



PFD ANNOUNCES REDUCED REGULAR MONTHLY DIVIDEND AMOUNTS

PASADENA, CALIFORNIA – January 30, 2008

The Board of Directors of Flaherty & Crumrine Preferred Income Fund Incorporated (**NYSE: PFD**) has approved a new regular monthly dividend amount to be effective with the dividend to be paid on February 29, 2008.

Until further notice, the new regular monthly dividend for PFD will be \$0.0775 per share, which equates to an annual dividend of \$0.93 per share.

Donald F. Crumrine, Chairman of the Board of the Fund, said “We have reduced the dividend primarily because of the Fund’s higher-than-anticipated leverage expenses. The Fund leverages the returns to common stock shareholders through its Aa1/AAA rated preferred stock, which pays dividends that reset every 49 days through an auction process. Under normal circumstances the Fund’s auction rates have been lower than other highly-rated short-term money market instruments because the distributions are tax-advantaged. The ongoing credit crunch fractured this relationship, and, for several months, the Fund has paid historically-high preferred dividend rates relative to these other short-term instruments.”

Mr. Crumrine continued, “The Fund’s common stock dividend continues to be enhanced by the Fund’s use of leverage. Further, we would expect that the Federal Reserve’s recent rate-cutting activity will be reflected in the Fund’s auction rates at some point. However, at this time, we cannot predict when that will occur, and, in the meantime, we have reduced the dividend because the Fund has less net income to distribute to our common stock shareholders.”

PFD was organized in 1991 as a closed-end, diversified investment company which invests primarily in preferred securities. The Fund’s investment objective for holders of its common stock is high current income consistent with preservation of capital. PFD is managed by Flaherty & Crumrine Incorporated, an independent investment adviser which was founded in 1983 to specialize in the management of portfolios of preferred and related securities. Flaherty & Crumrine also manages three other U.S. closed-end funds: Flaherty & Crumrine Preferred Income Opportunity Fund (NYSE: PFO); Flaherty & Crumrine/Claymore Preferred Securities Income Fund (NYSE: FFC); and Flaherty & Crumrine/Claymore Total Return Fund (NYSE: FLC).

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