

Edgar Filing: PREFERRED INCOME FUND INC - Form N-Q

PREFERRED INCOME FUND INC
Form N-Q
October 21, 2004

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

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-06179

FLAHERTY & CRUMRINE PREFERRED INCOME FUND INCORPORATED

(Exact name of registrant as specified in charter)

301 E. Colorado Boulevard, Suite 720
PASADENA, CA 91101

(Address of principal executive offices) (Zip code)

Donald F. Crumrine
Flaherty & Crumrine Inc.
301 E. Colorado Boulevard, Suite 720
PASADENA, CA 91101

(Name and address of agent for service)

Registrant's telephone number, including area code: 626-795-7300

Date of fiscal year end: NOVEMBER 30, 2004

Date of reporting period: AUGUST 31, 2004

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-5 (ss.ss. 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to rule 30b1-5 under the Investment Company Act of 1940 (17 CFR 270.30b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-Q, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-Q unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

ITEM 1. SCHEDULE OF INVESTMENTS.

The Schedule of Investments is attached herewith.

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 Flaherty & Crumrine Preferred Income Fund Incorporated
 PORTFOLIO OF INVESTMENTS
 AUGUST 31, 2004 (UNAUDITED)

SHARES/\$ PAR

PREFERRED SECURITIES -- 93.6%

BANKING -- 28.4%

| | |
|-------------|--|
| | ABN AMRO North America, Inc.: |
| 3,625 | 6.46% Pfd., 144A*** |
| 4,000 | 6.59% Pfd., 144A*** |
| 400 | BancWest Capital I, 9.50% Pfd. 12/01/30 |
| \$750,000 | Barnett Capital II, 7.95% 12/01/26 Capital Security |
| \$1,500,000 | BT Preferred Capital Trust II, 7.875% 02/25/27 Capital Security |
| | Citigroup, Inc.: |
| 128,927 | 5.864% Pfd., Series M |
| 9,876 | 6.213% Pfd., Series G |
| 51,500 | 6.231% Pfd., Series H |
| 31,850 | 6.365% Pfd., Series F |
| | Cobank, ACB: |
| 50,000 | 7.00% Pfd., 144A*** |
| 75,000 | Adj. Rate Pfd., 144A*** |
| \$500,000 | Comerica (Imperial) Capital Trust I, 9.98% 12/31/26 Capital Security, Series B . |
| \$2,250,000 | First Hawaiian Capital I, 8.343% 07/01/27 Capital Security, Series B |
| \$1,500,000 | First Union Capital II, 7.95% 11/15/29 Capital Security |
| \$906,000 | First Union Institutional Capital I, 8.04% 12/01/26 Capital Security |
| \$1,820,000 | First Union Institutional Capital II, 7.85% 01/01/27 Capital Security |
| \$7,820,000 | GreenPoint Capital Trust I, 9.10% 06/01/27 Capital Security |
| 34,200 | HSBC USA, Inc., \$2.8575 Pfd. |
| | J.P. Morgan Chase & Co.: |
| 37,500 | 6.625% Pfd., Series H |
| 147,775 | Series A, Adj. Rate Pfd. |
| \$270,000 | Keycorp Institutional Capital B, 8.25% 12/15/26 Capital Security |
| \$674,000 | NB Capital Trust II, 7.83% 12/15/26 Capital Security |
| 16,500 | Regions Financial Trust I, 8.00% Pfd. |
| \$2,635,000 | Republic New York Capital II, 7.53% 12/04/26 Capital Security |
| 7,500 | Wachovia Preferred Funding, 7.25% Pfd. Series A |

 FINANCIAL SERVICES -- 10.8%

| | |
|--------|---|
| | The Bear Stearns Companies Inc.: |
| 63,100 | 5.49% Pfd., Series G |
| 62,540 | 5.72% Pfd., Series F |
| 6,975 | Freddie Mac, 5.00% Pfd., Series F |

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Flaherty & Crumrine Preferred Income Fund Incorporated
 PORTFOLIO OF INVESTMENTS (CONTINUED)
 AUGUST 31, 2004 (UNAUDITED)

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PREFERRED SECURITIES -- 93.6%
 FINANCIAL SERVICES -- (CONTINUED)

| | | |
|---------|---------------------------------------|-------|
| | Lehman Brothers Holdings, Inc.: | |
| 85,400 | 5.67% Pfd., Series D | ..... |
| 154,475 | 5.94% Pfd., Series C | ..... |
| 20,000 | 6.50% Pfd., Series F | ..... |
| 123,805 | SLM Corporation, 6.97% Pfd., Series A | ..... |

INSURANCE -- 7.8%

| | | |
|-------------|--|-------|
| 21,000 | Everest Re Capital Trust II, 6.20% Pfd. Series B | ..... |
| \$5,150,000 | MMI Capital Trust I, 7.625% 12/15/27 Capital Security, Series B | ..... |
| 18 | Premium Assets, Series A, Zurich RegCaPS Variable Inverse Pfd., Pvt. | ..... |
| \$4,000,000 | Provident Financing Trust I, 7.405% 03/15/38 Capital Security | ..... |
| 7,000 | St. Paul Capital Trust I, 7.60% Pfd. | ..... |
| | Zurich RegCaPS Funding Trust: | |
| 4,250 | 6.01% Pfd., 144A*** | ..... |
| 2,450 | 6.58% Pfd., Pvt., 144A*** | ..... |

UTILITIES -- 40.3%

| | | |
|---------|--|-------|
| | Alabama Power Company: | |
| 300 | 4.52% Pfd. | ..... |
| 5,734 | 4.72% Pfd. | ..... |
| 34,100 | 5.20% Pfd. | ..... |
| 275,000 | 5.30% Pfd. | ..... |
| 2,049 | Appalachian Power Company, 5.92% Sinking Fund Pfd. | ..... |
| 26,125 | Avista Corporation, \$6.95 Sinking Fund Pfd., Series K | ..... |
| 10,000 | Baltimore Gas & Electric Company, 6.70% Pfd., Series 1993 | ..... |
| 10,100 | Boston Edison Company, 4.78% Pfd. | ..... |
| | Central Hudson Gas & Electric Corporation: | |
| 5,000 | 4.35% Pfd., Series D, Pvt. | ..... |
| 900 | 4.96% Pfd., Series E, Pvt. | ..... |
| 10,000 | Central Illinois Light Company, 4.64% Pfd. | ..... |
| 11,000 | Central Illinois Public Service Corporation, 4.90% Pfd. | ..... |
| 22,239 | Central Vermont Public Service Corporation, 8.30% Pvt. Sinking Fund Pfd. | ..... |
| | Connecticut Light & Power Company: | |
| 700 | 4.50% Pfd., Pvt. | ..... |
| 9,300 | 5.28% Pfd. | ..... |
| 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 | |

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 PORTFOLIO OF INVESTMENTS (CONTINUED)
 AUGUST 31, 2004 (UNAUDITED)

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PREFERRED SECURITIES -- (CONTINUED)
 UTILITIES -- (CONTINUED)

| | |
|-------------|---|
| | Duke Energy Corporation: |
| 4,556 | 4.50% Pfd., Series C, Pvt. |
| 26,851 | 6.75%, Sinking Fund Pfd, Series X |
| 519 | 7.04% Pfd., Series Y |
| 30,762 | 7.85% Pfd., Series S |
| | Duquesne Light Company: |
| 7,675 | 4.10% Pfd. |
| 6,330 | 4.15% Pfd. |
| 910 | 4.20% Pfd. |
| 25,775 | 6.50% Pfd. |
| 5,490 | \$2.10 Pfd. Series A |
| 5,000 | Energy East Capital Trust I, 8.25% Pfd. |
| | Entergy Arkansas, Inc.: |
| 5,407 | 7.32% Pfd. |
| 11,350 | 7.40% Pfd. |
| 5,030 | 7.80% Pfd. |
| 3,822 | 7.88% Pfd. |
| 30,266 | \$1.96 Pfd. |
| 4,555 | Entergy Gulf States, Inc., 7.56% Pfd. |
| | Entergy Louisiana, Inc.: |
| 260 | 7.84% Pfd. |
| 106,138 | 8.00% Pfd., Series 92 |
| 8,600 | Entergy Mississippi, Inc., 7.44% Pfd. |
| 10,800 | Enterprise Capital Trust I, 7.44% Pfd., Series A |
| | Florida Power Company: |
| 17,769 | 4.58% Pfd. |
| 5,157 | 4.60% Pfd. |
| 18,535 | 4.75% Pfd. |
| 170 | Florida Power & Light Company, 4.50% Pfd., Series A, Pvt. |
| 50,000 | Georgia Power Capital Trust V, 7.125% Pfd. |
| 2,010 | Great Plains Energy, Inc., 4.50% Pfd. |
| 55,000 | HECO Capital Trust III, 6.50% Pfd. |
| \$3,500,000 | Houston Light & Power, Capital Trust II, 8.257%, 02/01/37 Capital Security |
| 2,717 | Idaho Power Company, 7.68% Pfd., Series 1 |
| 8,000 | Indiana Michigan Power Company, 6.875% Sinking Fund Pfd. |
| 32,650 | Indianapolis Power & Light Company, 5.65% Pfd. |
| 384,000 | Interstate Power & Light Company, 8.375% Pfd., Series B |
| 14,250 | Narragansett Electric Company, 4.64% Pfd. |

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 AUGUST 31, 2004 (UNAUDITED)

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PREFERRED SECURITIES -- (CONTINUED)
 UTILITIES -- (CONTINUED)

| | |
|-----------|--|
| | Northern Indiana Public Service Company: |
| 3,905 | 7.44% Pfd. |
| 7,465 | Series A, Adj. Rate Pfd. |
| 6,170 | Ohio Edison Company, 4.44% Pfd. |
| 1,724 | Ohio Power Company, 5.90% Sinking Fund Pfd. |
| | Pacific Enterprises: |
| 27,430 | \$4.50 Pfd. |
| 10,000 | \$4.75 Pfd., Series 53 |
| | PacifiCorp: |
| 200 | 5.40% Pfd. |
| 1,225 | \$4.56 Pfd. |
| 14,542 | \$4.72 Pfd. |
| 14,388 | \$7.48 Sinking Fund Pfd. |
| 5,000 | PECO Energy Company, \$4.40 Pfd., Series C |
| 790 | Pennsylvania Power Company, 7.75% Pfd. |
| 11,194 | Portland General Electric, 7.75% Sinking Fund Pfd. |
| 19,209 | Potomac Electric Power Company, \$3.40 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 |
| 29,050 | REI Trust I, 7.20% Pfd. Series C |
| | San Diego Gas & Electric Company: |
| 1,200 | 4.40% Pfd. |
| 700 | 4.50% Pfd. |
| 67,000 | \$1.70 Pfd |
| 21,250 | \$1.7625 Sinking Fund Pfd. |
| 100,000 | Savannah Electric & Power Company, 6.00% Pfd. |
| | South Carolina Electric & Gas Company: |
| 25,373 | 5.125% Purchase Fund Pfd., Pvt. |
| 6,703 | 6.00% Purchase Fund Pfd., Pvt. |
| 60,000 | Southern Union Company, 7.55% Pfd. |
| \$750,000 | TXU Electric Capital V, 8.175% 01/30/37 Capital Security |
| | TXU US Holdings Company: |
| 10,000 | \$4.00 Pfd., Series TES |
| 5,700 | \$4.00 Pfd., Series TPL |
| 1,000 | \$4.84 Pfd. |
| | Union Electric Company: |
| 14,150 | 4.56% Pfd. |
| 4,000 | \$7.64 Pfd. |
| 12,500 | Virginia Electric & Power Company, \$7.05 Pfd. |

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 PORTFOLIO OF INVESTMENTS (CONTINUED)
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PREFERRED SECURITIES -- (CONTINUED)
 UTILITIES -- (CONTINUED)

| | |
|--------|----------------------------------|
| | Wisconsin Power & Light Company: |
| 1,220 | 4.50% Pfd. |
| 333 | 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 -- 4.2%

| | |
|--------|---|
| 17,200 | Anadarko Petroleum Corporation, 5.46% Pfd. |
| 7,000 | Apache Corporation, 5.68% Pfd., Series B |
| 5,985 | EOG Resources, Inc., 7.195% Pfd., Series B |
| 10,000 | Lasmo America Limited, 8.15% Pfd., 144A*** |

REAL ESTATE INVESTMENT TRUST (REIT) -- 0.4%

| | |
|--------|--|
| 40,000 | Regency Centers Corporation, 7.25% Pfd., REIT |
|--------|--|

MISCELLANEOUS INDUSTRIES -- 1.7%

| | |
|--------|---|
| 13,600 | E.I. Du Pont de Nemours and Company, \$4.50 Pfd., Series B |
| 36,200 | Farmland Industries, Inc., 8.00% Pfd., 144A*** |
| 33,250 | Ocean Spray Cranberries, Inc., 6.25% Pfd., 144A*** |
| 26,000 | Touch America Holdings, \$6.875 Pfd. |

TOTAL PREFERRED SECURITIES
 (Cost \$204,148,080)

CORPORATE DEBT SECURITY -- 0.5%
 UTILITIES -- 0.5%

| | |
|--------|--|
| 45,000 | Northern States Power Company, 8.00% |
|--------|--|

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TOTAL CORPORATE DEBT SECURITY
(Cost \$1,107,375)

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AUGUST 31, 2004 (UNAUDITED)

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COMMON STOCK AND CONVERTIBLE SECURITIES -- 4.9%
INSURANCE -- 0.7%

50,000 UnumProvident Corporation, 8.25% Mandatory Convertible, 05/16/06

UTILITIES -- 4.2%

107,500 Duke Energy Corporation
109,500 FPL Group, Inc., 8.50%, Mandatory Convertible, Series A, 02/16/05
30,000 TXU Corporation, 8.75%, Mandatory Convertible, 11/16/05

TOTAL COMMON STOCK AND CONVERTIBLE SECURITIES
(Cost \$11,120,311)

OPTION CONTRACTS -- 0.1%

1,450 October Put Options on December U.S. Treasury Bond Futures, Expiring 9/25/04

TOTAL OPTION CONTRACTS
(Cost \$1,152,956)

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Flaherty & Crumrine Preferred Income Fund Incorporated
PORTFOLIO OF INVESTMENTS (CONTINUED)
AUGUST 31, 2004 (UNAUDITED)

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| | |
|---|---|
| MONEY MARKET FUND -- 0.6% | |
| 1,557,423 | BlackRock Provident Institutional, TempFund |
| ----- | |
| TOTAL MONEY MARKET FUND | |
| (Cost \$1,557,423) | ..... |
| | |
| TOTAL INVESTMENTS (Cost \$219,086,145**) | 99.7% |
| OTHER ASSETS AND LIABILITIES (Net) | 0.3% |
| | ----- |
| Total Net Assets Available to Common and Preferred Stock | 100.0%+ |
| | ----- |
| MONEY MARKET CUMULATIVE PREFERRED STOCK(TM) (MMP(R)) REDEMPTION VALUE | ..... |
| ACCUMULATED UNDECLARED DISTRIBUTIONS TO MMP(R) | |
| | |
| TOTAL NET ASSETS AVAILABLE TO COMMON STOCK | |

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ITEM 2. CONTROLS AND PROCEDURES.

- (a) The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act") (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of the report that includes the disclosure required by this paragraph, based on their evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934, as amended (17 CFR 240.13a-15(b) or 240.15d-15(b)).

- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d))) that occurred during the registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 3. EXHIBITS.

Certifications pursuant to Rule 30a-2(a) under the 1940 Act and Section 302 of the Sarbanes-Oxley Act of 2002 are attached hereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) FLAHERTY & CRUMRINE PREFERRED INCOME FUND INCORPORATED

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By (Signature and Title)* /S/ DONALD F. CRUMRINE

Donald F. Crumrine, Director, Chairman of the Board and
Chief Executive Officer
(principal executive officer)

Date OCTOBER 8, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title)* /S/ DONALD F. CRUMRINE

Donald F. Crumrine, Director, Chairman of the Board and
Chief Executive Officer
(principal executive officer)

Date OCTOBER 8, 2004

By (Signature and Title)* /S/ R. ERIC CHADWICK

R. Eric Chadwick, Chief Financial Officer, Treasurer,
Vice President and Secretary
(principal financial officer)

Date OCTOBER 8, 2004

* Print the name and title of each signing officer under his or her signature.