

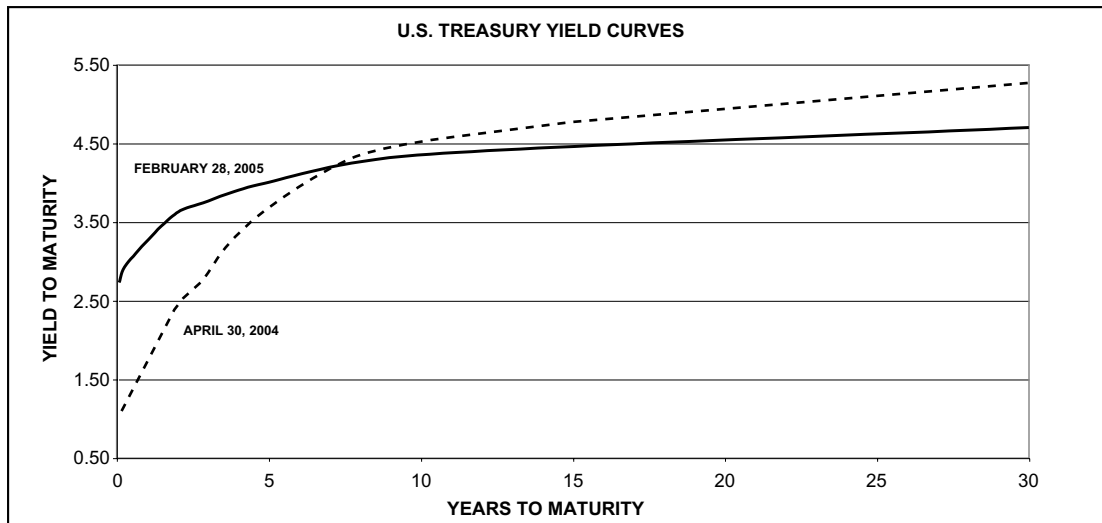
FLAHERTY & CRUMRINE PREFERRED INCOME OPPORTUNITY FUND

Dear Shareholder:

The Flaherty & Crumrine Preferred Income Opportunity Fund (“PFO”) delivered very respectable results during the most recently concluded fiscal quarter. For the three month period ending February 28, 2005, the Fund produced a total return on net asset value (“NAV”) of 6.1%⁽¹⁾. All segments of the investment portfolio performed well during the period; however, the Adjustable Rate Preferred securities in the Fund (approximately 8% of the portfolio at the beginning of the quarter) were exceptionally strong. The Fund’s hedges were a modest drag on investment results, as long-term interest rates declined during the period.

In recent letters, we have indicated that the Fund is susceptible to the same factors that have forced many other income-oriented funds to reduce their dividend distributions. In April, the Fund’s monthly dividend was set at \$0.0705 per share, a 6.6% reduction from the prior month.

As is the case with other leveraged funds, rising short-term interest rates have increased the amount the Fund must pay on its Money Market Cumulative Preferred™ Stock (“MMP®”). Typically, rising short-term interest rates are accompanied by rising long-term rates, which should increase the value of the Fund’s hedges. The gains on the hedges can then be invested in additional securities, which in turn increase the Fund’s income, and, on balance, help keep the Fund’s dividend relatively stable.



As the above chart shows, current market conditions are anything but typical—since the Federal Reserve signaled its intent to raise short-term interest rates last April, short-term interest rates have increased by approximately 175 basis points, while long-term interest rates have *fallen* by over 50 basis points! As a result, the Fund’s MMP® expense is significantly higher, but the hedges have not enabled us to produce more income. While we do not expect these conditions to persist for long periods, at this time it is necessary to adjust the monthly distribution to a more sustainable amount.

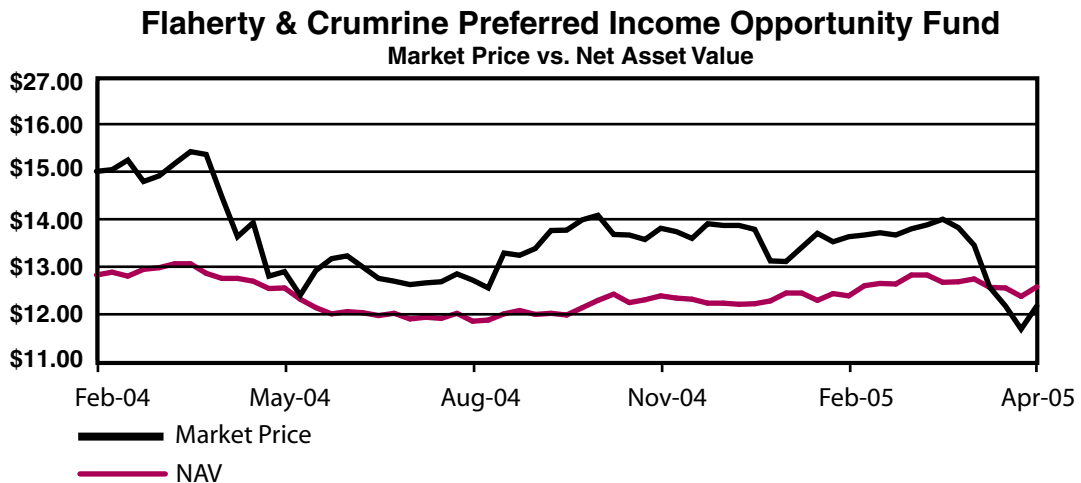
Over the longer term, a “flatter” yield curve (as measured by the difference in short- and long-term interest rates) is not a bad thing for the Fund. Obviously, the cost of the Fund’s leverage will go up, but at

(1) Based on monthly data provided by Lipper Inc. Distributions are assumed to be reinvested at NAV in accordance with Lipper’s practice.

the same time, the cost of the Fund's hedging strategy should go down. This effect can be significant since the leverage comprises roughly 32.5% of the Fund's assets, while the *entire* portfolio is hedged. The impact of the higher leverage cost occurs almost immediately, while the benefits of lower hedging costs take a bit longer to impact the Fund's income. The mathematics of all this can be a bit daunting, but over the long run, these two effects have tended to offset each other.

As a rule, we don't comment on the market price of the Fund's common shares; however, recent market activity certainly does warrant some observations. Over the long run, the market price *should* track the net asset value. From time to time we expect to see some deviation due to factors or circumstances unique to the Fund. For example, most investors cannot replicate PFO's investment portfolio, hedging strategy, or leverage, and therefore may be willing to pay a premium to the NAV.

The chart below plots the recent market price and net asset value of PFO. For most of this period, the market price traded at a premium to the NAV. We attributed this in part to the Fund's long history and successful track record, plus an attractive dividend rate which may be taxed at favorable rates for certain investors. During late February of this year, shares were trading around \$13³/₄; as of this writing, they are trading around \$12¹/₂. During the same period, the net asset value declined less than \$0.10!

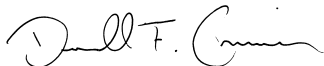


Unlike open-end mutual funds, investors in closed-end funds should have a longer investment horizon in order to weather swings in the relationship between market price and NAV. In that same vein, investors with a long-term investment horizon should stay focused on the NAV performance and dividend history of the Fund. We plan to stay the course and hopefully will continue to meet and exceed the objectives of the Fund.

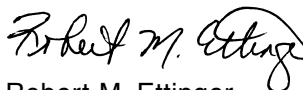
As was evident in its recent Proxy Statement, 2005 represents a year of transition in the individuals representing the Fund's shareholders. Martin Brody, who has served as a Director since the inception of the Fund, will retire at the upcoming Shareholder's Meeting. Martin brought a wealth of wisdom and experience to the board, and will be missed. In addition, to comply with recent SEC rule amendments requiring that independent directors constitute 75% of the Board, Robert Ettinger did not stand for reelection as a Director. However, Bob will continue to be very involved with the management of the Fund, continuing to serve as President of the Fund and President of Flaherty & Crumrine Incorporated, the Fund's Investment Adviser. Karen Hogan has been nominated by the Board to replace Bob. Karen brings an extensive financial and investment banking background to the Board; her knowledge will certainly benefit Shareholders.

Please take advantage of the Fund's website, www.preferredincome.com. It contains a wide range of useful and up-to-date information about the Fund. We have also addressed in greater detail many of the topics discussed in this letter.

Sincerely,

A handwritten signature in black ink, appearing to read "Donald F. Crumrine". The signature is fluid and cursive, with a large initial "D" and a long, sweeping tail.

Donald F. Crumrine
Chairman of the Board

A handwritten signature in black ink, appearing to read "Robert M. Ettinger". The signature is cursive and somewhat stylized, with a large initial "R" and a prominent loop at the end.

Robert M. Ettinger
President

April 5, 2005

PORTFOLIO OVERVIEW

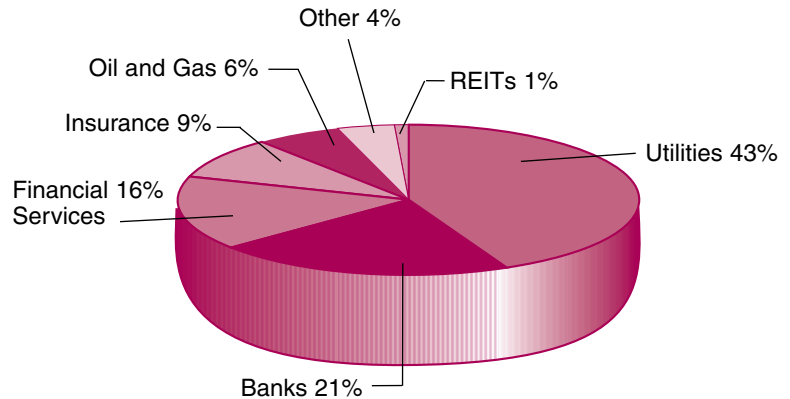
February 28, 2005 (Unaudited)

Fund Statistics on 2/28/05

Net Asset Value	\$	12.74
Market Price	\$	13.85
Premium		8.71%
Yield on Market Price		6.54%
Common Shares Outstanding		11,621,839

Industry Categories

% of Portfolio



Moody's Ratings

% of Portfolio

Aaa	0.6%
Aa	8.5%
A	20.4%
Baa	40.7%
Ba	16.9%
Not Rated	7.6%

Below Investment Grade* 16.0%

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

Top 10 Holdings by Issuer

% of Portfolio

Interstate Power	5.3%
Alabama Power	4.6%
Lehman Brothers	4.5%
Citigroup	3.8%
Xcel Energy	3.5%
The Bear Stearns Cos.	3.4%
Duke Energy	3.2%
Fannie Mae	3.1%
Cobank	3.1%
North Fork Bancorporation	3.0%

% of Portfolio**

Holdings Generating Qualified Dividend Income (QDI) for Individuals	78%
Holdings Generating Income Eligible for the Corporate Dividend Received Deduction (DRD)	77%

** 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.

PORTFOLIO OF INVESTMENTS

February 28, 2005 (Unaudited)

<u>Shares/\$ Par</u>	<u>Value</u>
Preferred Securities — 92.6%	
Banking — 20.5%	
ABN AMRO North America, Inc.:	
1,165 6.46% Pfd., 144A****	\$ 1,203,870*
4,200 6.59% Pfd., 144A****	4,375,056*
\$ 150,000 BT Capital Trust B, 7.90% 01/15/27, Capital Security	163,387 ⁽¹⁾
\$ 660,000 BT Preferred Capital Trust II, 7.875% 02/25/27 Capital Security	721,179 ⁽¹⁾
\$ 250,000 Chase Capital I, 7.67% 12/01/26 Capital Security	271,486
Citigroup, Inc.:	
72,435 5.864% Pfd., Series M	3,732,576*
7,700 6.213% Pfd., Series G	402,363*
46,000 6.231% Pfd., Series H	2,422,360*
31,850 6.365% Pfd., Series F	1,690,916*
Cobank, ACB:	
45,000 7.00% Pfd., 144A****	2,500,875*
75,000 Adj. Rate Pfd., 144A****	4,227,750*
\$ 500,000 Comerica (Imperial) Capital Trust I, 9.98% 12/31/26 Capital Security, Series B	584,522
\$ 2,250,000 First Hawaiian Capital I, 8.343% 07/01/27 Capital Security, Series B	2,498,344 ⁽¹⁾
\$ 719,000 First Union Institutional Capital I, 8.04% 12/01/26 Capital Security	788,973
\$ 1,885,000 First Union Institutional Capital II, 7.85% 01/01/27 Capital Security	2,055,998
\$ 4,349,000 GreenPoint Capital Trust I, 9.10% 06/01/27 Capital Security	4,915,827
\$ 2,500,000 HBOS Capital Funding LP, 6.85% Pfd.	2,638,612 ⁽¹⁾
6,900 HSBC USA, Inc., \$2.8575 Pfd.	352,970*
36,500 J.P. Morgan Chase & Co., 6.625% Pfd., Series H	1,882,305*
\$ 1,350,000 Keycorp Institutional Capital B, 8.25% 12/15/26 Capital Security	1,485,500
\$ 1,500,000 North Fork Capital Trust I, 8.70% 12/15/26 Capital Security	1,668,945
\$ 1,700,000 RBS Capital Trust B, 6.80% Pfd.	1,784,176 ^{**} (1)
10 Roslyn Real Estate, 8.95% Pfd., Pvt., Series C, 144A****	1,079,875
\$ 1,200,000 Wachovia Capital Trust V, 7.965% 06/01/27 Capital Security, 144A****	1,325,124
	<u>44,772,989</u>
Financial Services — 15.5%	
The Bear Stearns Companies, Inc.:	
63,750 5.49% Pfd., Series G	3,203,756*
78,823 5.72% Pfd., Series F	4,112,590*
120,000 Fannie Mae, Adj. Rate Pfd.	6,756,000*
Freddie Mac:	
6,975 5.00% Pfd., Series F	308,121*
25,500 5.10% Pfd., Series H	1,149,030*
42,650 5.30% Pfd.	1,997,086*

PORTFOLIO OF INVESTMENTS (Continued)

February 28, 2005 (Unaudited)

<u>Shares/\$ Par</u>		<u>Value</u>
Preferred Securities — (continued)		
Financial Services — (continued)		
	Lehman Brothers Holdings, Inc.:	
10,150	5.67% Pfd., Series D	\$ 519,274*
159,505	5.94% Pfd., Series C	8,184,202*
44,000	6.50% Pfd., Series F	1,177,220*
110,900	SLM Corporation, 6.97% Pfd., Series A	6,293,575*
		<u>33,700,854</u>
Insurance — 9.0%		
\$ 2,000,000	AON Capital Trust A, 8.205% 01/01/27 Capital Security	2,290,780
15,850	Everest Re Capital Trust II, 6.20% Pfd. Series B	389,117 ⁽¹⁾
\$ 4,395,000	MMI Capital Trust I, 7.625% 12/15/27 Capital Security, Series B	4,961,779
18	Premium Assets, Series A, Zurich RegCaPS Variable Inverse Pfd., Pvt.	2,049,027*
\$ 5,734,000	Provident Financing Trust I, 7.405% 03/15/38 Capital Security	5,530,586
	Zurich RegCaPS Funding Trust:	
1,750	6.01% Pfd., 144A****	1,774,334*
2,600	6.58% Pfd., 144A****	2,746,549*
		<u>19,742,172</u>
Utilities — 39.8%		
	Alabama Power Company:	
4,980	4.60% Pfd.	471,631*
6,485	4.72% Pfd.	630,180*
868	4.92% Pfd.	85,337*
120,900	5.20% Pfd.	3,030,963*
225,000	5.30% Pfd.	5,748,750*
6,000	Baltimore Gas & Electric Company, 6.70% Pfd., Series 1993	626,430*
1,628	Central Hudson Gas & Electric Corporation, 4.35% Pfd., Series D, Pvt.	138,258*
10,000	Central Illinois Light Company, 4.64% Pfd.	938,050*
8,160	Central Illinois Public Service Corporation, 4.90% Pfd.	784,625*
3,798	Central Maine Power Company, 4.75% Pfd.	345,656*
16,679	Central Vermont Public Service Corporation, 8.30% Sinking Fund Pfd. Pvt.	1,734,533*
	Connecticut Light & Power Company:	
2,050	4.50% Pfd., Series 1956	84,901*
2,900	\$2.20 Pfd., Series 1949	117,435*
9,652	\$3.24 Pfd.	506,585*
2,000	Consolidated Edison Company of New York, 4.65% Pfd., Series C	187,030*
7,500	Dayton Power and Light Company, 3.90% Pfd., Series C	552,262*

PORTFOLIO OF INVESTMENTS (Continued)

February 28, 2005 (Unaudited)

<u>Shares/\$ Par</u>		<u>Value</u>
Preferred Securities — (continued)		
Utilities — (continued)		
Duke Energy Corporation:		
8,004	4.50% Pfd., Series C, Pvt.	\$ 703,872*
34,943	7.85% Pfd., Series S	3,622,017*
Duquesne Light Company:		
15,030	3.75% Pfd.	508,916*
25,775	6.50% Pfd.	1,407,444*
5,000	Energy East Capital Trust I, 8.25% Pfd.	131,975
Entergy Arkansas, Inc.:		
2,840	4.56% Pfd.	237,907*
3,050	4.56% Pfd., Series 1965	255,498*
1,050	6.08% Pfd.	109,258*
13,500	7.40% Pfd.	1,404,607*
5,880	7.80% Pfd.	615,019*
2,265	7.88% Pfd.	236,387*
23,914	\$1.96 Pfd.	598,448*
2,441	Entergy Gulf States, Inc., 7.56% Pfd.	248,543*
Entergy Louisiana, Inc.:		
299	5.16% Pfd.	26,795*
705	6.44% Pfd.	69,901*
4,174	7.36% Pfd.	434,388*
175,000	8.00% Pfd., Series 92	4,414,375*
Entergy Mississippi, Inc.:		
3,791	4.36% Pfd.	287,073*
5,000	4.92% Pfd.	427,250*
8,500	7.44% Pfd.	880,855*
10,900	Enterprise Capital Trust I, 7.44% Pfd., Series A	277,132
Florida Power Company:		
10,000	4.58% Pfd.	905,400*
2,000	4.75% Pfd.	186,860*
Great Plains Energy, Inc.:		
1,625	4.20% Pfd.	123,313*
2,000	4.35% Pfd.	157,190*
Hawaiian Electric Company, Inc.:		
1,411	5.00% Pfd., Series D	27,063*
6,688	5.00% Pfd., Series E	128,276*
\$ 3,750,000	Houston Light & Power, Capital Trust II, 8.257% 02/01/37 Capital Security	4,114,519
30,500	Indianapolis Power & Light Company, 5.65% Pfd.	2,904,057*
340,000	Interstate Power & Light Company, 8.375% Pfd., Series B	11,478,400*
2,588	New York State Electric & Gas, \$4.50 Pfd., Series 1949	222,115*

PORTFOLIO OF INVESTMENTS (Continued)

February 28, 2005 (Unaudited)

<u>Shares/\$ Par</u>	<u>Value</u>
Preferred Securities — (continued)	
Utilities — (continued)	
12,265 Northern Indiana Public Service Company, Adj. Rate Pfd., Series A	\$ 623,062*
Ohio Power Company:	
3,018 4.20% Pfd.	251,324*
1,251 4.40% Pfd.	109,137*
Pacific Enterprises:	
13,680 \$4.36 Pfd.	1,191,049*
24,985 \$4.50 Pfd.	2,245,152*
15,730 \$4.75 Pfd., Series 53	1,491,991*
PacifiCorp:	
5,672 \$4.56 Pfd.	509,374*
6,458 \$4.72 Pfd.	600,303*
12,250 \$7.48 Sinking Fund Pfd.	1,311,485*
PECO Energy Company:	
1,100 \$4.30 Pfd., Series B	92,521*
5,000 \$4.40 Pfd., Series C	406,850*
17,537 Portland General Electric, 7.75% Sinking Fund Pfd.	1,776,937*
14,020 Public Service Electric & Gas Company, 5.28% Pfd., Series E	1,373,469*
San Diego Gas & Electric Company:	
55,210 \$1.70 Pfd	1,438,773*
30,000 \$1.7625 Sinking Fund Pfd.	774,150*
85,000 Savannah Electric & Gas Company, 6.00% Pfd.	2,209,150*
South Carolina Electric & Gas Company:	
14,226 5.125% Purchase Fund Pfd., Pvt.	732,070*
7,774 6.00% Purchase Fund Pfd., Pvt.	396,241*
57,646 Southern California Edison, 4.08% Pfd.	1,123,232*
60,000 Southern Union Company, 7.55% Pfd.	1,658,100*
\$ 750,000 TXU Electric Capital V, 8.175% 01/30/37 Capital Security	825,244
10,000 TXU US Holdings Company, \$4.00 Pfd., Series TES	745,750*
5,600 Union Electric Company, 4.56% Pfd.	518,112*
Virginia Electric & Power Company:	
1,665 \$4.04 Pfd.	137,213*
2,270 \$4.20 Pfd.	194,482*
1,673 \$4.80 Pfd.	163,812*
2,878 \$6.98 Pfd.	296,765*
12,500 \$7.05 Pfd.	1,289,500*
2,262 Washington Gas & Light Company, \$4.25 Pfd.	199,373*
12,863 Wisconsin Power & Light, 6.20% Pfd.	1,320,194*

PORTFOLIO OF INVESTMENTS (Continued)

February 28, 2005 (Unaudited)

<u>Shares/\$ Par</u>	<u>Value</u>
Preferred Securities — (continued)	
Utilities — (continued)	
Xcel Energy, Inc.:	
15,000 \$4.08 Pfd., Series B	\$ 1,158,000*
20,040 \$4.10 Pfd., Series C	1,554,703*
35,510 \$4.11 Pfd., Series D	2,761,435*
17,750 \$4.16 Pfd., Series E	1,397,191*
10,000 \$4.56 Pfd., Series G	862,850*
	<u>86,866,473</u>
Oil and Gas — 5.0%	
17,200 Anadarko Petroleum Corporation, 5.46% Pfd.	1,764,720*
6,650 Apache Corporation, 5.68% Pfd., Series B	693,927*
8,000 Devon Energy Corporation, 6.49% Pfd., Series A	847,360*
6,125 EOG Resources, Inc., 7.195% Pfd., Series B	6,536,355*
10,000 Lasmo America Limited, 8.15% Pfd., 144A****	1,104,650*
	<u>10,947,012</u>
Real Estate Investment Trust (REIT) — 1.0%	
40,000 Realty Income Corporation, 7.375% Pfd., REIT, Series D	1,067,800
40,000 Regency Centers Corporation, 7.25% Pfd., REIT	1,041,400
	<u>2,109,200</u>
Miscellaneous Industries — 1.8%	
13,600 E.I. Du Pont de Nemours and Company, \$4.50 Pfd., Series B	1,269,220*
36,200 Farmland Industries, Inc., 8.00% Pfd., 144A****	18,100*†
30,500 Ocean Spray Cranberries, Inc., 6.25% Pfd., 144A****	2,565,203*
26,000 Touch America Holdings, \$6.875 Pfd.	—*†
	<u>3,852,523</u>
Total Preferred Securities	
(Cost \$182,871,835)	<u>201,991,223</u>
Corporate Debt Security — 1.1%	
Oil and Gas — 1.1%	
85,900 Nexen, Inc., 7.35% Subordinated Notes	2,313,287 ⁽¹⁾
Total Corporate Debt Security	
(Cost \$2,245,426)	<u>2,313,287</u>

PORTFOLIO OF INVESTMENTS (Continued)

February 28, 2005 (Unaudited)

<u>Shares/\$ Par</u>	<u>Value</u>
Common Stocks and Convertible Securities — 4.4%	
Banking — 0.4%	
50,000 New York Community Bancorp, Inc.	\$ 913,750*
	<u>913,750</u>
Insurance — 0.4%	
25,000 UnumProvident Corporation, 8.25% Mandatory Convertible, 05/16/06	857,875
	<u>857,875</u>
Utilities — 3.6%	
97,500 Duke Energy Corporation	2,634,937*
64,496 FPL Group, Inc.	5,125,820*
	<u>7,760,757</u>
Total Common Stocks and Convertible Securities (Cost \$8,373,345)	<u>9,532,382</u>
Option Contracts — 1.0%	
1,275 June Put Options on June U.S. Treasury Bond Futures, Expiring 05/20/05	2,139,360†
Total Option Contracts (Cost \$1,580,670)	<u>2,139,360</u>
Money Market Fund — 0.6%	
1,342,237 BlackRock Provident Institutional, TempFund	1,342,237
Total Money Market Fund (Cost \$1,342,237)	<u>1,342,237</u>

PORTFOLIO OF INVESTMENTS (Continued)

February 28, 2005 (Unaudited)

		<u>Value</u>
Total Investments (Cost \$196,413,513 ^{***})	99.7%	\$ 217,318,489
Other Assets And Liabilities (Net)	<u>0.3%</u>	<u>761,459</u>
Total Net Assets Available to Common and Preferred Stock	<u>100.0%†</u>	<u>\$ 218,079,948</u>
Money Market Cumulative Preferred™ Stock (MMP®) Redemption Value		(70,000,000)
Total Net Assets Available to Common Stock		<u>\$ 148,079,948</u>

* 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.

(1) Foreign Issuer.

† Non-income producing.

‡ The percentage shown for each investment category is the total value of that category as a percentage of net assets available to Common and Preferred Stock.

ABBREVIATIONS:

REIT — Real Estate Investment Trust

Pfd. — Preferred Securities

Pvt. — Private Placement Securities

Capital Securities are treated as debt instruments for financial statement purposes and the amounts shown in the Shares/\$ Par column are dollar amounts of par value.

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE TO COMMON STOCK⁽¹⁾

For the period from December 1, 2004 through February 28, 2005 (Unaudited)

	<u>Value</u>
OPERATIONS:	
Net investment income	\$ 2,807,377
Net realized gain on investments sold during the period	1,780,351
Change in net unrealized appreciation of investments held during the period	4,448,236
Distributions to Money Market Cumulative Preferred™ Stock	
Shareholders from net investment income, including changes in accumulated undeclared distributions	<u>(402,964)</u>
Net increase in net assets from operations	8,633,000
DISTRIBUTIONS:	
Dividends paid from net investment income to Common Stock Shareholders ⁽²⁾	<u>(3,151,541)</u>
Total Distributions to Common Stock Shareholders	(3,151,541)
FUND SHARE TRANSACTIONS:	
Increase from Common Stock Transactions	<u>453,437</u>
Net increase in net assets available to Common Stock resulting from Fund share transactions	453,437
NET INCREASE IN NET ASSETS AVAILABLE TO COMMON STOCK FOR THE PERIOD	<u>\$ 5,934,896</u>

NET ASSETS AVAILABLE TO COMMON STOCK:

Beginning of period	\$ 142,145,052
Net increase during the period	<u>5,934,896</u>
End of period	<u><u>\$ 148,079,948</u></u>

⁽¹⁾ These tables summarize the three months ended February 28, 2005 and should be read in conjunction with the Fund's audited financial statements, including footnotes, in its Annual Report dated November 30, 2004.

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

FINANCIAL HIGHLIGHTS⁽¹⁾

**For the period from December 1, 2004 through February 28, 2005 (Unaudited)
For a Common share outstanding throughout the period.**

PER SHARE OPERATING PERFORMANCE:

Net asset value, beginning of period \$ 12.27

INVESTMENT OPERATIONS:

Net investment income 0.24
Net realized and unrealized gain on investments 0.53

DISTRIBUTIONS TO MMP^{®*} SHAREHOLDERS:

From net investment income (0.03)
From net realized capital gains —
Total from investment operations 0.74

DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS:

From net investment income (0.27)
From net realized capital gains —
Total distributions to Common Shareholders (0.27)

Net asset value, end of period \$ 12.74
Market value, end of period \$ 13.85
Common shares outstanding, end of period 11,621,839

RATIOS TO AVERAGE NET ASSETS AVAILABLE TO COMMON STOCK SHAREHOLDERS:

Net investment income † 6.53%**
Operating expenses 1.59%**

SUPPLEMENTAL DATA:††

Portfolio turnover rate 8%***
Total net assets available to Common and Preferred Stock, end of period (in 000's) . . \$ 218,080
Ratio of operating expenses to total average net assets available to
Common and Preferred Stock 1.08%**

⁽¹⁾ These tables summarize the three months ended February 28, 2005 and should be read in conjunction with the Fund's audited financial statements, including footnotes, in its Annual Report dated November 30, 2004.

* Money Market Cumulative Preferred[™] Stock.

** Annualized.

*** Not Annualized.

† The net investment income ratios reflect income net of operating expenses and payments to MMP^{®*} Shareholders.

†† Information presented under heading Supplemental Data includes MMP^{®*}.

FINANCIAL HIGHLIGHTS (Continued)

Per Share of Common Stock (Unaudited)

	<u>Total Dividends Paid</u>	<u>Net Asset Value</u>	<u>NYSE Closing Price</u>	<u>Dividend Reinvestment Price⁽¹⁾</u>
December 31, 2004 - Extra	\$0.0450	\$12.58	\$13.50	\$12.83
December 31, 2004	0.0755	12.58	13.50	12.83
January 31, 2005	0.0755	12.78	13.59	12.91
February 28, 2005	0.0755	12.74	13.85	13.16

⁽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 payment 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.

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Directors

Martin Brody
Donald F. Crumrine, CFA
Robert M. Ettinger, CFA
David Gale
Morgan Gust
Robert F. Wulf, CFA

Officers

Donald F. Crumrine, CFA
Chairman of the Board
and Chief Executive Officer
Robert M. Ettinger, CFA
President
R. Eric Chadwick, CFA
Chief Financial Officer,
Vice President, Treasurer
and Secretary
Peter C. Stimes, CFA
Chief Compliance
Officer and Vice President
Bradford S. Stone
Vice President
Laurie 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 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 —
PFPC Inc.
P.O. Box 43027
Providence, RI 02940-3027
1-800-331-1710

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Quarterly Report

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web site: www.preferredincome.com