



PFD AND PFO ANNOUNCE REDUCED REGULAR MONTHLY DIVIDEND AMOUNTS

PASADENA, CALIFORNIA – September 2, 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 September 30, 2008.

Until further notice, the new regular monthly dividend for PFD's common stock will be \$0.073 per share, which equates to an annual dividend of \$0.876 per share, and the new regular monthly dividend for PFO's common stock will be \$0.061 per share, which equates to an annual dividend of \$0.732 per share.

Donald F. Crumrine, Chairman of the Boards of the Funds, said "We have reduced the dividend primarily because of each Fund's continued high leverage expenses. Each Fund leverages the returns to common stock shareholders through its Aa1/AAA rated preferred stock, which pays dividends that reset every 49 days through an auction process. Historically, the Funds' auction rates have been lower than other highly-rated short-term money market instruments because the distributions are tax-advantaged. In February, the ongoing credit crunch caused the auction process to collapse. Since then, the Funds have been paying maximum dividend rates to their preferred shareholders and this added cost has eroded each Fund's income."

Mr. Crumrine continued, "Nonetheless, each Fund's common stock dividend continues to be enhanced by its use of leverage. Since February, the Funds have sought alternative financing arrangements for their leverage. With the greater flexibility provided by changes approved in May by the Funds' shareholders, each Fund now has the option of using borrowing or other debt financing as a means of leverage and we have been actively pursuing such solutions. However, at this time, we cannot predict when that will occur, and, in the meantime, we have reduced the dividend because each Fund has less net income to distribute to our common stock shareholders."

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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