



PFD AND PFO ANNOUNCE REDUCED MONTHLY DIVIDEND AMOUNTS
PASADENA, CALIFORNIA – December 15, 2008

The Boards of Directors of Flaherty & Crumrine Preferred Income Fund Incorporated (**NYSE: PFD**) and Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated (**NYSE:PFO**) have approved new regular monthly dividend amounts on their common stock to be effective with the dividends to be paid on December 31, 2008 to holders of record of each Fund's Common Stock on December 23rd. The expected ex-dividend date is December 19th.

Until further notice, the new regular monthly dividend for PFD's common stock will be \$0.063 per share, which equates to an annual dividend of \$0.756 per share, and the new regular monthly dividend for PFO's common stock will be \$0.05 per share, which equates to an annual dividend of \$0.60 per share.

Donald F. Crumrine, Chairman of the Boards of the Funds, said "We have reduced the dividend primarily because of each Fund's de-leveraging in response to the extraordinary market conditions which began in September. Each Fund leverages the returns to common stock shareholders through its Aa1/AAA rated preferred stock, which pays dividends that reset every 49 days. While each Fund's common stock dividend continues to be enhanced by its use of leverage, the redemption of \$25.2 million (or 31.5%) of PFD's leverage and \$20.4 million (or 29.1%) of PFO's leverage has limited the extent of that enhancement and the Boards have adjusted each Fund's dividend accordingly."

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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