

WALKER CLIFFORD  
Form 4  
December 22, 2006

**FORM 4** UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
WALKER CLIFFORD

2. Issuer Name and Ticker or Trading Symbol  
POWER INTEGRATIONS INC  
[powi]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)

3. Date of Earliest Transaction  
(Month/Day/Year)  
12/21/2006

\_\_\_\_ Director  
 Officer (give title below) \_\_\_\_\_ Other (specify below)  
VP of Corporate Development

C/O POWER  
INTEGRATIONS, 5245 HELLYER  
AVE

(Street)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
\_\_\_\_ Form filed by More than One Reporting Person

SAN JOSE, CA 95138

(City) (State) (Zip)

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Ownership (Instr. 4) |     |       |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|-----|-------|
|                                 |                                      |  |                                | (A) or (D)  | Code  | V  | Amount                            | (D) | Price |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474  
(9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

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| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | 6. Date Exercisable and Expiration Date (Month/Day/Year) | 7. Title and Amount of Underlying Security (Instr. 3 and 4) |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|
|  |  |                                      |  | Code V (A) (D)                 |   | Date Exercisable Expiration Date                         | Title   |
| Non Qualified Stock Option(right to buy)   | \$ 17.75   | 12/21/2006                           |  | D <sup>(1)</sup>               | 2,934   | <sup>(1)</sup> 01/08/2013                                | Common Stock  |
| Non Qualified Stock Option(right to buy)   | \$ 18.95   | 12/21/2006                           |  | A <sup>(1)</sup>               | 2,934   | <sup>(1)</sup> 01/08/2013                                | Common Stock  |
| Non Qualified Stock Option(right to buy)   | \$ 17.75   | 12/21/2006                           |  | D <sup>(1)</sup>               | 20,504  | <sup>(1)</sup> 01/08/2013                                | Common Stock  |
| Non Qualified Stock Option(right to buy)   | \$ 18.95   | 12/21/2006                           |  | A <sup>(1)</sup>               | 20,504  | <sup>(1)</sup> 01/08/2013                                | Common Stock  |

**Reporting Owners**

| Reporting Owner Name / Address  | Relationships |           |                             |       |
|---|---------------|-----------|-----------------------------|-------|
|   | Director      | 10% Owner | Officer                     | Other |
| WALKER CLIFFORD<br>C/O POWER INTEGRATIONS<br>5245 HELLYER AVE<br>SAN JOSE, CA 95138 |               |           | VP of Corporate Development |       |

**Signatures**

/s/ Rafael Torres Attorney-In-Fact for Clifford Walker  
 12/21/2006  
 \*\*Signature of Reporting Person Date

## Explanation of Responses:

\* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

\*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

The two reported transactions involved an amendment of an outstanding option, resulting for purposes of Section 16 in the deemed cancellation of a portion of the "old" option and the grant of a replacement option. The amendment is solely for the purpose of increasing the exercise price of the portion of the option deemed to have been cancelled and replaced. The option was originally granted on January

- (1) 8, 2003 and provides for vesting as to 12.5% of the shares on the date 6 months from the date of grant and the remaining shares in 42 equal monthly installments thereafter. The vesting of the option applies first to the portion not deemed to be amended, and then to the portion deemed to have been amended. The amendments of the options were made to avoid adverse tax consequences under Section 409A of the Internal Revenue Code that may apply absent the amendments.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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