



PFD AND PFO ANNOUNCE DELAY IN PAYMENT OF SEPTEMBER DIVIDENDS PASADENA, CALIFORNIA – September 29, 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 announced a delay in the payment of the monthly dividends for the month of September.

Under the terms of the Funds' Articles Supplementary Creating and Fixing the Rights of the Auction Preferred Stock, certain asset coverage requirements must be met before dividends can be declared or paid to common stock shareholders. For the reasons set forth below, these asset coverage requirements have not been met, so the Funds may not pay the dividends originally scheduled to be paid on September 30, 2008. At the time the dividends were declared on September 2, 2008, the Funds had met their asset coverage requirements.

The September dividend will be paid as soon as practicable after the asset coverage requirements are met, which cannot be predicted given current market conditions for the securities in which the Funds invest. The delay in the payments will be continued until asset coverage can be restored. In order to meet the asset coverage requirements, the Funds may adjust their holdings (certain assets receive better asset coverage treatment than others) and sell assets to raise cash. Proceeds from asset sales may be invested in higher quality, lower yielding securities or held in cash, or in some cases used to reduce leverage, to restore the required level of asset coverage. If market values decline, additional sales may be needed. If asset values move higher, the asset coverage will improve and additional asset sales will not be required.

The decline in the Funds' asset coverage has been the result of declining market values for the Funds' assets, which consist primarily of preferred securities. The market values of preferred securities, along with most other fixed income securities, have been experiencing substantial declines as a result of the ongoing financial crisis. The uncertainty of a U.S. government rescue plan has further disrupted the securities markets and the valuations of the financial companies which are the primary issuers of preferred securities. The Funds expect to continue to work towards meeting asset coverage requirements on an ongoing basis so that the September dividend can be paid and future dividends may be declared and paid.

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.

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