

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

Pasadena, California –March 6, 2006—

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 March 31, 2006 and will remain in effect until further notice.

The new regular monthly dividend for PFD will be \$0.086 per share, which equates to an annual dividend of \$1.032 per share.

The new regular monthly dividend for PFO will be \$0.065 per share, which equates to an annual dividend of \$0.78 per share.

Donald F. Crumrine, Chairman of the Board of the Funds, said “The dividend reductions reflect the continuing changes in the relationship between the levels of short-term and long-term interest rates. The Funds are not immune to this changing relationship and other factors that continue to cause many leveraged, income oriented, closed-end funds to further reduce their monthly dividends. For more than 20 months, short-term rates have steadily risen while long-term rates have remained basically stable, resulting in a relatively ‘flat’ yield curve. Typically, rising short-term rates are accompanied by rising long-term rates, which increase the value of the hedging instruments each Fund holds and allow that Fund to reinvest the hedge gains in more income-producing securities, at least partially offsetting the rising cost of leveraging the Fund with money market preferred stock. The recent higher short-term rates have increased the cost of the Funds’ leverage, and without any accompanying higher long-term rates, these costs have not been offset by the Funds’ hedging strategies. As a result, there is less distributable income available to the common shareholders.”

INQUIRIES:

Flaherty & Crumrine Incorporated

Chris Ryan, CFA

Vice President

Pasadena, CA

626-795-7300

ryan@pfdincome.com