



PFD AND PFO ANNOUNCE INCREASED REGULAR MONTHLY DIVIDENDS AND SPECIAL YEAR-END DIVIDENDS

PASADENA, CALIFORNIA – December 13, 2010

The Boards of Directors of Flaherty & Crumrine Preferred Income Fund Incorporated (**NYSE: PFD**) and Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated (**NYSE: PFO**) today approved new regular monthly dividend amounts and declared a special year-end dividend to be paid in December.

The new regular monthly dividend rate for PFD will be \$0.09 per share, which equates to an annual dividend of \$1.08 per share. This new monthly dividend represents an increase of approximately 1.1% over the prior monthly dividend. In addition, shareholders will receive a special year-end dividend from net investment income of \$0.03 per share.

The new monthly dividend rate for PFO will be \$0.0735 per share, which equates to an annual dividend of \$0.8820 per share. This new monthly dividend represents an increase of approximately 1.4% over the prior monthly dividend. In addition, shareholders will receive a special year-end dividend from net investment income of \$0.03 per share.

The December monthly dividend and the special year-end dividend will be paid on December 31, 2010 to holders of record of each fund's common stock on December 23, 2010. The expected ex-dividend date is December 21, 2010. The tax breakdown of all 2010 distributions will be available early next year, but at this point the funds anticipate that all dividends paid in 2010, including the special year-end dividend, will be taxable as ordinary income.

Donald F. Crumrine, Chairman of the Boards of the funds, said "We are very pleased that both funds continue to deliver on their objectives of high current income. The recovery of the funds' net asset values allowed them to increase their borrowings throughout the past fiscal year. Earnings from that additional borrowing, together with the continued low borrowing costs, allowed the funds to earn more income than we anticipated in 2010 and should continue to benefit income in 2011."

PFD was organized in 1991 and PFO was organized in 1992 as closed-end, diversified investment companies which invest primarily in preferred securities. Each Fund's investment objective for holders of its common stock is high current income consistent with preservation of capital. PFD and PFO are 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 two other U.S. closed-end funds: Flaherty & Crumrine/Claymore Preferred Securities Income Fund (NYSE: FFC); and Flaherty & Crumrine/Claymore Total Return Fund (NYSE: FLC).

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