FLAHERTY & CRUMRINE PREFERRED INCOME FUND INC
Form N-30B-2
April 24, 2007

FLAHERTY & CRUMRINE PREFERRED INCOME FUND

To the Shareholders of the Flaherty & Crumrine Preferred Income Fund ("PFD"):

During the Fund's first fiscal quarter ended February 28, 2007, the Fund performed well in choppy, but ultimately little-changed, fixed-income markets by earning a total return of 1.7% on its net asset value (NAV). These three months saw the Fund continue its recent strong performance.

Interest rates were unchanged to slightly higher over the quarter, as the Federal Reserve left the federal funds rate unchanged and long-term Treasury rates rose only slightly. Corporate credit spreads also ended the quarter little changed, while the Fund's interest-rate hedge had only a minimal impact. Both the recent quarter and trailing twelve-month periods delivered what the Fund is intended to produce - current income and stability of principal.

As you can see on the following pages detailing actual holdings in the Fund's portfolio, the Fund invests in a relatively small number of industries, including utilities and insurers, banks and other finance companies. In fact, the Fund has an investment mandate to concentrate at least 25% of its assets in each of the banking and utilities industries. In terms of the industries the Fund's assets are in, its portfolio is no different than the overall preferred securities market. Because of the preferred securities market's overall emphasis in financial services, a portfolio of preferred securities, including the Fund's, can be at risk if the U.S. economy goes into recession.

One important area of recent concern for the U.S. economy in general, and U.S. credit markets in particular, is subprime mortgage lending, which has experienced increasing default and delinquency rates in recent months. The numbers here are large in an absolute sense, but they are small relative to a $13 trillion U.S. economy and to the mortgage market as a whole. Because of this, while we cannot entirely rule it out, we currently do not believe that problems in subprime mortgages will push the economy into recession.

The Fund holds no positions in securities issued by mortgage brokers or subprime specialty lenders. Nonetheless, many of the banks and insurance companies in which we have invested do have some exposure to subprime mortgages in their lending or investment portfolios. While we are examining these companies very closely, the lack of detailed disclosure about subprime mortgages makes it impossible for us to make definitive statements about the Fund's potential exposure to the problem. However, given what we now know and can infer about the companies in which we invest, we expect that EARNINGS (which flow to the companies' common shareholders) will be reduced at some of the companies we hold as a result of the problems in subprime lending. However, we currently do not expect that they will suffer losses large enough to cut meaningfully into CAPITAL (which support the debt and preferred securities owned by the Fund). Although we cannot rule out the possibility - despite our best judgment to the contrary - that some of the Fund's investments could be seriously affected, we do not currently see any serious subprime credit problems in the holdings of the Fund.

The Fund's website at WWW.PREFERREDINCOME.COM has more information about Fund performance and a more complete discussion of the state of the economy (in our First Quarter Economic Update) and of subprime mortgages and their potential impact on the economy and the Fund's portfolio (in the "Frequently Asked

Questions" section). We encourage you to explore the website for a wide range of additional information about your Fund.

Sincerely,

/S/ DONALD F. CRUMRINE
Donald F. Crumrine
Chairman of the Board

/S/ ROBERT M. ETTINGER
Robert M. Ettinger
President

April 20, 2007

Flaherty & Crumrine Preferred Income Fund Incorporated
PORTFOLIO OVERVIEW
FEBRUARY 28, 2007 (UNAUDITED)

FUND STATISTICS ON 02/28/07

Net Asset Value	$ 15.80
Market Price	$ 17.25
Premium	9.18%
Yield on Market Price	5.98%
Common Stock Shares Outstanding	10,488,187

INDUSTRY CATEGORIES	% OF PORTFOLIO

[GRAPHIC OMITTED]
EDGAR REPRESENTATION OF DATA POINTS

REITs	3%
Other	2%
Banks	37%
Utilities	31%
Insurance	14%
Financial Services	7%
Energy	6%

MOODY'S RATINGS	% OF PORTFOLIO
AAA	0.0%
AA	4.6%
A	19.9%
BBB	52.2%
BB	11.7%

Not Rated	10.3%
Below Investment Grade*	15.1%

* BELOW INVESTMENT GRADE BY BOTH MOODY'S AND S&P.

TOP 10 HOLDINGS BY ISSUER	% OF PORTFOLIO
Interstate Power & Light	5.0%
Capital One Financial	4.3%
Liberty Mutual Group	4.1%
FBOP Corporation	3.8%
Banco Santander	3.8%
HSBC	3.7%
First Republic Bank	3.4%
RenaissanceRe Holdings	3.2%
SLM Corp	3.1%
Xcel Energy	3.1%

Holdings Generating Qualified Dividend Income (QDI) for Individuals
Holdings Generating Income Eligible for the Corporate Dividend Received Deduction (DRD)

Flaherty & Crumrine Preferred Income Fund Incorporated
PORTFOLIO OF INVESTMENTS
FEBRUARY 28, 2007 (UNAUDITED)

SHARES/$ PAR

PREFERRED SECURITIES -- 94.5%

	BANKING -- 36.8%
$ 3,000,000	Astoria Capital Trust I, 9.75% 11/01/29 Capital Security, Series B.....
	Auction Pass-Through Trust, Cl. B:
11	Series 2006-5, Variable Rate Pfd., 144A****.....
11	Series 2006-6, Variable Rate Pfd., 144A****.....
54,700	BAC Capital Trust I, 7.00% Pfd. 12/15/31.....
7,700	BAC Capital Trust II, 7.00% Pfd. 02/01/32.....
	Banco Santander:
295,000	6.50% Pfd., 144A****.....
69,400	6.80% Pfd., 144A****.....
$ 1,500,000	Barclays Bank PLC, 6.278% Pfd.....
$ 800,000	Barnett Capital II, 7.95% 12/01/26 Capital Security.....
$ 2,000,000	Capital One Capital III, 7.686% Pfd.....
71,300	Citigroup Capital VIII, 6.95% Pfd. 09/15/31.....
19,648	Citizens Funding Trust I, 7.50% Pfd. 09/15/66.....
	Cobank, ACB:
50,000	7.00% Pfd., 144A****.....
75,000	7.814% Pfd., 144A****.....
	Comerica (Imperial) Capital Trust I:
5,000	7.60% Pfd. 07/01/50.....
$ 500,000	9.98% 12/31/26 Capital Security, Series B.....
$ 1,500,000	Dime Capital Trust I, 9.33% 05/06/27 Capital Security, Series A.....
9,000	FBOP Corporation, Adj. Rate Pfd., 144A****.....
$ 2,250,000	First Hawaiian Capital I, 8.343% 07/01/27 Capital Security, Series B.....
	First Republic Bank:
200,000	6.25% Pfd.....
53,700	6.70% Pfd.....
1,000	First Republic Preferred Capital Corporation, 10.50% Pfd., 144A****.....
22,500	First Republic Preferred Capital Corporation II, 8.75% Pfd., Series B, 144A****..
$ 1,500,000	First Union Capital II, 7.95% 11/15/29 Capital Security.....
5,000	Fleet Capital Trust VIII, 7.20% Pfd. 03/15/32.....
$ 7,820,000	GreenPoint Capital Trust I, 9.10% 06/01/27 Capital Security.....
	HBOS Capital Funding LP:
$ 3,000,000	6.85% Pfd.....
$ 2,000,000	6.413% Pfd.,144A****.....
5,000	HSBC Series II, Variable Inverse Pfd., Pvt.....

Flaherty & Crumrine Preferred Income Fund Incorporated
PORTFOLIO OF INVESTMENTS (CONTINUED)
FEBRUARY 28, 2007 (UNAUDITED)

SHARES/$ PAR	
PREFERRED SECURITIES -- (CONTINUED)	
	BANKING -- (CONTINUED)
	HSBC USA, Inc.:
120,000	6.50% Pfd., Series H.....
2,500	$2.8575 Pfd.....
100,000	Keycorp Capital IX, 6.75% Pfd. 12/15/66.....

$	1,000,000	Lloyds TSB Group PLC, 6.267%, Capital Security, 144A****
	15,000	National City Capital Trust II, 6.625% Pfd. 11/15/36
$	674,000	NB Capital Trust II, 7.83% 12/15/26 Capital Security
	16,000	PFGI Capital Corporation, 7.75% Pfd
$	650,000	RBS Capital Trust B, 6.80% Pfd
	10	Roslyn Real Estate, 8.95% Pfd., Series C, 144A****
	77,600	Sovereign Bancorp, 7.30% Pfd., Series C
	30,600	Sovereign Capital Trust V, 7.75% Pfd. 05/22/36
$	1,000,000	Sovereign Capital Trust VI, 7.908% 06/13/36 Capital Security
	16,000	USB Capital VII, 5.875% Pfd. 08/15/35
	96,700	USB Capital VIII, 6.35% Pfd. 12/29/65
	7,300	USB Capital XI, 6.60% Pfd. 09/15/66
	40,000	Zions Capital Trust B, 8.00% Pfd. 09/01/32
		FINANCIAL SERVICES -- 7.2%
	35,000	Cabco Trust For Goldman Sachs Capital I, Adj. Rate Pfd. 02/15/34, Series GS
		Goldman Sachs Group, Inc.:
	25	Pass-Through Certificates, Class B, 144A****
	2,500	STRIPES Custodial Receipts, Pvt
	3,000	Merrill Lynch Series II STRIPES Custodial Receipts, Pvt
	5,870	Morgan Stanley Capital Trust VI, 6.60% Pfd
	136,855	SLM Corporation, 6.97% Pfd., Series A
		INSURANCE -- 11.7%
	15,000	ACE Ltd., 7.80% Pfd., Series C
$	500,000	AMBAC Financial Group Inc, 6.15% Pfd., 02/15/37
$	2,500,000	AON Capital Trust A, 8.205% 01/01/27 Capital Security
	10,000	Arch Capital Group Ltd., 7.875% Pfd., Series B
$	2,500,000	AXA 6.463% 12/14/18 Capital Security, 144A****

SHARES/$ PAR

PREFERRED SECURITIES -- (CONTINUED)

		INSURANCE -- (CONTINUED)
		Axis Capital Holdings:
	20,750	7.25% Pfd., Series A
	14,400	7.50% Pfd., Series B
	27,000	Berkley W.R. Capital Trust II, 6.75% Pfd. 07/26/45
	35,200	Endurance Specialty Holdings, 7.75% Pfd
	18,250	Everest Re Capital Trust II, 6.20% Pfd., Series B

$	1,250,000	Glen Meadow Pass Through, 6.505% Capital Security 144A****
$	5,000,000	Liberty Mutual Group, 7.80% 03/15/37 Capital Security, 144A****
	21,800	Principal Financial Group, 6.518% Pfd.
$	357,000	Provident Financing Trust I, 7.405% 03/15/38 Capital Security
$	4,500,000	Renaissancere Capital Trust, 8.54% 03/01/27 Capital Security, Series B
		Renaissancere Holdings Ltd.:
	25,200	6.08% Pfd., Series C
	100,000	6.60% Pfd., Series D
	119,500	Scottish Re Group Ltd., 7.25% Pfd.
	22,850	XL Capital Ltd., 8.00% Pfd., Series A

UTILITIES -- 29.5%

		Alabama Power Company:
	300	4.52% Pfd.
	5,734	4.72% Pfd.
	10,000	Baltimore Gas & Electric Company, 6.70% Pfd., Series 1993
	10,000	Calenergy Capital Trust III, 6.50% Pfd. 09/01/27
		Central Hudson Gas & Electric Corporation:
	5,000	4.35% Pfd., Series D, Pvt
	900	4.96% Pfd., Series E, Pvt
	8,340	Central Vermont Public Service Corporation, 8.30% Sinking Fund Pfd., Pvt
		Connecticut Light & Power Company:
	12,124	4.50% Pfd., Series 1963, Pvt
	34,300	5.28% Pfd., Series 1967
	1,905	6.56% Pfd., Series 1968
	15,778	$3.24 Pfd.
	2,100	Consolidated Edison Company of New York, 4.65% Pfd., Series C
	2,886	Dayton Power and Light Company, 3.90% Pfd., Series C
$	1,500,000	Dominion Resources Capital Trust III, 8.40% 01/15/31 Capital Security

SHARES/$ PAR

PREFERRED SECURITIES -- (CONTINUED)

UTILITIES -- (CONTINUED)

	Duquesne Light Company:
7,675	4.10% Pfd.
9,190	4.15% Pfd.
910	4.20% Pfd.
5,490	$2.10 Pfd., Series A
100,000	Entergy Arkansas, Inc., 6.45% Pfd.
4,555	Entergy Gulf States, Inc., 7.56% Pfd.
36,000	Entergy Louisiana, Inc., 6.95% Pfd.
5,000	Entergy Mississippi, Inc., 4.92% Pfd.

	Florida Power Company:
5,157	4.60% Pfd.
18,535	4.75% Pfd.
18,300	FPC Capital I, 7.10% Pfd., Series A.
101,000	FPL Group Capital, Inc., 6.60% Pfd. 10/01/66, Series A.
13,100	Georgia Power Capital Trust, 6.125% Pfd.
50,000	Georgia Power Capital Trust V, 7.125% Pfd. 03/31/42.
2,010	Great Plains Energy, Inc., 4.50% Pfd.
50,000	Hawaiian Electric Company, Inc., 5.25% Pfd., Series H, Pvt.
32,650	Indianapolis Power & Light Company, 5.65% Pfd.
384,000	Interstate Power & Light Company, 8.375% Pfd., Series B.
	Pacific Enterprises:
27,430	$4.50 Pfd.
10,000	$4.75 Pfd., Series 53.
	Pacific Gas & Electric Co.:
7,600	4.50% Pfd., Series H.
41,500	5.00% Pfd., Series D.
79,086	5.00% Pfd., Series E.
	PacifiCorp:
1,095	5.40% Pfd.
1,225	$4.56 Pfd.
14,542	$4.72 Pfd.
10,278	$7.48 Sinking Fund Pfd.
$ 500,000	PECO Energy Capital Trust III, 7.38% 04/06/28 Capital Security, Series D.
8,137	Portland General Electric, 7.75% Sinking Fund Pfd.
5,000	PPL Electric Utilities Corporation, 6.75% Pfd.
10,000	Public Service Company of New Mexico, 4.58% Pfd., Series 1965.

Flaherty & Crumrine Preferred Income Fund Incorporated
PORTFOLIO OF INVESTMENTS (CONTINUED)
FEBRUARY 28, 2007 (UNAUDITED)

SHARES/$ PAR	
PREFERRED SECURITIES -- (CONTINUED)	
	UTILITIES -- (CONTINUED)
	San Diego Gas & Electric Company:
1,200	4.40% Pfd.
700	4.50% Pfd.
77,000	$1.70 Pfd.
	South Carolina Electric & Gas Company:
24,924	5.125% Purchase Fund Pfd., Pvt.
6,703	6.00% Purchase Fund Pfd., Pvt.
10,600	Southern California Edison, 6.00% Pfd.
	Southern Union Company:
$ 200,000	7.20% Pfd. 11/01/66, Capital Security.
64,800	7.55% Pfd.
$ 750,000	TXU Electric Capital V, 8.175% 01/30/37 Capital Security.
	Union Electric Company:
14,150	4.56% Pfd.

18,800	$7.64 Pfd.
12,500	Virginia Electric & Power Company, $7.05 Pfd.
13,500	Virginia Power Capital Trust, 7.375% Pfd. 07/30/42
	Wisconsin Power & Light Company:
1,220	4.50% Pfd.
546	4.80% Pfd.
13,000	6.20% Pfd.
	Xcel Energy, Inc.:
16,030	$4.08 Pfd., Series B
26,200	$4.10 Pfd., Series C
22,000	$4.11 Pfd., Series D
17,750	$4.16 Pfd., Series E
10,000	$4.56 Pfd., Series G
	OIL AND GAS -- 4.5%
8,000	Devon Energy Corporation, 6.49% Pfd., Series A
$ 1,500,000	Enterprise Products Partners, 8.375% Pfd
5,985	EOG Resources, Inc., 7.195% Pfd., Series B
$ 1,225,000	KN Capital Trust III, 7.63% 04/15/28 Capital Security
10,000	Lasmo America Limited, 8.15% Pfd., 144A****

SHARES/$ PAR	
PREFERRED SECURITIES -- (CONTINUED)	
	REAL ESTATE INVESTMENT TRUST (REIT) -- 2.7%
21,400	BRE Properties, Inc., 8.08% Pfd., Series B
10,000	Equity Office Property Trust, 7.75% Pfd., Series G
1,000	Equity Residential Properties, 8.29% Pfd., Series K
	Public Storage, Inc.:
153,770	6.45% Pfd., Series F
44,000	6.625% Pfd., Series M
2,800	6.75% Pfd., Series E
10,000	6.75% Pfd., Series L
10,000	7.25% Pfd., Series K
10,000	Realty Income Corp., 6.75% Pfd., Series E
	MISCELLANEOUS INDUSTRIES -- 1.9%

13,600	E.I. Du Pont de Nemours and Company, $4.50 Pfd., Series B	
40,000	Ocean Spray Cranberries, Inc., 6.25% Pfd., 144A****	
26,000	Touch America Holdings, $6.875 Pfd	
	U.S. GOVERNMENT SECURITIES -- 0.2%	
11,000	Federal Home Loan Mortgage, Adj. Rate Pfd., Series B	
	TOTAL PREFERRED SECURITIES (Cost $218,981,849)	
	CORPORATE DEBT SECURITIES -- 5.2%	
	INSURANCE -- 2.5%	
$ 900,000	Farmers Exchange Capital, 7.20% 07/15/48, 144A****	
$ 4,729,000	Liberty Mutual Insurance, 7.697% 10/15/97, 144A****	
	UTILITIES -- 1.5%	
$ 1,000,000	Duquesne Light Holdings, 6.25% 08/15/35	
5,000	Entergy Louisiana LLC, 7.60% 04/01/32	
45,000	Northern States Power Company, 8.00%	
	Southern Union Company:	
$ 850,000	7.60% 02/01/24, Senior Notes	
$ 500,000	8.25% 11/15/29, Senior Notes	

SHARES/$ PAR		
	CORPORATE DEBT SECURITIES -- (CONTINUED)	
	OIL AND GAS -- 1.1%	
$ 2,450,000	KN Energy, Inc., 7.45% 03/01/98	
15,000	Nexen, Inc., 7.35% Subordinated Notes	
	MISCELLANEOUS -- 0.1%	

15,000	AT&T Inc, 6.375% 02/15/56	
	TOTAL CORPORATE DEBT SECURITIES (Cost $12,093,470)	
COMMON STOCK -- 0.5%		
	BANKING -- 0.5%	
68,921	New York Community Bancorp, Inc	
	TOTAL COMMON STOCK (Cost $1,135,835)	
OPTION CONTRACTS -- 0.1%		
1,540	June Put Options on June U.S. Treasury Bond Futures, Expiring 05/25/07	
	TOTAL OPTION CONTRACTS (Cost $662,442)	

SHARES/$ PAR		
MONEY MARKET FUND -- 0.1%		
241,644	BlackRock Provident Institutional, TempFund	
	TOTAL MONEY MARKET FUND (Cost $241,644)	
	TOTAL INVESTMENTS (Cost $233,115,240***)	100.4%
	OTHER ASSETS AND LIABILITIES (Net)	(0.4)%
	TOTAL NET ASSETS AVAILABLE TO COMMON AND PREFERRED STOCK	100.0%++
	MONEY MARKET CUMULATIVE PREFERRED(TM) STOCK (MMP(R)) REDEMPTION VALUE	
	TOTAL NET ASSETS AVAILABLE TO COMMON STOCK	

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Flaherty & Crumrine Preferred Income Fund Incorporated
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE TO COMMON STOCK(1)
FOR THE PERIOD FROM DECEMBER 1, 2006 THROUGH FEBRUARY 28, 2007 (UNAUDITED)

OPERATIONS:	
Net investment income	
Net realized gain/(loss) on investments sold during the period	
Change in net unrealized appreciation/depreciation of investments held during the period	
Distributions to MMP(R)* Shareholders from net investment income, including changes in accumulated undeclared distributions	
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	
DISTRIBUTIONS:	
Dividends paid from net investment income to Common Stock Shareholders(2)	
TOTAL DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS	
FUND SHARE TRANSACTIONS:	
Increase from shares issued under the Dividend Reinvestment and Cash Purchase Plan	
NET INCREASE IN NET ASSETS AVAILABLE TO COMMON STOCK RESULTING FROM FUND SHARE TRANSACTIONS	
NET INCREASE IN NET ASSETS AVAILABLE TO COMMON STOCK FOR THE PERIOD	
NET ASSETS AVAILABLE TO COMMON STOCK:	
Beginning of period	
Net increase in net assets during the period	
End of period	

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Flaherty & Crumrine Preferred Income Fund Incorporated
FINANCIAL HIGHLIGHTS(1)
FOR THE PERIOD FROM DECEMBER 1, 2006 THROUGH FEBRUARU 28, 2007 (UNAUDITED)

FOR A COMMON STOCK SHARE OUTSTANDING THROUGHOUT THE PERIOD.

PER SHARE OPERATING PERFORMANCE:
Net asset value, beginning of period.....

INVESTMENT OPERATIONS:
Net investment income.....
Net realized and unrealized gain/(loss) on investments.....
DISTRIBUTIONS TO MMP(R)* SHAREHOLDERS:
From net investment income.....
From net realized capital gains.....

Total from investment operations.....

DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS:
From net investment income.....
From net realized capital gains.....

Total distributions to Common Stock Shareholders.....

Net asset value, end of period.....

Market value, end of period.....

Common Stock shares outstanding, end of period.....

RATIOS TO AVERAGE NET ASSETS AVAILABLE TO COMMON STOCK SHAREHOLDERS:
Net investment income+.....
Operating expenses.....

SUPPLEMENTAL DATA:++
Portfolio turnover rate.....
Total net assets available to Common and Preferred Stock, end of period (in 000's).....
Ratio of operating expenses to total average net assets available to
Common and Preferred Stock.....

Flaherty & Crumrine Preferred Income Fund Incorporated
FINANCIAL HIGHLIGHTS (CONTINUED)
PER SHARE OF COMMON STOCK (UNAUDITED)

	TOTAL DIVIDENDS PAID	NET ASSET VALUE	NYSE CLOSING PRIC
December 31, 2006.....	$0.0860	$15.56	$16.86

January 31, 2007.....	0.0860	15.61	17.20
February 28, 2007.....	0.0860	15.80	17.25

Flaherty & Crumrine Preferred Income Fund Incorporated
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

1. AGGREGATE INFORMATION FOR FEDERAL INCOME TAX PURPOSES

At February 28, 2007, the aggregate cost of securities for federal income tax purposes was $233,362,589, the aggregate gross unrealized appreciation for all securities in which there is an excess of value over tax cost was $17,667,381 and the aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value was $4,197,008.

DIRECTORS
Donald F. Crumrine, CFA
Chairman of the Board
David Gale
Morgan Gust
Karen H. Hogan
Robert F. Wulf, CFA

OFFICERS
Donald F. Crumrine, CFA
Chief Executive Officer
Robert M. Ettinger, CFA
President
R. Eric Chadwick, CFA
Chief Financial Officer,
Vice President and Treasurer
Chad C. Conwell
Chief Compliance Officer,
Vice President and Secretary
Bradford S. Stone
Vice President and
Assistant Treasurer
Laurie C. Lodolo
Assistant Compliance Officer,
Assistant Treasurer and
Assistant Secretary

INVESTMENT ADVISER
Flaherty & Crumrine Incorporated
e-mail: flaherty@pfdincome.com

QUESTIONS CONCERNING YOUR SHARES OF FLAHERTY &
CRUMRINE PREFERRED INCOME FUND?
o If your shares are held in a Brokerage
Account, contact your Broker.
o If you have physical possession of your shares

in certificate form, contact the Fund's Transfer Agent & Shareholder Servicing Agent --

PFPC Inc.
P.O. Box 43027
Providence, RI 02940-3027
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THIS REPORT IS SENT TO SHAREHOLDERS OF FLAHERTY & CRUMRINE PREFERRED INCOME FUND INCORPORATED FOR THEIR INFORMATION. IT IS NOT A PROSPECTUS, CIRCULAR OR REPRESENTATION INTENDED FOR USE IN THE PURCHASE OR SALE OF SHARES OF THE FUND OR OF ANY SECURITIES MENTIONED IN THIS REPORT.

[GRAPHIC OMITTED]
LIGHTHOUSE ART

FLAHERTY & CRUMRINE
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PREFERRED INCOME FUND

QUARTERLY
REPORT

FEBRUARY 28, 2007

www.preferredincome.com