

FLAHERTY & CRUMRINE PREFERRED INCOME FUND INC
 Form 4
 December 28, 2006

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
 STONE BRADFORD S

(Last) (First) (Middle)

392 SPRINGFIELD AVE
 MEZZANINE SUITE

(Street)

SUMMIT, NJ 07901

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
 FLAHERTY & CRUMRINE
 PREFERRED INCOME FUND INC
 [PFD]

3. Date of Earliest Transaction
 (Month/Day/Year)
 12/26/2006

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

___ Director ___ 10% Owner
 Officer (give title below) ___ Other (specify below)
 Vice President

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 ___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
Common Stock	12/26/2006		J ⁽¹⁾	V Amount \$ 7,169 A 16.95	7,169 ⁽²⁾	I	Please see footnote 1

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

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1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Own Follo Repo Trans (Instr
							Title	Amount or Number of Shares	
						Date Exercisable	Expiration Date		
						Code	V (A) (D)		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
STONE BRADFORD S 392 SPRINGFIELD AVE MEZZANINE SUITE SUMMIT, NJ 07901			Vice President	

Signatures

Bradford S. Stone
12/27/2006

**Signature of Reporting Person Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
 - ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Mr. Stone is a 10% shareholder of Flaherty & Crumrine Incorporated, the direct beneficial owner of these shares. On December 26, 2006, the Board of Directors of Flaherty & Crumrine determined that Mr. Stone, as a director, would share investment control of these shares with the other directors of the corporation. Consequently, Mr. Stone is now reporting his pecuniary interest in these shares because he is no longer entitled to rely on Rule 16a-1(2)(iii) under the Exchange Act.
- (2) Mr. Stone directly holds an additional 1,700 shares of the Fund.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.