEIR CHOICES AND TO DATE, SIGN, AND RETURN THE ENCLOSED PROXY IN THE ENCLOSED ENVELOPE.

EXHIBIT A

AMENDMENT TO QLOGIC CORPORATION
2005 PERFORMANCE INCENTIVE PLAN

APPENDIX A

NON-EMPLOYEE DIRECTOR EQUITY AWARDS

A.1 Participation

Equity award grants under this Appendix A shall be made only to Non-Employee Directors who have not, within three (3) years immediately preceding such time, received any stock option, stock bonus, SAR, or other similar stock award from the Corporation or any of its Subsidiaries, except as provided by this Appendix A or pursuant to the Corporation's Non-Employee Director Stock Option Plan (an **"Eligible Director"**).

A.2 Annual Equity Award Grants

(a) *Initial Grant.* After approval of this Plan by the stockholders of the Corporation, if any person who is not then an officer or employee of the Corporation shall first become a Non-Employee Director (including any person who may first become a Non-Employee Director on the date the stockholders of the Corporation approve this Plan), there shall be granted automatically to such person (without any action by the Board or the Administrator) on such date a nonqualified stock option to purchase 50,000 shares of Common Stock; provided that no such grant shall be made to any Non-Employee Director who does not qualify as an Eligible Director.

(b) *Subsequent Annual Award Grants.* Subject to Section A.2(c), in each calendar year during the term of this Plan, commencing in 2006, there shall be granted automatically (without any action by the Administrator or the Board) at the close of business on the date of each annual meeting of stockholders of the Corporation at which the members of the Board are elected or reelected (the **"Annual Meeting Date"**) a nonqualified stock option to purchase 16,000 shares of Common Stock and an award of 3,000 restricted stock units to each Eligible Director who is reelected as a director of the Corporation at such meeting; provided, however, that if the Eligible Director is serving as the Chairman of the Board on such date, such nonqualified stock option shall be an option to purchase 50,000 shares of Common Stock and such award of restricted stock units shall be for 8,000 restricted stock units.

(c) *Proration of Annual Grants.* If a period of less than twelve (12) months has elapsed between (i) the date that the director first received a stock option pursuant to Section A.2(a) above (the date of grant of any such option, an "Initial Award Date") and (ii) the Annual Meeting Date, then the number of shares of Common Stock subject to any nonqualified stock option and the number of units subject to any award of restricted stock units, as applicable, granted to an Eligible Director pursuant to Section A.2(b) shall be prorated by multiplying (x) the number of such shares or such units, as applicable, by (y) a fraction, the numerator of which shall be the number of days from and including the Initial Award Date through and including the Annual Meeting Date, and the denominator of which shall be the number of days since the last annual meeting of stockholders at which the members of the Board were elected or reelected preceding the Annual Meeting Date through and including the Annual Meeting Date (but in no event shall such fraction be greater than one (1)).

(d) *Maximum Number of Shares.* Annual grants that would otherwise exceed the Share Limit of Section 4.2 of the Plan shall be prorated within such limitation.

(e) *No Automatic Adjustments.* Notwithstanding anything to the contrary in this Appendix A or the Plan, in the event of a stock dividend, stock split or other similar event contemplated by Section 7.1 of the Plan, the numbers of shares of Common Stock and restricted stock units set forth in this Section A.2 shall not be automatically increased following such event.

A.3 Terms of Options

The purchase price per share of the Common Stock covered by each stock option granted pursuant to this Appendix A shall be 100% of the fair market value (as that term is defined in Section 5.6 of the Plan) of the Common Stock on the date of grant of the option. The exercise price of any stock option granted under this Appendix A shall be paid in full at the time of each purchase in any of the following methods (or combination thereof): (i) cash, check payable to the order of the Corporation, or electronic funds transfer, or (ii) subject to compliance with all applicable laws, rules and regulations, and subject to such procedures as the Administrator may adopt, the delivery of previously owned shares of Common Stock or pursuant to a "cashless exercise" with a third party who provides financing for the purposes of (or who otherwise facilitates) the purchase or exercise of awards. In the event that the Eligible Director exercises a stock option by delivering shares of Common Stock previously owned by such Eligible Director and unless otherwise expressly provided by the Administrator, any shares delivered which were initially acquired by the Eligible Director from the Corporation (upon exercise of a stock option or otherwise) must have been owned by the Eligible Director at least six months as of the date of delivery. Shares of Common Stock used to satisfy the exercise price of an option shall be valued at their fair market value on the date of exercise. Each stock option granted under this Appendix A and all rights or obligations thereunder shall commence on the date of grant of the award and expire no later than ten years thereafter, subject to earlier termination as provided in Section A.6 below.

A.4 Payment of Restricted Stock Units

Restricted stock units granted pursuant to this Appendix A shall be payable in an equivalent number of shares of Common Stock as soon as practicable after such units vest in accordance with Section A.5.

A.5 Vesting of Equity Awards

Subject to earlier termination as provided below, (a) each nonqualified stock option granted under this Appendix A shall become vested as to one-third (1/3) of the total number of shares of Common Stock subject to the option on each of the first, second and third anniversaries of the date of grant of the option, and (b) each award of restricted stock units under this Appendix A shall become vested as to one-third (1/3) of the total number of units subject to the award on each of the first, second and third anniversaries of the date of grant of the award.

A.6 Termination of Directorship

If an Eligible Director's services as a member of the Board terminate for any reason, (a) any portion of a stock option granted pursuant to this Appendix A which is not then vested and exercisable shall immediately terminate, and any portion of such option which is then vested and exercisable may be exercised within a period of one (1) year after the date of such termination, or until the expiration of the option or termination of the option pursuant to Section 7.4 of the Plan, whichever first occurs, and (b) any portion of a restricted stock unit award granted pursuant to this Appendix A which is not then vested shall terminate as of the date of such Eligible Director's termination of service.

A.7 Plan Provisions; Award Agreement

Each equity award granted under this Appendix A shall otherwise be subject to the terms of the Plan (including, without limitation, the provisions of Section 7.1 of the Plan respecting adjustments to awards that are outstanding as of the date of an event contemplated therein and Section 7.4 of the Plan respecting early termination of outstanding awards). Each award granted hereunder shall be evidenced by a written award agreement in the form approved by the Board or the Compensation Committee of the Board for use in evidencing equity award grants made pursuant to this Appendix A.

Annual Report on Form 10-K for the Fiscal Year Ended April 2, 2006

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT of 1934

For the fiscal year ended April 2, 2006

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.)*
26650 Aliso Viejo Parkway **Aliso Viejo, California**	**92656**
(Address of principal executive offices)	*(Zip Code)*

(949) 389-6000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
None
Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $0.001 Par Value
Series A Junior Participating Preferred Stock, $0.001 Par Value
(Title of class)

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the Registrant (1) 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 ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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. ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.
Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

The aggregate market value of the voting stock held by non-affiliates of the Registrant was $2,856,485,027 (based on the closing price for shares of the Registrant's common stock as reported by The Nasdaq National Market on September 30, 2005).

As of May 26, 2006, 161,230,277 shares of the Registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement relating to the Registrant's 2006 Annual Meeting of Stockholders, to be held on August 24, 2006, are incorporated by reference into Part III of this Form 10-K where indicated.

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PART I

Item 1. *Business*

Introduction

QLogic Corporation was organized as a Delaware corporation in 1992. Our principal executive offices are located at 26650 Aliso Viejo Parkway, Aliso Viejo, California 92656, and our telephone number at that location is (949) 389-6000. Our Internet address is www.qlogic.com. Our periodic and current reports, together with any amendments to these reports, are available free of charge on our website as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the Securities and Exchange Commission. On November 4, 2005, we completed the sale of our hard disk drive controller and tape drive controller businesses. On November 8, 2005, we completed the acquisition of the assets of Troika Networks, Inc. (Troika) and on April 3, 2006, we completed the acquisition of PathScale, Inc. (PathScale).

Unless the context indicates otherwise, "we," "our," "us" and the "Company" each refer to QLogic Corporation and its subsidiaries.

All references to years refer to our fiscal years ended April 2, 2006, April 3, 2005 and March 28, 2004, as applicable, unless the calendar years are specified. All references to share and per share data have been restated to reflect the effects of our stock split.

A discussion of factors potentially affecting our operations is set forth in "Risk Factors" in Item 1A, which is incorporated herein by reference.

Overview

We design and develop storage network infrastructure components sold to original equipment manufacturers, or OEMs, and distributors. We produce host bus adapters, or HBAs, Fibre Channel blade switches, Fibre Channel stackable switches and other fabric switches. In addition, we design and develop storage routers for bridging Fibre Channel and Internet Small Computer Systems Interface (SCSI), or iSCSI, networks and storage services platforms that provide performance improvements to third-party and OEM storage management software that has been ported to the platform. All of these products address the storage area network, or SAN, connectivity infrastructure requirements of small, medium and large enterprises. We also design and develop InfiniBand® Host Channel Adapters, or HCAs, that provide connectivity infrastructure for clustered server fabrics in high-performance computing and enterprise-clustered database markets. Finally, we design and produce management controller chips for use in entry-level servers and storage subsystems. We serve our customers with solutions based on various connectivity technologies including Fibre Channel, InfiniBand, iSCSI and SCSI.

Customers, Markets and Applications

Our products are sold directly to OEMs and to authorized distributors. Our customers rely on our SAN infrastructure and server fabric infrastructure technology to deliver solutions to information technology professionals in virtually every business sector.

Our technology is found primarily in server, workstation and storage subsystem solutions targeted at:

- Small, medium and large enterprises with critical business data requirements.
- Business applications requiring high-performance interconnect infrastructure, including:
  - Data warehousing, data mining and online transaction processing;
  - Media-rich environments such as film/video, broadcast, medical imaging and computer-aided design, or CAD, and computer-aided manufacturing, or CAM;
  - Server clustering, high-speed backup and data replication;
  - Research and scientific applications.

Our products are incorporated in a large number of solutions from OEM customers, including Cisco Systems, Inc., Dell Inc., EMC Corporation, Hitachi Data Systems, Hewlett-Packard Company, International Business Machines Corporation, Network Appliance, Inc., Sun Microsystems, Inc. and many others. For information regarding our major customers and their impact on our revenues, see Management's Discussion and Analysis of Financial Condition and Results of Operations, included in Part II, Item 7 of this report.

Alliance Relationships

To ensure interoperability within the SAN and server fabric environments, we work closely with independent hardware vendors and software vendors, as well as developers and integrators who create, test, and evaluate complementary products. We have key alliance relationships with Cisco Systems, Inc., Microsoft Corporation, Symantec Corporation, CA, Inc., Legato Systems, Inc. and McDATA Corporation.

Storage Industry

According to IDC's March 2006 Storage Tracker report, external SAN storage capacity shipped in 2005 was 660 Petabytes, which was an increase of 74% over the capacity shipped in 2004. IDC's 2004-2009 Worldwide Storage Systems Forecast estimates that capacity to be shipped in SANs will increase to over 5,680 Petabytes in 2009.

The rapid growth in storage requirements is being driven by several key factors. Data retention, as a result of expanding compliance and regulatory requirements, will increasingly drive the capacity needs for businesses of all sizes. Remote replication is an application which will not only increase the demand for capacity but will also expand the requirement for Fibre Channel to iSCSI bridge technology. Disk-based-back-up and virtual disk are two capacity-oriented applications that are increasingly popular due to the availability of low-cost, high-capacity Serial Advanced Technology Attachment, or SATA, drives in enterprise storage subsystems. Rich-media will continue to drive significant capacity expansion throughout the next few years. Digital video, voice and content rich documents are expected to drive demand in both the enterprise and small and medium sized business, or SMB, markets. One of the largest drivers will be new capacity intensive applications like Radio Frequency Identification, or RFID. These applications consume massive amounts of storage in tracking the location of millions of consumer products as they move from factory to the retail location. Since these applications are much more efficient if shared among many servers, the implementation is likely to be in a shared SAN environment.

New Opportunities

While storage capacity and revenue opportunities will continue to expand in North America, storage growth is expected to grow even more rapidly in emerging markets such as Latin America, China and India. In a manner analogous to the way emerging markets moved ahead of land line infrastructure by deploying wireless technology, storage implementations in emerging markets will tend to move ahead of older direct attached infrastructures by deploying storage networks from the start. Over the next several years, these emerging markets are expected to offer attractive expansion opportunities.

Another emerging SAN market is the medium-sized business. A 2005 AMI Partners' research study estimated that there are over 96,000 medium-sized businesses and, of those businesses, less than 18% have installed a Fibre Channel SAN. These companies have the same issues with compliance, replication, recovery and data expansion as do large enterprises. Increasingly, these companies are looking to SANs designed for SMBs as a solution. During 2005, a number of SMB specific solutions from Dell, EMC, HP, IBM and Sun were brought to market. These solutions, along with management software that simplifies the installation and management of SANs, are targeted at this emerging base of SAN prospects. Both Fibre Channel- and iSCSI-based solutions are expected to find acceptance in these markets in the future.

With the acquisition of PathScale, QLogic has now entered the server fabric sector of the market. Using InfiniBand technology, QLogic's HCAs provide high-performance low-latency connectivity between servers in a clustered environment. According to a report published by top500.org, clustered server environments now represent over 50% of the server architectures used in the top 500 supercomputer sites worldwide. In addition, we believe that server clusters will be an increasingly attractive way of addressing large database environments using parallel processing database software like that provided by Oracle.

New Technologies

New technologies are expected to drive new applications which will also drive storage capacity requirements. iSCSI, which has been slow to materialize as a technology, has finally started shipping from major storage vendors. The iSCSI storage subsystems are targeted at the emerging SMB SAN market. Many of these subsystems are expected to be deployed as direct attached storage initially and later converted to SAN as familiarity with the new management capabilities increases.

In 2005, Fibre Channel 4Gb HBA solutions began entering the market. Fibre Channel switch platforms from QLogic have been shipping since late 2004. Based on recent lead-free environmental regulations and the shipment of new PCI-E and PCI-X2.0 bus architectures, we expect the transition from 2Gb to 4Gb Fibre Channel products will be accelerated. By the end of 2006, we expect that over 50% of QLogic's Fibre Channel HBA shipments will be 4Gb.

Blade servers continue to evolve into higher-performance and more flexible application environments. Based on a 2005 Gartner report, blade servers continue to be the fastest growing server sector.

Maintaining InfiniBand's performance lead over Ethernet, 20Gb/sec HCAs and 30Gb/sec switch ports utilizing InfiniBand technology are expected to start shipping in 2006. According to an August 2005 IDC report, InfiniBand is forecasted to represent over 25% of all cluster interconnect revenue in the high-performance computing environment in 2009.

Our SAN Solutions

Our ability to serve the storage industry stems from our highly leveraged product line that addresses virtually every connection point in a SAN infrastructure solution. On the server side of the SAN, we provide Fibre Channel and iSCSI HBAs, and HBA technology on the motherboard ("Fibre Down™" technology). Connecting servers to storage, we provide the network infrastructure with a broad line of Fibre Channel switches. In addition, we provide storage routers for bridging Fibre Channel and iSCSI networks and storage services platforms.

One of our key strategies has been to provide our customers with solutions that simplify their product design requirements. Complete storage networking solutions that are pre-tested and easy to install significantly reduce the critical implementation and time-to-market effort for OEMs. Today, our SAN infrastructure components are found in solutions from most major server and storage OEMs worldwide.

Our Server Fabric Solutions

Our ability to successfully address the requirements of server vendors targeting the high-performance cluster market is enhanced by our experience and success addressing the server to storage connectivity demands of these same customers. Like the Fibre Channel market, we will provide InfiniBand HCA technology on the motherboard as well as the HCAs that plug into server buses.

Product Overview

We design and supply server fabric and storage network infrastructure components for many of the world's largest server and storage subsystem manufacturers. We also sell server fabric and storage network infrastructure solutions through distributor channels. Our products, whether integrated into an OEM system or delivered directly via a distributor, are used by medium and large enterprises, and by companies that have a variety of information technology environments.

Our SAN infrastructure products include our SANblade® Fibre Channel and iSCSI HBAs and SANbox® Fibre Channel Switches, Storage Routers and Storage Services Platforms. Our server fabric products include InfiniPath® InfiniBand HCAs.

Sales and Marketing

We market and distribute our products through OEMs and our internal sales team supported by field sales and systems engineering personnel. In addition, we utilize a network of independent manufacturers' representatives and regional and international distributors.

In national and in certain international markets, we maintain both a sales force to serve our large OEM customers and multiple outside representatives that are focused on medium-sized and emerging accounts. We maintain a focused business development and outbound marketing organization to assist, train, equip and augment the sales organizations of our major OEM customers and their respective reseller organizations and partners. We maintain sales office locations in the United States and various international locations. For information regarding revenue from independent customers by geographic area, see Management's Discussion and Analysis of Financial Condition and Results of Operations, included in Part II, Item 7 of this report.

We work with our large storage subsystem and computer system manufacturer customers during their design cycles. We support these customers with pre-sales system design support and services, as well as training classes and seminars conducted both in the field and from our worldwide offices.

Our sales efforts are focused on establishing and developing long-term relationships with our OEM customers. The sales cycle typically begins with one of our product designs being selected as a component in a potential customer's computer system or data storage peripheral. Then, we work closely with the customer to integrate our components with the customer's current and next generation products or platforms. The product development to shipment cycle can typically range from six to eighteen months.

In addition to sales and marketing efforts, we actively participate with industry organizations relating to the development and acceptance of industry standards. We collaborate with peer companies through co-marketing activities, collateral development, joint training, road tours and cooperative testing and certifications. Finally, to ensure and promote multi-vendor interoperation, we maintain interoperability certification programs and testing laboratories.

Engineering and Development

Our industry is subject to rapid and regular technological change. Our ability to compete depends upon our ability to continually design, develop and introduce new products that take advantage of market opportunities and address emerging standards. Our strategy is to leverage our substantial base of architectural and systems expertise to address a broad range of input/output, or I/O, and SAN solutions.

We are engaged in the design and development of Fibre Channel switches; switch components; and iSCSI and Fibre Channel I/O controllers and HBAs. We also design and develop InfiniBand-based HCAs for server fabric environments; storage routers for bridging Fibre Channel and iSCSI networks; and storage services platforms.

We continue to invest heavily in research and development to expand our capabilities to address the emerging technologies in the rapid evolution of the storage networking industry. During fiscal 2006, 2005 and 2004, we incurred engineering and development expenses of $89.8 million, $82.8 million and $75.9 million, respectively.

Backlog

A substantial portion of our sales with OEM customers are transacted through arrangements, whereby our products are purchased on a just-in-time basis and fulfilled from warehouse facilities, or hubs, in close proximity to the facilities of our customers or their contract manufacturers. Our sales are made primarily pursuant to purchase orders, including blanket purchase orders for hub arrangements. Because of the hub arrangements with our customers and industry practice which allows customers to cancel or change orders with limited advance notice, we believe that backlog at any particular date is not a reliable indicator of our future revenue levels.

Competition

The markets for SAN and server fabric infrastructure components are highly competitive and characterized by short product life cycles, price erosion, rapidly changing technology, frequent product performance improvements and evolving industry standards. We believe the principal competitive factors in our industry include:

- time-to-market;
- product quality, reliability and performance;
- price;
- new product innovation;
- customer relationships;
- design capabilities;
- customer service and technical support; and
- interoperability of SAN components.

We believe that we compete favorably with respect to each of these factors.

Due to the broad array of components required in the SAN and server fabric infrastructure, we compete with several companies. In the Fibre Channel HBA market, our primary competitor is Emulex Corporation. In the iSCSI HBA market, our primary competitor is Broadcom Corporation. In the Fibre Channel switch, storage router and storage services platform market, we compete primarily with Brocade Communications Systems, Inc. and McDATA Corporation. In the InfiniBand HCA market, we compete primarily with Mellanox Technologies Ltd. Our management controller products compete primarily with OEM in-house designs using discrete, commodity components supplied by Hitachi, Ltd.

Manufacturing

We use outside suppliers and foundries to manufacture our HBAs, switches, HCAs and semiconductor chips. This approach allows us to avoid the high costs of owning, operating and constantly upgrading wafer fabrication and assembly facilities. As a result, we focus our resources on product design and development, quality assurance, sales and marketing, and supply chain management. Prior to the sale of our HBA, switch, HCA and semiconductor chip products, final tests are performed on the products, including tests required under our ISO 9001 Certification. These steps, including product test, customer specific configuration and product localization, are completed by third-party service providers or QLogic. We also provide fabrication process reliability tests and conduct failure analysis to confirm the integrity of our quality assurance procedures.

Our semiconductors are currently manufactured by a number of domestic and offshore foundries. Our semiconductor suppliers include Agere Systems Inc., International Business Machines Corporation, LSI Logic Corporation, Samsung Semiconductor, Inc. and Taiwan Semiconductor Manufacturing Company. Most of our products are manufactured using 0.25, 0.18 or 0.13 micron process technology. Newer technologies using 90 nanometer process technologies are currently under development. In the past, we have experienced some difficulties in shifting to smaller geometry process technologies or new manufacturing processes, which resulted in reduced manufacturing yields, delays in product deliveries and increased expenses. We may face similar difficulties, delays and expenses as we continue to transition our products to smaller geometry processes.

We depend on foundries to allocate a portion of their foundry capacity sufficient to meet our needs and to produce products of acceptable quality and with satisfactory manufacturing yields in a timely manner. These foundries fabricate products for other companies and, in certain cases, manufacture products of their own design. We do not have long-term agreements with any of these foundries; we purchase both wafers and finished chips on a purchase order basis. Therefore, the foundries generally are not obligated to supply products to us for any specific period, in any specific quantity or at any specific price, except as may be provided in a particular purchase order. Where longer-term agreements with these suppliers are contemplated, additional inventory and purchase quantity liability are required. We work with our existing foundries, and intend to qualify new foundries, as needed, to obtain additional manufacturing capacity. However, there can be no assurance that we will be able to maintain our current foundry relationships or obtain additional capacity.

We currently purchase our semiconductor products from foundries either in finished form or wafer form. We use subcontractors to assemble our semiconductor products purchased in wafer form, and to assemble our HBA, switch and HCA products. In the assembly process for our semiconductor products, the silicon wafers are separated into individual die, which are then assembled into packages and tested. For our HBA, switch and HCA products, we use third-party suppliers for material procurement and assembly in a turnkey model. Following the assembly of our HBA, switch, HCA and semiconductor chip products, our products are further tested and inspected prior to shipment to our customers.

Most component parts used in our HBA products are standard off-the-shelf items, which are, or can be, obtained from more than one source. We select suppliers on the basis of technology, manufacturing capacity, quality and cost. Our reliance on third-party manufacturers involves risks, including possible limitations on availability of products due to market abnormalities, geopolitical instability, unavailability of or delays in obtaining access to certain product technologies, and the absence of complete control over delivery schedules, manufacturing yields and total production costs. The inability of our suppliers to deliver products of acceptable quality and in a timely manner or our inability to procure adequate supplies of our products could have a material adverse effect on our business, financial condition or results of operations.

Intellectual Property

While we have a number of patents issued and additional patent applications pending in the United States, Canada, Europe and Asia, we rely primarily on our trade secrets, trademarks and copyrights to protect our intellectual property. We attempt to protect our proprietary information through confidentiality agreements and contractual provisions with our customers, suppliers, employees and consultants, and through other security measures. Although we intend to protect our rights vigorously, there can be no assurance that these measures will be successful. In addition, the laws of certain countries in which our products are or may be developed, manufactured or sold, including various countries in Asia, may not protect our products and intellectual property rights to the same extent as the laws of the United States, or at all.

While our ability to compete may be affected by our ability to protect our intellectual property, we believe our technical expertise and ability to introduce new products on a timely basis at competitive prices will be more important in maintaining our competitive position than protection of our intellectual property.

We have received notices of claimed infringement of intellectual property rights in the past. There can be no assurance that third parties will not assert additional claims of infringement of intellectual property rights against us with respect to existing and future products. In the event of a patent or other intellectual property dispute, we may be required to expend significant resources to defend such claims, develop non-infringing technology or to obtain licenses to the technology which is the subject of the claim. There can be no assurance that we would be successful in such development or that any such license would be available on commercially reasonable terms, if at all. In the event of litigation to determine the validity of any third party's claims, such litigation could result in significant expense to us, and divert the efforts of our technical and management personnel, whether or not such litigation is determined in our favor.

Environment

Many of our products are subject to various laws governing chemical substances in products, including those regulating the manufacture and distribution of chemical substances and those restricting the presence of certain substances in electronic products. We could incur substantial costs, or our products could be enjoined from entering certain countries, if our products become non-compliant with environmental laws. We also face increasing complexity in our product design and procurement operations as we adjust to new and future requirements relating to the materials composition of our products, including the restrictions on lead and certain other substances that will apply to specified electronic products put on the market in the European Union as of July 1, 2006 (Restriction of Hazardous Substances Directive) and similar legislation currently proposed in China. The European Union has finalized the Waste Electrical and Electronic Equipment, or WEEE, Directive and related legislation which makes producers of electrical goods financially responsible for specified collection, recycling, treatment and disposal of past and future covered products. These and similar laws adopted in other countries could impose a significant cost of doing business in those countries.

Environmental costs are presently not material to our results of operations or financial position, and we do not currently anticipate material capital expenditures for environmental control facilities.

Employees

We had 923 employees as of May 26, 2006. We believe our future prospects will depend, in part, on our ability to continue to attract, train, motivate, retain and manage skilled engineering, sales, marketing and executive personnel. Our employees are not represented by a labor union. We believe that our relations with our employees are good.

Item 1A. *Risk Factors*

Set forth below and elsewhere in this report and in other documents we file with the Securities and Exchange Commission are risks and uncertainties that could cause our actual results of operations to differ materially from the results contemplated by the forward-looking statements contained in this report.

Our operating results may fluctuate, in future periods, which could cause our stock price to decline.

We have experienced, and expect to experience in future periods, fluctuations in sales and operating results from quarter to quarter. In addition, there can be no assurance that we will maintain our current gross margins or profitability in the future. A significant portion of our net revenues in each fiscal quarter result from orders booked in that quarter. Orders placed by major customers are typically based on their forecasted sales and inventory levels for our products. Fluctuations in our quarterly operating results may be the result of:

- the timing, size and mix of orders from customers;
- gain or loss of significant customers;
- customer policies pertaining to desired inventory levels of our products;
- negotiated rebates and extended payment terms;
- changes in our ability to anticipate in advance the mix of customer orders;
- levels of inventory our customers require us to maintain in our inventory hub locations;
- the time, availability and sale of new products;
- changes in the mix or average selling prices of our products;
- variations in manufacturing capacities, efficiencies and costs;
- the availability and cost of components, including silicon chips;
- warranty expenses;
- variations in product development costs, especially related to advanced technologies;
- variations in operating expenses;
- adjustments related to product returns;
- changes in effective income tax rates, including those resulting from changes in tax laws;
- our ability to timely produce products that comply with new environmental restrictions or related requirements of our OEM customers;

- actual events, circumstances, outcomes and amounts differing from judgments, assumptions and estimates used in determining the value of certain assets (including the amounts of related valuation allowances), liabilities and other items reflected in our consolidated financial statements;
- changes in accounting rules, such as the change requiring the recording of compensation expense for employee stock options and other stock-based awards commencing in the first quarter of our 2007 fiscal year;
- changes in our accounting policies;
- increases in energy costs;
- general economic and other conditions affecting the timing of customer orders and capital spending; or
- changes in the global economy that impact information technology spending.

Our quarterly results of operations are also influenced by competitive factors, including the pricing and availability of our products and our competitors' products. Although we do not maintain our own silicon chip manufacturing facility, portions of our expenses are fixed and difficult to reduce in a short period of time. If net revenues do not meet our expectations, our fixed expenses could adversely affect our gross profit and net income until net revenues increase or until such fixed expenses are reduced to an appropriate level. Furthermore, announcements regarding new products and technologies could cause our customers to defer or cancel purchases of our products. Order deferrals by our customers, delays in our introduction of new products, and longer than anticipated design-in cycles for our products have in the past adversely affected our quarterly results of operations. Due to these factors, as well as other unanticipated factors, it is likely that in some future quarter or quarters our operating results will be below the expectations of public market analysts or investors, and as a result, the price of our common stock could significantly decrease.

We expect gross margin to vary over time, and our recent level of gross margin may not be sustainable.

Our recent level of gross margin may not be sustainable and may be adversely affected by numerous factors, including:

- increased price competition;
- changes in customer, geographic or product mix;
- introduction of new products, including products with price-performance advantages;
- our ability to reduce production costs;
- entry into new markets;
- sales discounts;
- increases in material or labor costs;
- excess inventory and inventory holding charges;
- changes in distribution channels;
- increased warranty costs; and
- how well we execute our business strategy and operating plans.

Our revenues may be affected by changes in IT spending levels.

In the past, unfavorable or uncertain economic conditions and reduced global IT spending rates have adversely affected the markets in which we operate. We are unable to predict changes in general economic conditions and when global IT spending rates will be affected. Furthermore, even if IT spending rates increase, we cannot be certain that the market for SAN and server interconnect solutions will be positively impacted. If there are future reductions in either domestic or international IT spending rates, or if IT spending rates do not increase, our revenues, operating results and financial condition may be adversely affected.

Our stock price may be volatile which could affect the value of your investment.

The market price of our common stock has fluctuated substantially, and there can be no assurance that such volatility will not continue. Several factors could impact our stock price including, but not limited to:

- announcements concerning our competitors, our customers, or us;
- quarterly fluctuations in our operating results;
- differences between our actual operating results and the published expectations of analysts;
- introduction of new products or changes in product pricing policies by our competitors or us;
- conditions in the semiconductor industry;
- changes in market projections by industry forecasters;
- changes in estimates of our earnings by industry analysts;
- overall market conditions for high technology equities;
- rumors or dissemination of false information; and
- general economic and geopolitical conditions.

In addition, stock markets have experienced extreme price and volume volatility in recent years and stock prices of technology companies have been especially volatile. This volatility has had a substantial effect on the market prices of securities of many public companies for reasons frequently unrelated to the operating performance of the specific companies. These broad market fluctuations could adversely affect the market price of our common stock.

Our business is dependent on the continued growth of the SAN market and if this market does not continue to develop and expand as we anticipate, our business will suffer.

A significant number of our products are used in SANs and, therefore, our business is dependent on the SAN market. Accordingly, the widespread adoption of SANs for use in organizations' computing systems is critical to our future success. SANs are often implemented in connection with the deployment of new storage systems and servers. Therefore, our future success is also substantially dependent on the market for new storage systems and servers. Our success in generating revenue in the SAN market will depend on, among other things, our ability to:

- educate potential OEM customers, distributors, resellers, system integrators, storage service providers and end-user organizations about the benefits of SANs;
- maintain and enhance our relationships with OEM customers, distributors, resellers, system integrators and storage system providers;
- predict and base our products on standards which ultimately become industry standards; and
- achieve interoperability between our products and other SAN components from diverse vendors.

Our financial condition will be materially harmed if we do not maintain and gain market or industry acceptance of our products.

The markets in which we compete involve rapidly changing technology, evolving industry standards and continuing improvements in products and services. Our future success depends, in part, on our ability to:

- enhance our current products and develop and introduce in a timely manner new products that keep pace with technological developments and industry standards;

- compete effectively on the basis of price and performance; and
- adequately address OEM customer and end-user customer requirements and achieve market acceptance.

We believe that to remain competitive in the future, we will need to continue to develop new products, which will require a significant investment in new product development. Our competitors are developing alternative technologies, such as iSCSI software initiator, SATA and Serial Attached SCSI, or SAS, that may compete with the market acceptance of our products. Although we continue to explore and develop products based on new technologies, a substantial portion of our revenues is generated today from Fibre Channel technology. If alternative technologies are adopted by the industry, we may not be able to develop products for new technologies in a timely manner. Further, even if alternative technologies do augment Fibre Channel revenues, our products may not be fully developed in time to be accepted by our customers. Even if our new products are developed on time, we may not be able to manufacture them at competitive prices or in sufficient volumes.

We depend on a limited number of customers, and any decrease in revenue or cash flows from any one of our customers could adversely affect our results of operations and cause our stock price to decline.

A small number of customers account for a substantial portion of our net revenues, and we expect that a limited number of customers will continue to represent a substantial portion of our net revenues in the foreseeable future. Our top ten customers accounted for 77% and 78% of net revenues for fiscal years 2006 and 2005, respectively. We are also subject to credit risk associated with the concentration of our accounts receivable. The loss of any of our major customers could have a material adverse effect on our business, financial condition or results of operations.

Additionally, at least one of our major customers is based in the Pacific Rim region, which is subject to economic and political uncertainties. Our customers generally order products through written purchase orders as opposed to long-term supply contracts and, therefore, such customers are generally not obligated to purchase products from us for any extended period. Major customers also have significant leverage over us and may attempt to change the terms, including pricing and payment terms, which could have a material adverse effect on our business, financial condition or results of operations. This risk is increased due to the potential for some of these customers to merge with or acquire one or more of our other customers. As our OEM customers are pressured to reduce prices as a result of competitive factors, we may be required to contractually commit to price reductions for our products before we know how, or if, cost reductions can be obtained. If we are unable to achieve such cost reductions, our gross margins could decline and such decline could have a material adverse effect on our business, financial condition or results of operations.

Our business may be subject to seasonal fluctuations and uneven sales patterns in the future.

Many of our OEM customers experience seasonality and uneven sales patterns in their businesses. For example, some of our customers close a disproportionate percentage of their sales transactions in the last month, weeks and days of each quarter; and some customers experience spikes in sales during the fourth calendar quarter of each year. Since a large percentage of our products are sold to OEM customers who experience seasonal fluctuations and uneven sales patterns in their businesses, we could continue to experience similar seasonality and uneven sales patterns. In addition, as our customers increasingly require us to maintain products at hub locations near their facilities, it becomes easier for our customers to order products with very short lead times, which makes it increasingly difficult for us to predict sales trends. In addition, our quarterly fiscal periods often do not correspond with the fiscal quarters of our customers, and this may result in uneven sales patterns between quarters. It is difficult for us to evaluate the degree to which the seasonality and uneven sales patterns of our OEM customers may affect our business in the future because the historical growth of our business may have lessened the effects of this seasonality and these uneven sales patterns on our business in the past.

Competition within our product markets is intense and includes various established competitors.

The markets for our products are highly competitive and are characterized by short product life cycles, price erosion, rapidly changing technology, frequent product performance improvements and evolving industry standards. In the Fibre Channel HBA market, we compete primarily with Emulex Corporation. In the iSCSI HBA market, we compete primarily with Broadcom Corporation. In the switch products sector, we compete primarily with Brocade Communications Systems, Inc. and McDATA Corporation. In the InfiniBand HCA market, we compete primarily with Mellanox Technologies Ltd. We may also compete with some of our computer and storage systems customers, some of which have the capability to develop integrated circuits for use in their own products.

We need to continue to develop products appropriate to our markets to remain competitive as our competitors continue to introduce products with improved performance characteristics. While we continue to devote significant resources to research and development, these efforts may not be successful or competitive products may not be developed and introduced in a timely manner. Further, several of our competitors have greater resources devoted to securing semiconductor foundry capacity because of long-term agreements regarding supply flow, equity or financing agreements or direct ownership of a foundry. In addition, while relatively few competitors offer a full range of SAN and server interconnect products, additional domestic and foreign manufacturers may increase their presence in these markets. We may not be able to compete successfully against these or other competitors. If we are unable to design, develop or introduce competitive new products on a timely basis, our future operating results will be materially and adversely affected.

We expect the pricing of our products to continue to decline, which could reduce our revenues, gross margins and profitability.

We expect the average unit prices of our products (on a product to product comparison basis) to decline in the future as a result of competitive pricing pressures, increased sales discounts, new product introductions by us or our competitors, or other factors. If we are unable to offset these factors by increasing sales volumes, or reducing product manufacturing costs, our total revenues and gross margins may decline. In addition, to maintain our gross margins we must maintain or increase current shipment volumes, develop and introduce new products and product enhancements, and we must continue to reduce the manufacturing cost of our products. Moreover, most of our expenses are fixed in the short-term or incurred in advance of receipt of corresponding revenue. As a result, we may not be able to decrease our spending to offset any unexpected shortfall in revenues. If this occurs, our operating results and gross margins may be below our expectations and the expectations of investors and stock market analysts, and our stock price could be negatively affected.

Our distributors may not adequately distribute our products and their reseller customers may purchase products from our competitors, which could negatively affect our operations.

Our distributors generally offer a diverse array of products from several different manufacturers and suppliers. Accordingly, we are at risk that these distributors may give higher priority to selling products from other suppliers, thus reducing their efforts to sell our products. A reduction in sales efforts by our current distributors could materially and adversely impact our business or operating results. In addition, if we decrease our distributor-incentive programs (i.e., competitive pricing and rebates), our distributors may temporarily decrease the amounts of product purchased from us. This could result in a change of business habits, and distributors may decide to decrease the amount of product held and reduce their inventory levels, which could impact availability of our products to their customers.

As a result of the aforementioned factors regarding our distributors or other unrelated factors, the reseller customers of our distributors could decide to purchase products developed and manufactured by our competitors. Any loss of demand for our products by value-added resellers and system integrators could have a material adverse effect on our business or operating results.

We are dependent on sole source and limited source suppliers for certain key components.

We purchase certain key components used in the manufacture of our products from single or limited sources. We purchase application specific integrated circuits, or ASICs, from a single source, and we purchase microprocessors, certain connectors, logic chips, power supplies and programmable logic devices from limited sources.

We use forecasts based on anticipated product orders to determine our component requirements. If we overestimate component requirements, we may have excess inventory, which would increase our costs. If we underestimate component requirements, we may have inadequate inventory, which could interrupt the manufacturing process and result in lost or deferred revenue. In addition, lead times for components vary significantly and depend on factors such as the specific supplier, contract terms and demand for a component at a given time. We also may experience shortages of certain components from time to time, which could also delay the manufacturing processes.

We depend on our relationships with silicon chip suppliers and other subcontractors, and a loss of any of these relationships may lead to unpredictable consequences that may harm our results of operations if alternative supply sources are not available.

We currently rely on multiple foundries to manufacture our semiconductor products either in finished form or wafer form. We generally conduct business with these foundries through written purchase orders as opposed to long-term supply contracts. Therefore, these foundries are generally not obligated to supply products to us for any specific period, in any specific quantity or at any specific price, except as may be provided in a particular purchase order. If a foundry terminates its relationship with us or if our supply from a foundry is otherwise interrupted, we may not have a sufficient amount of time to replace the supply of products manufactured by that foundry. As a result, we may not be able to meet customer demands, which would harm our business.

Historically, there have been periods when there has been a worldwide shortage of advanced process technology foundry capacity. The manufacture of semiconductor devices is subject to a wide variety of factors, including the availability of raw materials, the level of contaminants in the manufacturing environment, impurities in the materials used and the performance of personnel and equipment. We are continuously evaluating potential new sources of supply. However, the qualification process and the production ramp-up for additional foundries have in the past taken, and could in the future take, longer than anticipated. New supply sources may not be able or willing to satisfy our silicon chip requirements on a timely basis or at acceptable quality or unit prices.

We have not developed alternate sources of supply for some of our products. For example, our integrated single chip Fibre Channel controller is manufactured by LSI Logic and integrates LSI Logic's transceiver technology. In the event that LSI Logic is unable or unwilling to satisfy our requirements for this technology, our marketing efforts related to Fibre Channel products would be delayed and, as such, our results of operations could be materially and adversely affected. The requirement that a customer perform additional product qualifications, or a customer's inability to obtain a sufficient supply of products from us, may cause that customer to satisfy its product requirements from our competitors. Constraints or delays in the supply of our products, due to capacity constraints, unexpected disruptions at foundries or with our subcontractors, delays in obtaining additional production at the existing foundries or in obtaining production from new foundries, shortages of raw materials or other reasons, could result in the loss of customers and have a material adverse effect on our results of operations.

Our products are complex and may contain undetected software or hardware errors that could lead to an increase in our costs, reduce our net revenues or damage our reputation.

Our products are complex and may contain undetected software or hardware errors when first introduced or as newer versions are released. We are also exposed to risks associated with latent defects in existing products. From time to time, we have found errors in existing, new or enhanced products. The occurrence of hardware or software errors could adversely affect the sales of our products, cause us to incur significant warranty and repair costs, divert the attention of our engineering personnel from our product development efforts and cause significant customer relations problems.

The migration of our customers toward new products may result in fluctuations of our operating results.

As new or enhanced products are introduced, including the transition from 2Gb to 4Gb Fibre Channel products, we must successfully manage the transition from older products in order to minimize the effects of product inventories that may become excess and obsolete, as well as ensure that sufficient supplies of new products can be delivered to meet customer demands. Our failure to manage the transition to newer products in the future or to develop and successfully introduce new products and product enhancements could adversely affect our business or financial results. When we introduce new products and product enhancements, we face risks relating to product transitions, including risks relating to forecasting demand, as well as possible product and software defects. Any such adverse events could have a material adverse effect on our business, financial condition or results of operations.

Historically, the electronics industry has developed higher performance ASICs, which create chip level solutions that replace selected board level or box level solutions at a significantly lower average selling price. We have previously offered ASICs to customers for certain applications that have effectively resulted in a lower-priced solution when compared to an HBA solution. This transition to ASICs may also occur with respect to other current and future products. The result of this transition may have an adverse effect on our business, financial condition or results of operations. In the future, a similar adverse effect to our business could occur if there were rapid shifts in customer purchases from our midrange server and storage solutions to products for the small and medium-sized business market.

If our internal control over financial reporting does not comply with the requirements of the Sarbanes-Oxley Act, our business and stock price could be adversely affected.

Section 404 of the Sarbanes-Oxley Act of 2002 requires us to evaluate periodically the effectiveness of our internal control over financial reporting, and to include a management report assessing the effectiveness of our internal controls as of the end of each fiscal year. Section 404 also requires our independent registered public accounting firm to attest to, and report on, management's assessment of our internal control over financial reporting.

Our management does not expect that our internal control over financial reporting will prevent all errors or frauds. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, involving us have been, or will be, detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of a person, or by collusion among two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and we cannot assure you that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies and procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to errors or frauds may occur and not be detected.

Our management has evaluated the effectiveness of our internal control over financial reporting. Based on that evaluation, our management has determined that our internal control over financial reporting was effective as of April 2, 2006 and that there was no change in our internal control over financial reporting during our quarter ended April 2, 2006 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. However, we cannot assure you that we or our independent registered public accounting firm will not identify a material weakness in our internal controls in the future. A material weakness in our internal control over financial reporting would require management and our independent registered public accounting firm to evaluate our internal controls as ineffective. If our internal control over financial reporting is not considered adequate, we may experience a loss of public confidence, which could have an adverse effect on our business and our stock price.

Environmental compliance costs could adversely affect our net income.

Many of our products are subject to various laws governing chemical substances in products, including those regulating the manufacture and distribution of chemical substances and those restricting the presence of certain substances in electronic products. We could incur substantial costs, or our products could be enjoined from entering certain countries, if our products become non-compliant with environmental laws.

We face increasing complexity in our product design and procurement operations as we adjust to new and future requirements relating to the materials composition of our products, including the restrictions on lead and certain other substances that will apply to specified electronic products put on the market in the European Union as of July 1, 2006 (Restriction of Hazardous Substances Directive, or RoHS) and similar legislation currently proposed in China. In addition, recycling, labeling and related requirements have already begun to apply to products we sell in Europe. Where necessary, we are redesigning our products to ensure that they comply with these requirements as well as related requirements imposed by our OEM customers. We are also working with our suppliers to provide us with compliant materials, parts and components. If our products do not comply with the European substance restrictions, we could become subject to fines, civil or criminal sanctions, and contract damage claims. In addition, we could be prohibited from shipping non-compliant products into the European Union, and required to recall and replace any products already shipped, if such products were found to be non-compliant, which would disrupt our ability to ship products and result in reduced revenue, increased obsolete or excess inventories and harm to our business and customer relationships. We also must successfully manage the transition to RoHS-compliant products in order to minimize the effects of product inventories that may become excess or obsolete, as well as ensure that sufficient supplies of RoHS-compliant products can be delivered to meet customer demand. Failure to manage this transition may adversely impact our revenues and operating results. Various other countries and states in the United States have issued, or are in the process of issuing, other environmental regulations that may impose additional restrictions or obligations and require further changes to our products. These regulations could impose a significant cost of doing business in those countries and states.

We could also face significant costs and liabilities in connection with product take-back legislation. The European Union has enacted the Waste Electrical and Electronic Equipment Directive, which makes producers of electrical goods financially responsible for specified collection, recycling, treatment and disposal of past and future covered products. The deadline for the individual member states of the European Union to enact the directive in their respective countries was August 13, 2004 (such legislation, together with the directive, the "WEEE Legislation"). Producers participating in the market became financially responsible for implementing these responsibilities beginning in August 2005. Implementation in certain European Union member states has been delayed into 2006. Similar legislation has been or may be enacted in other jurisdictions, including in the United States, Canada, Mexico, China and Japan, the cumulative impact of which could be significant.

Terrorist activities and resulting military actions could adversely affect our business.

Terrorist attacks have disrupted commerce throughout the United States and Europe. The continued threat of terrorism within the United States, Europe and the Pacific Rim, and the military action and heightened security measures in response to such threat, may cause significant disruption to commerce throughout the world. To the extent that such disruptions result in delays or cancellations of customer orders, interruptions or delays in our receipt of products from our suppliers, delays in collecting cash, a general decrease in corporate spending on information technology, or our inability to effectively market, manufacture or ship our products, our business and results of operations could be materially and adversely affected. We are unable to predict whether the threat of terrorism or the responses thereto will result in any long-term commercial disruptions or if such activities or responses will have any long-term material adverse effect on our business, financial condition or results of operations.

Because we depend on foreign customers and suppliers, we are subject to international economic, regulatory, political and other risks that could harm our financial condition and results of operations.

International revenues accounted for 45% of our net revenues for fiscal 2006. We expect that international revenues will continue to account for a significant percentage of our net revenues for the foreseeable future. In addition, a significant portion of our inventory purchases are from suppliers that are located in Pacific Rim countries. As a result, we are subject to several risks, which include:

- a greater difficulty of administering and managing our business globally;
- compliance with multiple and potentially conflicting regulatory requirements, such as export requirements, tariffs and other barriers;
- differences in intellectual property protections;
- potentially longer accounts receivable cycles;
- currency fluctuations;
- export control restrictions;
- overlapping or differing tax structures;
- political and economic instability; and
- general trade restrictions.

Our international sales are invoiced in U.S. dollars and, accordingly, if the relative value of the U.S. dollar in comparison to the currency of our foreign customers should increase, the resulting effective price increase of our products to such foreign customers could result in decreased sales. There can be no assurance that any of the foregoing factors will not have a material adverse effect on our business, financial condition or results of operations.

Moreover, in many foreign countries, particularly in those with developing economies, it is common to engage in business practices that are prohibited by regulations applicable to us, such as the Foreign Corrupt Practices Act. Although we implement policies and procedures designed to ensure compliance with these laws, our employees, contractors and agents, as well as those companies to which we outsource certain of our business operations, may take actions in violation of our policies. Any such violation, even if prohibited by our policies, could have a material adverse effect on our business.

We may engage in mergers, acquisitions and strategic investments and these activities may adversely affect our results of operations and stock price.

Our future growth may depend in part on our ability to identify and acquire complementary businesses, technologies or product lines that are compatible with ours. Mergers and acquisitions involve numerous risks, including:

- uncertainties in identifying and pursuing target companies;
- difficulties in the assimilation of the operations, technologies and products of the acquired companies;
- the existence of unknown defects in acquired companies' products or assets that may not be identified due to the inherent limitations involved in the due diligence process of an acquisition;
- the diversion of management's attention from other business concerns;
- the failure of markets for the products of acquired companies to develop as expected;
- risks associated with entering markets or conducting operations with which we have no or limited direct prior experience;
- risks associated with assuming the legal obligations of acquired companies;

- risks related to the effect that acquired companies' internal control processes might have on our financial reporting and management's report on our internal control over financial reporting;
- the potential loss of current customers or failure to retain acquired companies' customers;
- the potential loss of key employees of acquired companies; and
- the incurrence of significant exit charges if products acquired in business combinations are unsuccessful.

Further, we may never realize the perceived benefits of a business combination. Future acquisitions by us could dilute stockholders' investment and cause us to incur debt, contingent liabilities and amortization/impairment charges related to intangible assets, all of which could materially and adversely affect our financial position or results of operations.

We have made, and could make in the future, investments in technology companies, including privately held companies in a development stage. Many of these private equity investments are inherently risky because the companies' businesses may never develop, and we may incur losses related to these investments. In addition, we may be required to write down the carrying value of these investments to reflect other than temporary declines in their value, which could have a materially adverse effect on our financial position and results of operations.

If we are unable to attract and retain key personnel, we may not be able to sustain or grow our business.

Our future success largely depends on our key engineering, sales, marketing and executive personnel, including highly skilled semiconductor design personnel and software developers. If we lose the services of key personnel or fail to hire personnel for key positions, our business would be adversely affected. We believe that the market for key personnel in the industries in which we compete is highly competitive. In particular, periodically we have experienced difficulty in attracting and retaining qualified engineers and other technical personnel and anticipate that competition for such personnel will increase in the future. We may not be able to attract and retain key personnel with the skills and expertise necessary to develop new products in the future or to manage our business, both in the United States and abroad.

Beginning with fiscal 2007, we are required to recognize compensation expense related to employee stock options and our employee stock purchase plan. There is no assurance that the expense that we are required to recognize measures accurately the value of our share-based payment awards, and the recognition of this expense could cause the trading price of our common stock to decline.

Effective as of the beginning of the first quarter of fiscal 2007, we are required to adopt Statement of Financial Accounting Standards (SFAS) No. 123R, "Share-Based Payment," which requires the measurement and recognition of compensation expense for all stock-based compensation based on estimated fair values. As a result, starting with fiscal 2007, our operating results will contain a charge for stock-based compensation expense related to employee stock options and our employee stock purchase plan. This charge is in addition to stock-based compensation expense we have recognized in prior periods related to acquisitions and investments. The application of SFAS No. 123R generally requires the use of an option-pricing model to determine the fair value of share-based payment awards. This determination of fair value is affected by our stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, our expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors. Option-pricing models were developed for use in estimating the value of traded options that have no vesting or hedging restrictions and are fully transferable. Because our employee stock options have certain characteristics that are significantly different from traded options, and because changes in the subjective assumptions can materially affect the estimated value, in management's opinion the existing valuation models may not provide an accurate measure of the fair value of our employee stock options. Although the fair value of employee stock options is determined in accordance with SFAS No. 123R and Staff Accounting Bulletin No. 107 using an option-pricing model, that value may not be indicative of the fair value observed in a willing buyer/willing seller market transaction.

As a result of the adoption of SFAS No. 123R, beginning with fiscal 2007, our earnings will be lower than they would have been had we not been required to adopt SFAS No. 123R. This will continue to be the case for future periods. We cannot predict the effect that this adverse impact on our reported operating results will have on the trading price of our common stock.

Decreased effectiveness of equity compensation could adversely affect our ability to attract and retain employees.

We have historically used stock options and other forms of equity-related compensation as key components of our total rewards employee compensation program in order to align employees' interests with the interests of our stockholders, encourage employee retention, and provide competitive compensation packages. In recent periods, many of our employee stock options have had exercise prices in excess of our stock price, which reduces their value to employees and could affect our ability to retain or attract present and prospective employees. As a result of our adoption of SFAS No. 123R in the first quarter of fiscal 2007, the use of stock options and other stock-based awards to attract and retain employees may be limited. Moreover, applicable stock exchange listing standards relating to obtaining stockholder approval of equity compensation plans could make it more difficult or expensive for us to grant stock-based awards to employees in the future, which may result in changes in our equity compensation strategy. These and other developments relating to the provision of equity compensation to employees could make it more difficult to attract, retain and motivate employees.

We may experience difficulties in transitioning to smaller geometry process technologies.

We expect to continue to transition our semiconductor products to increasingly smaller line width geometries. This transition requires us to modify the manufacturing processes for our products and to redesign some products as well as standard cells and other integrated circuit designs that we may use in multiple products. We periodically evaluate the benefits, on a product by product basis, of migrating to smaller geometry process technologies. Currently, most of our products are manufactured in 0.25, 0.18 and 0.13 micron geometry processes. In addition, we have begun to migrate some of our products to 90 nanometer (.09 micron) process technology. In the past, we have experienced some difficulties in shifting to smaller geometry process technologies or new manufacturing processes, which resulted in reduced manufacturing yields, delays in product deliveries and increased expenses. We may face similar difficulties, delays and expenses as we continue to transition our products to smaller geometry processes.

Our proprietary rights may be inadequately protected and difficult to enforce.

Although we have patent protection on certain aspects of our technology in some jurisdictions, we rely primarily on trade secrets, copyrights and contractual provisions to protect our proprietary rights. There can be no assurance that these protections will be adequate to protect our proprietary rights, that others will not independently develop or otherwise acquire equivalent or superior technology or that we can maintain such technology as trade secrets. There also can be no assurance that any patents we possess will not be invalidated, circumvented or challenged. In addition, the laws of certain countries in which our products are or may be developed, manufactured or sold, including various countries in Asia, may not protect our products and intellectual property rights to the same extent as the laws of the United States or at all. If we fail to protect our intellectual property rights, our business would be negatively impacted.

Disputes relating to claimed infringement of intellectual property rights may adversely affect our business.

We have received notices of claimed infringement of intellectual property rights in the past and have been involved in intellectual property litigation in the past. There can be no assurance that third parties will not assert future claims of infringement of intellectual property rights against us with respect to existing and future products. In addition, individuals and groups have begun purchasing intellectual property assets for the sole purpose of making claims of infringement and attempting to extract settlements from companies such as us. Although patent and intellectual property disputes may be settled through licensing or similar arrangements, costs associated with these arrangements may be substantial and the necessary licenses or similar arrangements may not be available to us on satisfactory terms or at all. As a result, we could be prevented from manufacturing and selling some of our products. In addition, if we litigate these kinds of claims, the litigation could be expensive and time consuming and could divert management's attention from other matters. Our business could suffer regardless of the outcome of the litigation. Our supply of silicon chips and other components can also be interrupted by intellectual property infringement claims against our suppliers.

Unavailability of third-party licenses could adversely affect our business.

Many of our products are designed to include software or other intellectual property licensed from third parties. It may be necessary in the future to seek or renew licenses relating to various aspects of these products. There can be no assurance that necessary licenses will be available on acceptable terms, if at all. The inability to obtain certain licenses or to obtain such licenses on favorable terms, or the need to engage in litigation regarding these matters, could have a material adverse impact on our business, operating results and financial condition.

If we fail to carefully manage the use of "open source" software in our products, we may be required to license key portions of our products on a royalty free basis or expose key parts of source code.

Certain of our software (as well as that of our customers) may be derived from so-called "open source" software that is generally made available to the public by its authors and/or other third parties. Such open source software is often made available to us under licenses, such as the GNU General Public License, or GPL, which impose certain obligations on us in the event we were to distribute derivative works of the open source software. These obligations may require us to make source code for the derivative works available to the public, and/or license such derivative works under a particular type of license, rather than the forms of licenses customarily used to protect our intellectual property. In the event the copyright holder of any open source software were to successfully establish in court that we had not complied with the terms of a license for a particular work, we could be required to release the source code of that work to the public and/or stop distribution of that work.

Unanticipated changes in our tax provisions or adverse outcomes resulting from examination of our income tax returns could adversely affect our net income.

We are subject to income taxes in the United States and various foreign jurisdictions. Our effective tax rates have recently been and could in the future be adversely affected by changes in tax laws or interpretations thereof, by changes in the mix of earnings in countries with differing statutory tax rates, by discovery of new information in the course of our tax return preparation process, or by changes in the valuation of our deferred tax assets and liabilities. Our effective tax rates are also affected by intercompany transactions for licenses, services, funding and other items. Additionally, we are subject to the continuous examination of our income tax returns by the Internal Revenue Service and other tax authorities which may result in the assessment of additional taxes. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. However, there can be no assurance that the outcomes from these continuous examinations will not have a material adverse effect on our financial condition or results of operations.

In July 2005, the Financial Accounting Standards Board (FASB) issued an Exposure Draft of a proposed Interpretation "Accounting for Uncertain Tax Positions — an interpretation of FASB Statement No. 109." The proposed Interpretation proposes changes to the current accounting for uncertain tax positions. While we cannot predict with certainty the rules in the final Interpretation, there is risk that the final Interpretation could result in a cumulative effect charge to earnings upon adoption, increases in future effective tax rates or increases in future interperiod effective tax rate volatility.

Computer viruses and other forms of tampering with our computer systems or servers may disrupt our operations and adversely affect net income.

Despite our implementation of network security measures, our servers are vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering with our computer systems. Any such event could have a material adverse effect on our business, operating results or financial condition.

Our certificate of incorporation, bylaws and stockholder rights plan may discourage companies from acquiring us and offering our stockholders a premium for their stock.

Pursuant to our certificate of incorporation, our board of directors is authorized to approve the issuance of shares of currently undesignated preferred stock without any vote or future action by the stockholders. Pursuant to this authority, in June 1996, our board of directors adopted a stockholder rights plan and declared a dividend of a right to purchase preferred stock for each outstanding share of our common stock. After adjustment for stock splits, our common stock now carries one-sixteenth of a preferred stock purchase right per share. The stockholder rights plan may have the effect of delaying, deferring or preventing a change in control of our stock. This may discourage bids for our common stock at a premium over the market price of the common stock and may adversely affect the market price of the common stock. The stockholder rights plan expires on June 4, 2006.

Our facilities and the facilities of our suppliers and customers are located in regions that are subject to natural disasters.

Our California facilities, including our principal executive offices, our principal design facilities and our critical business operations are located near major earthquake faults. We are not specifically insured for earthquakes, or other natural disasters. Any personal injury or damage to the facilities as a result of such occurrences could have a material adverse effect on our business, results of operations or financial condition. Additionally, some of our products are manufactured or sold in regions which have historically experienced natural disasters. Any earthquake or other natural disaster, including a hurricane or tsunami, affecting a country in which our products are manufactured or sold could adversely affect our results of operations.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

Our principal product development, operations, sales and corporate offices are currently located in three buildings comprising approximately 165,000 square feet in Aliso Viejo, California. We own each of these buildings. As part of the acquisition of Troika, we assumed a 15,000 square foot sublease in Westlake Village, California and, as part of the acquisition of PathScale, we acquired a 34,000 square foot lease in Mountain View, California. We lease design centers in Eden Prairie, Minnesota, Austin, Texas and Roseville, California and in April 2005 we entered into a lease for an operations, sales and postponement facility located near Dublin, Ireland. We also maintain offices at various locations in the United States, Europe and Southeast Asia. We believe that our existing properties, including both owned and leased sites, are in good condition and suitable for the conduct of our business.

Item 3. *Legal Proceedings*

Various lawsuits, claims and proceedings have been or may be instituted against us. The outcome of litigation cannot be predicted with certainty and some lawsuits, claims and proceedings may be disposed of unfavorably to us. Many intellectual property disputes have a risk of injunctive relief and there can be no assurance that a license will be granted. Injunctive relief could have a material adverse effect on our financial condition or results of operations. Based on an evaluation of matters which are pending or asserted, we believe the disposition of such matters will not have a material adverse effect on our financial condition or results of operations.

Item 4. *Submission of Matters to a Vote of Security Holders*

No matter was submitted to a vote of security holders during the fourth quarter of fiscal 2006.

PART II

Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Principal Market and Prices

Shares of our common stock are traded and quoted on The Nasdaq National Market under the symbol QLGC. The following table sets forth the range of high and low sales prices per share of our common stock for each quarterly period of the two most recent fiscal years as reported on The Nasdaq National Market. The share prices have been retroactively adjusted to reflect the two-for-one stock split of our common stock in March 2006.

	Sales Prices	
Fiscal 2005	**High**	**Low**
First Quarter	$21.50	$12.63
Second Quarter	15.73	10.72
Third Quarter	19.19	13.67
Fourth Quarter	21.83	16.61

	Sales Prices	
Fiscal 2006	**High**	**Low**
First Quarter	$20.74	$14.58
Second Quarter	17.94	15.28
Third Quarter	17.15	14.10
Fourth Quarter	21.44	15.93

Number of Common Stockholders

The approximate number of record holders of our common stock was 591 as of May 26, 2006.

Dividends

We have never paid cash dividends on our common stock and currently have no intention to do so. We currently anticipate that we will retain all of our future earnings for use in the development and expansion of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our board of directors and will depend upon our operating results, financial condition and other factors as the board of directors, in its discretion, deems relevant.

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

On November 7, 2005, we announced a stock repurchase program authorizing the repurchase of up to $200 million of our common stock over a two-year period. We did not make any purchases under this stock purchase program during the fourth quarter of fiscal 2006. As of April 2, 2006, the remaining amount available for repurchase under this plan was $190 million.

In May 2006, we purchased an additional 1.1 million shares of our common stock for an aggregate purchase price of $20.0 million.

Item 6. *Selected Financial Data*

The following selected financial data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto appearing elsewhere in this report.

	Fiscal Year Ended (1) (2)				
	April 2, 2006	April 3, 2005	March 28, 2004	March 30, 2003	March 31, 2002
Statement of Operations Data					
Net revenues	$494,077	$ 428,719	$387,156	$301,788	$247,047
Cost of revenues	144,246	121,074	115,297	107,073	98,923
Gross profit	349,831	307,645	271,859	194,715	148,124
Operating expenses:					
Engineering and development	89,753	82,791	75,893	65,886	59,133
Sales and marketing	64,416	54,582	48,449	39,780	34,867
General and administrative	17,295	16,659	18,102	14,011	16,673
Purchased in-process research and development	10,510	—	—	—	—
Total operating expenses	181,974	154,032	142,444	119,677	110,673
Operating income	167,857	153,613	129,415	75,038	37,451
Interest and other income, net	32,627	17,873	16,844	17,356	19,036
Income from continuing operations before income taxes	200,484	171,486	146,259	92,394	56,487
Income taxes	78,653	60,071	57,698	35,865	16,758
Income from continuing operations	121,831	111,415	88,561	56,529	39,729
Income from discontinued operations, net of income taxes	161,757	46,181	45,112	46,944	30,997
Net income	$283,588	$ 157,596	$133,673	$103,473	$ 70,726
Income from continuing operations per share:					
Basic	$ 0.71	$ 0.60	$ 0.47	$ 0.30	$ 0.21
Diluted	$ 0.70	$ 0.59	$ 0.46	$ 0.30	$ 0.21
Income from discontinued operations per share:					
Basic	$ 0.95	$ 0.25	$ 0.24	$ 0.25	$ 0.17
Diluted	$ 0.93	$ 0.25	$ 0.23	$ 0.24	$ 0.16
Net income per share:					
Basic	$ 1.66	$ 0.85	$ 0.71	$ 0.55	$ 0.38
Diluted	$ 1.63	$ 0.84	$ 0.69	$ 0.54	$ 0.37
Balance Sheet Data					
Cash and cash equivalents and short-term investments	$665,640	$ 812,338	$743,034	$643,197	$492,546
Total assets	937,707	1,026,340	926,126	815,043	669,857
Total stockholders' equity	859,354	956,183	867,718	750,735	618,983

(1) The statement of operations data for all periods presented reflects the operating results of the hard disk drive controller and tape drive controller business as discontinued operations.

(2) The per share amounts for all periods presented reflect the effects of the two-for-one split of our common stock in March 2006.

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our audited consolidated financial statements and related notes. This Management's Discussion and Analysis of Financial Condition and Results of Operations also contains descriptions of our expectations regarding future trends affecting our business. These forward-looking statements and other forward-looking statements made elsewhere in this report are made in reliance upon safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include, without limitation, descriptions of our expectations regarding future trends affecting our business and other statements regarding future events or our objectives, goals, strategies, beliefs and underlying assumptions that are other than statements of historical fact. When used in this report, the words "anticipates," "believes," "can," "continue," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "should," "will" and similar expressions or the negative of such expressions are intended to identify these forward-looking statements. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of several factors, including, but not limited to those factors set forth and discussed in Part I, Item 1A "Risk Factors" and elsewhere in this report. In light of the significant uncertainties inherent in the forward-looking information included in this report, the inclusion of this information should not be regarded as a representation by us or any other person that our objectives or plans will be achieved. We undertake no obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

Overview

We design and develop storage network infrastructure components sold to original equipment manufacturers, or OEMs, and distributors. We produce host bus adapters, or HBAs, Fibre Channel blade switches, Fibre Channel stackable switches and other fabric switches. In addition, we design and develop storage routers for bridging Fibre Channel and Internet Small Computer System Interface (SCSI), or iSCSI, networks and storage services platforms that provide performance improvements to third-party and OEM storage management software that has been ported to the platform. All of these products address the storage area network, or SAN, connectivity infrastructure requirements of small, medium and large enterprises. We also design and develop InfiniBand Host Channel Adapters, or HCAs, that provide connectivity infrastructure for clustered server fabrics in high-performance computing and enterprise-clustered database markets. Finally, we design and produce management controller chips for use in entry-level servers and storage subsystems. We serve our customers with solutions based on various connectivity technologies including Fibre Channel, InfiniBand, iSCSI and SCSI.

Our ability to serve the storage industry stems from our highly leveraged product line that addresses virtually every connection point in a SAN infrastructure solution. On the server side of the SAN, we provide Fibre Channel and iSCSI HBAs, and HBA technology on the motherboard ("Fibre Down™" technology). Connecting servers to storage, we provide the network infrastructure with a broad line of Fibre Channel switches.

Our products are sold directly to OEMs and to authorized distributors. Our products are incorporated in a large number of solutions from OEM customers, including Cisco Systems, Inc., Dell Computer Corporation, EMC Corporation, Hitachi Data Systems, Hewlett-Packard Company, International Business Machines Corporation, Network Appliance, Inc., Sun Microsystems, Inc. and many others.

We maintain a fifty-two/fifty-three week fiscal year ending on the Sunday nearest March 31. Fiscal years 2006 and 2004 each comprised fifty-two weeks and fiscal year 2005 comprised fifty-three weeks.

Acquisitions and Dispositions

In November 2005, we completed the sale of our hard disk drive controller and tape drive controller business, or the Business, to Marvell Technology Group Ltd. (Marvell) for cash and shares of Marvell's common stock. We received $184.0 million in cash, including a $4.0 million purchase price adjustment due to inventory levels on the date of closing, and 980,000 shares of Marvell's common stock valued at $47.0 million based upon the market price of the shares received on the closing date. We recorded a gain on the sale of the Business of $131.9 million, net of $81.5 million of income taxes. As a result of this transaction, all current and prior period financial information related to the Business has been presented as discontinued operations. The following discussion and analysis excludes the Business and amounts related to the Business unless otherwise noted.

Also in November 2005, we completed the purchase of substantially all of the assets of Troika Networks, Inc. (Troika) for $36.5 million in cash and the assumption of certain liabilities. The assets acquired included intellectual property (including patents and trademarks), inventory and property and equipment. Troika developed, marketed and sold a storage services platform that hosted third-party software solutions. We expect the acquisition of Troika to expand our product line and the acquired intellectual property to enhance certain of our current products and provide greater functionality to our customers. The consideration paid in excess of the fair market value of the tangible assets acquired totaled $34.8 million. Based on a preliminary purchase price allocation, we have recorded goodwill of $20.7 million and core technology of $3.6 million, which are included in goodwill and other intangible assets in the accompanying consolidated balance sheet as of April 2, 2006, and recognized a charge of $10.5 million for purchased in-process research and development, or IPR&D. We expect to finalize the purchase price allocation in fiscal 2007, which may result in adjustments to the amounts recorded in fiscal 2006.

In addition, we entered into a performance plan with certain former Troika employees upon their employment with QLogic. The performance plan provides for the issuance of stock based on the achievement of certain performance milestones and continued employment with QLogic. In connection with the performance plan, we could recognize compensation expense of up to $6.5 million over four years.

On April 3, 2006, we acquired all outstanding shares of PathScale, Inc. (PathScale). PathScale designs and develops system area network fabric interconnects targeted at high-performance clustered system environments. The acquisition of PathScale expands our portfolio of solutions to include InfiniBand, a high-performance low-latency switched fabric interconnect. Consideration paid for this acquisition was approximately $110 million in cash, which included the purchase of all vested PathScale stock options. In addition, we converted unvested PathScale stock options for continuing employees into options to purchase approximately 307,000 shares of QLogic common stock with a weighted-average exercise price of $3.00. The total fair value of the converted options is approximately $6 million and will be recognized as compensation expense over the remaining service period. We are in the process of evaluating the net assets acquired and expect to finalize the purchase price allocation during fiscal 2007. The consideration paid in excess of the fair market value of tangible assets acquired is expected to be allocated to intangible assets, goodwill and IPR&D. To the extent a portion of the purchase price is allocated to IPR&D, we will recognize a charge to operating expenses for such amount.

We also entered into a performance plan with certain former PathScale shareholders who became employees of QLogic. The performance plan provides for the issuance of stock based on the achievement of certain performance milestones and continued employment with QLogic. In connection with the performance plan, we could recognize compensation expense of up to $15 million over four years.

Fiscal Year and Fourth Quarter Financial Highlights and Other Information

During fiscal 2006, our net revenues from continuing operations increased 15% from the prior year to $494.1 million and were highlighted by a 19% increase in revenues from SAN Infrastructure Products, which are comprised of HBAs, switches and silicon chips. Income from continuing operations increased 9% from the prior year to $121.8 million, or $0.70 per diluted share. Net income, including the results of discontinued operations and the gain on sale of the discontinued operations, was $283.6 million or $1.63 per diluted share.

During the fourth quarter of fiscal 2006, our net revenues from continuing operations were $130.5 million, a 1% increase from the third quarter of fiscal 2006. Revenues from SAN Infrastructure Products during the fourth quarter increased 1% sequentially from the third quarter and represented 93% of our total net revenues.

In our continuing effort to be more responsive and increase customer satisfaction, we established operations in Ireland during the first quarter of fiscal 2006. As a key element of our expanded global supply chain program, the Ireland operations are expected to deliver customer-specific configure-on-demand services, regionally-based customer support, order fulfillment services and reverse logistics for our international customers. During the second quarter of fiscal 2006, we commenced shipments to customers from our Ireland facility.

In March 2006, we completed a two-for-one stock split through the payment of a stock dividend to holders of record of our common stock on February 16, 2006.

A summary of the key factors and significant events which impacted our financial performance during the fourth quarter of fiscal 2006 are as follows:

- Net revenues of $130.5 million for the fourth quarter of fiscal 2006 increased sequentially by $1.3 million, or 1%, from $129.2 million in the third quarter of fiscal 2006.

- Gross profit as a percentage of net revenues was 70.6% in the fourth quarter, a decrease from 71.4% for the third quarter of fiscal 2006. We continue to expect downward pressure on our gross profit percentage as a result of changes in product and technology mix, as well as declining average selling prices. There can be no assurance that we will be able to maintain our gross profit percentage consistent with historical trends and it may decline in the future.

- Operating income as a percentage of net revenues was 26.1% for the fourth quarter of fiscal 2006, compared to 38.0% in the third quarter of fiscal 2006. Operating income for the fourth quarter was impacted by a $10.5 million charge for purchased in-process research and development related to our acquisition of Troika.

- Income from continuing operations was $31.4 million, or $0.19 per diluted share, in the fourth quarter of fiscal 2006 and decreased slightly from the $31.7 million, or $0.19 per diluted share, reported in the third quarter of fiscal 2006. Income from continuing operations was impacted by the purchased in-process research and development charge noted above, which was partially offset by an $8.5 million gain on the sale of a portion of the shares of Marvell common stock acquired as part of the sale of our hard disk drive controller and tape drive controller business.

- Cash and cash equivalents and short-term investments of $665.6 million at April 2, 2006 decreased $53.1 million from $718.7 million at the end of the third quarter of fiscal 2006 primarily due to income tax payments related to the gain on sale of our hard disk drive controller and tape drive controller business. During the fourth quarter of fiscal 2006, we generated $27.6 million of cash from continuing operating activities.

- Accounts receivable was $67.6 million as of April 2, 2006, compared to $70.5 million as of January 1, 2006. Days sales outstanding (DSO) in receivables as of April 2, 2006 decreased to 47 days from 50 days as of January 1, 2006. Our accounts receivable and DSO are primarily affected by linearity of shipments within the quarter and collections performance. Based on our customers' procurement models and our current customer mix, we expect that DSO in the future will range from 45 to 55 days. There can be no assurance that we will be able to maintain our DSO consistent with historical trends and it may increase in the future.

- Inventories were $39.4 million as of April 2, 2006, compared to $29.8 million as of January 1, 2006. Our annualized inventory turns in the fourth quarter of fiscal 2006 of 3.9 turns decreased from the 5.0 turns in the third quarter of fiscal 2006. The increase in inventories was principally due to our customers' slower than expected transition to new or enhanced HBA products, including RoHS-compliant products.

RESULTS OF OPERATIONS

Net Revenues

A summary of the components of our net revenues is as follows:

	2006	2005	2004
		(In millions)	
Net revenues:			
SAN Infrastructure Products	$460.1	$387.9	$335.6
Management Controllers	27.1	37.0	46.8
Other	6.9	3.8	4.8
Total net revenues	$494.1	$428.7	$387.2
Percentage of net revenues:			
SAN Infrastructure Products	93%	90%	87%
Management Controllers	6	9	12
Other	1	1	1
Total net revenues	100%	100%	100%

The global marketplace for SANs continues to expand in response to the information storage requirements of enterprise business environments, as well as the emerging market for SAN-based solutions for small and medium-sized businesses. This market expansion has resulted in increased volume shipments of our SAN Infrastructure Products. However, the SAN market has been characterized by rapid advances in technology and related product performance, which has generally resulted in declining average selling prices over time. Our revenues have generally been favorably affected by increases in units sold as a result of market expansion, increases in market share and the release of new products. The favorable effect on our revenues as a result of increases in volume has been partially offset by the impact of declining average selling prices.

Our net revenues are derived primarily from the sale of SAN Infrastructure Products and Management Controllers. Other revenue includes non-product related revenues, such as royalties, non-recurring engineering fees and service fees. Net revenues for fiscal 2006 increased $65.4 million, or 15%, from fiscal 2005. This increase was primarily the result of a $72.2 million, or 19%, increase in revenue from SAN Infrastructure Products, partially offset by a $9.9 million, or 27%, decrease in revenue from Management Controllers. The increase in revenue from SAN Infrastructure Products was primarily due to a 35% increase in the quantity of Fibre Channel and iSCSI HBAs sold partially offset by a 10% decrease in average selling prices of Fibre Channel and iSCSI HBAs, and a 63% increase in the quantity of switches sold partially offset by a 16% decrease in average selling prices of switches. The decrease in revenue from Management Controllers was due to a 22% decrease in the quantity sold and a 6% decrease in average selling prices. We expect revenue from Management Controllers to decrease over time, as these products are not part of our core business and we are not investing in the development of new products. Net revenues for fiscal 2006 included $6.9 million of other revenue. Other revenues are unpredictable and we do not expect them to be significant to our overall revenues.

Net revenues for fiscal 2005 increased $41.5 million, or 11%, from fiscal 2004, principally due to a $52.3 million, or 16%, increase in revenue from SAN Infrastructure Products, partially offset by a $9.8 million, or 21%, decrease in revenue from Management Controllers. The increase in revenue from SAN Infrastructure Products was primarily due to a 44% increase in the quantity of Fibre Channel and iSCSI HBAs sold partially offset by a 15% decrease in average selling prices of Fibre Channel and iSCSI HBAs. The decrease in revenue from Management Controllers was due to a 3% decrease in the quantity sold and an 18% decrease in average selling prices. Net revenues for fiscal 2005 included $3.8 million of other revenue, compared to $4.8 million in fiscal 2004.

A small number of our customers account for a substantial portion of our net revenues, and we expect that a limited number of customers will continue to represent a substantial portion of our net revenues for the foreseeable future. Our top ten customers accounted for 77%, 78% and 78% of net revenues during fiscal 2006, 2005 and 2004, respectively.

A summary of our customers, including their manufacturing subcontractors, that represent 10% or more of our net revenues for any of the fiscal years presented is as follows:

	2006	2005	2004
IBM	15%	15%	12%
Hewlett-Packard	15%	14%	11%
Sun Microsystems	12%	15%	21%
Dell Computer	*	10%	10%

* Less than 10% of net revenues.

We believe that our major customers continually evaluate whether or not to purchase products from alternative or additional sources. Additionally, customers' economic and market conditions frequently change. Accordingly, there can also be no assurance that a major customer will not reduce, delay or eliminate its purchases from us. Any such reduction, delay or loss of purchases could have a material adverse effect on our business, financial condition or results of operations.

Revenues by geographic area are presented based upon the country of destination. No individual country other than the United States represented 10% or more of net revenues for any of the fiscal years presented. Net revenues by geographic area are as follows:

	2006	2005 (In millions)	2004
United States	$271.9	$227.8	$228.3
Europe, Middle East and Africa	111.0	94.6	74.9
Asia-Pacific and Japan	108.2	101.5	81.2
Rest of world	3.0	4.8	2.8
	$494.1	$428.7	$387.2

Gross Profit

Gross profit represents net revenues less cost of revenues. Cost of revenues consists primarily of the cost of purchased products, assembly and test services, and costs associated with product procurement, inventory management and product quality. A summary of our gross profit and related percentage of net revenues is as follows:

	2006	2005 (In millions)	2004
Gross profit	$349.8	$307.6	$271.9
Percentage of net revenues	70.8%	71.8%	70.2%

Gross profit for fiscal 2006 increased $42.2 million, or 14%, from gross profit for fiscal 2005. The gross profit percentage for fiscal 2006 was 70.8% and declined from 71.8% in the prior year. The decline in gross profit percentage was principally due to an unfavorable shift in product and technology mix, as well as a decrease in the average selling prices of our products.

Gross profit for fiscal 2005 increased $35.7 million, or 13%, from gross profit for fiscal 2004. The gross profit percentage for fiscal 2005 was 71.8% and increased from 70.2% in the prior year. This gross profit percentage increase was due primarily to increased sales of higher margin products and cost efficiencies realized from the increase in production during fiscal 2005.

Our ability to maintain our current gross profit percentage can be significantly affected by factors such as the results of our investment in engineering and development activities, supply costs, the worldwide semiconductor foundry capacity, the mix of products shipped, the transition to new products, competitive price pressures, the timeliness of volume shipments of new products, the level of royalties received and our ability to achieve manufacturing cost reductions. We anticipate that it will be increasingly difficult to reduce manufacturing costs. Also, royalty revenues have been and continue to be unpredictable. As a result of these and other factors, it may be difficult to maintain our gross profit percentage consistent with historical trends and it may decline in the future.

Operating Expenses

Our operating expenses are summarized in the following table:

	2006	2005	2004
		(In millions)	
Operating expenses:			
Engineering and development	$ 89.8	$ 82.8	$ 75.9
Sales and marketing	64.4	54.5	48.4
General and administrative	17.3	16.7	18.1
Purchased in-process research and development	10.5	—	—
Total operating expenses	$182.0	$154.0	$142.4
Percentage of net revenues:			
Engineering and development	18.2%	19.3%	19.6%
Sales and marketing	13.0	12.7	12.5
General and administrative	3.5	3.9	4.7
Purchased in-process research and development	2.1	—	—
Total operating expenses	36.8%	35.9%	36.8%

Engineering and Development. Engineering and development expenses consist primarily of compensation and related benefit costs, development-related engineering and material costs, occupancy costs and related computer support costs. During fiscal 2006, engineering and development expenses of $89.8 million increased $7.0 million, or 8%, from fiscal 2005. The increase in engineering and development expenses was primarily due to a $7.7 million increase in cash compensation and related benefit costs associated with increases in headcount for our expanded development efforts in support of new products, including an increase in headcount due to the acquisition of Troika during the third quarter of fiscal 2006, a $1.9 million increase in external engineering costs associated with new product development, a $1.8 million increase in equipment and supplies costs, and $0.4 million of non-cash compensation charges related to the acquisition of Troika, partially offset by a reduction of $5.9 million of non-cash compensation charges incurred during fiscal 2005 related to the acquisition of the Little Mountain Group, Inc. The non-cash charges related to the Little Mountain Group acquisition ended in the fourth quarter of fiscal 2005.

During fiscal 2005, engineering and development expenses of $82.8 million increased $6.9 million, or 9%, from $75.9 million for fiscal 2004. Engineering and development expenses increased primarily due to a $3.7 million increase in cash compensation and related benefit costs associated with increases in headcount for our expanded development efforts in support of new products, a $3.2 million increase in external engineering costs associated with new product development and a $1.3 million increase in equipment and supplies costs, partially offset by a $1.9 million reduction in the non-cash compensation charges related to the acquisition of the Little Mountain Group.

We believe continued investments in engineering and development activities are critical to achieving future design wins, expansion of our customer base and revenue growth opportunities. We expect engineering and development expenses will continue to increase in the future as a result of continued and increasing costs associated with new product development, including the acquisitions of Troika and PathScale.

Sales and Marketing. Sales and marketing expenses consist primarily of compensation and related benefit costs, sales commissions, promotional activities and travel for sales and marketing personnel. Sales and marketing expenses for fiscal 2006 of $64.4 million increased $9.9 million, or 18%, from fiscal 2005. The increase in sales and marketing expenses was due primarily to a $3.8 million increase in various promotional activities directed at increasing market awareness and acceptance of our products, a $2.5 million increase in the compensation and related benefit costs due to increased headcount associated with the expansion of our sales and marketing groups, a $1.2 million increase in commissions expense as a result of higher revenues and a $1.0 million increase in travel-related expenses.

During fiscal 2005, sales and marketing expenses of $54.5 million increased $6.1 million, or 13%, from fiscal 2004. The increase in sales and marketing expenses in fiscal 2005 was due primarily to a $3.0 million increase in compensation and related benefit costs due to increased headcount associated with the expansion of our sales and marketing groups and a $2.5 million increase in various promotional activities.

We believe continued investments in our sales and marketing organizational infrastructure and related marketing programs are critical to the success of our strategy of expanding our customer base and enhancing relationships with our existing customers. As a result, we expect sales and marketing expenses will continue to increase in the future.

General and Administrative. General and administrative expenses consist primarily of compensation and related benefit costs for executive, finance, accounting, human resources, legal and information technology personnel. Non-compensation components of general and administrative expenses include accounting, legal and other professional fees, facilities expenses and other corporate expenses. General and administrative expenses for fiscal 2006 of $17.3 million increased $0.6 million, or 4%, from fiscal 2005 and included an increase of $1.9 million in outside consulting services, primarily related to the structuring of our expanded international operations, partially offset by a $0.7 million reimbursement received from an insurance carrier related to the settlement of a prior legal matter and a decrease in bad debt expense of $0.3 million. General and administrative expenses for fiscal 2005 of $16.7 million decreased $1.4 million, or 8%, from fiscal 2004. General and administrative expenses in fiscal 2004 included $1.8 million related to legal settlements, which did not recur in fiscal 2005. In addition, general and administrative expenses in fiscal 2005 increased by $1.0 million for increases in compensation and related benefit costs.

In connection with the growth of our business, we expect general and administrative expenses will increase in the future.

Purchased In-Process Research and Development. In connection with our acquisition of Troika, we recognized a charge of $10.5 million for IPR&D, based on a preliminary purchase price allocation. IPR&D was expensed because the technological feasibility of the product under development had not been established and no future alternative uses existed. One IPR&D project was identified, which related to the development of a new product. As of the date of the acquisition, the project was estimated to be more than 50% complete and is expected to be completed in fiscal 2007. The fair value of the IPR&D was valued utilizing the income approach which estimates expected future after-tax cash flows of the project under development and discounts its net present value at an appropriate risk-adjusted rate of return. We expect to finalize the purchase price allocation in fiscal 2007, which may result in adjustments to the amounts recorded in fiscal 2006.

We are in the process of evaluating the net assets acquired in the PathScale transaction and expect to finalize the purchase price allocation during fiscal 2007. To the extent a portion of the purchase price is allocated to IPR&D, we will recognize a charge to operating expenses for such amount in fiscal 2007.

Non-Operating Income

A summary of the components of our interest and other income are as follows:

	2006	2005	2004
		(In millions)	
Interest income	$25.8	$18.5	$15.5
Gain (loss) on sale of marketable securities	6.8	(0.6)	1.1
Other	—	—	0.2
	$32.6	$17.9	$16.8

Interest and other income for fiscal 2006 of $32.6 million is comprised principally of interest income of $25.8 million related to our portfolio of marketable securities. Interest income increased by $7.3 million due to increasing yields on our portfolio of marketable securities, as well as larger investment balances. Interest and other income for fiscal 2006 also includes an $8.5 million gain on the sale of a portion of the shares of Marvell common stock acquired as part of the sale of our hard disk drive controller and tape drive controller business, partially offset by $1.7 million of realized losses on sales of marketable securities.

During fiscal 2005, interest and other income of $17.9 million is comprised principally of interest income related to our portfolio of marketable securities. The $3.0 million increase in interest income in fiscal 2005 from the prior year was due to increasing yields as well as higher investment balances. Interest and other income in fiscal 2005 also included realized losses on sales of marketable securities of $0.6 million, compared to $1.1 million of gains on sales of marketable securities in the prior year.

Income Taxes

Our effective income tax rate related to continuing operations approximated 39% in fiscal 2006, 35% in fiscal 2005 and 39% in fiscal 2004. The increase in the tax rate in fiscal 2006 compared to fiscal 2005 was due primarily to investments by foreign subsidiaries in intellectual property rights previously held by the United States parent and in newly acquired intellectual property rights, investment in foreign operations and the continued reduction in benefits derived from both the extraterritorial income exclusion and research credits. The decrease in the tax rate in fiscal 2005 compared to fiscal 2004 was due primarily to the favorable resolution of routine tax examinations.

During fiscal 2007, we expect our effective tax rate to benefit from our transfer of intellectual property rights to foreign subsidiaries and investments in foreign operations. However, our effective tax rate may be negatively impacted by the tax effects of acquisitions, including the acquisition of PathScale, and the adoption of SFAS No. 123R. In addition, given the increased global scope of our operations, and the complexity of global tax and transfer pricing rules and regulations, it has become increasingly difficult to estimate earnings within each tax jurisdiction. If actual earnings within each tax jurisdiction differ materially from our estimates, we may not achieve our expectations for our effective tax rate.

Discontinued Operations

In November 2005, we completed the sale of our hard disk drive controller and tape drive controller business to Marvell Technology Group Ltd. In connection with this transaction, we recognized a gain on sale before income taxes of $213.4 million.

Income from discontinued operations, net of income taxes, consists of direct revenues and direct expenses of the Business, including cost of revenues, as well as other fixed and allocated costs to the extent that such costs were eliminated as a result of the transaction. General corporate overhead costs have not been allocated to discontinued operations. A summary of the operating results of the Business included in discontinued operations in the accompanying consolidated statements of income is as follows:

	2006	2005	2004
		(In millions)	
Net revenues	$ 94.6	$143.2	$136.7
Income from discontinued operations, net of income taxes	$ 29.8	$ 46.2	$ 45.1
Gain on sale of discontinued operations, net of income taxes	$131.9	$ —	$ —

As the sale of the Business closed on November 4, 2005, net revenues and income from discontinued operations for fiscal 2006 do not include a full year of operating activity. Net revenues for fiscal 2006 decreased $48.6 million, or 34%, from fiscal 2005 and income from discontinued operations, net of income taxes, for fiscal 2006 decreased by $16.4 million, or 35%. Net revenues for fiscal 2005 increased $6.5 million, or 5%, from fiscal 2004 and income from discontinued operations, net of income taxes, for fiscal 2005 increased by $1.1 million, or 2%, from the prior year.

Liquidity and Capital Resources

Our combined balances of cash and cash equivalents and short-term investments have decreased to $665.6 million at April 2, 2006, compared to $812.3 million at April 3, 2005. The decrease in cash, cash equivalents and short-term investments is due primarily to the repurchase of our common stock pursuant to our stock repurchase programs and the acquisition of Troika, partially offset by our cash generated by continuing operations and the cash received from the sale of our hard disk drive controller and tape drive controller business. We believe that our existing cash and cash equivalent balances, short-term investments and cash flows from operating activities will provide sufficient funds to finance our operations for at least the next 12 months. However, it is possible that we may need to supplement our existing sources of liquidity to finance our activities beyond the next 12 months or for the future acquisition of businesses, products or technologies. In addition, our future capital requirements will depend on a number of factors, including changes in the markets we address, our revenues and the related manufacturing and operating costs, product development efforts and requirements for production capacity. In order to fund any additional capital requirements, we may seek to obtain debt financing or issue additional shares of our common stock. There can be no assurance that any additional financing, if necessary, will be available on terms acceptable to us or at all.

Cash provided by operating activities was $132.5 million for fiscal 2006 and $133.1 million for fiscal 2005. Operating cash flow for fiscal 2006 reflects our income from continuing operations of $121.8 million, net non-cash charges (depreciation and amortization, IPR&D, deferred income taxes and other) of $29.3 million, and a net increase in the non-cash components of our working capital of $18.6 million. The increase in the non-cash components of working capital was primarily due to a $16.2 million increase in inventories, a $12.8 million increase in accounts receivable and an increase of $5.9 million in other assets, all associated with the expansion of our business. The increase in the non-cash components of working capital were partially offset by an increase of $16.3 million in operating liabilities due to the timing of payment obligations.

Cash provided by investing activities of $80.1 million for fiscal 2006 consists of sales and maturities of marketable securities (net of purchases) of $155.6, offset by net cash paid for the acquisition of Troika of $35.2 million, additions to property and equipment of $28.3 million and $12.0 million of cash placed in escrow under the terms of the agreement with Marvell for the sale of the Business. During fiscal 2005, cash used in investing activities of $4.6 million included additions to property and equipment of $22.3 million and the purchase of other assets of $4.0 million, partially offset by sales and maturities of marketable securities (net of purchases) of $21.7 million.

Subsequent to year end, we paid approximately $110 million to acquire PathScale. As our business grows, we expect capital expenditures to increase in the future as we continue to invest in machinery and equipment, more costly engineering and production tools for new technologies, and enhancements to our corporate information technology infrastructure.

Cash used in financing activities of $387.2 million for fiscal 2006 resulted from our purchase of $415.0 million of common stock under our stock repurchase programs, partially offset by $27.8 million of proceeds from the issuance of common stock under our stock plans. During fiscal 2005, the $71.3 million of cash used in financing activities resulted from the use of $85.0 million for the purchase of common stock under our stock repurchase programs, partially offset by $13.7 million of proceeds from the issuance of common stock under our stock plans.

Cash provided by discontinued operations was $134.1 million for fiscal 2006 and included $181.3 million of net proceeds from the sale of the Business offset by $47.2 million of net cash used in discontinued operating activities, which was primarily due to income tax payments related to the gain on sale of the Business. Future cash flows from discontinued operations are not expected to be significant.

Our Board of Directors approved stock repurchase programs: (i) in October 2002, that authorized us to repurchase up to $100 million of our outstanding common stock, (ii) in June 2004, that authorized us to repurchase up to an additional $100 million of our outstanding common stock, (iii) in August 2005, that authorized us to repurchase up to an additional $350 million of our outstanding common stock, and (iv) in November 2005, that authorized us to repurchase up to an additional $200 million of our outstanding common stock. During fiscal 2006, we repurchased the remaining $55.0 million available under the June 2004 plan, consisting of 3.5 million shares; repurchased 20.7 million shares for an aggregate purchase price of $350.0 million under the August 2005 plan; and repurchased 0.6 million shares for an aggregate purchase price of $10.0 million under the November 2005 plan. Since fiscal 2003, we have repurchased a total of $560.0 million of our common stock under programs authorized by our Board of Directors.

We have certain contractual obligations and commitments to make future payments in the form of non-cancelable purchase orders to our suppliers and commitments under operating lease arrangements. A summary of our contractual obligations as of April 2, 2006, and their impact on our cash flows in future fiscal years, is as follows:

	2007	2008	2009	2010	2011	Thereafter	Total
				(In millions)			
Operating leases	$ 5.3	$2.5	$1.6	$0.8	$0.7	$0.3	$11.2
Non-cancelable purchase obligations	46.4	—	—	—	—	—	46.4
Total	$51.7	$2.5	$1.6	$0.8	$0.7	$0.3	$57.6

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of net revenues and expenses during the reporting period. We base our estimates on historical experience and on various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. We believe the accounting policies described below to be our most critical accounting policies. These accounting policies are affected significantly by judgments, assumptions and estimates used in the preparation of the financial statements and actual results could differ materially from the amounts reported based on these policies.

Revenue Recognition

We recognize revenue from product sales when the following fundamental criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred, (iii) the price to the customer is fixed or determinable and (iv) collection of the resulting accounts receivable is reasonably assured.

For all sales, we use a binding purchase order or a signed agreement as evidence of an arrangement. Delivery occurs when goods are shipped and title and risk of loss transfer to the customer, in accordance with the terms specified in the arrangement with the customer. The customer's obligation to pay and the payment terms are set at the time of delivery and are not dependent on the subsequent resale of our product. However, certain of our sales are made to distributors under agreements which contain a limited right to return unsold product and price protection provisions. We recognize revenue from these distributors when the product is sold by the distributor to a third party. At times, we provide standard incentive programs to our distributor customers and account for such programs in accordance with Emerging Issues Task Force (EITF) Issue No. 01-9, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)." Accordingly, we account for our competitive pricing incentives, which generally reflect front-end price adjustments, as a reduction of revenue at the time of sale, and rebates as a reduction of revenue in the period the related revenue is recorded based on the specific program criteria and historical experience. Royalty and service revenue is recognized when earned and receipt is reasonably assured.

For those sales that include multiple deliverables, we allocate revenue based on the relative fair values of the individual components as determined in accordance with EITF Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables." When more than one element, such as hardware and services, are contained in a single arrangement, we allocate revenue between the elements based on each element's relative fair value, provided that each element meets the criteria for treatment as a separate unit of accounting. An item is considered a separate unit of accounting if it has value to the customer on a standalone basis and there is objective and reliable evidence of the fair value of the undelivered items. Fair value is generally determined based upon the price charged when the element is sold separately. In the absence of fair value for a delivered element, we allocate revenue first to the fair value of the undelivered elements and allocate the residual revenue to the delivered elements. In the absence of fair value for an undelivered element, the arrangement is accounted for as a single unit of accounting, resulting in a deferral of revenue recognition for the delivered elements until all undelivered elements have been fulfilled.

An allowance for doubtful accounts is maintained for estimated losses resulting from the inability of our customers to make required payments. This reserve is determined by analyzing specific customer accounts and applying historical loss rates to the aging of remaining accounts receivable balances. If the financial condition of our customers were to deteriorate, resulting in their inability to pay their accounts when due, additional reserves might be required.

We record provisions against revenue and cost of revenue for estimated product returns and allowances such as competitive pricing programs and rebates in the same period that revenue is recognized. These provisions are based on historical experience as well as specifically identified product returns and allowance programs. Additional reductions to revenue would result if actual product returns or pricing adjustments exceed our estimates.

Inventories

Inventories are valued at the lower of cost, on a first-in, first-out basis, or market. We write down the carrying value of our inventory to market value for estimated obsolete or excess inventory based upon assumptions about future demand and market conditions. We compare current inventory levels on a product basis to our current sales forecasts in order to assess our inventory balance. Our sales forecasts are based on economic conditions and trends (both current and projected), anticipated customer demand and acceptance of our current products, expected future products and other assumptions. If actual market conditions are less favorable than those projected by management, additional write-downs may be required.

Income Taxes

We utilize the asset and liability method of accounting for income taxes. We record liabilities for probable income tax assessments based on our estimate of potential tax related exposures. The application of tax laws and regulations is subject to legal and factual interpretation, judgment and uncertainty. Tax laws themselves are subject to change as a result of changes in fiscal policy, changes in legislation, evolution of regulations and court rulings. Therefore, the actual liability for U.S. or foreign taxes may be materially different from our estimates, which could result in the need to record additional liabilities or potentially to reverse previously recorded tax liabilities. Differences between actual results and our assumptions, or changes in our assumptions in future periods, are recorded in the period they become known.

Deferred income taxes are recognized for the future tax consequences of temporary differences using enacted statutory tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Temporary differences include the difference between the financial statement carrying amounts and the tax bases of existing assets and liabilities and operating loss and tax credit carryforwards. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

We assess the likelihood that our deferred tax assets will be recovered from future taxable income. To the extent management believes that recovery is more likely than not, we do not establish a valuation allowance. An adjustment to income would occur if we determine that we are able to realize a different amount of our deferred tax assets than currently expected.

New Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board issued SFAS No. 123R, which supersedes SFAS No. 123, "Accounting for Stock-Based Compensation," Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations, and amends SFAS No. 95, "Statement of Cash Flows." The provisions of SFAS No. 123R are similar to those of SFAS No. 123, however SFAS No. 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements as compensation cost based on their fair value on the date of grant. Fair value of share-based awards will be determined using option-pricing models (e.g. Black-Scholes or binomial models) and assumptions that appropriately reflect the specific circumstances of the awards. Compensation cost will be recognized over the vesting period based on the fair value of awards that actually vest.

We expect to utilize the modified-prospective transition alternative in adopting SFAS No. 123R. Under this method, compensation cost would be recognized in financial statements issued subsequent to the date of adoption for all share-based payments granted, modified or settled after the date of adoption, as well as for any unvested awards that were granted prior to the date of adoption.

SFAS No. 123R is effective at the beginning of the first annual period beginning after June 15, 2005 (for us, fiscal 2007). The adoption of the SFAS No. 123R fair value method will have a significant adverse impact on our consolidated statements of income, although it will have no impact on our overall financial position. The balance of unearned stock-based compensation to be expensed in fiscal 2007 through fiscal 2010 related to share-based awards unvested at April 2, 2006, as previously calculated under the disclosure-only requirements of SFAS No. 123, is approximately $38 million. If there are any modifications or cancellations of the underlying unvested stock-based awards, we may be required to accelerate or adjust any remaining unearned stock-based compensation expense. To the extent that we grant additional stock-based awards to employees or assume unvested stock-based awards in connection with any acquisitions, stock-based compensation expense will be increased by those additional grants or acquisitions. We anticipate we will grant additional stock-based awards in fiscal 2007. The fair value of these grants is not included in the amount above, as the impact of these grants cannot be predicted at this time because it will depend on the number of stock-based awards granted and the then current fair values.

We currently estimate that, had we adopted SFAS No. 123R in prior periods, the magnitude of the impact of that standard on our consolidated statements of income would have approximated the impact of SFAS No. 123 as illustrated in the footnotes to the accompanying consolidated financial statements, assuming the application of the Black-Scholes option pricing model. SFAS No. 123R also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as currently required. This requirement may reduce net operating cash flows and increase net financing cash flows in periods after its adoption. While we cannot estimate what those amounts will be in the future, the amount of operating cash flows recognized in fiscal 2006, 2005 and 2004 related to such excess tax deductions was $5.1 million, $2.4 million and $10.6 million, respectively.

In November 2005, the Financial Accounting Standards Board issued Staff Position FAS 115-1/ FAS 124-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" (the FSP). The FSP provides guidance on determining when investments in certain debt and equity securities are considered impaired, whether that impairment is other-than-temporary, and on measuring such impairment loss. The FSP also includes accounting considerations subsequent to the recognition of an other-than-temporary impairment and requires certain disclosures about unrealized losses that have not been recognized as other-than-temporary impairments. The FSP is required to be applied to reporting periods beginning after December 15, 2005. The adoption of the FSP did not have a material impact on our consolidated balance sheets or statements of income.

Item 7a. *Quantitative and Qualitative Disclosures About Market Risk*

We maintain a marketable securities investment portfolio of various holdings, types and maturities. In accordance with our investment guidelines, we only invest in instruments with high credit quality standards and we limit our credit exposure to any one issuer or type of investment. We also hold shares of Marvell common stock that were received in connection with the sale of our hard disk drive controller and tape drive controller business. The shares of Marvell common stock are equity securities and, as such, inherently have higher risk than the marketable securities in which we usually invest. We do not use derivative financial instruments.

Our cash and cash equivalents are not subject to significant interest rate risk due to the short maturities of these instruments. As of April 2, 2006, the carrying value of our cash and cash equivalents approximates fair value.

With the exception of the Marvell common stock noted above, our short-term investment portfolio consists primarily of marketable debt securities, including government securities, corporate bonds, municipal bonds, asset and mortgage-backed securities, and other debt securities, which principally have remaining terms of three years or less. Consequently, such securities are not subject to significant interest rate risk. All of our marketable securities are classified as available for sale and, as of April 2, 2006, unrealized losses of $1.8 million (net of related income taxes) on these securities are included in accumulated other comprehensive loss.

Item 8. ***Financial Statements and Supplementary Data***

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
QLogic Corporation:

We have audited the accompanying consolidated balance sheets of QLogic Corporation and subsidiaries as of April 2, 2006 and April 3, 2005, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended April 2, 2006. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule of valuation and qualifying accounts as listed in the index under Item 15(a)(2). These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 subsidiaries as of April 2, 2006 and April 3, 2005, and the results of their operations and their cash flows for each of the years in the three-year period ended April 2, 2006, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related 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 also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of QLogic Corporation's internal control over financial reporting as of April 2, 2006, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated June 1, 2006, expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

/s/ KPMG LLP

Costa Mesa, California
June 1, 2006

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
QLogic Corporation:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting appearing under Item 9A, that QLogic Corporation maintained effective internal control over financial reporting as of April 2, 2006, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). QLogic Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that QLogic Corporation maintained effective internal control over financial reporting as of April 2, 2006, is fairly stated, in all material respects, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, QLogic Corporation maintained, in all material respects, effective internal control over financial reporting as of April 2, 2006, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of QLogic Corporation and subsidiaries as of April 2, 2006 and April 3, 2005, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended April 2, 2006, and our report dated June 1, 2006, expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Costa Mesa, California
June 1, 2006

QLOGIC CORPORATION

CONSOLIDATED BALANCE SHEETS
April 2, 2006 and April 3, 2005

	2006	2005
	(In thousands, except share and per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 125,192	$ 165,644
Short-term investments	540,448	646,694
Accounts receivable, less allowance for doubtful accounts of $1,239 and $1,311 as of April 2, 2006 and April 3, 2005, respectively	67,571	54,245
Inventories	39,440	22,661
Other current assets	46,441	32,699
Current assets related to discontinued operations	—	17,576
Total current assets	819,092	939,519
Property and equipment, net	82,630	71,322
Goodwill and other intangible assets	32,679	8,518
Other assets	3,306	527
Long-term assets related to discontinued operations	—	6,454
	$ 937,707	$1,026,340
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 32,160	$ 19,975
Accrued compensation	22,990	19,629
Income taxes payable	12,920	17,999
Other current liabilities	10,283	7,444
Current liabilities related to discontinued operations	—	3,774
Total current liabilities	78,353	68,821
Deferred tax liabilities	—	1,336
Total liabilities	78,353	70,157
Commitments and contingencies		
Subsequent events (Notes 7 and 14)		
Stockholders' equity:		
Preferred stock, $0.001 par value; 1,000,000 shares authorized (200,000 shares designated as Series A Junior Participating Preferred, $0.001 par value); no shares issued and outstanding	—	—
Common stock, $0.001 par value; 500,000,000 shares authorized; 195,289,000 and 192,801,000 shares issued at April 2, 2006 and April 3, 2005, respectively	195	193
Additional paid-in capital	537,648	504,663
Retained earnings	883,310	599,722
Accumulated other comprehensive loss	(1,799)	(3,394)
Treasury stock, at cost: 33,197,000 and 8,384,000 shares at April 2, 2006 and April 3, 2005, respectively	(560,000)	(145,001)
Total stockholders' equity	859,354	956,183
	$ 937,707	$1,026,340

See accompanying notes to consolidated financial statements.

QLOGIC CORPORATION

CONSOLIDATED STATEMENTS OF INCOME
Years Ended April 2, 2006, April 3, 2005 and March 28, 2004

	2006	2005	2004
	(In thousands, except per share amounts)		
Net revenues	$494,077	$428,719	$387,156
Cost of revenues	144,246	121,074	115,297
Gross profit	349,831	307,645	271,859
Operating expenses:			
Engineering and development	89,753	82,791	75,893
Sales and marketing	64,416	54,582	48,449
General and administrative	17,295	16,659	18,102
Purchased in-process research and development	10,510	—	—
Total operating expenses	181,974	154,032	142,444
Operating income	167,857	153,613	129,415
Interest and other income, net	32,627	17,873	16,844
Income from continuing operations before income taxes	200,484	171,486	146,259
Income taxes	78,653	60,071	57,698
Income from continuing operations	121,831	111,415	88,561
Discontinued operations:			
Income from operations, net of income taxes	29,816	46,181	45,112
Gain on sale, net of income taxes	131,941	—	—
Income from discontinued operations	161,757	46,181	45,112
Net income	$283,588	$157,596	$133,673
Income from continuing operations per share:			
Basic	$ 0.71	$ 0.60	$ 0.47
Diluted	$ 0.70	$ 0.59	$ 0.46
Income from discontinued operations per share:			
Basic	$ 0.95	$ 0.25	$ 0.24
Diluted	$ 0.93	$ 0.25	$ 0.23
Net income per share:			
Basic	$ 1.66	$ 0.85	$ 0.71
Diluted	$ 1.63	$ 0.84	$ 0.69
Number of shares used in per share calculations:			
Basic	171,250	185,024	188,562
Diluted	173,467	187,315	192,492

See accompanying notes to consolidated financial statements.

QLOGIC CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
Years Ended April 2, 2006, April 3, 2005 and March 28, 2004

	Common Stock Outstanding Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Deferred Stock-Based Compensation	Total Stockholders' Equity
					(In thousands)			
Balance at March 30, 2003	187,708	$188	$442,500	$308,453	$ 4,346	$ (2,978)	$(1,774)	$ 750,735
Net income	—	—	—	133,673	—	—	—	133,673
Change in unrealized gains on investments, net of tax	—	—	—	—	(318)	—	—	(318)
Comprehensive income								133,355
Issuance of common stock under stock plans (including tax benefit of $10,640)	2,168	3	32,897	—	—	—	—	32,900
Common stock issued related to business acquisition	262	—	6,546	—	—	—	—	6,546
Common stock issued upon exercise of warrants	560	—	—	—	—	—	—	—
Purchase of treasury stock	(2,478)	—	—	—	—	(57,014)	—	(57,014)
Amortization of deferred stock-based compensation	—	—	—	—	—	—	1,196	1,196
Balance at March 28, 2004	188,220	191	481,943	442,126	4,028	(59,992)	(578)	867,718
Net income	—	—	—	157,596	—	—	—	157,596
Change in unrealized gains on investments, net of tax	—	—	—	—	(7,422)	—	—	(7,422)
Comprehensive income								150,174
Issuance of common stock under stock plans (including tax benefit of $2,441)	1,564	2	16,174	—	—	—	—	16,176
Common stock issued related to business acquisition	357	—	6,546	—	—	—	—	6,546
Purchase of treasury stock	(5,724)	—	—	—	—	(85,009)	—	(85,009)
Amortization of deferred stock-based compensation	—	—	—	—	—	—	578	578
Balance at April 3, 2005	184,417	193	504,663	599,722	(3,394)	(145,001)	—	956,183
Net income	—	—	—	283,588	—	—	—	283,588
Change in unrealized gains on investments, net of tax	—	—	—	—	1,595	—	—	1,595
Comprehensive income	—	—	—	—	—	—	—	285,183
Issuance of common stock under stock plans (including tax benefit of $5,055)	2,488	2	32,985	—	—	—	—	32,987
Purchase of treasury stock	(24,813)	—	—	—	—	(414,999)	—	(414,999)
Balance at April 2, 2006	162,092	$195	$537,648	$883,310	$(1,799)	$(560,000)	$ —	$ 859,354

See accompanying notes to consolidated financial statements.

QLOGIC CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended April 2, 2006, April 3, 2005 and March 28, 2004

	2006	2005	2004
		(In thousands)	
Cash flows from operating activities:			
Net income	$ 283,588	$ 157,596	$ 133,673
Income from discontinued operations, net of income taxes	(29,816)	(46,181)	(45,112)
Gain on sale of discontinued operations, net of income taxes	(131,941)	—	—
Income from continuing operations	121,831	111,415	88,561
Adjustments to reconcile income from continuing operations to net cash provided by continuing operating activities:			
Depreciation and amortization	17,898	15,059	14,483
Purchased in-process research and development	10,510	—	—
Deferred income taxes	(4,480)	(158)	13,742
Tax benefit from issuance of stock under stock plans	5,055	2,441	10,640
Stock-based compensation	175	578	1,196
Provision for losses on accounts receivable	(54)	215	49
Loss on disposal of property and equipment	168	187	43
Changes in operating assets and liabilities, net of acquisition:			
Accounts receivable	(12,825)	(3,422)	(17,099)
Inventories	(16,230)	(2,671)	(2,024)
Other assets	(5,840)	(3,572)	(37)
Accounts payable	11,877	3,840	2,972
Accrued compensation	3,263	3,528	(2,009)
Income taxes payable	(1,205)	4,094	(2,630)
Other liabilities	2,405	1,593	9,257
Net cash provided by continuing operating activities	132,548	133,127	117,144
Cash flows from investing activities:			
Purchases of marketable securities	(946,087)	(672,418)	(1,054,362)
Sales and maturities of marketable securities	1,101,680	694,140	899,122
Additions to property and equipment	(28,295)	(22,299)	(20,571)
Acquisition of business, net of cash acquired	(35,210)	—	—
Restricted cash placed in escrow	(12,000)	—	—
Purchase of other assets	—	(4,000)	—
Net cash provided by (used in) continuing investing activities	80,088	(4,577)	(175,811)
Cash flows from financing activities:			
Proceeds from issuance of stock under stock plans	27,757	13,735	22,260
Purchase of treasury stock	(414,999)	(85,009)	(57,014)
Net cash used in continuing financing activities	(387,242)	(71,274)	(34,754)
Net cash provided by (used in) continuing operations	(174,606)	57,276	(93,421)
Cash flows from discontinued operations:			
Net cash provided by (used in) operating activities	(47,182)	48,815	40,048
Net cash provided by (used in) investing activities, including proceeds from sale	181,336	(3,358)	(1,712)
Cash provided by discontinued operations	134,154	45,457	38,336
Net increase (decrease) in cash and cash equivalents	(40,452)	102,733	(55,085)
Cash and cash equivalents at beginning of year	165,644	62,911	117,996
Cash and cash equivalents at end of year	$ 125,192	$ 165,644	$ 62,911
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Income taxes	$ 180,641	$ 75,723	$ 64,783

See accompanying notes to consolidated financial statements.

QLOGIC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Description of Business and Summary of Significant Accounting Policies

General Business Information

QLogic Corporation (QLogic or the Company) designs and develops storage network infrastructure components including host bus adapters (HBAs), Fibre Channel blade switches, Fibre Channel stackable switches and other fabric switches that provide the connectivity infrastructure for storage networks. The Company also designs and develops enclosure management and baseboard management products. The Company markets and distributes its products through a direct sales organization supported by field application engineers, as well as through a network of independent manufacturers' representatives and regional and international distributors. The Company's primary original equipment manufacturer (OEM) customers are major domestic and international suppliers and manufacturers of servers and workstations.

Principles of Consolidation and Financial Reporting Period

The consolidated financial statements include the financial statements of QLogic Corporation and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

The Company maintains a fifty-two/fifty-three week fiscal year ending on the Sunday nearest March 31. Fiscal years 2006 and 2004 each comprised fifty-two weeks and ended on April 2, 2006 and March 28, 2004, respectively. Fiscal year 2005 was comprised of fifty-three weeks and ended on April 3, 2005.

Basis of Presentation

In November 2005, the Company completed the sale of its hard disk drive controller and tape drive controller business (the Business). The Business meets all of the criteria in Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," to be presented as discontinued operations. As a result of the divestiture of the Business, the Company's consolidated financial statements for all periods present the operations of the Business separate from continuing operations. See Note 2 — Acquisitions and Dispositions.

In March 2006, the Company completed a two-for-one stock split through the payment of a stock dividend to the holders of record of the Company's common stock on February 16, 2006. As a result, share numbers and per share amounts for all periods presented in the consolidated financial statements reflect the effects of this stock split.

Certain other reclassifications have been made to prior year amounts to conform to the current year presentation.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates that affect the amounts reported in the Company's consolidated financial statements and accompanying notes. Among the significant estimates affecting the consolidated financial statements are those related to revenue recognition, inventory and income taxes. The actual results experienced by the Company could differ materially from management's estimates.

Revenue Recognition

The Company recognizes revenue from product sales when the following fundamental criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred, (iii) the price to the customer is fixed or determinable and (iv) collection of the resulting accounts receivable is reasonably assured.

For all sales, the Company uses a binding purchase order or a signed agreement as evidence of an arrangement. Delivery occurs when goods are shipped and title and risk of loss transfer to the customer, in accordance with the terms specified in the arrangement with the customer. The customer's obligation to pay and the payment terms are set at the time of delivery and are not dependent on the subsequent resale of the Company's product. However, certain of the Company's sales are made to distributors under agreements which contain a limited right to return unsold product and price protection provisions. The Company recognizes revenue from these distributors when the product is sold by the distributor to a third party. At times, the Company provides standard incentive programs to its distributor customers and accounts for such programs in accordance with Emerging Issues Task Force (EITF) Issue No. 01-9, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)." Accordingly, the Company accounts for its competitive pricing incentives, which generally reflect front-end price adjustments, as a reduction of revenue at the time of sale, and rebates as a reduction of revenue in the period the related revenue is recorded based on the specific program criteria and historical experience. Royalty and service revenue is recognized when earned and receipt is reasonably assured.

For those sales that include multiple deliverables, the Company allocates revenue based on the relative fair values of the individual components as determined in accordance with EITF Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables." When more than one element, such as hardware and services, are contained in a single arrangement, the Company allocates revenue between the elements based on each element's relative fair value, provided that each element meets the criteria for treatment as a separate unit of accounting. An item is considered a separate unit of accounting if it has value to the customer on a standalone basis and there is objective and reliable evidence of the fair value of the undelivered items. Fair value is generally determined based upon the price charged when the element is sold separately. In the absence of fair value for a delivered element, the Company allocates revenue first to the fair value of the undelivered elements and allocates the residual revenue to the delivered elements. In the absence of fair value for an undelivered element, the arrangement is accounted for as a single unit of accounting, resulting in a deferral of revenue recognition for the delivered elements until all undelivered elements have been fulfilled.

Research and Development

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

Income Taxes

Income taxes are accounted for 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 and operating loss and tax credit carry forwards. 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. A valuation allowance is recorded to reduce deferred tax assets to the amount that is more likely than not to be realized.

Net Income per Share

The Company computes basic net income per share based on the weighted-average number of common shares outstanding during the periods presented. Diluted net income per share is computed based on the weighted-average number of common and dilutive potential common shares outstanding using the treasury stock method during the periods presented. The Company has granted certain stock options and warrants which have been treated as dilutive potential common shares in computing diluted net income per share.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash equivalents, investments in marketable securities and trade accounts receivable. Cash and cash equivalents are maintained with several financial institutions. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions of reputable credit and therefore have minimal credit risk. The Company invests its marketable securities primarily in government securities, corporate bonds and municipal bonds, all of which are high investment grade. The Company, by policy, limits the amount of credit exposure through diversification and investment in highly rated securities. Sales to customers are denominated in U.S. dollars. As a result, the Company believes its foreign currency risk is minimal.

The Company sells its products to OEMs and distributors throughout the world. As of April 2, 2006 and April 3, 2005, the Company had four customers which individually accounted for 10% or more of the Company's accounts receivable. These customers, all of which were OEMs of servers and workstations, accounted for an aggregate of 65% and 64% of the Company's accounts receivable at April 2, 2006 and April 3, 2005, respectively. The Company performs ongoing credit evaluations of its customers' financial condition and, generally, requires no collateral from its customers.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with original maturities of three months or less on their acquisition date to be cash equivalents. The carrying amounts of cash and cash equivalents approximate their fair values.

Marketable Securities and Investments

The Company's marketable securities are invested primarily in debt securities, including government securities, corporate bonds and municipal bonds. As of April 2, 2006, the Company also holds shares of common stock in a publicly traded company which were received in connection with the sale of its hard disk drive controller and tape drive controller business. All of the Company's marketable securities are classified as available for sale and are recorded at fair value, based on quoted market prices. The Company's available-for-sale marketable securities are included in short-term investments in the accompanying consolidated balance sheets. Unrealized gains and losses, net of related income taxes, are excluded from earnings and reported as a separate component of other comprehensive income (loss) until realized. Realized gains or losses and other-than-temporary declines in fair value are determined on a specific identification basis and reported in interest and other income, net as incurred.

The Company recognizes an impairment charge when the decline in the fair value of an investment below the cost basis is judged to be other-than-temporary. The Company considers various factors in determining whether to recognize an impairment charge, including the financial condition and near term prospects of the investee, the magnitude of the unrealized loss compared to the cost of the investment, the length of time the investment has been in an unrealized loss position and the Company's ability to hold the investment for a period of time sufficient to allow for any anticipated recovery of market value.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount and do not bear interest. Amounts collected on accounts receivable are included in net cash provided by operating activities in the accompanying consolidated statements of cash flows. An allowance for doubtful accounts is maintained for estimated losses resulting from the inability of the Company's customers to make required payments. This reserve is determined by analyzing specific customer accounts and applying historical loss rates to the aging of remaining accounts receivable balances.

Inventories

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

Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over estimated useful lives of 39.5 years for buildings, five to fifteen years for building and land improvements, and two to five years for other property and equipment. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or the estimated useful life of the related asset.

Goodwill and Other Intangible Assets

The Company accounts for goodwill and other intangible assets in accordance with SFAS No. 142 "Goodwill and Other Intangible Assets." SFAS No. 142 requires that goodwill and other intangible assets that have indefinite lives not be amortized but instead be tested at least annually for impairment, or more frequently when events or changes in circumstances indicate that the assets might be impaired, by comparing the carrying value to the fair value of the reporting unit to which they are assigned. The Company considers the Company as a whole to be its reporting unit for purposes of testing for impairment.

For goodwill, a two-step test is used to identify the potential impairment and to measure the amount of goodwill impairment, if any. The first step is to compare the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill is considered not impaired; otherwise, goodwill is impaired and the loss is measured by performing step two. Under step two, the impairment loss is measured by comparing the implied fair value of the reporting unit with the carrying amount of goodwill.

The Company performs the annual test for impairment as of the first day of its fiscal fourth quarter and utilizes the two-step process. During the annual goodwill impairment test in fiscal 2006, the Company completed step one and determined that there was no impairment of goodwill since the fair value (based on quoted market price) of the reporting unit exceeded its carrying value.

Other intangible assets consist primarily of technology acquired or licensed from third parties, including technology acquired in business acquisitions. Other intangible assets that have definite lives are amortized on a straight-line basis over the estimated useful lives of the related assets ranging from three to six years. Amortization expense related to technology acquired or licensed from third parties is included in cost of revenues in the accompanying consolidated statements of income.

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Recoverability of assets to be held and used is measured by the comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Warranty

The Company's products typically carry a warranty for periods of up to five years. The Company records a liability for product warranty obligations in the period the related revenue is recorded based on historical warranty experience. Warranty expense and the corresponding liability are not material to the consolidated financial statements.

Comprehensive Income

Comprehensive income includes all changes in equity other than transactions with stockholders. The Company's accumulated other comprehensive income (loss) consists of unrealized gains (losses) on available-for-sale securities, net of income taxes.

Foreign Currency Translation

Assets and liabilities of foreign subsidiaries that operate where the functional currency is the local currency are translated to U.S. dollars at exchange rates in effect at the balance sheet date with the resulting translation adjustments recorded as a separate component of accumulated other comprehensive income. Accumulated other comprehensive income related to translation adjustments was not material for all periods presented. Income and expense accounts are translated at average exchange rates during the period. Gains and losses resulting from transactions denominated in currencies other than the functional currency are included in the accompanying consolidated statements of income and were not material for all periods presented.

Stock-Based Compensation

The Company accounts for its employee stock-based compensation in accordance with Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees," and related interpretations, and has adopted the disclosure only alternative of SFAS No. 123, "Accounting for Stock-Based Compensation," as amended. APB No. 25 provides that compensation expense relative to the Company's stock-based employee compensation plans (including shares to be issued under the Company's stock option and employee stock purchase plans, collectively the "Stock-Based Awards") is measured based on the intrinsic value of stock options granted and the Company recognizes compensation expense in its consolidated statements of income using the straight-line method over the vesting period for fixed awards. The Company does not recognize compensation expense on stock issued to employees under its employee stock purchase plan as the discount from market value is not material. Under SFAS No. 123, the fair value of the Stock-Based Awards at the date of grant is recognized in earnings over the vesting period.

The following table shows pro forma net income as if the fair value method of SFAS No. 123 had been used to account for stock-based compensation expense:

	2006	2005	2004
	(In thousands, except per share amounts)		
Net income, as reported	$283,588	$157,596	$133,673
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	105	376	742
Deduct: Stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects	(31,477)	(32,664)	(35,463)
Pro forma net income	$252,216	$125,308	$ 98,952
Net income per share:			
Basic, as reported	$ 1.66	$ 0.85	$ 0.71
Diluted, as reported	$ 1.63	$ 0.84	$ 0.69
Basic, pro forma	$ 1.47	$ 0.68	$ 0.52
Diluted, pro forma	$ 1.45	$ 0.67	$ 0.51

The fair value of the Stock-Based Awards granted has been estimated at the date of grant using the Black-Scholes option-pricing model. The weighted-average fair value and underlying assumptions are as follows:

	Stock Options			Employee Stock Purchase Plan		
	2006	2005	2004	2006	2005	2004
Fair value	$6.35	$5.26	$10.11	$3.54	$3.33	$5.23
Expected volatility	46%	45%	50%	34%	43%	50%
Risk-free interest rate	4.3%	3.3%	2.4%	3.2%	1.5%	1.0%
Expected life (years)	4.0	4.0	4.0	0.25	0.25	0.25
Dividend yield	—	—	—	—	—	—

The Black-Scholes option valuation model was developed for use in estimating the value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including expected stock price volatility. The Stock-Based Awards have characteristics significantly different than those of traded options and changes in the subjective input assumptions can materially affect the estimate of their value.

On March 13, 2006, the Compensation Committee of the Company's Board of Directors approved the acceleration of vesting of certain unvested and "out-of-the-money" stock options with exercise prices equal to or greater than $24.00 per share previously awarded to its officers and employees. Options granted to non-employee directors were not accelerated.

As a result of the acceleration, a total of 1,221,000 outstanding unvested options became immediately exercisable. The accelerated options have per share exercise prices ranging from $24.19 to $27.87 and a weighted-average exercise price of $24.98. The accelerated options would otherwise have vested from time to time over the next two years. All other terms and conditions applicable to the accelerated stock option grants, including the exercise price and number of shares, were unchanged. As discussed above, the Company accounts for its employee stock-based compensation in accordance with APB No. 25. Under APB No. 25, the acceleration did not result in recognition of stock-based compensation expense because the exercise price for all stock options subject to the acceleration was in excess of the then current market price of the Company's common stock.

The primary purpose of the acceleration was to enable the Company to avoid recognizing non-cash compensation expense associated with these options in future periods in its consolidated financial statements, upon adoption of SFAS No. 123R, "Share-Based Payment" during the first quarter of fiscal 2007. Additionally, the Company believes that these options have limited economic value and would not provide sufficient retentive value when compared to the future stock option compensation expense. The Company estimated that the non-cash compensation expense associated with these options would have been approximately $9.4 million over the next two fiscal years if the acceleration had not occurred.

New Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123R, which supersedes SFAS No. 123, APB No. 25 and related interpretations, and amends SFAS No. 95, "Statement of Cash Flows." The provisions of SFAS No. 123R are similar to those of SFAS No. 123, however SFAS No. 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements as compensation cost based on their fair value on the date of grant. Fair value of share-based awards will be determined using option-pricing models (e.g. Black-Scholes or binomial models) and assumptions that appropriately reflect the specific circumstances of the awards. Compensation cost will be recognized over the vesting period based on the fair value of awards that actually vest.

The Company expects to utilize the modified-prospective transition alternative in adopting SFAS No. 123R. Under this method, compensation cost would be recognized in financial statements issued subsequent to the date of adoption for all share-based payments granted, modified or settled after the date of adoption, as well as for any unvested awards that were granted prior to the date of adoption.

SFAS No. 123R is effective at the beginning of the first annual period beginning after June 15, 2005 (for the Company, fiscal 2007). The adoption of the SFAS No. 123R fair value method will have a significant adverse impact on the Company's consolidated statements of income, although it will have no impact on its overall financial position. The balance of unearned stock-based compensation to be expensed in fiscal 2007 through fiscal 2010 related to share-based awards unvested at April 2, 2006, as previously calculated under the disclosure-only requirements of SFAS No. 123, is approximately $38 million. If there are any modifications or cancellations of the underlying unvested stock-based awards, the Company may be required to accelerate or adjust any remaining unearned stock-based compensation expense. To the extent that the Company grants additional stock-based awards to employees or assumes unvested stock-based awards in connection with any acquisitions, stock-based compensation expense will be increased by those additional grants or acquisitions. The Company anticipates it will grant additional stock-based awards in fiscal 2007. The fair value of these grants is not included in the amount above, as the impact of these grants cannot be predicted at this time because it will depend on the number of stock-based awards granted and the then current fair values.

Management currently estimates that, had the Company adopted SFAS No. 123R in prior periods, the magnitude of the impact of that standard on the Company's consolidated statements of income would have approximated the impact of SFAS No. 123 as illustrated in the pro forma table above, assuming the application of the Black-Scholes option pricing model. SFAS No. 123R also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as currently required. This requirement may reduce net operating cash flows and increase net financing cash flows in periods after its adoption. While the Company cannot estimate what those amounts will be in the future, the amount of operating cash flows recognized in fiscal 2006, 2005 and 2004 related to such excess tax deductions was $5.1 million, $2.4 million and $10.6 million, respectively.

In November 2005, the FASB issued Staff Position FAS 115-1/FAS 124-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" (the FSP). The FSP provides guidance on determining when investments in certain debt and equity securities are considered impaired, whether that impairment is other-than-temporary, and on measuring such impairment loss. The FSP also includes accounting considerations subsequent to the recognition of an other-than-temporary impairment and requires certain disclosures about unrealized losses that have not been recognized as other-than-temporary impairments. The FSP is required to be applied to reporting periods beginning after December 15, 2005. The adoption of the FSP did not have a material impact on the Company's consolidated balance sheets or statements of income.

Note 2. Acquisitions and Dispositions

Sale of Hard Disk Drive Controller and Tape Drive Controller Business

In November 2005, the Company completed the sale of its hard disk drive controller and tape drive controller business to Marvell Technology Group Ltd. (Marvell) for cash and 980,000 shares of Marvell's common stock. The Company received $184.0 million in cash, including a $4.0 million purchase price adjustment due to inventory levels on the date of closing, as specified in the agreement. The number of shares of Marvell's common stock received by the Company was calculated based on $45.0 million, as specified in the agreement, divided by the average closing price of Marvell stock for the ten days ending the day before the closing date. The shares received by the Company were valued at $47.0 million based upon the market price of the shares received on the closing date. During the fourth quarter of fiscal 2006, the Company sold 525,000 shares of the Marvell stock received in the transaction and recognized a gain of $8.5 million which is included in interest and other income, net in the accompanying consolidated statement of income. The remaining shares are accounted for as available-for-sale marketable securities and are included in short-term investments in the accompanying consolidated balance sheet at April 2, 2006. As specified in the agreement, the assets sold to Marvell consisted primarily of intellectual property, inventories and property and equipment. As of April 2, 2006, all other assets and liabilities of the Business have been recovered or settled by the Company.

The agreement also provided for $12.0 million of the consideration to be placed in escrow with respect to certain standard representations and warranties made by the Company. The Company has included the escrowed amount in the calculation of the gain on sale of the Business due to the Company's assessment that compliance with the representations and warranties is determinable beyond a reasonable doubt. The escrowed amount is included in other current assets in the accompanying consolidated balance sheet at April 2, 2006.

Income from discontinued operations consists of direct revenues and direct expenses of the Business, including cost of revenues, as well as other fixed and allocated costs to the extent that such costs were eliminated as a result of the transaction. General corporate overhead costs have not been allocated to discontinued operations. A summary of the operating results of the Business included in discontinued operations in the accompanying consolidated statements of income is as follows:

	2006	2005	2004
		(In thousands)	
Net revenues	$ 94,632	$143,184	$136,704
Income from operations before income taxes	$ 48,234	$ 70,873	$ 69,342
Income taxes	18,418	24,692	24,230
Income from operations, net of income taxes	$ 29,816	$ 46,181	$ 45,112
Gain from sale before income taxes	$213,443	$ —	$ —
Income taxes	81,502	—	—
Gain on sale, net of income taxes	$131,941	$ —	$ —

There were no assets or liabilities related to discontinued operations as of April 2, 2006. Assets and liabilities related to discontinued operations as of April 3, 2005 consisted primarily of accounts receivable, inventory, property and equipment, and accrued compensation.

Troika Networks

In November 2005, the Company completed the purchase of substantially all of the assets of Troika Networks, Inc. (Troika) for $36.5 million in cash and the assumption of certain liabilities. The acquisition has been accounted for as a purchase business combination. The assets acquired included intellectual property (including patents and trademarks), inventory and property and equipment. Troika developed, marketed and sold a storage services platform that hosted third-party software solutions. The Company expects the acquisition of Troika to expand the Company's product line and the acquired intellectual property to enhance certain of its current products and provide greater functionality to its customers. The consideration paid in excess of the fair market value of the tangible assets acquired totaled $34.8 million. Based on a preliminary purchase price allocation, the Company has recorded goodwill of $20.7 million and core technology of $3.6 million, which are included in goodwill and other intangible assets in the accompanying consolidated balance sheet as of April 2, 2006, and recognized a charge of $10.5 million for purchased in-process research and development (IPR&D). IPR&D was expensed because the technological feasibility of the product under development had not been established and no future alternative uses existed. One IPR&D project was identified, which related to the development of a new product. As of the date of the acquisition, the project was estimated to be more than 50% complete and is expected to be completed in fiscal 2007. The fair value of the IPR&D was valued utilizing the income approach which estimates expected future after-tax cash flows of the project under development and discounts its net present value at an appropriate risk-adjusted rate of return. The Company has not yet completed the evaluation of the intangible assets acquired and expects to finalize the purchase price allocation in fiscal 2007, which may result in adjustments to the amounts recorded in fiscal 2006. As this acquisition was an asset purchase, the goodwill resulting from this acquisition will be tax deductible.

The Company also entered into a performance plan with certain former Troika employees upon employment with QLogic. The performance plan provides for the issuance of the Company's common stock based on the achievement of certain performance milestones and continued employment with QLogic. In connection with the performance plan, the Company could recognize compensation expense of up to $6.5 million over four years. In fiscal 2006, the Company recognized $0.5 million of expense related to this performance plan which is included in operating expenses in the accompanying consolidated statement of income.

The results of operations for the Troika business have been included in the consolidated financial statements from the date of acquisition. Pro forma results of operations have not been presented as the results of the Troika business are not material in relation to the consolidated financial statements of the Company.

Little Mountain Group

In January 2001, the Company acquired the outstanding common stock of Little Mountain Group, Inc. (LMG) for cash, stock and additional consideration related to performance milestones. The structure of the acquisition, which was accounted for as a purchase, included the issuance of stock based on performance milestones to be achieved through fiscal 2005 to certain former stockholders of LMG who are employees of the Company. The fair value of the shares issued was charged to engineering and development expense as the performance milestones were achieved. During fiscal 2005 and 2004, the Company issued approximately 179,000 and 131,000 shares of common stock in connection with the achievement of the performance milestones. The fair value of the shares issued was $6.5 million in each of fiscal 2005 and 2004

Note 3. Net Income per Share

Basic net income per share is based on the weighted-average number of common shares outstanding during the periods presented. Diluted income per share is based on the weighted-average number of common and dilutive potential common shares outstanding during the periods presented. The Company has granted certain stock options and warrants which have been treated as dilutive potential common shares.

The following table sets forth the computations of basic and diluted net income per share:

	2006	2005	2004
	(In thousands, except per share amounts)		
Net income	$283,588	$157,596	$133,673
Shares:			
Weighted-average shares outstanding — basic	171,250	185,024	188,562
Dilutive potential common shares, using treasury stock method	2,217	2,291	3,930
Weighted-average shares outstanding — diluted	173,467	187,315	192,492
Net income per share:			
Basic	$ 1.66	$ 0.85	$ 0.71
Diluted	$ 1.63	$ 0.84	$ 0.69

Options to purchase 16,319,000, 20,208,000 and 10,126,000 shares of common stock have been excluded from the diluted net income per share calculation for fiscal 2006, 2005 and 2004, respectively. These options have been excluded from the diluted net income per share calculations because their exercise prices were greater than the average share price of the common stock and, therefore, their effect would have been anti-dilutive. Contingently issuable shares pursuant to the performance plan associated with the acquisition of Troika have not been included in the computation of net income per share as the performance conditions have not been met as of the end of fiscal 2006.

Note 4. Marketable Securities

As of April 2, 2006, unrealized losses of $1.8 million (net of related income taxes of $1.1 million) are included in accumulated other comprehensive loss. The Company's portfolio of available-for-sale securities consist of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
		(In thousands)		
April 2, 2006				
U.S. Government securities	$154,033	$ —	$(2,851)	$151,182
Corporate bonds	128,430	8	(2,005)	126,433
Municipal bonds	108,734	—	—	108,734
Asset and mortgage backed securities	42,808	—	(844)	41,964
Other debt securities	106,199	—	(12)	106,187
Total debt securities	540,204	8	(5,712)	534,500
Auction rate securities	64,300	—	—	64,300
Common stock — Marvell (see Note 2)	21,808	2,807	—	24,615
Total available-for-sale securities	626,312	2,815	(5,712)	623,415
Less amounts classified as cash equivalents	82,967	—	—	82,967
	$543,345	$2,815	$(5,712)	$540,448
April 3, 2005				
U.S. Government securities	$346,764	$ 62	$(3,043)	$343,783
Corporate bonds	186,042	210	(1,762)	184,490
Municipal bonds	32,000	—	—	32,000
Asset and mortgage backed securities	53,258	1	(728)	52,531
Other debt securities	37,688	11	—	37,699
Total debt securities	655,752	284	(5,533)	650,503
Auction rate securities	10,924	—	—	10,924
Total available-for-sale securities	666,676	284	(5,533)	661,427
Less amounts classified as cash equivalents	14,733	—	—	14,733
	$651,943	$ 284	$(5,533)	$646,694

The amortized cost and estimated fair value of debt securities as of April 2, 2006, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because the issuers of securities may have the right to repay obligations without prepayment penalties. Certain instruments, although possessing a contractual maturity greater than one year, are classified as short-term investments based on methods of trade and availability for current operations.

	Amortized Cost	Estimated Fair Value
	(In thousands)	
Due in one year or less	$149,751	$149,691
Due after one year through three years	147,878	145,468
Due after three years through five years	74,554	72,901
Due after five years	168,021	166,440
	$540,204	$534,500

The following table presents the Company's investments with unrealized losses by investment category and length of time that individual securities have been in a continuous unrealized loss position at April 2, 2006.

	Less Than 12 Months		12 Months or Greater		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
			(In thousands)			
April 2, 2006						
U.S. Government securities	$ 49,294	$ (652)	$ 83,654	$(2,199)	$132,948	$(2,851)
Corporate bonds	60,278	(539)	56,312	(1,466)	116,590	(2,005)
Asset and mortgage backed securities	12,045	(99)	28,888	(745)	40,933	(844)
Other debt securities	7,339	(12)	—	—	7,339	(12)
Total	$128,956	$(1,302)	$168,854	$(4,410)	$297,810	$(5,712)
April 3, 2005						
U.S. Government securities	$243,360	$(2,997)	$ 3,478	$ (46)	$246,838	$(3,043)
Corporate bonds	151,598	(1,743)	2,833	(19)	154,431	(1,762)
Asset and mortgage backed securities	50,086	(707)	1,314	(21)	51,400	(728)
Total	$445,044	$(5,447)	$ 7,625	$ (86)	$452,669	$(5,533)

The gross unrealized losses related to the Company's debt securities were due to changes in interest rates. Management reviewed various factors in determining whether to recognize an impairment charge related to the unrealized losses on the Company's debt securities, including the financial condition and near term prospects of the investee, the magnitude of the unrealized loss compared to the cost of the investment, the length of time the investment has been in an unrealized loss position and the Company's ability to hold the investment for a period of time sufficient to allow for any anticipated recovery of market value. Based on this analysis, the Company's management has determined that the gross unrealized losses at April 2, 2006 and April 3, 2005 are temporary in nature.

Note 5. Inventories

Components of inventories are as follows:

	2006	2005
	(In thousands)	
Raw materials	$13,810	$ 9,024
Finished goods	25,630	13,637
	$39,440	$22,661

Note 6. Property and Equipment

Components of property and equipment are as follows:

	2006	2005
	(In thousands)	
Land	$11,663	$11,663
Building and improvements	27,357	24,449
Production and test equipment	102,856	85,367
Furniture and fixtures	6,884	5,661
	148,760	127,140
Less accumulated depreciation and amortization	66,130	55,818
	$82,630	$71,322

Note 7. Stockholders' Equity

Capital Stock

The Company's authorized capital consists of 1 million shares of preferred stock, par value $0.001 per share, and 500 million shares of common stock, par value $0.001 per share. The preferred stock, of which no shares have been issued, includes 200,000 shares designated as Series A Junior Participating Preferred Stock (Series A Preferred Stock). As of April 2, 2006 and April 3, 2005, the Company had 195.3 million and 192.8 million shares of common stock issued, respectively. At April 2, 2006, 40.0 million shares of common stock were reserved for the exercise of issued and unissued common stock options and 2.9 million shares were reserved for issuance in connection with the Company's Employee Stock Purchase Plan.

Treasury Stock

In October 2002, the Company's Board of Directors approved a stock repurchase program that authorized the Company to repurchase up to $100 million of the Company's outstanding common stock for a two-year period. In June 2004, the Company's Board of Directors approved a new stock repurchase program that authorized the Company to repurchase up to an additional $100 million of the Company's outstanding common stock for a two-year period. As of July 3, 2005, the Company had repurchased the entire amount authorized pursuant to these programs, including 3.5 million shares for an aggregate purchase price of $55.0 million during the first quarter of fiscal 2006.

In August 2005, the Company's Board of Directors approved a third stock repurchase program that authorized the Company to repurchase up to an additional $350 million of the Company's outstanding common stock for a two-year period. As of January 1, 2006, the Company had completed the repurchase of the entire $350 million authorized pursuant to this program, representing an aggregate of 20.7 million shares of common stock.

In November 2005, the Company's Board of Directors approved a fourth stock repurchase program that authorized the Company to repurchase up to an additional $200 million of the Company's outstanding common stock for a two-year period. During fiscal 2006, the Company repurchased 0.6 million shares of common stock under this program for an aggregate purchase price of $10.0 million.

In May 2006, the Company repurchased an additional 1.1 million shares of common stock for an aggregate purchase price of $20.0 million.

The repurchased shares have been recorded as treasury shares and will be held until the Company's Board of Directors designates that these shares be retired or used for other purposes.

Stockholder Rights Plan

On June 4, 1996, the Board of Directors of the Company unanimously adopted a Stockholder Rights Plan (the Rights Plan) pursuant to which it declared a dividend distribution of preferred stock purchase rights (a Right) upon all of the outstanding shares of the common stock.

The Rights dividend was paid on June 20, 1996 to the holders of record of shares of common stock on that date at the rate of one-sixteenth of one whole Right per one share of common stock, as adjusted pursuant to the Company's stock splits. Each share of common stock presently outstanding that had been issued since June 20, 1996 also includes one-sixteenth Right, and each share of common stock that may be issued after the date hereof and prior to the Distribution Date (as defined below) also will include one-sixteenth Right.

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, with certain exceptions, 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 Distribution Date).

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 Distribution Date occurs.

Pursuant to the Rights Plan, as amended to date, each Right entitles the registered holder, on and after the Distribution Date and until redemption of all Rights, to purchase from the Company 1/100th of one whole share (a Unit) of the Company's Series A Preferred Stock. The purchase price is $425.00 per Unit. In the event of certain acquisitions involving the Acquiring Person, directly or indirectly, the holder of each Right will be entitled to purchase for $425.00 certain shares or assets of the Company or an Acquiring Person that have a market value of $850.00 at such time.

The Company has 200,000 whole shares of Series A Preferred Stock authorized, of which no shares are issued or outstanding at April 2, 2006. Each Unit would entitle the holder to (A) one vote, voting together with the shares of common stock; (B) in the event the Company's assets are liquidated, a payment of one dollar ($1.00) or an amount equal to the payment to be distributed per share of common stock, whichever is greater; and (C) in the event of any merger, consolidation or other transaction in which shares of common stock are exchanged, a payment in an amount equal to the payment received per share of common stock. The number of Rights per share of common stock is subject to adjustment in the event of stock splits, stock dividends and similar events.

Note 8. Stock Plans

Employee Stock Purchase Plan

The Company has an Employee Stock Purchase Plan (the ESPP) that operates in accordance with Section 423 of the Internal Revenue Code. The ESPP is administered by the Compensation Committee of the Board of Directors. Under the ESPP, employees of the Company who elect to participate are granted options to purchase common stock at a 15% discount from the lower of the market value of the common stock at the beginning or end of each three-month offering period. The ESPP permits an enrolled employee to make contributions to purchase shares of common stock by having withheld from their salary an amount between 1% and 10% of compensation. As of April 2, 2006 and April 3, 2005, ESPP participant contributions of $0.8 million were included in other current liabilities in the accompanying consolidated balance sheets. The total number of shares issued under the ESPP was 430,000, 465,000 and 271,000 during fiscal 2006, 2005 and 2004, respectively.

Incentive Compensation Plans

The Company may grant to employees and directors options to purchase shares of the Company's common stock under the QLogic 2005 Performance Incentive Plan (the 2005 Plan). Prior to the adoption of the 2005 Plan in August 2005, the Company granted options to purchase shares of the Company's common stock under the QLogic Corporation Stock Awards Plan (the Stock Awards Plan) and the QLogic Corporation Non-Employee Director Stock Option Plan (the Director Plan, and together with the Stock Awards Plan and the 2005 Plan, the Stock Option Plans). Additionally, the Company has issued options on an ad hoc basis from time to time and has assumed stock options as part of acquisitions.

The Stock Awards Plan and the 2005 Plan provide for the issuance of incentive and non-qualified stock options, restricted stock and other stock-based incentive awards for officers and employees. The Stock Awards Plan and the 2005 Plan permit the Compensation Committee of the Board of Directors to select eligible employees to receive awards and to determine the terms and conditions of awards. No shares of restricted stock have been issued under the Stock Awards Plan or the 2005 Plan.

Options granted under the Company's Stock Awards Plan or the 2005 Plan provide that an employee holding a stock option may exchange mature stock, which the employee already owns, as payment against the exercise of an option. This provision applies to all options outstanding as of April 2, 2006. All stock options granted to employees under the Company's Stock Awards Plan and the 2005 Plan have ten-year terms and vest over four years from the date of grant.

Under the terms of the 2005 Plan, new directors receive an option grant, at fair market value, to purchase 50,000 shares of common stock of the Company upon election to the Board. The 2005 Plan provides for annual grants to each non-employee director (other than the Chairman of the Board) of options to purchase 25,000 shares of common stock and annual grants of options to purchase 75,000 shares of common stock to any non-employee Chairman of the Board. All stock options granted to directors under the Director Plan and the 2005 Plan have ten-year terms and vest over three years from the date of grant.

As of April 2, 2006, options to purchase 23.2 million shares and 1.7 million shares of common stock were held by employees and directors, respectively. Shares available for future grant were 15.1 million under the 2005 Plan as of April 2, 2006. Upon the adoption of the 2005 Plan, no further shares can be granted under the Stock Awards Plan or Director Plan.

In addition, options to purchase 9,000 and 45,000 shares of common stock were outstanding as of April 2, 2006 and April 3, 2005, respectively, for options granted outside of the Company's Stock Option Plans in fiscal 1996 and 1997. These options had four-year vesting terms and have a ten-year expiration date.

Stock Options

A summary of stock option activity follows (shares in thousands):

	2006		2005		2004	
	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	28,514	$20.83	24,506	$22.89	21,688	$21.67
Granted	2,757	16.57	7,920	13.34	5,660	23.89
Exercised	(2,057)	10.73	(1,098)	7.73	(1,896)	9.29
Cancelled	(4,360)	22.48	(2,814)	22.80	(946)	28.30
Outstanding at end of year	24,854	20.90	28,514	20.83	24,506	22.89
Exercisable at end of year	17,523	23.22	15,804	23.82	13,590	22.69

The following table summarizes stock options outstanding at April 2, 2006 (shares in thousands):

	Outstanding			Exercisable	
Range of Exercise Prices	Number of Shares	Weighted-Average Exercise Price	Remaining Contractual Life (Years)	Number of Shares	Weighted-Average Exercise Price
$0.00 to $15.00	6,115	$11.96	7.7	2,564	$10.59
15.01 to 20.00	5,973	16.97	7.1	3,018	17.21
20.01 to 24.00	3,792	21.38	6.8	2,968	21.51
24.01 to 30.00	5,955	25.63	6.2	5,955	25.63
30.01 to 75.50	3,019	36.87	4.2	3,019	36.87
	24,854	20.90	6.6	17,523	23.22

Note 9. Employee Retirement Savings Plan

The Company has 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 15% of their compensation. Company contributions match up to 3% of a participant's compensation. The Company's direct contributions on behalf of its employees were $2.1 million, $2.0 million and $1.8 million in fiscal 2006, 2005 and 2004, respectively.

Note 10. Interest and Other Income

The components of interest and other income are as follows:

	2006	2005	2004
		(In thousands)	
Interest income	$25,818	$18,530	$15,486
Gain (loss) on sale of marketable securities	6,814	(655)	1,095
Other	(5)	(2)	263
	$32,627	$17,873	$16,844

Note 11. Commitments and Contingencies

Leases

The Company leases certain facilities, software and equipment under operating lease agreements. A summary of the future minimum lease commitments under non-cancelable operating leases as of April 2, 2006, is as follows:

Fiscal Year	(In thousands)
2007	$ 5,266
2008	2,531
2009	1,580
2010	785
2011	689
Thereafter	347
Total future minimum lease payments	$11,198

Rent expense for fiscal 2006, 2005 and 2004 was $7.0 million, $7.2 million and $5.6 million, respectively.

Litigation

Various lawsuits, claims and proceedings have been or may be instituted against the Company. The outcome of litigation cannot be predicted with certainty and some lawsuits, claims and proceedings may be disposed of unfavorably to the Company. Many intellectual property disputes have a risk of injunctive relief and there can be no assurance that a license will be granted. Injunctive relief could have a material adverse effect on the Company's consolidated financial condition or results of operations. Based on an evaluation of matters which are pending or asserted, the Company believes the disposition of such matters will not have a material adverse effect on the Company's consolidated financial condition or results of operations.

Indemnifications

The Company indemnifies certain of its customers against claims that products purchased from the Company infringe upon a patent, copyright, trademark or trade secret of a third party. In the event of such a claim, the Company agrees to pay all litigation costs, including attorney fees, and any settlement payments or damages awarded directly related to the infringement. The indemnification provisions generally do not expire. The Company is not currently defending any intellectual property infringement claims and has not been informed of any pending infringement claims. Accordingly, the Company has not recorded a liability related to such indemnifications.

Note 12. Income Taxes

Income before income taxes from continuing operations consists of the following components:

	2006	2005	2004
		(In thousands)	
United States	$220,872	$171,146	$146,785
Foreign	(20,388)	340	(526)
	$200,484	$171,486	$146,259

The components of the income tax provision from continuing operations are as follows:

	2006	2005	2004
		(In thousands)	
Current:			
Federal	$76,295	$48,260	$38,483
State	6,485	11,991	5,595
Foreign	257	14	(158)
Total current	83,037	60,265	43,920
Deferred:			
Federal	(4,029)	(210)	12,036
State	(434)	10	1,742
Foreign	79	6	—
Total deferred	(4,384)	(194)	13,778
Total income tax provision	$78,653	$60,071	$57,698

A summary of total income tax expense, by classification, included in the accompanying consolidated statements of income is as follows:

	2006	2005	2004
		(In thousands)	
Continuing operations	$ 78,653	$60,071	$57,698
Discontinued operations	99,920	24,692	24,230
	$178,573	$84,763	$81,928

The tax benefits associated with dispositions from employee stock compensation plans of approximately $5.1 million, $2.4 million and $10.6 million in fiscal 2006, 2005 and 2004, respectively, were recorded directly to additional paid-in capital. In addition, the tax benefit (expense) associated with the change in unrealized gains and losses on the Company's debt securities of approximately $(0.7) million and $4.2 million in fiscal 2006 and 2005, respectively, were recorded directly to accumulated other comprehensive income. The tax expense associated with the change in unrealized gains and losses on the Company's debt securities in fiscal 2004 was immaterial.

A reconciliation of the income tax provision with the amount computed by applying the federal statutory tax rate to income before income taxes from continuing operations is as follows:

	2006	2005	2004
		(In thousands)	
Expected income tax provision at the statutory rate	$70,169	$60,020	$51,191
State income taxes, net of federal tax benefit	3,933	7,801	4,769
Foreign losses at other than U.S. tax rates	6,729	—	—
Benefit from export sales	(1,963)	(1,738)	(1,724)
Benefit from research and other credits	(857)	(660)	(1,380)
Tax exempt income	(91)	(275)	(161)
Nondeductible business combination related costs	—	2,119	3,841
Reversal of taxes previously accrued	—	(7,581)	—
Other, net	733	385	1,162
	$78,653	$60,071	$57,698

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

	2006	2005
	(In thousands)	
Deferred tax assets:		
Reserves and accruals not currently deductible	$13,822	$18,459
State taxes	7,654	4,343
Purchased in-process technology	3,713	1,730
Net operating loss carryforwards	2,886	3,822
Capital loss carryforwards	2,050	1,157
Unrealized losses on investments	1,135	1,854
Research credits	1,013	857
Other	—	16
Total gross deferred tax assets	32,273	32,238
Deferred tax liabilities:		
Research and development expenditures	4,055	5,367
Property and equipment	2,603	2,436
Total gross deferred tax liabilities	6,658	7,803
Net deferred tax assets	$25,615	$24,435

Based upon 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 as of April 2, 2006. Management believes the existing net deductible temporary differences will reverse during periods in which the Company generates net taxable income or that there would be sufficient tax carry backs available; however, there can be no assurance that the Company will generate any earnings or any specific level of continuing earnings in future years.

As of April 2, 2006, the Company has a remaining federal net operating loss carryforward of approximately $7.7 million, which will expire in 2020 if not utilized. The net operating loss carryforward relates to an acquired company and is subject to limitations on its utilization.

As of April 2, 2006, the Company has state tax credit carryforwards of approximately $1.6 million. If not utilized, the state tax credit carryforwards will begin to expire in 2014. Approximately $0.3 million of the state tax credits carryforwards relate to an acquired company and are subject to limitations on their utilization.

The Company's Federal consolidated tax return for the 2004 fiscal year is presently under examination by the Internal Revenue Service. Management does not expect that the results of this examination will have a material impact on the consolidated financial statements.

Note 13. Product Revenues, Geographic Revenues and Significant Customers

Operating segments, as defined by SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information," are components of an enterprise for which separate financial information is available and is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. SFAS No. 131 also requires disclosures about products and services, geographic areas and significant customers. The Company operates in one operating segment for purposes of SFAS No. 131.

Product Revenues

The Company designs and supplies SAN Infrastructure Products, consisting of HBAs, switches and silicon chips, and Management Controllers, which are comprised of enclosure management and baseboard management products. A summary of the components of the Company's net revenues is as follows:

	2006	2005	2004
		(In thousands)	
SAN Infrastructure Products	$460,050	$387,922	$335,632
Management Controllers	27,136	37,003	46,781
Other	6,891	3,794	4,743
	$494,077	$428,719	$387,156

Geographic Revenues

Revenues by geographic area are presented based upon the country of destination. No individual country other than the United States represented 10% or more of net revenues for any of the fiscal years presented. Net revenues by geographic area are as follows:

	2006	2005	2004
		(In thousands)	
United States	$271,937	$227,771	$228,349
Europe, Middle East and Africa	111,000	94,578	74,867
Asia-Pacific and Japan	108,166	101,530	81,168
Rest of world	2,974	4,840	2,772
	$494,077	$428,719	$387,156

Significant Customers

A summary of the Company's customers, including their manufacturing subcontractors, that represent 10% or more of our net revenues for any of the fiscal years is as follows:

	2006	2005	2004
IBM	15%	15%	12%
Hewlett Packard	15%	14%	11%
Sun Microsystems	12%	15%	21%
Dell Computers	*	10%	10%

* Less than 10% of net revenues.

Note 14. Subsequent Event

On April 3, 2006, the Company acquired all outstanding shares of PathScale, Inc. (PathScale). PathScale designs and develops system area network fabric interconnects targeted at high-performance clustered system environments. The acquisition of PathScale expands the Company's portfolio of solutions to include InfiniBand, a high-performance, low-latency, switched fabric interconnect. Consideration paid for this acquisition was approximately $110 million in cash, which included the purchase of all vested PathScale stock options. In addition, the Company converted unvested PathScale stock options for continuing employees into options to purchase approximately 307,000 shares of QLogic common stock with a weighted-average exercise price of $3.00. The total fair value of the converted options is approximately $6 million and will be recognized as compensation expense over the remaining service period.

The Company is in the process of evaluating the net assets acquired and expects to finalize the purchase price allocation during fiscal 2007. The consideration paid in excess of the fair market value of tangible assets acquired is expected to be allocated to intangible assets, goodwill and IPR&D. To the extent a portion of the purchase price is allocated to IPR&D, the Company will recognize a charge to operating expenses for such amount. The historical results of operations of PathScale are not material in relation to the consolidated financial statements of the Company.

The Company also entered into a performance plan with certain former PathScale shareholders who became employees of QLogic. The performance plan provides for the issuance of stock based on the achievement of certain performance milestones and continued employment with QLogic. In connection with the performance plan, the Company could recognize compensation expense of up to $15 million over four years.

Note 15. Condensed Quarterly Results (Unaudited)

The following table summarizes certain unaudited quarterly financial information for fiscal 2006 and 2005:

	Three Months Ended (1) (2)			
	June	September	December	March
	(In thousands, except per share amounts)			
Fiscal 2006:				
Net revenues	$115,430	$119,012	$129,185	$130,450
Gross profit	81,437	84,017	92,285	92,092
Operating income	41,953	42,793	49,026	34,085
Income from continuing operations	28,286	30,490	31,681	31,374
Net income	41,777	43,024	166,238	32,549
Income from continuing operations per share:				
Basic	0.15	0.17	0.20	0.19
Diluted	0.15	0.17	0.19	0.19
Net income per share:				
Basic	0.23	0.24	1.03	0.20
Diluted	0.23	0.24	1.02	0.20
Fiscal 2005:				
Net revenues	$ 98,670	$102,281	$116,041	$111,727
Gross profit	70,515	73,011	83,079	81,040
Operating income	33,249	34,797	43,811	41,756
Income from continuing operations	22,855	25,400	32,042	31,118
Net income	32,203	35,882	43,356	46,155
Income from continuing operations per share:				
Basic	0.12	0.14	0.17	0.17
Diluted	0.12	0.14	0.17	0.17
Net income per share:				
Basic	0.17	0.19	0.24	0.25
Diluted	0.17	0.19	0.23	0.25

(1) The statement of operations data for all periods presented reflects the operating results of the hard disk drive controller and tape drive controller business as discontinued operations.

(2) The per share amounts for all periods presented reflect the effects of the two-for-one split of the Company's common stock in March 2006.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures to ensure that information we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934, as amended ("Exchange Act") is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. Our management evaluated, with the participation of our chief executive officer and our chief financial officer, the effectiveness of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Exchange Act. Based on this evaluation, our chief executive officer and our chief financial officer have concluded that our disclosure controls and procedures were effective as of April 2, 2006.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) promulgated under the Exchange Act. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management evaluated the effectiveness of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control — Integrated Framework*. Based on our evaluation, our management concluded that our internal control over financial reporting was effective as of April 2, 2006.

The independent registered public accounting firm that audited the consolidated financial statements included in this annual report has issued an attestation report on management's assessment of the Company's internal control over financial reporting. See page 37 herein.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting, as defined in Rule 13a-15(f) promulgated under the Exchange Act, that occurred during the fourth quarter of fiscal 2006 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. ***Directors and Executive Officers of the Registrant***

Reference is made to the Company's Definitive Proxy Statement for its 2006 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days after the end of fiscal 2006, for information about the Company's Directors under the heading "Proposal One — Election of Directors", for information about the Company's executive officers and code of ethics under the heading "Executive Officers and Other Information", for information about the Company's audit committee under the heading "Board of Directors", and for information about reporting compliance under the heading "Section 16(a) Beneficial Ownership Reporting Compliance." Such information is incorporated herein by reference.

The Company has adopted and implemented a Business Ethics Policy (the "Code of Ethics") that applies to the Company's officers, employees and directors. The Code of Ethics is available on our website at www.qlogic.com.

Item 11. ***Executive Compensation***

Reference is made to the Company's Definitive Proxy Statement for its 2006 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days after the end of fiscal 2006, for information about executive compensation under the headings "Executive Compensation and Other Information" and "Report of Compensation Committee", for information about director compensation under the heading "Board of Directors", and for information about the return on our common stock under the heading "Stockholder Return Performance Presentation." Such information is incorporated herein by reference.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

Reference is made to the Company's Definitive Proxy Statement for its 2006 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days after the end of fiscal 2006, for information about security ownership of certain beneficial owners and management under the headings "Principal Stockholders" and "Stock Ownership of Directors and Executive Officers." 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.

Reference is made to the Company's Definitive Proxy Statement for its 2006 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days after the end of fiscal 2006, for information about shares authorized for issuance under equity compensation plans under the heading "Equity Compensation Plan Information." Such information is incorporated herein by reference.

Item 13. ***Certain Relationships and Related Transactions***

None.

Item 14. ***Principal Accountant Fees and Services***

Reference is made to the Company's Definitive Proxy Statement for its 2006 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days after the end of fiscal 2006, for information about audit and non-audit fees of the Company's principal accountant, for information on the audit committee's pre-approval policies and procedures, and for information on the audit committee's approval of certain services under the heading "Principal Accountants' Fees." Such information is incorporated herein by reference.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

(a) (1) *Consolidated Financial Statements*

The following consolidated financial statements of the Company for the years ended April 2, 2006, April 3, 2005 and March 28, 2004 are filed as part of this report:

FINANCIAL STATEMENT INDEX

(a) (2) *Financial Statement Schedule*

The following consolidated financial statement schedule of the Company for the years ended April 2, 2006, April 3, 2005 and March 28, 2004 is filed as part of this report and is incorporated herein by reference:

Schedule II — Valuation and Qualifying Accounts

All other schedules have been omitted because the required information is presented in the financial statements or notes thereto, the amounts involved are not significant or the schedules are not applicable.

(a) (3) *Exhibits*

An exhibit index has been filed as part of this Report and is incorporated herein by reference.

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
Chairman of the Board,
Chief Executive Officer and President

Date: June 1, 2006

POWER OF ATTORNEY

Each person whose signature appears below hereby authorizes H.K. Desai and/or Anthony J. Massetti, as attorney-in-fact, to sign on his or her behalf and in each capacity stated below, and to file all amendments and/or supplements to this Annual Report on Form 10-K.

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 and on the dates indicated.

Signature	Title	Date
Principal Executive Officer:		
/s/ H.K. Desai H.K. Desai	Chairman of the Board, Chief Executive Officer and President	June 1, 2006
Principal Financial and Accounting Officer:		
/s/ Anthony J. Massetti Anthony J. Massetti	Senior Vice President and Chief Financial Officer	June 1, 2006
/s/ Joel S. Birnbaum Joel S. Birnbaum	Director	June 1, 2006
/s/ Larry R. Carter Larry R. Carter	Director	June 1, 2006
/s/ James R. Fiebiger James R. Fiebiger	Director	June 1, 2006
/s/ Balakrishnan S. Iyer Balakrishnan S. Iyer	Director	June 1, 2006
/s/ Carol L. Miltner Carol L. Miltner	Director	June 1, 2006
/s/ George D. Wells George D. Wells	Director	June 1, 2006

QLOGIC CORPORATION
VALUATION AND QUALIFYING ACCOUNTS

	Balance at Beginning of Year	Additions: Charged to Costs and Expenses or Revenues	Deductions: Amounts Written Off, Net of Recoveries	Balance at End of Year
	(In thousands)			
Continuing Operations:				
Year ended April 2, 2006:				
Allowance for doubtful accounts	$1,311	$ (54)	$ 18	$1,239
Sales returns and allowances	$4,828	$16,566	$17,292	$4,102
Year ended April 3, 2005:				
Allowance for doubtful accounts	$1,113	$ 215	$ 17	$1,311
Sales returns and allowances	$3,965	$17,705	$16,842	$4,828
Year ended March 28, 2004:				
Allowance for doubtful accounts	$2,072	$ 49	$ 1,008	$1,113
Sales returns and allowances	$6,189	$15,320	$17,544	$3,965
Total, including Discontinued Operations:				
Year ended April 2, 2006:				
Allowance for doubtful accounts	$1,445	$ (188)	$ 18	$1,239
Sales returns and allowances	$5,233	$16,802	$17,933	$4,102
Year ended April 3, 2005:				
Allowance for doubtful accounts	$1,372	$ 90	$ 17	$1,445
Sales returns and allowances	$5,198	$18,091	$18,056	$5,233
Year ended March 28, 2004:				
Allowance for doubtful accounts	$2,830	$ (450)	$ 1,008	$1,372
Sales returns and allowances	$8,302	$17,035	$20,139	$5,198

EXHIBIT INDEX

Exhibit No.	Description
3.1	Certificate of Incorporation of Emulex Micro Devices Corporation, dated November 13, 1992. (incorporated by reference to Exhibit 3.1 of the Registrant's Registration Statement on Form 10/A filed on February 15, 1994)
3.2	EMD Incorporation Agreement, dated as of January 1, 1993. (incorporated by reference to Exhibit 3.2 of the Registrant's Registration Statement on Form 10/A filed on February 15, 1994)
3.3	Certificate of Amendment of Certificate of Incorporation, dated May 26, 1993. (incorporated by reference to Exhibit 3.3 of the Registrant's Registration Statement on Form 10/A filed on February 15, 1994)
3.4	Certificate of Amendment of Certificate of Incorporation, dated February 24, 1994. (incorporated by reference to Exhibit 3.4 of the Registrant's Annual Report on Form 10-K for the year ended March 30, 2003)
3.5	Certificate of Designation of Rights, Preferences and Privileges of Series A Junior Participating Preferred Stock, dated June 4, 1996. (incorporated by reference to Exhibit 3.5 of the Registrant's Annual Report on Form 10-K for the year ended March 30, 2003)
3.6	Certificate of Amendment of Certificate of Incorporation, dated February 5, 1999. (incorporated by reference to Exhibit 3.6 of the Registrant's Annual Report on Form 10-K for the year ended March 28, 1999)
3.7	Certificate of Amendment of Certificate of Incorporation, dated January 4, 2000. (incorporated by reference to Exhibit 3.7 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended December 26, 1999)
3.8	Certificate of Amendment of Certificate of Incorporation, dated September 28, 2000. (incorporated by reference to Exhibit 3.8 of the Registrant's Annual Report on Form 10-K for the year ended March 30, 2003)
3.9	By-Laws of QLogic Corporation. (incorporated by reference to Exhibit 3.9 of the Registrant's Current Report on Form 8-K filed on February 24, 2005)
4.1	Rights Agreement, dated as of June 4, 1996 between QLogic Corporation and Harris Trust and Savings Bank, as Rights Agent, which includes as Exhibit A thereto a form of the Certificate of Designation for Preferred Stock, as Exhibit B thereto the form of Rights Certificate and as Exhibit C thereto a Summary of Terms of Shareholder Rights Plan. (incorporated by reference to Exhibit 2.1 of the Registrant's Registration Statement on Form 8-A filed on June 19, 1996)
4.2	Amendment to Rights Agreement, dated as of November 19, 1997 between QLogic Corporation and Harris Trust and Savings Bank, as Rights Agent. (incorporated by reference to Exhibit 2 of the Registrant's Registration Statement on Form 8-A/A filed on November 25, 1997)
4.3	Second Amendment to Rights Agreement, dated as of January 24, 2000 between QLogic Corporation and Harris Trust and Savings Bank, as Rights Agent. (incorporated by reference to Exhibit 3 of the Registrant's Registration Statement on Form 8-A/A filed on June 1, 2000)
4.4	Third Amendment to Rights Agreement, dated as of January 9, 2003 between QLogic Corporation and Harris Trust and Savings Bank, as Rights Agent. (incorporated by reference to Exhibit 4 of the Registrant's Registration Statement on Form 8-A/A filed on January 10, 2003)
4.5	Fourth Amendment to Rights Agreement, dated as of July 30, 2004 between QLogic Corporation and Harris Trust and Savings Bank, as Rights Agent. (incorporated by reference to Exhibit 5 of the Registrant's Registration Statement on Form 8-A/A filed on July 30, 2004)
10.1	QLogic Corporation Non-Employee Director Stock Option Plan, as amended.* (incorporated by reference to Exhibit 4.1 of the Registrant's Registration Statement on Form S-8 filed on February 6, 2004 (File No. 333-112572))
10.2	QLogic Corporation Stock Awards Plan, as amended.* (incorporated by reference to Exhibit 4.2 of the Registrant's Registration Statement on Form S-8 filed on February 6, 2004 (File No. 333-112572))

Exhibit No.	Description
10.3	QLogic Corporation Savings Plan.* (incorporated by reference to Exhibit 10.8 of the Registrant's Registration Statement on Form 10/A filed on February 15, 1994)
10.4	QLogic Corporation Savings Plan Trust.* (incorporated by reference to Exhibit 10.9 of the Registrant's Registration Statement on Form 10/A filed on February 15, 1994)
10.5	Form of Indemnification Agreement between QLogic Corporation and Directors and Executive Officers.* (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed on April 7, 2006)
10.6	QLogic Corporation 1998 Employee Stock Purchase Plan, Amended and Restated Effective June 9, 2005.* (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 3, 2005)
10.7	Key Employee Retention Agreement, dated August 4, 1995, between QLogic Corporation and Harshad K. Desai.* (incorporated by reference to Exhibit 10.7 of the Registrant's Annual Report on Form 10-K for the year ended March 28, 2004)
10.8	QLogic Corporation 2005 Performance Incentive Plan.* (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 2, 2005)
10.9	Asset Purchase Agreement dated August 29, 2005, by and between QLogic Corporation, Marvell Technology Group Ltd., and Marvell International Ltd. (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K filed on September 2, 2005)
10.10	Merger Agreement, dated as of February 15, 2006, by and among QLogic Corporation, PS Merger Sub, Inc., PathScale, Inc., and a representative of the holders of capital stock of PathScale, Inc. (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K filed on February 17, 2006)
10.11	First Amendment to QLogic Corporation 2005 Performance Incentive Plan, dated as of June 1, 2006.*
21.1	Subsidiaries of the Registrant.
23.1	Consent of Independent Registered Public Accounting Firm.
24	Power of Attorney (included on signature page).
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Compensation plan, contract or arrangement required to be filed as an exhibit pursuant to applicable rules of the Securities and Exchange Commission.

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Corporate Information

Board of Directors

H. K. Desai
Chairman of the Board,
Chief Executive Officer
and President
QLogic Corporation

Joel S. Birnbaum, Ph.D.
Director
QLogic Corporation

Larry R. Carter
Senior Vice President,
Office of the President
Cisco Systems, Inc.

James R. Fiebiger, Ph.D.
Director
QLogic Corporation

Balakrishnan (Bala) S. Iyer
Director
QLogic Corporation

Carol L. Miltner
Chief Executive Officer
POSITIVE IMPACT

George D. Wells
Director
QLogic Corporation

Executive Officers

H. K. Desai
Chairman of the Board,
Chief Executive Officer and President

Anthony J. Massetti
Senior Vice President and
Chief Financial Officer

Denis R. Maynard
Senior Vice President,
Worldwide Sales and Marketing

Robert W. Miller
Senior Vice President,
Worldwide Operations

Nancy M. Tullos
Senior Vice President,
Human Resources

Stephen J. Carter
Vice President, General Manager,
Switch Products Group

Scott M. Metcalf
Vice President, General Manager,
System Interconnect Group

Transfer Agent and Registrar

Computershare Investor Services, LLC
PO Box A 3504
Chicago, IL 60690-3504
Telephone: 312.588.4990

Independent Auditors

KPMG LLP
Costa Mesa, CA

Legal Counsel

O'Melveny & Myers LLP
Newport Beach, CA

Corporate Headquarters
QLogic Corporation
26650 Aliso Viejo Parkway
Aliso Viejo, CA 92656
949.389.6000

www.qlogic.com