

Flaherty & Crumrine PREFERRED INCOME OPPORTUNITY FUND INC  
Form N-Q  
October 28, 2011

**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 811-06495  
Flaherty & Crumrine Preferred Income Opportunity 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 Incorporated  
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  
Date of reporting period: August 31, 2011

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-5 (§§ 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, 100 F Street, NE, Washington, DC 20549. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

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**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 third fiscal quarter of 2011<sup>1</sup>, total return on net asset value<sup>2</sup> of the Fund was -2.6%; the fiscal year-to-date return was a more pleasing +8.2%. Prior to this most recent quarter, the Fund had nine consecutive quarters of positive returns.

There was good news on the Fund's dividend during the quarter—a combination of very low borrowing cost on the Fund's leverage and relatively high income earned from the Fund's investment portfolio led to another increase in your monthly dividend. The new rate of \$0.0755 (beginning in August) is 2.7% higher than the previous level.

The Federal Reserve has indicated short-term interest rates are likely to stay at present levels at least through mid-2013. The Fund's borrowing rate is not directly tied to the Fed's short-term rate target, but the correlation is high, so borrowing costs should remain at or near current levels over the same period.

On the flip side, however, the task of projecting portfolio income has become more difficult, due both to the sharp decline in interest rates and changes in the regulatory environment in which many preferred issuers operate. For instance, bank regulators here and abroad have yet to issue final guidelines for bank capital; until they do, it is hard to predict when issuers may call outstanding preferreds. We think eventually portfolio income could fall (as higher dividend paying securities are called), but we are working hard to minimize the impact.

Conditions in financial markets are largely a tale of two houses—an ongoing economic drag from the residential housing market and a struggle of governments to get their financial houses in order. While there is a detailed discussion of these topics in our Quarterly Economic Update on the Fund's website, our thoughts are summarized here.

The drop in home prices and rise in foreclosures have eroded household wealth, pushed up savings, and slowed consumer spending, thus short-circuiting the cyclical recovery the economy normally would experience coming out of a deep recession. The resulting sluggish economic growth has encouraged companies to focus on reducing debt, lowering costs, and improving productivity. This has led to an unusual combination of strong profit growth and improving credit quality for corporations, but little improvement in employment. Finally, rising savings, limited demand for new investment, and highly accommodative monetary policy have pushed US Treasury rates to 60-year lows. As long as households seek to reduce indebtedness, which we expect will continue for some time, these conditions are likely to persist.

At the same time, the deleveraging that began in the household sector has spread to the government sector. Investors are questioning governments' ability and willingness to sustain current budgets and obligations, most visibly in the sovereign debt crisis boiling over in Europe. The uncertainty over how that situation will be resolved—and its short and long-term impact on the global economy—has sent many investors to the sidelines and out of risky assets. Although politicians are moving toward resolution of these issues, the solutions are often unpopular, and progress is likely to be slow.

<sup>1</sup> June 1, 2011 – August 31, 2011

<sup>2</sup> Following the methodology required by the SEC, total return includes income and principal change, plus the impact of the Fund's leverage and expenses.

As of August 31, 12% of the Fund's portfolio consisted of securities issued or guaranteed by banks and insurance companies based in Europe. Each of these companies has operations throughout the world, but is tied most closely to economic conditions in the Eurozone. We believe these issuers are well capitalized and well managed, and therefore better able to handle market turbulence.

At the end of the day, we believe long-term investors will continue to earn attractive returns on preferred securities, although there may be some bumps along the way. We will continue to manage the Fund as we always have in quiet times and in crisis with a disciplined eye on credit fundamentals, relative value and risk management.

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,

Donald F. Crumrine  
Chairman

Robert M. Ettinger  
President

October 14, 2011

Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated  
**PORTFOLIO OVERVIEW**  
**August 31, 2011 (Unaudited)**

**Fund Statistics**

|                                 |            |
|---------------------------------|------------|
| Net Asset Value                 | \$ 9.82    |
| Market Price                    | \$ 10.55   |
| Premium                         | 7.43%      |
| Yield on Market Price           | 8.59%      |
| Common Stock Shares Outstanding | 12,066,055 |

**Moody's Ratings**

|                          | <b>% of Net Assets</b> |
|--------------------------|------------------------|
| A                        | 6.5%                   |
| BBB                      | 74.5%                  |
| BB                       | 16.0%                  |
| Below BB                 | 0.7%                   |
| Not Rated*               | 0.2%                   |
| Below Investment Grade** | 9.2%                   |

\* Does not include net other assets and liabilities of 2.1%.

\*\* Below investment grade by all of Moody's, S&P, and Fitch.

**Industry Categories**

**% of Net Assets**

**Top 10 Holdings by Issuer**

|                            | <b>% of Net Assets</b> |
|----------------------------|------------------------|
| Liberty Mutual Group       | 4.3%                   |
| Banco Santander            | 4.2%                   |
| HSBC Plc                   | 4.1%                   |
| Capital One Financial      | 4.0%                   |
| Metlife                    | 3.8%                   |
| Wells Fargo                | 3.2%                   |
| Southern California Edison | 3.1%                   |
| Enbridge Energy Partners   | 2.6%                   |
| Principal Financial        | 2.4%                   |
| Puget Energy               | 2.3%                   |

**% of Net Assets\*\*\***

|   |     |
|---|-----|
| Holdings Generating Qualified Dividend Income (QDI) for Individuals | 45% |
|   | 31% |

Holdings Generating Income Eligible for the Corporate Dividends Received Deduction  
(DRD)

\*\*\* 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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Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated  
**PORTFOLIO OF INVESTMENTS**  
**August 31, 2011 (Unaudited)**

| Shares/\$<br>Par                  |   | Value                          |
|-----------------------------------|---|--------------------------------|
| <b>Preferred Securities 94.8%</b> |   |                                |
| <b>Banking 37.0%</b>              |   |                                |
| \$ 2,750,000                      | Astoria Capital Trust I, 9.75% 11/01/29, Series B                     | \$ 2,865,676 <sup>(1)</sup>    |
| 280,123                           | Banco Santander, 10.50% Pfd., Series 10                               | 7,677,135 <sup>**</sup> (1)(2) |
|                                   | Bank of America Corporation:  |                                |
| 15,175                            | 8.20% Pfd.  | 377,858*                       |
| 11,025                            | 8.625% Pfd.   | 277,830*                       |
| \$ 500,000                        | BankAmerica Institutional, Series A, 8.07% 12/31/26, 144A****         | 500,000                        |
|                                   | Barclays Bank PLC:  |                                |
| \$ 2,750,000                      | 6.278%  | 2,036,719 <sup>**</sup> (1)(2) |
| 1,200                             | 7.75% Pfd., Series 4  | 29,124 <sup>**</sup> (2)       |
| 77,000                            | 8.125% Pfd., Series 5   | 1,899,590 <sup>**</sup> (1)(2) |
| 29,400                            | BB&T Capital Trust VI, 9.60% Pfd. 08/01/64                            | 791,742 <sup>(1)</sup>         |
| \$ 1,375,000                      | BBVA International Preferred, 5.919%                                  | 1,018,087 <sup>**</sup> (1)(2) |
| \$ 1,750,000                      | BNP Paribas, 7.195%, 144A****   | 1,522,500 <sup>**</sup> (1)(2) |
| \$ 5,250,000                      | Capital One Capital III, 7.686% 08/15/36                              | 5,263,125 <sup>(1)</sup>       |
| \$ 250,000                        | Capital One Capital V, 10.25% 08/15/39                                | 261,088                        |
| \$ 1,750,000                      | Capital One Capital VI, 8.875% 05/15/40                               | 1,781,840 <sup>(1)</sup>       |
| 10,000                            | Citigroup Capital XII, 8.50% Pfd. 03/30/40                            | 256,563                        |
| 56,700                            | Citigroup Capital XIII, 7.875% Pfd. 10/30/40                          | 1,477,744 <sup>(1)</sup>       |
| \$ 4,500,000                      | Colonial BancGroup, 7.114%, 144A****                                  | 174,375 <sup>(3)</sup>         |
| 2,500                             | Countrywide Capital IV, 6.75% Pfd. 04/01/33                           | 55,234                         |
| 4,500                             | FBOP Corporation, Adj. Rate Pfd., 144A****                            | 3,510 <sup>*(3)(4)</sup>       |
| \$ 700,000                        | Fifth Third Capital Trust IV, 6.50% 04/15/37                          | 652,750 <sup>(1)</sup>         |
| 15,000                            | Fifth Third Capital Trust V, 7.25% Pfd. 08/15/67                      | 376,800                        |
| 125,000                           | Fifth Third Capital Trust VI, 7.25% Pfd. 11/15/67                     | 3,132,812 <sup>(1)</sup>       |
| 890                               | First Republic Preferred Capital Corporation, 10.50% Pfd., 144A****   | 908,912                        |
| 3,750                             | First Tennessee Bank, Adj. Rate Pfd., 3.75% <sup>(5)</sup> , 144A**** | 2,433,984 <sup>*(1)</sup>      |
| \$ 500,000                        | First Tennessee Capital II, 6.30% 04/15/34, Series B                  | 462,500                        |
| \$ 350,000                        | Fleet Capital Trust II, 7.92% 12/11/26                                | 345,625                        |
| 1                                 | FT Real Estate Securities Company, 9.50% Pfd., 144A****               | 958,500                        |
|                                   | Goldman Sachs:  |                                |
| \$ 700,000                        | Capital I, 6.345% 02/15/34  | 649,339 <sup>(1)</sup>         |
| \$ 523,000                        | Capital II, 5.793%  | 379,175 <sup>(1)</sup>         |
| 3,500                             | STRIPES Custodial Receipts, Adj. Rate, 10.70% <sup>(5)</sup> , Pvt.   | 1,659,000 <sup>*(3)(4)</sup>   |
| 127,500                           | HSBC Holdings PLC, 8.00% Pfd., Series 2                               | 3,400,744 <sup>**</sup> (1)(2) |
|                                   | HSBC USA, Inc.:   |                                |
| 137,000                           | 6.50% Pfd., Series H  | 3,432,056 <sup>*(1)</sup>      |
| 1,000                             | \$2.8575 Pfd  | 46,781*                        |

Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated  
**PORTFOLIO OF INVESTMENTS (Continued)**  
**August 31, 2011 (Unaudited)**

| Shares/\$<br>Par                        |  | Value                       |
|---|--|-----------------------------|
| <b>Preferred Securities (Continued)</b> |  |                             |
| <b>Banking (Continued)</b>              |  |                             |
| \$ 1,525,000                            | JPMorgan Chase Capital XVIII, 6.95% 08/17/36, Series R         | \$ 1,509,973 <sup>(1)</sup> |
| 52,688                                  | Keycorp Capital IX, 6.75% Pfd. 12/15/66                        | 1,343,544 <sup>(1)</sup>    |
| 25,200                                  | Keycorp Capital X, 8.00% Pfd. 03/15/68                         | 649,152 <sup>(1)</sup>      |
| \$ 450,000                              | Lloyds Banking Group PLC, 6.657%, 144A****                     | 258,750** <sup>(2)</sup>    |
| \$ 525,000                              | MBNA Capital, 8.278% 12/01/26, Series A                        | 526,969                     |
| 10,000                                  | Morgan Stanley Capital Trust VI, 6.60% Pfd. 02/01/46           | 245,625                     |
| \$ 840,000                              | NB Capital Trust IV, 8.25% 04/15/27                            | 846,300 <sup>(1)</sup>      |
| 99,000                                  | PNC Financial Services, 9.875% Pfd., Series L                  | 2,790,562* <sup>(1)</sup>   |
| \$ 1,105,000                            | PNC Preferred Funding Trust III, 8.70%, 144A****               | 1,132,901 <sup>(1)</sup>    |
| 2,600                                   | Sovereign REIT, 12.00% Pfd., Series A, 144A****                | 3,181,997                   |
| 5,500                                   | SunTrust Capital IX, 7.875% Pfd. 03/15/68                      | 139,769                     |
| \$ 1,100,000                            | Wachovia Capital Trust III, Adj. Rate, 5.56975% <sup>(5)</sup> | 966,625* <sup>(1)</sup>     |
| 20,000                                  | Wachovia Preferred Funding, 7.25% Pfd., Series A               | 519,650 <sup>(1)</sup>      |
| \$ 900,000                              | Washington Mutual, 9.75%, 144A****                             | 22,500                      |
| \$ 1,400,000                            | Webster Capital Trust IV, 7.65% 06/15/37                       | 1,425,208 <sup>(1)</sup>    |
|   | Wells Fargo & Company:   |                             |
| 2,730                                   | 7.50% Pfd., Series L   | 2,841,848* <sup>(1)</sup>   |
| 35,000                                  | 8.00% Pfd., Series J   | 1,015,000* <sup>(1)</sup>   |
| \$ 500,000                              | Wells Fargo Capital XV, 9.75%                                  | 518,750                     |
|   |  | 67,043,841                  |
| <br><b>Financial Services 3.0%</b>      |  |                             |
| \$ 250,000                              | Ameriprise Financial, Inc., 7.518% 06/01/66                    | 253,125 <sup>(1)</sup>      |
| \$ 1,000,000                            | Claudius, Ltd. Credit Suisse AG, 7.875%, Series B              | 995,000 <sup>(2)</sup>      |
|   | Heller Financial, Inc.:  |                             |
| 30,000                                  | 6.687% Pfd., Series C  | 2,992,500* <sup>(1)</sup>   |
| 5,260                                   | 6.95% Pfd., Series D   | 532,411*                    |
| 23,699                                  | HSBC Finance Corporation, 6.36% Pfd., Series B                 | 545,373* <sup>(1)</sup>     |
|   | Lehman Brothers Holdings, Inc.:                                |                             |
| 45,800                                  | 5.67% Pfd., Series D   | 14,198*                     |
| 9,500                                   | 5.94% Pfd., Series C   | 2,470*                      |
| 25,000                                  | 6.50% Pfd., Series F   | 1,612*                      |
| 13,400                                  | 7.95% Pfd  | 375*                        |
|   |  | 5,337,064                   |





Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated  
**PORTFOLIO OF INVESTMENTS (Continued)**  
**August 31, 2011 (Unaudited)**

| Shares/\$<br>Par                        |  | Value                          |
|---|--|--------------------------------|
| <b>Preferred Securities (Continued)</b> |  |                                |
| <b>Insurance 20.9%</b>                  |  |                                |
| \$ 1,200,000                            | Ace Capital Trust II, 9.70% 04/01/30                       | \$ 1,607,983 <sup>(1)(2)</sup> |
| \$ 225,000                              | AON Corporation, 8.205% 01/01/27                           | 258,506                        |
|   | Arch Capital Group Ltd.:                                   |                                |
| 14,400                                  | 7.875% Pfd., Series B                                      | 366,300 <sup>** (1)(2)</sup>   |
| 25,000                                  | 8.00% Pfd., Series A                                       | 629,687 <sup>** (1)(2)</sup>   |
|   | AXA SA:  |                                |
| \$ 3,375,000                            | 6.379%, 144A****   | 2,632,500 <sup>** (1)(2)</sup> |
| \$ 125,000                              | 6.463%, 144A****   | 97,500 <sup>** (2)</sup>       |
| 29,700                                  | Axis Capital Holdings, 7.50% Pfd., Series B                | 2,902,248 <sup>(1)(2)</sup>    |
| 90,000                                  | Delphi Financial Group, 7.376% Pfd. 05/15/37               | 2,154,375 <sup>(1)</sup>       |
| \$ 4,000,000                            | Everest Re Holdings, 6.60% 05/15/37                        | 3,650,000 <sup>(1)</sup>       |
| \$ 4,600,000                            | Liberty Mutual Group, 10.75% 06/15/58, 144A****            | 5,704,000 <sup>(1)</sup>       |
| \$ 1,080,000                            | MetLife Capital Trust IV, 7.875% 12/15/37, 144A****        | 1,107,000 <sup>(1)</sup>       |
| \$ 2,513,000                            | MetLife Capital Trust X, 9.25% 04/08/38, 144A****          | 2,977,905 <sup>(1)</sup>       |
| \$ 2,000,000                            | MetLife, Inc., 10.75% 08/01/39                             | 2,747,050 <sup>(1)</sup>       |
| 30,000                                  | PartnerRe Ltd., 7.250% Pfd., Series E                      | 758,400 <sup>** (1)(2)</sup>   |
|   | Principal Financial Group:                                 |                                |
| 22,000                                  | 5.563% Pfd., Series A                                      | 2,129,189 <sup>* (1)</sup>     |
| 90,000                                  | 6.518% Pfd., Series B                                      | 2,300,625 <sup>* (1)</sup>     |
| 42,155                                  | Renaissancere Holdings Ltd., 6.08% Pfd., Series C          | 958,183 <sup>** (1)(2)</sup>   |
| 115,500                                 | Scottish Re Group Ltd., 7.25% Pfd.                         | 1,064,771 <sup>** (2)</sup>    |
| \$ 1,000,000                            | Stancorp Financial Group, 6.90% 06/01/67                   | 891,559 <sup>(1)</sup>         |
| \$ 1,060,000                            | USF&G Capital, 8.312% 07/01/46, 144A****                   | 1,309,917 <sup>(1)</sup>       |
| \$ 1,700,000                            | XL Capital Ltd., 6.50%, Series E                           | 1,517,250 <sup>(1)(2)</sup>    |
|   |  | 37,764,948                     |
| <b>Utilities 25.5%</b>                  |  |                                |
| 40,215                                  | Alabama Power Company, 6.45% Pfd.                          | 1,118,480 <sup>* (1)</sup>     |
|   | Baltimore Gas & Electric Company:                          |                                |
| 6,579                                   | 6.70% Pfd., Series 1993                                    | 661,807 <sup>* (1)</sup>       |
| 2,500                                   | 7.125% Pfd., Series 1993                                   | 252,813 <sup>*</sup>           |
| 8,900                                   | Calenergy Capital Trust III, 6.50% Pfd. 09/01/27           | 440,550                        |
| \$ 2,750,000                            | COMED Financing III, 6.35% 03/15/33                        | 2,441,920 <sup>(1)</sup>       |
| 8,000                                   | Constellation Energy Group, 8.625% Pfd. 06/15/63, Series A | 216,240                        |
| \$ 750,000                              | Dominion Resources Capital Trust I, 7.83% 12/01/27         | 757,643 <sup>(1)</sup>         |
| \$ 3,000,000                            | Dominion Resources, Inc., 7.50% 06/30/66                   | 3,078,081 <sup>(1)</sup>       |
| 40,000                                  | Entergy Arkansas, Inc., 6.45% Pfd.                         | 1,000,000 <sup>*</sup>         |



Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated  
**PORTFOLIO OF INVESTMENTS (Continued)**  
**August 31, 2011 (Unaudited)**

| Shares/\$<br>Par                                |   | Value                     |
|---|---|---------------------------|
| <b>Preferred Securities (Continued)</b>         |   |                           |
| <b>Utilities (Continued)</b>                    |   |                           |
| 13,000  | Entergy Louisiana, Inc., 6.95% Pfd.                     | \$ 1,280,094*             |
| 80,000  | Entergy Mississippi, Inc., 6.25% Pfd.                   | 2,025,000*                |
|   | FPL Group Capital, Inc.:                                |                           |
| \$ 2,835,000                                    | 6.65% 06/15/67  | 2,746,089 <sup>(1)</sup>  |
| \$ 1,000,000                                    | 7.30% 09/01/67, Series D                                | 1,033,744 <sup>(1)</sup>  |
| 17,500  | Georgia Power Company, 6.50% Pfd., Series 2007A         | 1,872,500* <sup>(1)</sup> |
|   | Gulf Power Company:                                     |                           |
| 16,500  | 6.00% Pfd., Series 1                                    | 1,651,696* <sup>(1)</sup> |
| 17,500  | 6.45% Pfd., Series 2007A                                | 1,882,496* <sup>(1)</sup> |
| 30,500  | Indianapolis Power & Light Company, 5.65% Pfd.          | 2,855,562* <sup>(1)</sup> |
| 140,485   | Interstate Power & Light Company, 8.375% Pfd., Series B | 4,117,967* <sup>(1)</sup> |
| \$ 1,500,000                                    | PECO Energy Capital Trust III, 7.38% 04/06/28, Series D | 1,540,682 <sup>(1)</sup>  |
| \$ 345,000                                      | PPL Capital Funding, 6.70% 03/30/67, Series A           | 333,304                   |
| 41,500  | PPL Electric Utilities Corporation, 6.25% Pfd.          | 1,049,174*                |
| \$ 4,155,000                                    | Puget Sound Energy, Inc., 6.974% 06/01/67               | 4,205,438 <sup>(1)</sup>  |
|   | Southern California Edison:                             |                           |
| 33,350  | 6.00% Pfd., Series C                                    | 3,279,766* <sup>(1)</sup> |
| 9,150   | 6.125% Pfd.   | 924,150* <sup>(1)</sup>   |
| 14,000  | 6.50% Pfd., Series D                                    | 1,412,688* <sup>(1)</sup> |
| \$ 750,000                                      | TXU Electric Capital V, 8.175% 01/30/37                 | 221,250 <sup>(3)</sup>    |
| 8,265   | Union Electric Company, \$4.75 Pfd.                     | 704,075*                  |
| 3,000   | Virginia Electric & Power Company, \$6.98 Pfd.          | 310,031*                  |
| 3,000   | Wisconsin Public Service Corporation, 6.88% Pfd.        | 312,563*                  |
| \$ 2,500,000                                    | WPS Resources Corporation, 6.11% 12/01/66               | 2,390,120 <sup>(1)</sup>  |
|   |   | 46,115,923                |
| <b>Energy 6.6%</b>                              |   |                           |
| \$ 4,498,000                                    | Enbridge Energy Partners LP, 8.05% 10/01/37             | 4,721,618 <sup>(1)</sup>  |
| \$ 4,000,000                                    | Enterprise Products Partners, 8.375% 08/01/66, Series A | 4,189,184 <sup>(1)</sup>  |
| 3,000   | Kinder Morgan GP, Inc., 8.33% Pfd., 144A****            | 3,038,625*                |
|   |   | 11,949,427                |
| <b>Real Estate Investment Trust (REIT) 0.2%</b> |   |                           |
|   | PS Business Parks, Inc.:                                |                           |

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|       |                       |         |
|-------|-----------------------|---------|
| 8,500 | 6.70% Pfd., Series P  | 214,891 |
| 7,500 | 6.875% Pfd., Series R | 191,250 |
|       |                       | 406,141 |

Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated  
**PORTFOLIO OF INVESTMENTS (Continued)**  
**August 31, 2011 (Unaudited)**

| <b>Shares/\$<br/>Par</b> |   | <b>Value</b>       |
|--------------------------|---|--------------------|
|                          | <b>Miscellaneous Industries 1.6%</b>                      |                    |
| 32,700                   | Ocean Spray Cranberries, Inc., 6.25% Pfd., 144A****       | \$ 2,851,031*(1)   |
|                          |   | 2,851,031          |
|                          | <b>Total Preferred Securities (Cost \$169,108,572)</b>    | <b>171,468,375</b> |
|                          | <b>Corporate Debt Securities 3.2%</b>                     |                    |
|                          | <b>Banking 0.2%</b>                                       |                    |
| \$ 400,000               | Goldman Sachs Group, 6.75% 10/01/37, Sub Notes            | 380,817(1)         |
|                          |   | 380,817            |
|                          | <b>Insurance 2.4%</b>                                     |                    |
| \$ 2,250,000             | Liberty Mutual Insurance, 7.697% 10/15/97, 144A****       | 2,086,889(1)       |
| \$ 2,000,000             | UnumProvident Corporation, 7.25% 03/15/28                 | 2,193,754(1)       |
|                          |   | 4,280,643          |
|                          | <b>Utilities 0.6%</b>                                     |                    |
| \$ 974,000               | Southern Union Company, 8.25% 11/15/29, Senior Notes      | 1,202,335(1)       |
|                          |   | 1,202,335          |
|                          | <b>Total Corporate Debt Securities (Cost \$4,688,537)</b> | <b>5,863,795</b>   |
|                          | <b>Common Stock 0.4%</b>                                  |                    |
|                          | <b>Utilities 0.4%</b>                                     |                    |
| 5,960                    | Exelon Corporation  | 256,995*           |
| 14,558                   | PPL Corporation   | 420,435*           |
|                          |   | 677,430            |
|                          | <b>Total Common Stock (Cost \$619,659)</b>                | <b>677,430</b>     |



Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated  
**PORTFOLIO OF INVESTMENTS (Continued)**  
**August 31, 2011 (Unaudited)**

| <u>Shares/\$ Par</u>                              | <b>Value</b>          |
|---|-----------------------|
| <b>Money Market Fund 0.6%</b>                     |                       |
| 1,070,303 BlackRock Liquidity Funds, T-Fund       | \$ 1,070,303          |
| <b>Total Money Market Fund</b> (Cost \$1,070,303) | 1,070,303             |
| <b>Total Investments</b> (Cost \$175,487,071***)  | 99.0% 179,079,903     |
| <b>Other Assets And Liabilities</b> (Net)         | 1.0% 1,891,681        |
| <b>Total Managed Assets</b>                       | 100.0% \$ 180,971,584 |
| <b>Loan Principal Balance</b>                     | (62,500,000)          |
| <b>Total Net Assets Available To Common Stock</b> | \$ 118,471,584        |

\* 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 August 31, 2011, these securities amounted to \$32,903,296 or 18.2% 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 \$139,519,632 at August 31, 2011.

(2) Foreign Issuer.

(3) Illiquid.

(4) Fair valued as of August 31, 2011.

(5) Represents the rate in effect as of the reporting date.

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:**

|                |  |
|----------------|--|
| <b>Pfd.</b>    | Preferred Securities                                       |
| <b>Pvt.</b>    | Private Placement Securities                               |
| <b>REIT</b>    | Real Estate Investment Trust                               |
| <b>STRIPES</b> | Structured Residual Interest Preferred Enhanced Securities |



Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated  
**STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE TO COMMON STOCK<sup>(1)</sup>**  
**For the period from December 1, 2010 through August 31, 2011 (Unaudited)**

|  | <b>Value</b>        |
|--|---------------------|
| <b>OPERATIONS:</b>   |                     |
| Net investment income  | \$ 8,532,016        |
| Net realized gain/(loss) on investments sold during the period                                     | 4,021,078           |
| Change in net unrealized appreciation/depreciation of investments                                  | (3,091,743)         |
| <b>Net increase in net assets resulting from operations</b>  | <b>9,461,351</b>    |
| <b>DISTRIBUTIONS:</b>  |                     |
| Dividends paid from net investment income to Common Stock Shareholders <sup>(2)</sup>              | (8,342,909)         |
| <b>Total Distributions to Common Stock Shareholders</b>  | <b>(8,342,909)</b>  |
| <b>FUND SHARE TRANSACTIONS:</b>  |                     |
| Increase from shares issued under the Dividend Reinvestment and Cash Purchase Plan                 | 730,040             |
| <b>Net increase in net assets available to Common Stock resulting from Fund share transactions</b> | <b>730,040</b>      |
| <b>NET INCREASE IN NET ASSETS AVAILABLE TO COMMON STOCK FOR THE PERIOD</b>                         | <b>\$ 1,848,482</b> |
| <b>NET ASSETS AVAILABLE TO COMMON STOCK:</b>   |                     |
| Beginning of period  | \$ 116,623,102      |
| Net increase in net assets during the period   | 1,848,482           |
| End of period  | \$ 118,471,584      |

(1) These tables summarize the nine months ended August 31, 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.

Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated  
**FINANCIAL HIGHLIGHTS<sup>(1)</sup>**  
**For the period from December 1, 2010 through August 31, 2011**  
**(Unaudited) For a Common Stock share outstanding throughout the period.**

**PER SHARE OPERATING PERFORMANCE:**

|                                      |    |      |
|--------------------------------------|----|------|
| Net asset value, beginning of period | \$ | 9.72 |
|--------------------------------------|----|------|

**INVESTMENT OPERATIONS:**

|                       |  |      |
|-----------------------|--|------|
| Net investment income |  | 0.71 |
|-----------------------|--|------|

|  |  |      |
|--|--|------|
| Net realized and unrealized gain/(loss) on investments |  | 0.08 |
|--|--|------|

|                                  |  |      |
|----------------------------------|--|------|
| Total from investment operations |  | 0.79 |
|----------------------------------|--|------|

**DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS:**

|                            |  |        |
|----------------------------|--|--------|
| From net investment income |  | (0.69) |
|----------------------------|--|--------|

|  |  |        |
|--|--|--------|
| Total distributions to Common Stock Shareholders |  | (0.69) |
|--|--|--------|

|                                |    |      |
|--------------------------------|----|------|
| Net asset value, end of period | \$ | 9.82 |
|--------------------------------|----|------|

|                             |    |       |
|-----------------------------|----|-------|
| Market value, end of period | \$ | 10.55 |
|-----------------------------|----|-------|

|  |  |            |
|--|--|------------|
| Common Stock shares outstanding, end of period |  | 12,066,055 |
|--|--|------------|

**RATIOS TO AVERAGE NET ASSETS AVAILABLE TO COMMON STOCK SHAREHOLDERS:**

|                       |  |        |
|-----------------------|--|--------|
| Net investment income |  | 9.47%* |
|-----------------------|--|--------|

|   |  |        |
|---|--|--------|
| Operating expenses including interest expense |  | 2.15%* |
|---|--|--------|

|   |  |        |
|---|--|--------|
| Operating expenses excluding interest expense |  | 1.52%* |
|---|--|--------|

**SUPPLEMENTAL DATA:**

|                         |  |       |
|-------------------------|--|-------|
| Portfolio turnover rate |  | 13%** |
|-------------------------|--|-------|

|   |    |         |
|---|----|---------|
| Total managed assets, end of period (in 000 \$) | \$ | 180,972 |
|---|----|---------|

|  |  |        |
|--|--|--------|
| Ratio of operating expenses including interest expense to total managed assets |  | 1.43%* |
|--|--|--------|

|  |  |        |
|--|--|--------|
| Ratio of operating expenses excluding interest expense to total managed assets |  | 1.01%* |
|--|--|--------|

(1) These tables summarize the nine months ended August 31, 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)**

|                           | <b>Total</b>     | <b>Net</b>   |                | <b>Dividend</b>            |
|---------------------------|------------------|--------------|----------------|----------------------------|
|                           | <b>Dividends</b> | <b>Asset</b> | <b>NYSE</b>    | <b>Reinvestment</b>        |
|                           | <b>Paid</b>      | <b>Value</b> | <b>Closing</b> | <b>Price<sup>(1)</sup></b> |
|                           |                  |              | <b>Price</b>   |                            |
| December 31, 2010 - Extra | \$ 0.0300        | \$ 9.65      | \$ 9.48        | \$ 9.59                    |
| December 31, 2010         | 0.0735           | 9.65         | 9.48           | 9.59                       |
| January 31, 2011          | 0.0735           | 9.76         | 10.09          | 9.76                       |
| February 28, 2011         | 0.0735           | 9.95         | 10.35          | 9.95                       |
| March 31, 2011            | 0.0735           | 9.94         | 10.47          | 9.95                       |
| April 29, 2011            | 0.0735           | 10.15        | 10.55          | 10.15                      |
| May 31, 2011              | 0.0735           | 10.30        | 10.94          | 10.39                      |
| June 30, 2011             | 0.0735           | 10.15        | 10.99          | 10.44                      |
| July 29, 2011             | 0.0735           | 10.17        | 10.39          | 10.17                      |
| August 31, 2011           | 0.0755           | 9.82         | 10.55          | 10.02                      |

(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 August 31, 2011, the aggregate cost of securities for federal income tax purposes was \$175,050,802, the aggregate gross unrealized appreciation for all securities in which there is an excess of value over tax cost was \$20,743,558 and the aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value was \$16,714,457.

**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 August 31, 2011 is as follows:

|                                     | <b>Total<br/>Value at<br/>August 31,<br/>2011</b> | <b>Level 1<br/>Quoted<br/>Price</b> | <b>Level 2<br/>Significant<br/>Observable<br/>Inputs</b> | <b>Level 3<br/>Significant<br/>Unobservable<br/>Inputs</b> |
|-------------------------------------|---|-------------------------------------|--|--|
| Preferred Securities                |   |                                     |  |  |
| Banking                             | \$ 67,043,841                                     | \$ 48,200,078                       | \$ 18,665,878  | \$ 177,885   |
| Financial Services                  | 5,337,064   | 545,373                             | 4,791,691  |  |
| Insurance                           | 37,764,948  | 22,285,546                          | 15,479,402   |  |
| Utilities                           | 46,115,923  | 13,915,545                          | 32,200,378   |  |
| Energy                              | 11,949,427  | 8,910,802                           | 3,038,625  |  |
| Real Estate Investment Trust (REIT) | 406,141   | 406,141                             |  |  |
| Miscellaneous Industries            | 2,851,031   |                                     | 2,851,031  |  |
| Corporate Debt Securities           | 5,863,795   | 1,583,152                           | 4,280,643  |  |
| Common Stock                        |   |                                     |  |  |
| Utilities                           | 677,430   | 677,430                             |  |  |
| Money Market Fund                   | 1,070,303   | 1,070,303                           |  |  |
| <b>Total Investments</b>            | <b>\$ 179,079,903</b>                             | <b>\$ 97,594,370</b>                | <b>\$ 81,307,648</b>                                     | <b>\$ 177,885</b>  |

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 valuation of the Fund's investments in Level 2 and Level 3 is 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:

|  | <b>Total<br/>Investments</b> | <b>Preferred<br/>Securities<br/>Banking</b> |
|--|------------------------------|---|
| <b>Balance as of 11/30/10</b>                    | \$ 19,908                    | \$ 19,908                                   |
| Accrued discounts/premiums                       |                              |   |
| Realized gain/(loss)                             |                              |   |
| Change in unrealized appreciation/(depreciation) | (16,398)                     | (16,398)                                    |
| Purchases  |                              |   |
| Sales  |                              |   |
| Transfer in                                      | 174,375                      | 174,375 <sup>(1)</sup>                      |
| Transfer out                                     |                              |   |
| <b>Balance as of 8/31/11</b>                     | <b>\$ 177,885</b>            | <b>\$ 177,885</b>                           |

<sup>(1)</sup> Transferred from Level 2 to Level 3 because of lack of observable market data due to decrease in market activity for these securities.

For the period ended August 31, 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 \$(16,398).

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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.**

Quarterly  
Report  
August 31, 2011  
[www.preferredincome.com](http://www.preferredincome.com)

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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 have materially affected, or are 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.

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### 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 Opportunity Fund Incorporated

By (Signature and Title)\* /s/ Donald F. Crumrine

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

Date 10/25/11

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 10/25/11

By (Signature and Title)\* /s/ R. Eric Chadwick

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

Date 10/25/11

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