BELL DERCK Form 4

December 20, 2006

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF

SECURITIES

OMB Number:

OMB APPROVAL

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obligations

Check this box

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

may continue. 30(h) of the Investment Company Act of 1940 See Instruction

1(b).

(Print or Type Responses)

1. Name and Address of Reporting Person *

BELL DERCK

2. Issuer Name and Ticker or Trading

Symbol

POWER INTEGRATIONS INC

[POWI]

3. Date of Earliest Transaction

12/18/2006

5. Relationship of Reporting Person(s) to

Issuer

below)

(Check all applicable)

(Last)

(First) (Middle)

(Month/Day/Year)

Director 10% Owner X_ Officer (give title

Other (specify

VP of Engineering

C/O POWER INTEGRATIONS, 5245 HELLYER

AVE

(Street) 4. If Amendment, Date Original

(Zip)

Filed(Month/Day/Year)

3.

6. Individual or Joint/Group Filing(Check

Applicable Line)

X Form filed by One Reporting Person Form filed by More than One Reporting

SAN JOSE, CA 95138

(City) (State)

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

1.Title of Security (Instr. 3)

2. Transaction Date 2A. Deemed (Month/Day/Year)

Execution Date, if

Code (Month/Day/Year) (Instr. 8)

TransactionAcquired (A) or Disposed of (D) (Instr. 3, 4 and 5)

4. Securities

5. Amount of Securities Beneficially Owned Following

6. Ownership Form: Direct (D) or Indirect Beneficial

(Instr. 4)

7. Nature of Indirect Ownership

(Instr. 4)

(A)

Reported Transaction(s)

Code V Amount (D) Price

(Instr. 3 and 4)

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. Transactio Code (Instr. 8)	5. Number of Derivative Securities (A) or Dis (D) (Instr. 3, 4	Acquired sposed of	6. Date Exerc Expiration D (Month/Day/	ate	7. Title and A Underlying S (Instr. 3 and 4
				Code V	(A)	(D)	Date Exercisable	Expiration Date	Title
Non-Qualified Stock Option(right to buy)	\$ 17.75	12/18/2006		D <u>(1)</u>		2,934	<u>(1)</u>	01/08/2013	Common Stock
Non-Qualified Stock Option(right to buy)	\$ 18.95	12/18/2006		A <u>(1)</u>	2,934		<u>(1)</u>	01/08/2013	Common Stock
Non-Qualified Stock Option(right to buy)	\$ 17.75	12/18/2006		D <u>(1)</u>		20,504	<u>(1)</u>	01/08/2013	Common Stock
Non-Qualified Stock Option(right to buy)	\$ 18.95	12/18/2006		A <u>(1)</u>	20,504		<u>(1)</u>	01/08/2013	Common Stock

Reporting Owners

Reporting Owner Name / Address	Relationships						
Reporting Owner France / Francess	Director	10% Owner	Officer	Other			
BELL DERCK							
C/O POWER INTEGRATIONS 5245 HELLYER AVE			VP of Engineering				
SAN JOSE, CA 95138							

Signatures

/s/ Rafael Torres Attorney-In-Fact for Derek Bell 12/20/2006

**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).
- (1) 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 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

Reporting Owners 2

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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. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.