

WALKER CLIFFORD

Form 4

December 22, 2006

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

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

OMB APPROVAL

OMB
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(Print or Type Responses)

1. Name and Address of Reporting Person *
WALKER CLIFFORD

(Last) (First) (Middle)

C/O POWER
INTEGRATIONS, 5245 HELLYER
AVE

(Street)

SAN JOSE, CA 95138

(City) (State) (Zip)

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

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

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

5. Relationship of Reporting Person(s) to
Issuer

(Check all applicable)

____ Director ____ 10% Owner
X Officer (give title below) ____ Other (specify below)
VP of Corporate Development

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

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 Indirect Beneficial Ownership (Instr. 4)
			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 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 ⁽¹⁾	2,934	⁽¹⁾ 01/08/2013	Common Stock
Non Qualified Stock Option(right to buy)	\$ 18.95	12/21/2006		A ⁽¹⁾	2,934	⁽¹⁾ 01/08/2013	Common Stock
Non Qualified Stock Option(right to buy)	\$ 17.75	12/21/2006		D ⁽¹⁾	20,504	⁽¹⁾ 01/08/2013	Common Stock
Non Qualified Stock Option(right to buy)	\$ 18.95	12/21/2006		A ⁽¹⁾	20,504	⁽¹⁾ 01/08/2013	Common Stock

Reporting Owners

Reporting Owner Name / Address	Relationships
	Director 10% Owner Officer Other
WALKER CLIFFORD C/O POWER INTEGRATIONS 5245 HELLYER AVE 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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