



Flaherty & Crumrine Preferred Income Fund (the “Fund”)
Cusip: 338480106

NYSE Symbol: PFD

On May 3, 2008, the Fund declared a common stock distribution of \$0.0775 per share payable May 30, 2008, to shareholders of record on May 22, 2008. Fund management estimates that approximately 95% of the distribution will be made out of the Fund’s net investment income (or \$0.0736), but approximately 5% of the distribution (or \$0.0039) could instead consist of non-taxable return of capital. A “return of capital” represents a return of a shareholder’s original investment in the Fund’s shares, and should not be confused with a dividend yield or capital gains. To the extent shareholders receive a return of capital they will be required to adjust their cost basis in the Fund’s shares accordingly.

The final determination of the tax characteristics of all 2008 calendar year distributions will not be made until after December 31, 2008. In January 2009, Form 1099 DIV will be sent to shareholders that will state the aggregate amount and tax characterization of distributions for the 2008 calendar year.

Shareholders should consult their tax advisor with questions regarding the taxation of distributions, and any necessary adjustments to their cost basis in the Fund’s shares.

Broker/Dealers – This notice is required by law to accompany the May distribution. Please forward this notice to your clients with this distribution.

For more information about this notice, see the discussion topic “Why am I receiving a written notice with my dividend payment” on the website at: www.preferredincome.com, Frequently Asked Questions.

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