



Flaherty & Crumrine Preferred Income Opportunity Fund (the “Fund”)

Cusip: 33848E106

NYSE Symbol: PFO

On December 15, 2008, the Fund declared a common stock distribution of \$0.05 per share payable December 31, 2008, to shareholders of record on December 23, 2008. Fund management estimates that approximately 95% of the distribution will be made out of the Fund’s net investment income (or \$0.0475), but approximately 5% of the distribution (or \$0.0025) could instead consist of non-taxable return of capital. A “return of capital” represents a return of a shareholder’s original investment in the Fund’s shares, and should not be confused with a dividend yield or capital gains. To the extent shareholders receive a return of capital they will be required to adjust their cost basis in the Fund’s shares accordingly.

The final determination of the tax characteristics of all 2008 calendar year distributions will not be made until after December 31, 2008. In January 2009, Form 1099 DIV will be sent to shareholders that will state the aggregate amount and tax characterization of distributions for the 2008 calendar year.

Shareholders should consult their tax advisor with questions regarding the taxation of distributions, and any necessary adjustments to their cost basis in the Fund’s shares.

Broker/Dealers – This notice is required by law to accompany the distribution. Please forward this notice to your clients with this distribution.

For more information about this notice, see the discussion topic “Why am I receiving a written notice with my dividend payment” on the website at: www.preferredincome.com, Frequently Asked Questions.

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