

Flaherty & Crumrine Preferred Income Fund and Flaherty & Crumrine Preferred Income Opportunity Fund announce revised regular monthly dividend amounts

Pasadena, California –March 29, 2005—

The Boards of Directors of the Flaherty & Crumrine Preferred Income Fund (NYSE: PFD) and the Flaherty & Crumrine Preferred Income Opportunity Fund (NYSE:PFO) have adopted new regular monthly dividend amounts. The changes will be effective with the dividends to be paid on April 30, 2005 and will remain in effect until further notice.

The new regular monthly dividend for PFD will be \$0.0905 per share, which equates to an annual dividend of \$1.086 per share and represents a reduction of 4.7% from the previous dividend amount.

The new regular monthly dividend for PFO will be \$0.0705 per share, which equates to an annual dividend of \$0.846 per share and represents a reduction of 6.6% from the previous dividend amount.

Donald F. Crumrine, Chairman of the Board of the Funds, said “The dividend reductions reflect a change in the relationship between the level of short-term and long-term interest rates. Higher short-term rates have increased the cost the Funds must pay on their Money Market Cumulative Preferred™ Stock (“MMP®”) used to leverage the Funds and enhance returns. As discussed with shareholders in communications over the past 9 months, the Funds are not immune to this and other factors that have led many income oriented, closed-end funds to reduce their monthly dividends.” (Please visit www.preferredincome.com for copies of these shareholder communications.) “However”, he added “the hedging strategies intended to help protect each Fund’s net asset value (“NAV”) against significant increases in long-term interest rates should also permit the Funds’ dividend to be increased if long-term interest rates rise significantly.”

INQUIRIES:
Flaherty & Crumrine Incorporated
Chris Ryan, CFA
Vice President
Pasadena, CA
626-795-7300
ryan@pfdincome.com