

BALAKRISHNAN BALU  
 Form 4  
 December 20, 2007

**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 \*  
 BALAKRISHNAN BALU

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

5. Relationship of Reporting Person(s) to Issuer  
 (Check all applicable)  
 \_\_\_ Director \_\_\_ 10% Owner  
 Officer (give title below) \_\_\_ Other (specify below)  
 President and CEO

(Last) (First) (Middle)  
 5245 HELLYER AVE  
 (Street)

3. Date of Earliest Transaction (Month/Day/Year)  
 12/19/2007

SAN JOSE, CA 95138  
 (City) (State) (Zip)

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

**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 (A) or (D) Price   |  |   |
| Common Stock                    | 12/19/2007                           |  | M                              |   | 400 A \$ 14.2188  | 4,752  | D   |
| Common Stock                    | 12/19/2007                           |  | S                              |   | 400 D \$ 32   | 4,352  | D   |
| Common Stock                    | 12/19/2007                           |  | M                              |   | 800 A \$ 14.2188  | 5,152  | D   |
| Common Stock                    | 12/19/2007                           |  | S                              |   | 800 D \$ 32.01  | 4,352  | D   |
| Common Stock                    | 12/19/2007                           |  | M                              |   | 300 A \$ 14.2188  | 4,652  | D   |

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|              |            |   |     |   |            |         |   |          |
|--------------|------------|---|-----|---|------------|---------|---|----------|
| Common Stock | 12/19/2007 | S | 300 | D | \$ 32.05   | 4,352   | D |          |
| Common Stock | 12/19/2007 | M | 300 | A | \$ 14.2188 | 4,652   | D |          |
| Common Stock | 12/19/2007 | S | 300 | D | \$ 32.1    | 4,352   | D |          |
| Common Stock | 12/19/2007 | M | 200 | A | \$ 14.2188 | 4,552   | D |          |
| Common Stock | 12/19/2007 | S | 200 | D | \$ 32.18   | 4,352   | D |          |
| Common Stock |            |   |     |   |            | 232,752 | I | by Trust |

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

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

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(9-02)

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

| 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 Securities (Instr. 3 and 4) | Amount or Number of Shares |  |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|----------------------------|--|
|  |  |                                      |  | Code                           | V (A) (D)   | Date Exercisable   | Expiration Date   | Title                      |  |
| Non-Qualified Stock Option (right to buy)  | \$ 14.2188   | 12/19/2007                           |  | M                              | 400<br>(1)  | 04/20/1999 04/20/2009                                    | Common Stock  | 400                        |  |
| Non-Qualified Stock Option (right to buy)  | \$ 14.2188   | 12/19/2007                           |  | M                              | 800<br>(1)  | 04/20/1999 04/20/2009                                    | Common Stock  | 800                        |  |
| Non-Qualified Stock Option (right to buy)  | \$ 14.2188   | 12/19/2007                           |  | M                              | 300<br>(1)  | 04/20/1999 04/20/2009                                    | Common Stock  | 300                        |  |
| Non-Qualified Stock Option                 | \$ 14.2188   | 12/19/2007                           |  | M                              | 300<br>(1)  | 04/20/1999 04/20/2009                                    | Common Stock  | 300                        |  |

(right to buy)

|   |            |            |   |                   |            |            |                 |     |
|---|------------|------------|---|-------------------|------------|------------|-----------------|-----|
| Non-Qualified<br>Stock Option<br>(right to buy) | \$ 14.2188 | 12/19/2007 | M | <u>200</u><br>(1) | 04/20/1999 | 04/20/2009 | Common<br>Stock | 200 |
|---|------------|------------|---|-------------------|------------|------------|-----------------|-----|

## Reporting Owners

| Reporting Owner Name / Address                              | Relationships |           |                   |       |
|---|---------------|-----------|-------------------|-------|
|   | Director      | 10% Owner | Officer           | Other |
| BALAKRISHNAN BALU<br>5245 HELLYER AVE<br>SAN JOSE, CA 95138 |               |           | President and CEO |       |

## Signatures

By: /s/ Rafael Torres Attorney-In-Fact For: Balu  
Balakrishnan

12/20/2007

\_\_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) This sale is pursuant to a 10B5-1 Sales Plan

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.