

Flaherty & Crumrine PREFERRED INCOME OPPORTUNITY FUND INC  
Form N-30B-2  
April 28, 2011

ITEM 1. SCHEDULE OF INVESTMENTS.

The Schedule(s) of Investments is attached herewith.

FLAHERTY & CRUMRINE PREFERRED INCOME OPPORTUNITY FUND

To the Shareholders of Flaherty & Crumrine Preferred Income Opportunity Fund:

During the first fiscal quarter of 2011, the total return on net asset value(1) of the Fund was +5.0%. Since the depth of the financial crisis, the Fund has delivered eight consecutive quarters of positive returns. We never tire of reporting positive returns, but our focus remains on providing high current income to shareholders.

Present conditions for the Fund's dividend are about as good as we can recall. Low short-term interest rates have continued to amplify the Fund's leverage strategy - we are able to borrow funds at historically attractive levels. At the same time, the investment portfolio is generating relatively high levels of income. We don't see anything on the immediate horizon to change these conditions, but one or both sides of the equation is likely to come under pressure sometime down the road.

As of this writing, the world is still dealing with the devastating events in Japan. Our thoughts go out to the people of Japan in these difficult times. Global financial markets were weaker in the immediate aftermath of the disaster, as investors assessed the impact. The Fund has very little direct exposure to the Japanese economy, and we do not anticipate any material decline in the credit quality of our holdings as a result of these events. Rest assured we are monitoring the impact very closely.

The situation at the Fukushima Dai-Ichi nuclear plant has raised fresh questions about nuclear power safety around the world. Since the Fund must have at least 25% of the portfolio invested in the utility industry, the topic is very relevant. We do not believe the incident in Japan will negatively impact utility positions owned by the Fund in any material way. In the U.S., most regulated utility companies have reduced their exposure to nuclear energy, and very few have "bet the farm" on this form of power generation.

The European sovereign debt situation continues to simmer. It may boil over in Portugal and require a bailout similar to those in Greece and Ireland. This may create some turbulence in the preferred market, but the overall impact on the Fund should be modest. The Fund has no direct investments in Portuguese banks or sovereign debt. Although it does own securities issued by companies with exposure to Portugal, we believe those exposures are manageable given the strength and diversification of those companies' activities.

Preferred securities issued by banks comprise the largest portion of the Fund's portfolio and, thus, play a critical role in the Fund's strategy. Bank regulators here and abroad have analyzed bank securities in light of the financial crisis, and some conclusions have begun to trickle out. The Basel Committee on Bank Supervision, the body charged with setting global capital standards, has finalized its recommendations for bank capital, although it will be up to regulators in individual countries to adopt these standards. Bank regulators in the U.S. have until July of this year to propose new capital rules, and we expect final rules will be issued before year-end. Over time, we expect the current crop of preferred securities issued by banks to be replaced with new securities designed to conform to the new standards. As details of the

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new securities become known, we will study them carefully and determine their appropriateness for the Fund. Based on the information currently available, we are optimistic about the transition.

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- (1) Following the methodology required by the SEC, total return includes income, principal change and the impact of the Fund's leverage.

We encourage you to visit the Fund's website [www.preferredincome.com](http://www.preferredincome.com) for a more in-depth discussion of conditions in the preferred markets, as well as the broader economy.

Sincerely,

/s/ Donald F. Crumrine

/s/ Robert M. Ettinger

Donald F. Crumrine  
Chairman

Robert M. Ettinger  
President

April 5, 2011

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Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated  
PORTFOLIO OVERVIEW  
FEBRUARY 28, 2011 (UNAUDITED)

FUND STATISTICS

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Net Asset Value	\$	9.95
Market Price	\$	10.35
Premium		4.02%
Yield on Market Price		8.52%
Common Stock Shares Outstanding		12,012,390

MOODY'S RATINGS

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% OF NET ASSETS+

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A	5.9%
BBB	73.7%
BB	17.7%
Below "BB"	0.8%
Not Rated*	0.3%
Below Investment Grade**	15.3%

\* Does not include net other assets and liabilities of 1.6%.

\*\* Below investment grade by both Moody's and S&P.

(PIE CHART)

INDUSTRY CATEGORIES	% OF NET ASSETS+
Other	4%
Banking	38%
Utilities	25%
Insurance	24%
Energy	7%
Financial Services	2%

TOP 10 HOLDINGS BY ISSUER	% OF NET ASSETS+
Liberty Mutual Group	4.5%
Banco Santander	4.5%
Capital One Financial	4.2%
Metlife	3.9%
Wells Fargo	3.8%
Enbridge Energy Partners	3.0%
HSBC Plc	2.8%
Barclays Bank Plc	2.5%
PNC Financial Services	2.4%
Principal Financial	2.4%

	% OF NET ASSETS***+
Holdings Generating Qualified Dividend Income (QDI) for Individuals	40%
Holdings Generating Income Eligible for the Corporate Dividends Received Deduction (DRD)	26%

\*\*\* This does not reflect year-end results or actual tax categorization of Fund distributions. These percentages can, and do, change, perhaps significantly, depending on market conditions. Investors should consult their tax advisor regarding their personal situation.

+ Net Assets includes assets attributable to the use of leverage.

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 PREFERRED SECURITIES -- 95.2%

		BANKING -- 37.7%
\$	2,750,000	Astoria Capital Trust I, 9.75% 11/01/29, Series B .....
	280,123	Banco Santander, 10.50% Pfd., Series 10 .....
	16,200	Bank of America Corporation, 8.625% Pfd. ....
\$	500,000	BankAmerica Institutional, Series A, 8.07% 12/31/26, 144A**** .....
Barclays Bank PLC:		
\$	2,750,000	6.278% .....
	1,200	7.75% Pfd., Series 4 .....
	77,000	8.125% Pfd., Series 5 .....
	59,000	BB&T Capital Trust VI, 9.60% Pfd. 08/01/64 .....
\$	1,375,000	BBVA International Preferred, 5.919% .....
\$	700,000	BNP Paribas, 7.195%, 144A**** .....
\$	5,250,000	Capital One Capital III, 7.686% 08/15/36 .....
\$	250,000	Capital One Capital V, 10.25% 08/15/39 .....
\$	1,750,000	Capital One Capital VI, 8.875% 05/15/40 .....
	56,700	Citigroup Capital XIII, 7.875% Pfd. 10/30/40 .....
\$	4,500,000	Colonial BancGroup, 7.114%, 144A**** .....
	4,500	FBOP Corporation, Adj. Rate Pfd., 144A**** .....
\$	700,000	Fifth Third Capital Trust IV, 6.50% 04/15/37 .....
	125,000	Fifth Third Capital Trust VI, 7.25% Pfd. 11/15/67 .....
	14,600	Fifth Third Capital Trust VII, 8.875% Pfd. 05/15/68 .....
	890	First Republic Preferred Capital Corporation, 10.50% Pfd., 144A**** .....
	22,500	First Republic Preferred Capital Corporation II, 8.75% Pfd., Series B, 144A**** .....
	3,750	First Tennessee Bank, Adj. Rate Pfd., 144A**** .....
\$	500,000	First Tennessee Capital II, 6.30% 04/15/34, Series B .....
\$	2,325,000	First Union Institutional Capital I, 8.04% 12/01/26 .....
\$	350,000	Fleet Capital Trust II, 7.92% 12/11/26 .....
Goldman Sachs:		
\$	700,000	Capital I, 6.345% 02/15/34 .....
\$	523,000	Capital II, 5.793% .....
	3,500	STRIPES Custodial Receipts, Pvt. ....
	127,500	HSBC Holdings PLC, 8.00% Pfd., Series 2 .....
HSBC USA, Inc.:		
	45,000	6.50% Pfd., Series H .....
	1,000	\$2.8575 Pfd. ....
\$	1,525,000	JPMorgan Chase Capital XVIII, 6.95% 08/17/36, Series R .....
	22,440	Keycorp Capital VIII, 7.00% Pfd. 06/15/66 .....
	59,260	Keycorp Capital IX, 6.75% Pfd. 12/15/66 .....

Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 FEBRUARY 28, 2011 (UNAUDITED)

SHARES/\$ PAR  
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PREFERRED SECURITIES -- (CONTINUED)

		BANKING -- (CONTINUED)
	25,200	Keycorp Capital X, 8.00% Pfd. 03/15/68 .....
\$	450,000	Lloyds Banking Group PLC, 6.657%, 144A**** .....

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	13,000	National City Capital Trust II, 6.625% Pfd. 11/15/36 .....
\$	840,000	NB Capital Trust IV, 8.25% 04/15/27 .....
	99,000	PNC Financial Services, 9.875% Pfd., Series L .....
\$	1,105,000	PNC Preferred Funding Trust III, 8.70%, 144A**** .....
	2,600	Sovereign REIT, 12.00% Pfd., Series A, 144A**** .....
\$	1,100,000	Wachovia Capital Trust III, 5.80% .....
\$	800,000	Wachovia Capital Trust V, 7.965% 06/01/27, 144A**** .....
\$	900,000	Washington Mutual, 9.75%, 144A**** .....
\$	1,400,000	Webster Capital Trust IV, 7.65% 06/15/37 .....
	35,000	Wells Fargo & Company, 8.00% Pfd., Series J .....
\$	1,500,000	Wells Fargo Capital XV, 9.75% .....
		FINANCIAL SERVICES -- 2.2%
\$	250,000	Ameriprise Financial, Inc., 7.518% 06/01/66 .....
		Heller Financial, Inc.:
	27,000	6.687% Pfd., Series C .....
	5,260	6.95% Pfd., Series D .....
	19,399	HSBC Finance Corporation, 6.36% Pfd. ....
		Lehman Brothers Holdings, Inc.:
	45,800	5.67% Pfd., Series D .....
	9,500	5.94% Pfd., Series C .....
	25,000	6.50% Pfd., Series F .....
	13,400	7.95% Pfd. ....
		INSURANCE -- 22.0%
\$	1,200,000	Ace Capital Trust II, 9.70% 04/01/30 .....
\$	225,000	AON Corporation, 8.205% 01/01/27 .....
		Arch Capital Group Ltd.:
	14,400	7.875% Pfd., Series B .....
	25,000	8.00% Pfd., Series A .....
		AXA SA:
\$	1,250,000	6.379%, 144A**** .....
\$	2,250,000	6.463%, 144A**** .....

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Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 FEBRUARY 28, 2011 (UNAUDITED)

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PREFERRED SECURITIES -- (CONTINUED)

		INSURANCE -- (CONTINUED)
	29,700	Axis Capital Holdings, 7.50% Pfd., Series B .....
	90,000	Delphi Financial Group, 7.376% Pfd. 05/15/37 .....
\$	4,000,000	Everest Re Holdings, 6.60% 05/15/37 .....
\$	4,600,000	Liberty Mutual Group, 10.75% 06/15/58, 144A**** .....
\$	1,080,000	MetLife Capital Trust IV, 7.875% 12/15/37, 144A**** .....
\$	2,513,000	MetLife Capital Trust X, 9.25% 04/08/38, 144A**** .....
\$	2,000,000	MetLife, Inc., 10.75% 08/01/39 .....

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		Principal Financial Group:
	26,000	5.563% Pfd., Series A .....
	75,000	6.518% Pfd., Series B .....
	50,400	Renaissancere Holdings Ltd., 6.08% Pfd., Series C .....
	115,500	Scottish Re Group Ltd., 7.25% Pfd. ....
\$	1,000,000	Stancorp Financial Group, 6.90% 06/01/67 .....
\$	1,060,000	USF&G Capital, 8.312% 07/01/46, 144A**** .....
\$	1,700,000	XL Capital Ltd., 6.50%, Series E .....
\$	1,000,000	ZFS Finance USA Trust V, 6.50% 05/09/37, 144A**** .....
		UTILITIES -- 24.8%
	45,000	Alabama Power Company, 6.45% Pfd. ....
	6,579	Baltimore Gas & Electric Company, 6.70% Pfd., Series 1993 .....
	8,900	Calenergy Capital Trust III, 6.50% Pfd. 09/01/27 .....
\$	2,750,000	COMED Financing III, 6.35% 03/15/33 .....
\$	750,000	Dominion Resources Capital Trust I, 7.83% 12/01/27 .....
\$	3,000,000	Dominion Resources, Inc., 7.50% 06/30/66 .....
	40,000	Entergy Arkansas, Inc., 6.45% Pfd. ....
	10,000	Entergy Louisiana, Inc., 6.95% Pfd. ....
	80,000	Entergy Mississippi, Inc., 6.25% Pfd. ....
		FPL Group Capital, Inc.:
\$	2,660,000	6.65% 06/15/67 .....
\$	1,000,000	7.30% 09/01/67, Series D .....
	17,500	Georgia Power Company, 6.50% Pfd., Series 2007A .....
		Gulf Power Company:
	16,500	6.00% Pfd., Series 1 .....
	13,000	6.45% Pfd., Series 2007A .....
	30,500	Indianapolis Power & Light Company, 5.65% Pfd. ....
	140,485	Interstate Power & Light Company, 8.375% Pfd., Series B .....

Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 FEBRUARY 28, 2011 (UNAUDITED)

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		PREFERRED SECURITIES -- (CONTINUED)
		UTILITIES -- (CONTINUED)
	7,000	MDU Resources Group, 4.50% Pfd. 07/08/10 .....
\$	1,500,000	PECO Energy Capital Trust III, 7.38% 04/06/28, Series D .....
\$	345,000	PPL Capital Funding, 6.70% 03/30/67, Series A .....
	35,000	PPL Electric Utilities Corporation, 6.25% Pfd. ....
\$	4,155,000	Puget Sound Energy, Inc., 6.974% 06/01/67 .....
		Southern California Edison:
	27,500	6.00% Pfd., Series C .....
	15,000	6.125% Pfd. ....
\$	515,000	Southern Union Company, 7.20% 11/01/66 .....
\$	750,000	TXU Electric Capital V, 8.175% 01/30/37 .....
	8,265	Union Electric Company, \$4.75 Pfd. ....
	3,000	Virginia Electric & Power Company, \$6.98 Pfd. ....
\$	700,000	Wisconsin Energy Corporation, 6.25% 05/15/67 .....

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	3,000	Wisconsin Public Service Corporation, 6.88% Pfd. ....
\$	2,500,000	WPS Resources Corporation, 6.11% 12/01/66 .....
		ENERGY -- 6.8%
\$	5,000,000	Enbridge Energy Partners LP, 8.05% 10/01/37 .....
\$	3,500,000	Enterprise Products Partners, 8.375% 08/01/66, Series A .....
	3,000	Kinder Morgan GP, Inc., 8.33% Pfd., 144A**** .....
		REAL ESTATE INVESTMENT TRUST (REIT) -- 0.1%
	8,500	PS Business Parks, Inc., 6.70% Pfd., Series P .....
		MISCELLANEOUS INDUSTRIES -- 1.6%
	35,000	Ocean Spray Cranberries, Inc., 6.25% Pfd., 144A**** .....
		TOTAL PREFERRED SECURITIES
		(Cost \$162,694,236) .....

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Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 FEBRUARY 28, 2011 (UNAUDITED)

SHARES/\$ PAR  
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		CORPORATE DEBT SECURITIES -- 3.2%
		BANKING -- 0.3%
\$	400,000	Goldman Sachs Group, 6.75% 10/01/37, Sub Notes .....
		INSURANCE -- 2.3%
\$	2,250,000	Liberty Mutual Insurance, 7.697% 10/15/97, 144A**** .....
\$	2,000,000	UnumProvident Corporation, 7.25% 03/15/28 .....
		UTILITIES -- 0.6%
\$	974,000	Southern Union Company, 8.25% 11/15/29, Senior Notes .....
		TOTAL CORPORATE DEBT SECURITIES
		(Cost \$4,682,485) .....

MONEY MARKET FUND -- 0.7%

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1,322,128	BlackRock Liquidity Funds, T-Fund .....	
	TOTAL MONEY MARKET FUND	
	(Cost \$1,322,128) .....	
	TOTAL INVESTMENTS (Cost \$168,698,849***) .....	9
	OTHER ASSETS AND LIABILITIES (Net) .....	
	TOTAL MANAGED ASSETS .....	10
	LOAN PRINCIPAL BALANCE .....	
	TOTAL NET ASSETS AVAILABLE TO COMMON STOCK .....	

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Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 FEBRUARY 28, 2011 (UNAUDITED)

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- \* Securities eligible for the Dividends Received Deduction and distributing Qualified Dividend Income.
  - \*\* Securities distributing Qualified Dividend Income only.
  - \*\*\* Aggregate cost of securities held.
  - \*\*\*\* Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional buyers. At February 28, 2011, these securities amounted to \$34,379,838 or 19.2% of total managed assets.
  - (1) All or a portion of this security is pledged as collateral for the Fund's loan. The total value of such securities was \$132,000,316 at February 28, 2011.
  - (2) Foreign Issuer.
  - (3) Illiquid.
  - + Non-income producing.
  - ++ The issuer has filed for bankruptcy protection. As a result, the Fund may not be able to recover the principal invested and also does not expect to receive income on this security going forward.
  - +++ The percentage shown for each investment category is the total value of that category as a percentage of total managed assets.

ABBREVIATIONS:

- PFD. -- Preferred Securities
- PVT. -- Private Placement Securities
- REIT -- Real Estate Investment Trust
- STRIPES -- Structured Residual Interest Preferred Enhanced Securities



Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated  
 STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE TO COMMON STOCK(1)  
 FOR THE PERIOD FROM DECEMBER 1, 2010 THROUGH FEBRUARY 28, 2011 (UNAUDITED)

	VALUE
	-----
OPERATIONS:	
Net investment income .....	\$ 2,751,776
Net realized gain/(loss) on investments sold during the period ....	1,166,846
Change in net unrealized appreciation/depreciation of investments .....	1,836,416
	-----
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS .....	5,755,038
DISTRIBUTIONS:	
Dividends paid from net investment income to Common Stock Shareholders (2) .....	(3,007,459)
	-----
TOTAL DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS .....	(3,007,459)
FUND SHARE TRANSACTIONS:	
Increase from shares issued under the Dividend Reinvestment and Cash Purchase Plan .....	184,166
	-----
NET INCREASE IN NET ASSETS AVAILABLE TO COMMON STOCK RESULTING FROM FUND SHARE TRANSACTIONS .....	184,166
	-----
NET INCREASE IN NET ASSETS AVAILABLE TO COMMON STOCK FOR THE PERIOD .....	\$ 2,931,745
	=====
NET ASSETS AVAILABLE TO COMMON STOCK:	
Beginning of period .....	\$116,623,102
Net increase in net assets during the period .....	2,931,745
	-----
End of period .....	\$119,554,847
	=====

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 (1) These tables summarize the three months ended February 28, 2011 and should be read in conjunction with the Fund's audited financial statements, including footnotes, in its Annual Report dated November 30, 2010.

(2) May include income earned, but not paid out, in prior fiscal year.

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PER SHARE OPERATING PERFORMANCE:	
Net asset value, beginning of period .....	\$ 9.72 -----
INVESTMENT OPERATIONS:	
Net investment income .....	0.23
Net realized and unrealized gain/(loss) on investments .....	0.25 -----
Total from investment operations .....	0.48 -----
DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS:	
From net investment income .....	(0.25) -----
Total distributions to Common Stock Shareholders .....	(0.25) -----
Net asset value, end of period .....	\$ 9.95 =====
Market value, end of period .....	\$ 10.35 =====
Common Stock shares outstanding, end of period .....	12,012,390 =====
RATIOS TO AVERAGE NET ASSETS AVAILABLE TO COMMON STOCK SHAREHOLDERS:	
Net investment income+ .....	9.55%*
Operating expenses including interest expense .....	2.21%*
Operating expenses excluding interest expense .....	1.55%*
SUPPLEMENTAL DATA:++	
Portfolio turnover rate .....	5%*
Total managed assets, end of period (in 000's) .....	\$ 178,755
Ratio of operating expenses including interest expense to total managed assets .....	1.48%*
Ratio of operating expenses excluding interest expense to total managed assets .....	1.04%*

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 (1) These tables summarize the three months ended February 28, 2011 and should be read in conjunction with the Fund's audited financial statements, including footnotes, in its Annual Report dated November 30, 2010.

\* Annualized.

\*\* Not Annualized.

+ The net investment income ratios reflect income net of operating expenses, including interest expense.

++ Information presented under heading Supplemental Data includes loan principal balance.

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

TOTAL				DIVIDEND
DIVIDENDS	NET ASSET	NYSE		REINVESTMENT

	PAID	VALUE	CLOSING PRICE	PRICE(1)
	-----	-----	-----	-----
December 31, 2010 - Extra ...	\$0.03	\$9.65	\$ 9.48	\$9.59
December 31, 2010 .....	0.07	9.65	9.48	9.59
January 31, 2011 .....	0.07	9.76	10.09	9.76
February 28, 2011 .....	0.07	9.95	10.35	9.95

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 (1) Whenever the net asset value per share of the Fund's Common Stock is less than or equal to the market price per share on the reinvestment date, new shares issued will be valued at the higher of net asset value or 95% of the then current market price. Otherwise, the reinvestment shares of Common Stock will be purchased in the open market.

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

1. AGGREGATE INFORMATION FOR FEDERAL INCOME TAX PURPOSES

At February 28, 2011, the aggregate cost of securities for federal income tax purposes was \$168,262,580, the aggregate gross unrealized appreciation for all securities in which there is an excess of value over tax cost was \$23,711,138 and the aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value was \$14,753,878.

2. ADDITIONAL ACCOUNTING STANDARDS

Fair Value Measurement: The inputs and valuation techniques used to measure fair value of the Fund's investments are summarized into three levels as described in the hierarchy below:

- Level 1 - quoted prices in active markets for identical securities
- Level 2 - other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 - significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Transfers in and out of levels are recognized at market value at the end of the period. A summary of the inputs used to value the Fund's investments as of February 28, 2011 is as follows:

TOTAL VALUE AT FEBRUARY 28, 2011	LEVEL 1 QUOTED PRICE	LEVEL 2 SIGNIFICANT OBSERVABLE INPUTS	LEVEL 3 SIGNIFICANT UNOBSERVABLE INPUTS
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Preferred Securities

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Banking	\$ 67,314,398	\$44,354,512	\$ 22,913,176	\$46
Financial Services	3,915,495	458,233	3,457,262	
Insurance	39,325,267	20,289,723	19,035,544	
Utilities	44,412,845	7,136,011	37,276,834	
Energy	12,242,754	--	12,242,754	
Real Estate Investment Trust (REIT)	205,466	205,466	--	
Miscellaneous Industries	2,826,250	--	2,826,250	
Corporate Debt Securities	5,655,237	1,519,281	4,135,956	
Money Market Fund	1,322,128	1,322,128	--	
	-----	-----	-----	-----
Total Investments	\$177,219,840	\$75,285,354	\$101,887,776	\$46
	=====	=====	=====	=====

The Fund did not have any significant transfers in and out of Level 1 and Level 2 during the period.

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

The Fund's investments in Level 2 and Level 3 are based primarily on market information, where available. This includes, but is not limited to, prices provided by third-party providers, observable trading activity (including the recency, depth, and consistency of such information with quoted levels), and the depth and consistency of broker-quoted prices. In the event market information is not directly available, comparable information may be observed for securities that are similar in many respects to those being valued. The Fund may employ an income approach for certain securities that also takes into account credit risk, interest rate risk, and potential recovery prospects.

The following is a reconciliation of Level 3 investments for which significant unobservable inputs were used to determine fair value:

	TOTAL INVESTMENTS	PREFERRED SECURITIES ----- BANKING -----
BALANCE AS OF 11/30/10 .....	\$19,908	\$19,908
Accrued discounts/premiums .....	--	--
Realized gain/(loss) .....	--	--
Change in unrealized appreciation/(depreciation) ...	26,802	26,802
Net purchases/(sales) .....	--	--
Transfer in and/or out of Level 3 .....	--	--
	-----	-----
BALANCE AS OF 2/28/11 .....	\$46,710	\$46,710

For the period ended February 28, 2011, total change in unrealized gain/(loss) on Level 3 securities still held at period-end and included in the change in net assets was \$26,802.

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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  
Linda M. Puchalski  
Assistant Treasurer

INVESTMENT ADVISER

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

QUESTIONS CONCERNING YOUR SHARES OF FLAHERTY & CRUMRINE PREFERRED INCOME OPPORTUNITY FUND?

- If your shares are held in a Brokerage Account, contact your Broker.
- If you have physical possession of your shares in certificate form, contact the Fund's Transfer Agent & Shareholder Servicing Agent --

BNY Mellon Shareowner Services  
P.O. Box 358035  
Pittsburgh, PA 15252-8035  
1-866-351-7446

THIS REPORT IS SENT TO SHAREHOLDERS OF FLAHERTY & CRUMRINE PREFERRED INCOME OPPORTUNITY 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.

(FLAHERTY & CRUMRINE LOGO)  
PREFERRED INCOME

OPPORTUNITY FUND

Quarterly Report

February 28, 2011

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