PREFERRED INCOME OPPORTUNITY FUND INC
Form N-CSR
February 03, 2004

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

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 Inc.
301 E. Colorado Boulevard, Suite 720
PASADENA, CA 91101
(Name and address of agent for service)

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

Date of fiscal year end: NOVEMBER 30, 2003

Date of reporting period: NOVEMBER 30, 2003

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR 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 Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

ITEM 1. REPORTS TO STOCKHOLDERS.

FLAHERTY & CRUMRINE PREFERRED INCOME
OPPORTUNITY FUND

Dear Shareholder:

The Flaherty & Crumrine Preferred Income Opportunity Fund ("PFO") wrapped up a very successful fiscal year on November 30, 2003. The Fund produced +3.0%(1) total return on net asset value ("NAV") during the fourth fiscal quarter, and +26.9%(1) for the full year. The market price of Fund shares also produced very strong returns. For the full fiscal year, the combination of income and share price appreciation totaled +24.9%. By any practical measure, those returns were very, very good.

There is also good news on the dividend. Beginning in December, the regular monthly dividend has increased to $0.0755 per share from $0.073, an increase of 3.4%. In addition, the Fund made a one-time extra distribution of $0.03 per share, payable December 31 to holders of record on December 24, 2003. We have more to say about this in the Question and Answer section.

The table below compares the return on your Fund with a broad composite of fixed-income, closed-end funds. Although the investment strategies used by the Fund differ significantly from those of the typical bond fund, we believe that the Flaherty & Crumrine Preferred Income Opportunity Fund provides a better way of accomplishing a similar objective.

AVERAGE TOTAL RETURN PER YEAR ON NET ASSET VALUE(1)
FOR PERIODS ENDING NOVEMBER 30, 2003

	ONE YEAR	FIVE YEARS	TEN YEARS	LIFE OF FUND(2)
Flaherty & Crumrine Preferred Income Opportunity Fund	26.9%	8.7%	9.6%	10.7%
Lipper Composite of Investment Grade Bond Funds(3)	9.5%	6.6%	6.8%	7.4%

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(1) Based on monthly data provided by Lipper Inc. Distributions are assumed to be reinvested at NAV in accordance with Lipper's practice, which differs from the procedures used elsewhere in this report.
(2) Since inception on February 13, 1992.
(3) Includes all U.S. Government bond, mortgage bond and term trust and investment grade bond funds in Lipper's closed-end fund database at each point in time.

A number of factors contributed to the outstanding performance of the Fund over the past fiscal year, but three in particular stand out:

- A very favorable market for preferred securities;
- Successful execution of the Fund's hedging strategy; and
- Attractive financing rates on the Fund's Money Market Preferred ("MMP(TRADE MARK)") shares.

The demand for preferred securities increased steadily over the past year. This was especially true for preferred securities that pay dividends subject to new, lower tax rates. As we have discussed in the past, preferred securities can be divided into two broad categories--"hybrid preferreds" which pay INTEREST and "traditional preferreds" which pay DIVIDENDS. Prior to 2003, the distinction was most critical for corporations because they received favorable tax treatment on dividends. Starting in 2003, however, individuals will also be taxed at lower rates on dividends, and, as a result, have increasingly become buyers of traditional preferreds.

For several years the Fund has been steadily increasing its holdings of dividend-paying preferreds and thus has been well positioned to capitalize on the greater demand. These portfolio moves have been an important key to the Fund's superior performance. 84.4% of the distributions made by PFO in 2003 to Common Shareholders is considered qualified dividend income for individual taxpayers. A more detailed discussion is included in the Q&A section.

The Fund's hedging strategy played a very important role in fiscal 2003. Long-term U.S. Treasury interest rates ended the year at about the same level as where they began, slightly above 5%. Over the course of the year, however, interest rates were anything but stable. The Fund's hedges performed according to design, and actually benefited from the volatility. The hedging strategy enabled the Fund to make a lot of money when interest rates declined during the spring, while protecting much of those gains as rates spiked back up during the summer.

The Fund also benefited from low short-term interest rates, which kept the average rate the Fund paid on its shares of MMP(TRADE MARK) below 1 1/4%. Keep in mind that low short-term rates can be a double-edged sword--while reducing the cost of leverage, low rates typically make the Fund's hedging strategy more expensive. In the case of PFO, the cost of the leverage and the cost of the hedge should move as if they are on opposite ends of a teeter-totter--when one is going up, the other should be falling (although not necessarily by the same amount). Over the past year, however, we managed to "bend the board"--leverage cost was low AND active management of the hedge positions kept the hedge costs down.

During the past few months it seems as if each passing day has brought new revelations of misdeeds by open-end mutual funds. The abuses have been almost entirely the result of certain fund complexes permitting two different types of trading strategies in funds they manage--after-hour trades and rapid or excessive trading. NOT ONE OF THESE ALLEGED ABUSES HAS INVOLVED A CLOSED-END FUND. Shares of closed-end funds, such as PFO, trade at prices determined in the market place rather than at the net asset value computed at the market's close. As a result, these abusive trading techniques simply can't work in closed-end funds. We address this topic in greater detail in the Q&A section, but we want our shareholders to know that in addition to the structural protection offered by the Fund, we are committed to following both the letter and spirit of the law, and to making certain that every investor is treated exactly the same.

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Our approach to managing your Fund is straightforward. We intensively study and monitor the fundamental credit quality of each potential investment, and carefully evaluate the specific terms of each individual issue. If all this research produces a suitable level of comfort, we then begin the process of assessing the appropriate price for the security. Since our investment philosophy is to own the issues that offer the best OVERALL value within the universe of eligible securities, it often means that we pass up the temptation of issues offering higher absolute yields. If we make intelligent investments and continue to successfully implement the hedging strategy, then the Fund will have more money to invest and thus be able to generate more income over time. The process is arduous and ongoing, but rarely do good things come without substantial effort.

We encourage you to read the Questions and Answers section beginning on the next page, which contains additional information on the Fund's strategy and operation.

Sincerely,

/S/ DONALD F. CRUMRINE	/S/ ROBERT M. ETTINGER
Donald F. Crumrine Chairman of the Board	Robert M. Ettinger President

January 21, 2004

QUESTIONS & ANSWERS

WHY WAS THE FUND ABLE TO RAISE ITS DIVIDEND RATE?

A number of things contributed to the dividend increase, but the key factors were the management of the investment portfolio, the success of the hedging strategy and continued low short-term interest rates.

One proven strategy to increase income from an investment portfolio is to have a larger portfolio. Over the years, consistent, active management of the portfolio has been the surest way to make it grow. Sometimes our focus may be on specific securities and other times on broader sectors of the market, but the simple goal is to "buy 'em cheap and sell 'em dear".

During the past year, almost anyone who purchased a preferred security probably made money. Producing returns like PFO, however, required owning the "right" preferreds. For example, the decision to increase the portfolio's allocation to traditional preferreds was a major factor in this year's performance.

We also actively manage the Fund's hedge. This past spring, when yields on intermediate and long-term U.S. Treasury bonds were falling to historical lows, the Fund's put option hedges quickly became worthless, but the prices on the Fund's preferred securities kept going up! When yields reversed course and rose rapidly in mid-summer, gains on the hedge offset much of the decline in the value of the securities, and a portion of the hedge gains were used to purchase additional income producing securities.

Finally, Federal Reserve monetary policy has kept short-term yields very low. Since the rates paid by the Fund on its shares of Money Market Cumulative Preferred(TRADE MARK) Stock (MMP(TRADE MARK)) are closely correlated to these yields, the Fund has more income available for shareholders.

WHAT HAS HAPPENED TO THE FUND'S INCOME OVER TIME?

The following chart provides the clearest answer. The chart may look familiar--it has appeared several times in the past (it is one of our favorites because it clearly demonstrates the success of the Fund's investment strategy). The solid line (measured on the left-hand scale) represents the monthly dollar income received from an original investment in 1,000 shares of the Fund. It is based on the assumption that the shareholder spent his or her regular monthly dividend income from the Fund and reinvested at net asset value only the portion of each special year-end distribution that was "above and beyond" the monthly dividends.

FLAHERTY & CRUMRINE PREFERRED INCOME OPPORTUNITY FUND
MONTHLY DIVIDEND INCOME
On a 1,000 Share ($12,500) Initial Investment through 12/31/03

[GRAPHIC OMITTED]
EDGAR REPRESENTATION OF DATA POINTS USED IN PRINTED GRAPHIC

DATE	MONTHLY DIVIDEND INCOME	30-YEAR TREASURY YIELD
Jan-92		7.76%
Feb-92		7.79%
Mar-92		7.96%
Apr-92		8.03%
May-92	$82.50	7.84%
Jun-92	$82.50	7.78%
Jul-92	$82.50	7.46%
Aug-92	$82.50	7.41%
Sep-92	$82.50	7.38%
Oct-92	$82.50	7.62%
Nov-92	$82.50	7.60%
Dec-92	$82.50	7.39%
Jan-93	$83.14	7.19%
Feb-93	$83.14	6.90%
Mar-93	$83.14	6.92%
Apr-93	$83.14	6.93%
May-93	$83.14	6.98%
Jun-93	$83.14	6.67%
Jul-93	$83.14	6.56%
Aug-93	$83.14	6.09%
Sep-93	$83.14	6.02%
Oct-93	$83.14	5.97%
Nov-93	$83.14	6.30%
Dec-93	$83.14	6.35%
Jan-94	$79.87	6.24%
Feb-94	$79.87	6.66%
Mar-94	$79.87	7.09%
Apr-94	$79.87	7.30%
May-94	$85.89	7.43%
Jun-94	$85.89	7.61%
Jul-94	$85.89	7.39%
Aug-94	$85.89	7.48%
Sep-94	$85.89	7.82%
Oct-94	$85.89	7.96%
Nov-94	$89.17	7.94%
Dec-94	$89.17	7.88%
Jan-95	$88.36	7.73%
Feb-95	$88.36	7.55%
Mar-95	$88.36	7.43%
Apr-95	$88.36	7.33%
May-95	$88.36	6.63%
Jun-95	$83.83	6.54%
Jul-95	$83.83	6.90%
Aug-95	$83.83	6.61%
Sep-95	$83.83	6.50%
Oct-95	$83.83	6.36%
Nov-95	$83.83	6.08%

Dec-95	$78.73	5.95%
Jan-96	$78.73	6.05%
Feb-96	$78.73	6.36%
Mar-96	$78.73	6.67%
Apr-96	$78.73	6.83%
May-96	$83.83	7.00%
Jun-96	$83.83	6.95%
Jul-96	$83.83	7.01%
Aug-96	$83.83	7.12%
Sep-96	$83.83	6.90%
Oct-96	$83.83	6.81%
Nov-96	$83.83	6.51%
Dec-96	$83.83	6.60%
Jan-97	$84.06	6.79%
Feb-97	$84.06	6.80%
Mar-97	$84.06	7.09%
Apr-97	$84.06	6.89%
May-97	$84.06	6.98%
Jun-97	$84.06	6.74%
Jul-97	$84.06	6.45%
Aug-97	$84.06	6.61%
Sep-97	$84.06	6.30%
Oct-97	$84.06	6.15%
Nov-97	$84.06	6.04%
Dec-97	$84.06	5.95%
Jan-98	$79.79	5.90%
Feb-98	$79.79	6.02%
Mar-98	$79.79	5.93%
Apr-98	$79.79	5.95%
May-98	$79.79	5.80%
Jun-98	$79.79	5.62%
Jul-98	$79.79	5.72%
Aug-98	$79.79	5.26%
Sep-98	$79.79	4.98%
Oct-98	$79.79	5.15%
Nov-98	$79.79	5.07%
Dec-98	$79.79	5.09%
Jan-99	$81.35	5.09%
Feb-99	$81.35	5.58%
Mar-99	$81.35	5.62%
Apr-99	$81.35	5.66%
May-99	$81.35	5.82%
Jun-99	$88.18	5.97%
Jul-99	$88.18	6.10%
Aug-99	$88.18	6.06%
Sep-99	$88.18	6.05%
Oct-99	$88.18	6.16%
Nov-99	$88.18	6.29%
Dec-99	$88.18	6.48%
Jan-00	$88.45	6.49%
Feb-00	$88.45	6.15%
Mar-00	$88.45	5.84%
Apr-00	$88.45	5.96%
May-00	$88.45	6.02%
Jun-00	$88.45	5.89%
Jul-00	$88.45	5.79%
Aug-00	$88.45	5.67%
Sep-00	$88.45	5.88%
Oct-00	$88.45	5.79%
Nov-00	$88.45	5.59%
Dec-00	$88.45	5.46%
Jan-01	$88.45	5.53%

Feb-01	$88.45	5.34%
Mar-01	$88.45	5.46%
Apr-01	$88.45	5.77%
May-01	$88.45	5.77%
Jun-01	$88.45	5.74%
Jul-01	$88.45	5.50%
Aug-01	$88.45	5.37%
Sep-01	$88.45	5.41%
Oct-01	$88.45	4.88%
Nov-01	$88.45	5.26%
Dec-01	$88.45	5.47%
Jan-02	$88.97	5.43%
Feb-02	$88.97	5.41%
Mar-02	$88.97	5.80%
Apr-02	$88.97	5.59%
May-02	$88.97	5.61%
Jun-02	$95.52	5.52%
Jul-02	$95.52	5.30%
Aug-02	$95.52	4.93%
Sep-02	$95.52	4.66%
Oct-02	$95.52	5.00%
Nov-02	$95.52	5.04%
Dec-02	$95.52	4.96%
Jan-03	$96.47	4.85%
Feb-03	$96.47	4.67%
Mar-03	$96.47	4.83%
Apr-03	$96.47	4.78%
May-03	$96.47	4.36%
Jun-03	$96.47	4.56%
Jul-03	$96.47	5.41%
Aug-03	$96.47	5.22%
Sep-03	$96.47	4.89%
Oct-03	$96.47	5.14%
Nov-03	$96.47	5.13%
Dec-03	$96.47	5.00%
Jan-04	$100.01	5.00%
Feb-04	$100.01	5.10%

The chart's message is that the MONTHLY DIVIDEND INCOME HAS INCREASED SINCE THE INCEPTION OF THE FUND FOR SHAREHOLDERS THAT REINVESTED THE "EXTRA" DISTRIBUTIONS. That increase is rather remarkable in view of the substantial decline in the interest rate on long-term U.S. Treasury bonds (the dashed line measured on the right-hand scale) over the life of the Fund from roughly 8% to slightly more than 5%.

ARE DIVIDENDS PAID BY THE FUND ELIGIBLE FOR THIS YEAR'S LOWER TAX RATES?

For individual investors in PFO, 84.39% of the distributions made by the Fund in CALENDAR YEAR 2003 was QUALIFIED DIVIDEND income. For corporate investors, 83.98% was eligible for the inter-corporate dividend received deduction.

WHAT PORTION OF 2004 DISTRIBUTIONS WILL BE QUALIFIED DIVIDEND INCOME?

The short answer is "we don't know". The breakdown between dividends, interest and capital gains can only be determined once we close the books on the Fund's fiscal year-end, so the 2004 numbers can't be computed until a year from now.

As can be seen in the attached portfolio listing, more than two thirds of the portfolio was invested in traditional preferred stocks at our fiscal year end. This percentage has increased since then simply because we believed these securities were undervalued. If the "pendulum of value" swings too far the other way and taxable (or "hybrid") preferreds look relatively more attractive, the portfolio composition may move more toward hybrids. In that scenario, the Fund's qualified dividend percentage would likely decline, but the dividend rate could possibly increase.

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HOW WILL THE FUND NOTIFY SHAREHOLDERS ABOUT HOW MUCH INCOME IS ELIGIBLE FOR THE LOWER TAX RATE?

If you are an individual investor and have possession of your Fund share certificate, you will receive Form 1099 from PFPC. If your shares are registered in the name of your brokerage firm, it will issue Form 1099 directly to you. In either case, Box 1b of Form 1099 includes "Qualified dividends" eligible for the lower tax rate.

WHY HAS THE MARKET PRICE INCREASED RELATIVE TO THE NAV?

The following chart plots the relationship of market price to net asset value over the life of the Fund.

FLAHERTY & CRUMRINE PREFERRED INCOME OPPORTUNITY FUND
PREMIUM/DISCOUNT OF MARKET PRICE TO NAV

[GRAPHIC OMITTED]
EDGAR REPRESENTATION OF DATA POINTS USED IN PRINTED GRAPHIC

DATE	PREMIUM/DISCOUNT
2/21/92	0.0726%
2/28/92	0.0805%
3/6/92	0.0874%
3/13/92	0.0980%
3/20/92	0.0819%
3/27/92	0.0556%
4/3/92	0.0538%
4/10/92	0.0705%
4/17/92	0.0547%
4/24/92	0.0590%
5/1/92	0.0546%
5/8/92	0.0536%
5/15/92	0.0306%
5/22/92	0.0248%
5/29/92	0.0307%
6/5/92	0.0181%
6/12/92	0.0400%
6/19/92	0.0357%
6/26/92	0.0442%
7/3/92	0.0475%
7/10/92	0.0626%
7/17/92	0.0800%
7/24/92	0.0592%
7/31/92	0.0647%
8/7/92	0.0613%
8/14/92	0.0628%
8/21/92	0.0514%
8/28/92	0.0539%
9/4/92	0.0409%
9/11/92	0.0684%
9/18/92	0.0572%

9/25/92	0.0539%
10/2/92	0.0620%
10/9/92	0.0675%
10/16/92	0.0490%
10/23/92	0.0188%
10/30/92	0.0474%
11/6/92	0.0180%
11/13/92	0.0188%
11/20/92	0.0408%
11/27/92	0.0844%
12/4/92	0.0630%
12/11/92	0.0515%
12/18/92	0.0691%
12/25/92	0.0638%
1/1/93	0.0621%
1/8/93	0.0679%
1/15/93	0.0595%
1/22/93	0.0434%
1/29/93	0.0475%
2/5/93	0.0483%
2/12/93	0.0284%
2/19/93	0.0202%
2/26/93	0.0310%
3/5/93	0.0473%
3/12/93	0.0651%
3/19/93	0.0303%
3/26/93	0.0360%
4/2/93	0.0514%
4/9/93	0.0675%
4/16/93	0.0570%
4/23/93	0.0853%
4/30/93	0.0651%
5/7/93	0.0513%
5/14/93	0.0610%
5/21/93	0.0570%
5/28/93	0.0441%
6/4/93	0.0497%
6/11/93	0.0561%
6/18/93	0.0497%
6/25/93	0.0417%
7/2/93	0.0472%
7/9/93	0.0425%
7/16/93	0.0362%
7/23/93	0.0068%
7/30/93	0.0306%
8/6/93	0.0212%
8/13/93	0.0181%
8/20/93	0.0008%
8/27/93	0.0370%
9/3/93	0.0331%
9/10/93	0.0401%
9/17/93	0.0338%
9/24/93	0.0244%
10/1/93	0.0214%
10/8/93	0.0261%
10/15/93	0.0263%
10/22/93	0.0246%
10/29/93	0.0090%
11/5/93	0.0000%
11/12/93	-0.0107%
11/19/93	-0.0282%
11/26/93	-0.0179%

12/3/93	-0.0076%
12/10/93	-0.0334%
12/17/93	-0.0338%
12/24/93	-0.0431%
12/31/93	0.0249%
1/7/94	-0.0036%
1/14/94	0.0157%
1/21/94	-0.0230%
1/28/94	-0.0377%
2/4/94	-0.0323%
2/11/94	-0.0361%
2/18/94	-0.0863%
2/25/94	-0.0500%
3/4/94	-0.0392%
3/11/94	-0.0315%
3/18/94	-0.0585%
3/25/94	-0.0562%
4/1/94	-0.0556%
4/8/94	-0.0612%
4/15/94	-0.0771%
4/22/94	-0.1012%
4/29/94	-0.1145%
5/6/94	-0.0775%
5/13/94	-0.0633%
5/20/94	-0.0636%
5/27/94	-0.0312%
6/3/94	-0.0683%
6/10/94	-0.0288%
6/17/94	-0.0457%
6/24/94	-0.0393%
7/1/94	-0.0409%
7/8/94	-0.0450%
7/15/94	-0.0490%
7/22/94	-0.0294%
7/29/94	-0.0327%
8/5/94	-0.0221%
8/12/94	-0.0303%
8/19/94	-0.0269%
8/26/94	-0.0348%
9/2/94	-0.0204%
9/9/94	-0.0318%
9/16/94	-0.0409%
9/23/94	-0.0628%
9/30/94	-0.0620%
10/7/94	-0.1322%
10/14/94	-0.1149%
10/21/94	-0.1410%
10/28/94	-0.1040%
11/4/94	-0.0786%
11/11/94	-0.0976%
11/18/94	-0.0990%
11/25/94	-0.0770%
12/2/94	-0.0402%
12/9/94	-0.0868%
12/16/94	-0.0732%
12/23/94	-0.0604%
12/30/94	-0.0851%
1/6/95	-0.0010%
1/13/95	-0.0141%
1/20/95	-0.0303%
1/27/95	-0.0619%
2/3/95	-0.0119%

2/10/95	-0.0314%
2/17/95	-0.0702%
2/24/95	-0.0376%
3/3/95	-0.0297%
3/10/95	-0.0585%
3/17/95	-0.0523%
3/24/95	-0.0534%
3/31/95	-0.0393%
4/7/95	-0.0341%
4/14/95	-0.0393%
4/21/95	-0.0690%
4/28/95	-0.0341%
5/5/95	-0.0576%
5/12/95	-0.0501%
5/19/95	-0.0933%
5/26/95	-0.0753%
6/2/95	-0.0481%
6/9/95	-0.0729%
6/16/95	-0.0702%
6/23/95	-0.0749%
6/30/95	-0.0686%
7/7/95	-0.0690%
7/14/95	-0.0869%
7/21/95	-0.1087%
7/28/95	-0.0911%
8/4/95	-0.0973%
8/11/95	-0.1018%
8/18/95	-0.1011%
8/25/95	-0.0780%
9/1/95	-0.0706%
9/8/95	-0.0833%
9/15/95	-0.0710%
9/22/95	-0.0749%
9/29/95	-0.0641%
10/6/95	-0.0718%
10/13/95	-0.1006%
10/20/95	-0.0909%
10/27/95	-0.1012%
11/3/95	-0.1232%
11/10/95	-0.0962%
11/17/95	-0.1071%
11/24/95	-0.1093%
12/1/95	-0.1014%
12/8/95	-0.1277%
12/15/95	-0.1233%
12/22/95	-0.1265%
12/29/95	-0.1454%
1/5/96	-0.1197%
1/12/96	-0.1279%
1/19/96	-0.1312%
1/26/96	-0.1146%
2/2/96	-0.1233%
2/9/96	-0.1233%
2/16/96	-0.1279%
2/23/96	-0.1303%
3/1/96	-0.1124%
3/8/96	-0.1465%
3/15/96	-0.1508%
3/22/96	-0.1487%
3/29/96	-0.1515%
4/5/96	-0.1315%
4/12/96	-0.1286%

4/19/96	-0.1279%
4/26/96	-0.1383%
5/3/96	-0.1257%
5/10/96	-0.1130%
5/17/96	-0.1408%
5/24/96	-0.1386%
5/31/96	-0.1386%
6/7/96	-0.1255%
6/14/96	-0.1337%
6/21/96	-0.1301%
6/28/96	-0.0918%
7/5/96	-0.1079%
7/12/96	-0.0911%
7/19/96	-0.1122%
7/26/96	-0.0939%
8/2/96	-0.0876%
8/9/96	-0.0688%
8/16/96	-0.0673%
8/23/96	-0.0881%
8/30/96	-0.0836%
9/6/96	-0.0836%
9/13/96	-0.0661%
9/20/96	-0.0889%
9/27/96	-0.0991%
10/4/96	-0.0876%
10/11/96	-0.0876%
10/18/96	-0.0935%
10/25/96	-0.0834%
11/1/96	-0.0796%
11/8/96	-0.0932%
11/15/96	-0.0726%
11/22/96	-0.0586%
11/29/96	-0.0608%
12/6/96	-0.0792%
12/13/96	-0.0813%
12/20/96	-0.1009%
12/27/96	-0.0837%
1/3/97	-0.0693%
1/10/97	-0.0562%
1/17/97	-0.0693%
1/24/97	-0.0834%
1/31/97	-0.0678%
2/7/97	-0.0623%
2/14/97	-0.0551%
2/21/97	-0.0645%
2/28/97	-0.0605%
3/7/97	-0.0581%
3/14/97	-0.0654%
3/21/97	-0.0715%
3/28/97	-0.0715%
4/4/97	-0.0573%
4/11/97	-0.0973%
4/18/97	-0.0806%
4/25/97	-0.0748%
5/2/97	-0.0672%
5/9/97	-0.0520%
5/16/97	-0.0647%
5/23/97	-0.0573%
5/30/97	-0.0362%
6/6/97	-0.0615%
6/13/97	-0.0385%
6/20/97	-0.0473%

6/27/97	-0.0418%
7/4/97	-0.0498%
7/11/97	-0.0585%
7/18/97	-0.0486%
7/25/97	-0.0630%
8/1/97	-0.0273%
8/8/97	-0.0701%
8/15/97	-0.0715%
8/22/97	-0.0767%
8/29/97	-0.0472%
9/5/97	-0.0580%
9/12/97	-0.0656%
9/19/97	-0.0557%
9/26/97	-0.0492%
10/3/97	-0.0292%
10/10/97	-0.0492%
10/17/97	-0.0506%
10/24/97	-0.0574%
10/31/97	-0.0477%
11/7/97	-0.0442%
11/14/97	-0.0377%
11/21/97	-0.0688%
11/28/97	-0.0484%
12/5/97	-0.0406%
12/12/97	-0.0652%
12/19/97	-0.0648%
12/26/97	-0.0456%
1/2/98	-0.0171%
1/9/98	-0.0197%
1/16/98	-0.0185%
1/23/98	-0.0620%
1/30/98	-0.0477%
2/6/98	-0.0530%
2/13/98	-0.0604%
2/20/98	-0.0456%
2/27/98	-0.0477%
3/6/98	-0.0473%
3/13/98	-0.0568%
3/20/98	-0.0487%
3/27/98	-0.0579%
4/3/98	-0.0682%
4/10/98	-0.0508%
4/17/98	-0.0620%
4/24/98	-0.0768%
5/1/98	-0.0618%
5/8/98	-0.0540%
5/15/98	-0.0717%
5/22/98	-0.0664%
5/29/98	-0.0648%
6/5/98	-0.0643%
6/12/98	-0.0627%
6/19/98	-0.0573%
6/26/98	-0.0600%
7/3/98	-0.0575%
7/10/98	-0.0562%
7/17/98	-0.0563%
7/24/98	-0.0465%
7/31/98	-0.0526%
8/7/98	-0.0472%
8/14/98	-0.0864%
8/21/98	-0.0954%
8/28/98	-0.0540%

9/4/98	-0.0618%
9/11/98	-0.0487%
9/18/98	-0.0392%
9/25/98	-0.0402%
10/2/98	-0.0554%
10/9/98	-0.0744%
10/16/98	-0.0485%
10/23/98	-0.0406%
10/30/98	-0.0616%
11/6/98	-0.0396%
11/13/98	-0.0481%
11/20/98	-0.0641%
11/27/98	-0.0478%
12/4/98	-0.0413%
12/11/98	-0.0363%
12/18/98	-0.0537%
12/25/98	-0.0132%
1/1/99	-0.0196%
1/8/99	-0.0297%
1/15/99	-0.0392%
1/22/99	-0.0627%
1/29/99	-0.0677%
2/5/99	-0.0610%
2/12/99	-0.0887%
2/19/99	-0.0937%
2/26/99	-0.1078%
3/5/99	-0.0846%
3/12/99	-0.0650%
3/19/99	-0.1022%
3/26/99	-0.0888%
4/2/99	-0.0724%
4/9/99	-0.1029%
4/16/99	-0.0781%
4/23/99	-0.0930%
4/30/99	-0.1156%
5/7/99	-0.1015%
5/14/99	-0.1277%
5/21/99	-0.1256%
5/28/99	-0.1093%
6/4/99	-0.1007%
6/11/99	-0.0558%
6/18/99	-0.0835%
6/25/99	-0.0602%
7/2/99	-0.0532%
7/9/99	-0.0532%
7/16/99	-0.0761%
7/23/99	-0.0558%
7/30/99	-0.0829%
8/6/99	-0.0464%
8/13/99	-0.0780%
8/20/99	-0.0864%
8/27/99	-0.0345%
9/3/99	-0.1057%
9/10/99	-0.0938%
9/17/99	-0.0683%
9/24/99	-0.0401%
10/1/99	-0.0770%
10/8/99	-0.0860%
10/15/99	-0.1231%
10/22/99	-0.1254%
10/29/99	-0.1223%
11/5/99	-0.1192%

11/12/99	-0.1252%
11/19/99	-0.0826%
11/26/99	-0.0979%
12/3/99	-0.0970%
12/10/99	-0.0807%
12/17/99	-0.1118%
12/24/99	-0.1212%
12/31/99	-0.0354%
1/7/00	-0.0028%
1/14/00	-0.0385%
1/21/00	-0.0996%
1/28/00	-0.1047%
2/4/00	-0.0923%
2/11/00	-0.0845%
2/18/00	-0.1038%
2/25/00	-0.0962%
3/3/00	-0.1021%
3/10/00	-0.0858%
3/17/00	-0.1055%
3/24/00	-0.1272%
3/31/00	-0.1361%
4/7/00	-0.1047%
4/14/00	-0.0894%
4/21/00	-0.0781%
4/28/00	-0.0640%
5/5/00	-0.0385%
5/12/00	-0.0566%
5/19/00	-0.0734%
5/26/00	-0.0759%
6/2/00	-0.0905%
6/9/00	-0.1037%
6/16/00	-0.0943%
6/23/00	-0.0775%
6/30/00	-0.0841%
7/7/00	-0.0909%
7/14/00	-0.0893%
7/21/00	-0.0970%
7/28/00	-0.0927%
8/4/00	-0.0912%
8/11/00	-0.0879%
8/18/00	-0.1046%
8/25/00	-0.1046%
9/1/00	-0.1105%
9/8/00	-0.1113%
9/15/00	-0.0836%
9/22/00	-0.1189%
9/29/00	-0.1155%
10/6/00	-0.0896%
10/13/00	-0.0921%
10/20/00	-0.0895%
10/27/00	-0.0725%
11/3/00	-0.0739%
11/10/00	-0.0747%
11/17/00	-0.0962%
11/24/00	-0.0937%
12/1/00	-0.0928%
12/8/00	-0.0903%
12/15/00	-0.0913%
12/22/00	-0.0672%
12/29/00	-0.0276%
1/5/01	-0.0411%
1/12/01	-0.0200%

1/19/01	-0.0077%
1/26/01	0.0192%
2/2/01	-0.0528%
2/9/01	-0.0346%
2/16/01	-0.0184%
2/23/01	-0.0257%
3/2/01	-0.0109%
3/9/01	-0.0360%
3/16/01	-0.0393%
3/23/01	-0.0360%
3/30/01	-0.0109%
4/6/01	0.0200%
4/13/01	0.0046%
4/20/01	0.0243%
4/27/01	-0.0278%
5/4/01	-0.0218%
5/11/01	0.0037%
5/18/01	-0.0228%
5/25/01	-0.0111%
6/1/01	-0.0345%
6/8/01	-0.0325%
6/15/01	-0.0654%
6/22/01	-0.0623%
6/29/01	-0.0379%
7/6/01	-0.0307%
7/13/01	-0.0098%
7/20/01	-0.0264%
7/27/01	0.0237%
8/3/01	0.0035%
8/10/01	-0.0567%
8/17/01	-0.0439%
8/24/01	-0.0365%
8/31/01	-0.0603%
9/7/01	-0.0353%
9/14/01	-0.0353%
9/21/01	0.0000%
9/28/01	-0.0414%
10/5/01	-0.0433%
10/12/01	-0.0114%
10/19/01	-0.0191%
10/26/01	-0.0138%
11/2/01	0.0017%
11/9/01	-0.0068%
11/16/01	0.0260%
11/23/01	0.0304%
11/30/01	-0.0284%
12/7/01	-0.0009%
12/14/01	-0.0201%
12/21/01	0.0210%
12/28/01	0.0289%
1/4/02	0.0297%
1/11/02	0.0276%
1/18/02	0.0268%
1/25/02	0.0677%
2/1/02	0.0444%
2/8/02	0.0607%
2/15/02	0.0457%
2/22/02	0.0582%
3/1/02	0.0595%
3/8/02	0.0124%
3/15/02	0.0302%
3/22/02	0.0383%

3/29/02	0.0400%
4/5/02	0.0248%
4/12/02	0.0409%
4/19/02	0.0394%
4/26/02	0.0526%
5/3/02	0.0839%
5/10/02	0.0595%
5/17/02	0.0858%
5/24/02	0.0757%
5/31/02	0.0766%
6/7/02	0.0832%
6/14/02	0.0670%
6/21/02	0.0743%
6/28/02	0.0933%
7/5/02	0.1238%
7/12/02	0.0692%
7/19/02	0.0972%
7/26/02	0.1421%
8/2/02	0.1372%
8/9/02	0.1002%
8/16/02	0.1195%
8/23/02	0.1206%
8/30/02	0.1077%
9/6/02	0.1002%
9/13/02	0.0965%
9/20/02	0.0993%
9/27/02	0.1042%
10/4/02	0.1141%
10/11/02	0.1429%
10/18/02	0.0519%
10/25/02	0.0741%
11/1/02	0.0733%
11/8/02	0.0721%
11/15/02	0.0664%
11/22/02	0.0610%
11/29/02	0.0872%
12/6/02	0.0972%
12/13/02	0.1086%
12/20/02	0.1278%
12/27/02	0.1558%
1/3/03	0.1518%
1/10/03	0.0930%
1/17/03	0.1092%
1/24/03	0.0865%
1/31/03	0.1038%
2/7/03	0.0983%
2/14/03	0.0960%
2/21/03	0.1148%
2/28/03	0.0969%
3/7/03	0.1258%
3/14/03	0.1585%
3/21/03	0.0897%
3/28/03	0.1033%
4/4/03	0.1225%
4/11/03	0.1477%
4/18/03	0.1463%
4/25/03	0.1211%
5/2/03	0.0989%
5/9/03	0.0553%
5/16/03	0.0330%
5/23/03	0.0145%
5/30/03	0.0486%

6/6/03	-0.0024%
6/13/03	-0.0086%
6/20/03	0.0032%
6/27/03	0.0144%
7/4/03	0.0296%
7/11/03	-0.0249%
7/18/03	-0.0105%
7/25/03	-0.0049%
8/1/03	-0.0353%
8/8/03	-0.0217%
8/15/03	-0.0297%
8/22/03	0.0008%
8/29/03	-0.0032%
9/5/03	0.0008%
9/12/03	-0.0112%
9/19/03	-0.0230%
9/26/03	-0.0346%
10/3/03	-0.0214%
10/10/03	-0.0207%
10/17/03	-0.0254%
10/24/03	0.0095%
10/31/03	0.0284%
11/7/03	0.0422%
11/14/03	0.0386%
11/21/03	0.0740%
11/28/03	0.0731%
12/5/03	0.0875%
12/12/03	0.0816%
12/19/03	0.1044%
12/26/03	0.1084%
1/2/04	0.1290%

We can only speculate on what factors are driving the market price, but increased interest in qualified dividend income appears to be the primary reason.

IS THE FUND SUSCEPTIBLE TO TRADING ABUSES LIKE THE ONES IN THE NEWS RECENTLY?

In a word, the answer is NO!

A critical difference between closed-end funds such as PFO and open-end mutual funds, which have been grabbing all the headlines, is the way in which they are purchased and sold.

Orders to buy or sell shares of PFO on the NYSE can be placed throughout the trading day, and limit prices can be specified. The investor has control over the transaction price, and the trade takes place only if there is a willing seller and buyer. This degree of control is not possible in an open-end mutual fund because orders placed throughout the day are completed AFTER the close of business, based upon the closing net asset value.

Transactions in open-end mutual funds take place between the investor and the mutual fund company. At the close of business (typically 4:00 PM Eastern Time), the fund company computes the mutual fund's net asset value. This price is used to redeem shares from sellers or issue new shares to buyers who placed orders earlier that day. The rules prohibit fund companies from accepting orders after the close of business, but some fund companies have permitted favored clients to place orders AFTER the close, but at that day's NAV. All gains from "late trading" are at the expense of the other investors in the fund.

The other frequently mentioned abuse in open-end mutual funds is fund companies permitting "frequent trading" practices by favored clients. Although not illegal, this practice may harm investors because these favored clients' gains are again at the expense of the other investors in the fund and usually force the fund to maintain larger cash positions than would otherwise be appropriate. Managers of closed-end funds don't face this problem either. If a holder of a closed-end fund wishes to sell shares, the market must facilitate the trade, not the fund. Therefore a closed-end fund can remain fully invested without regard to possible redemptions.

Flaherty & Crumrine Preferred Income Opportunity Fund
FINANCIAL DATA
PER SHARE OF COMMON STOCK

	TOTAL DIVIDENDS PAID	NET ASSET VALUE	NYSE CLOSING PRICE	DIVIDEND REINVESTMENT PRICE (1)
December 31, 2002 Extra	$0.1070	$10.72	$12.21	$11.60
December 31, 2002	0.0730	10.72	12.21	11.60
January 31, 2003	0.0730	11.46	12.65	12.02
February 28, 2003	0.0730	11.46	12.57	11.94
March 31, 2003	0.0730	11.58	13.00	12.35
April 30, 2003	0.0730	11.76	12.59	11.96
May 31, 2003	0.0730	12.34	12.94	12.34
June 30, 2003	0.0730	12.60	12.60	12.60
July 31, 2003	0.0730	12.43	12.02	12.13
August 31, 2003	0.0730	12.44	12.40	12.41
September 30, 2003	0.0730	12.74	12.34	12.31
October 31, 2003	0.0730	12.68	13.04	12.68
November 30, 2003	0.0730	12.59	13.51	12.83
December 31, 2003 Extra	0.0300	12.63	14.36	13.64
December 31, 2003	0.0755	12.63	14.36	13.64

(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.

The accompanying notes are an integral part of the financial statements.

Flaherty & Crumrine Preferred Income Opportunity Fund
PORTFOLIO OF INVESTMENTS
NOVEMBER 30, 2003

SHARES/$ PAR	VALUE (NOTE 2)

SHARES/$ PAR		VALUE (NOTE 2)
	PREFERRED SECURITIES -- 92.4%	
	ADJUSTABLE RATE PREFERRED SECURITIES -- 9.9%	
	BANKING -- 9.4%	
75,000	Cobank, Adj. Rate Pfd., 144A****	$ 4,188,000*
	J.P. Morgan Chase & Co.:	
108,625	Series A, Adj. Rate Pfd.	10,455,157*
18,000	Series L, Adj. Rate Pfd.	1,800,000*
146,700	Series N, Adj. Rate Pfd.	3,695,006*
	TOTAL BANKING ADJUSTABLE RATE PREFERRED SECURITIES	20,138,163
	FINANCIAL SERVICES -- 0.2%	
10,500	Bear Stearns Companies, Inc., Series A, Adj. Rate Pfd.	530,250*
	UTILITIES -- 0.3%	
12,265	Northern Indiana Public Service Company, Series A, Adj. Rate Pfd.	621,682*
	TOTAL ADJUSTABLE RATE PREFERRED SECURITIES	21,290,095
	FIXED RATE PREFERRED SECURITIES -- 81.6%	
	BANKING -- 15.0%	
	ABN AMRO North America, Inc.:	
1,165	6.46% Pfd., 144A****	1,218,712*
3,500	6.59% Pfd., 144A****	3,660,142*
	BancWest Corporation:	
$2,250,000	First Hawaiian Capital I, 8.343% 07/01/27 Capital Security, Series B	2,570,490
	Citigroup, Inc.:	
98,435	5.864% Pfd., Series M	5,142,244*
10,500	6.213% Pfd., Series G	558,547*
5,500	6.231% Pfd., Series H	294,938*
6,900	6.365% Pfd., Series F	366,666*
25,000	Cobank, ABC, 7.00% Pfd., 144A****	1,286,375*
	Comerica, Inc.:	
$ 500,000	Comerica (Imperial) Capital Trust I, Series B, 9.98% 12/31/26 Pfd. Capital Security	622,728

SHARES/$ PAR		VALUE (NOTE 2)
	Deutsche Bank:	
$ 660,000	BT Preferred Capital Trust II, 7.875% 02/25/27 Capital Security	$ 738,814
$ 150,000	BT Capital Trust B, 7.90% 01/15/2027 Series B1, Capital Security	168,317
	GreenPoint Financial Corporation:	
$6,849,000	GreenPoint Capital Trust I, 9.10% 06/01/27 Capital Security	7,962,031
24,900	HSBC USA, Inc., $2.8575 Pfd.	1,273,511*
$1,350,000	Keycorp Institutional Capital B, 8.25% 12/15/26 Capital Security	1,543,286

	Wachovia Corporation:	
$ 500,000	First Union Capital II, 7.95% 11/15/29 Capital Security	605,468
$1,719,000	First Union Institutional Capital I, 8.04% 12/01/26 Capital Security	1,978,311
$1,885,000	First Union Institutional Capital II, 7.85% 01/01/27 Capital Security	2,140,097
	TOTAL BANKING FIXED RATE PREFERRED SECURITIES	32,130,677
	FINANCIAL SERVICES -- 12.7%	
	Bear Stearns Companies, Inc.:	
108,000	5.49% Pfd., Series G	5,388,120*
50,323	5.72% Pfd., Series F	2,547,350*
	Lehman Brothers Holdings, Inc.:	
83,150	5.67% Pfd., Series D	4,235,245*
159,505	5.94% Pfd., Series C	8,188,987*
20,000	6.50% Pfd., Series F	529,500*
113,400	SLM Corporation, 6.97% Pfd., Series A	6,466,068*
	TOTAL FINANCIAL SERVICES FIXED RATE PREFERRED SECURITIES	27,355,270
	INSURANCE -- 9.6%	
47,000	ACE, Ltd., 7.80% Pfd., Series C	1,253,255**
	AON Corporation:	
$1,550,000	AON Capital Trust A, 8.205% 01/01/27 Capital Security	1,722,034

The accompanying notes are an integral part of the financial statements.

Flaherty & Crumrine Preferred Income Opportunity Fund
PORTFOLIO OF INVESTMENTS (CONTINUED)
NOVEMBER 30, 2003

SHARES/$ PAR		VALUE (NOTE 2)
	PREFERRED SECURITIES -- (CONTINUED)	
	FIXED RATE PREFERRED SECURITIES -- (CONTINUED)	
	INSURANCE -- (CONTINUED)	
1,250	Fortis Funding Trust, 7.68% Pfd., 144A****	$ 1,423,838*
	SAFECO Corporation:	
$ 500,000	SAFECO Capital Trust I, 8.072% 07/15/37 Capital Security	561,475
	The St. Paul Companies, Inc.:	
$4,895,000	MMI Capital Trust I, 7.625% 12/15/27 Capital Security, Series B	5,224,458
	UnumProvident Corporation:	
$5,889,000	Provident Financing Trust I, 7.405% 03/15/38 Capital Security	5,085,593

SHARES/$ PAR		VALUE (NOTE 2)
	Zurich RegCaPS Fund Trust I:	
4,000	6.01% Pfd., 144A****	4,023,120*
1,200	6.58% Pfd., 144A****	1,211,874*
	TOTAL INSURANCE FIXED RATE PREFERRED SECURITIES	20,505,647
	UTILITIES -- 37.9%	
	Alabama Power Company:	
4,980	4.60% Pfd.	438,813*
6,485	4.72% Pfd.	586,309*
668	4.92% Pfd.	62,952*
5	4.95% Pfd.	519,218*
93,400	5.20% Pfd.	2,293,437*
2,049	Appalachian Power Company, 5.92% Sinking Fund Pfd.	206,191*
23,750	Avista Corporation, $6.95 Sinking Fund Pfd., Series K	2,303,750*
10,000	Boston Edison Company, 4.78% Pfd.	874,950*
13,395	Carolina Power & Light Company, $5.44 Pfd.	1,303,400*
	CenterPoint Energy, Inc.:	
45,000	Houston Light & Power, Capital Trust I, 8.125% QUIPS	1,128,375
$3,750,000	Houston Light & Power, Capital Trust II, 8.257%, 02/01/37 Capital Security, Series B	3,760,781

SHARES/$ PAR		VALUE (NOTE 2)
55,982	REI Trust I, 7.20% TOPrS, Series C	$ 1,311,098
1,628	Central Hudson Gas & Electric Corporation, 4.35% Pfd., Series D, Pvt.	123,573*
	Central Illinois Light Company:	
10,000	4.64% Pfd.	853,850*
7,000	5.85% Sinking Fund Pfd.	708,400*
3,798	Central Maine Power Company, 4.75% Pfd.	314,740*
27,798	Central Vermont Public Service Corporation, 8.30% Pvt. Sinking Fund Pfd.	2,895,301*
5,300	Connecticut Light & Power Company, $3.24 Pfd.	278,038*
2,000	Consolidated Edison Company of New York, 4.65% Pfd., Series C	174,220*
	Dayton Power & Light Company:	
2,000	3.75% Pfd.	124,710*
4,500	3.90% Pfd., Series C	291,847*
	Duke Energy Corporation:	
8,004	4.50% Pfd., Series C, Pvt.	649,965*
13,400	6.75% Pfd., Series X, Sinking Fund Pfd. ...	1,395,208*
30,700	7.85% Pfd., Series S	3,188,809*
15,030	Duquesne Light Company, 3.75% Pfd.	441,206*
5,000	Energy East Capital Trust I, 8.25% TOPrS	134,175
	Entergy Arkansas, Inc.:	
2,840	4.56% Pfd.	205,872*
3,050	4.56% Pfd., Series 1965	221,094*

13,500	7.40% Pfd.	1,407,645*
150	7.80% Pfd.	15,722*
23,814	$1.96 Pfd.	605,114*
1,050	6.08% Pfd.	98,443*
2,441	Entergy Gulf States, Inc.,	
	7.56% Pfd.	248,689*
	Entergy Louisiana, Inc.:	
299	5.16% Pfd.	22,479*
705	6.44% Pfd.	65,216*
3,771	7.36% Pfd.	392,957*
175,000	8.00% Pfd., Series 92	4,420,500*

The accompanying notes are an integral part of the financial statements.

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Flaherty & Crumrine Preferred Income Opportunity Fund
PORTFOLIO OF INVESTMENTS (CONTINUED)
NOVEMBER 30, 2003

SHARES/$ PAR		VALUE (NOTE 2)
	PREFERRED SECURITIES -- (CONTINUED)	
	FIXED RATE PREFERRED SECURITIES -- (CONTINUED)	
	UTILITIES -- (CONTINUED)	
	Entergy Mississippi, Inc.:	
3,791	4.36% Pfd.	$ 255,438*
8,500	7.44% Pfd.	881,917*
	Hawaiian Electric Company, Inc.:	
1,411	5.00% Pfd., Series D	24,636*
6,688	5.00% Pfd., Series E	116,772*
23,600	HECO Capital Trust I,	
	8.05% QUIPS	601,092
5,291	Idaho Power Co.,	
	7.68% Pfd., Series 1	547,380*
8,000	Indiana Michigan Power Company,	
	6.875% Sinking Fund Pfd.	811,400*
30,500	Indianapolis Power & Light Company,	
	5.65% Pfd.	2,557,272*
340,000	Interstate Power & Light Company,	
	8.375% Pfd., Series B	10,825,600*
4,500	Kentucky Utilities Company,	
	6.53% Pfd.	465,773*
	Mississippi Power Company:	
15,000	6.32% Pfd.	386,850*
5,087	7.00% Pfd.	531,998*
2,588	New York State Electric & Gas,	
	$4.50 Pfd., Series 1949	204,051*
	Ohio Power Company:	
3,018	4.20% Pfd.	224,026*
1,251	4.40% Pfd.	97,278*
2,500	5.90% Sinking Fund Pfd.	250,238*
	PECO Energy Company:	
1,100	$4.30 Pfd., Series B	87,137*
5,000	$4.40 Pfd., Series C	405,275*
570	PSI Energy, Inc.,	
	4.32% Pfd.	10,782*

SHARES/$ PAR		VALUE (NOTE 2)
	PacifiCorp:	
5,672	$4.56 Pfd.	442,841*
6,458	$4.72 Pfd.	521,903*
14,000	$7.48 Sinking Fund Pfd.	1,454,180*
	Pacific Enterprises:	
13,680	$4.36 Pfd.	1,080,446*
11,910	$4.50 Pfd.	970,844*
13,510	$4.75 Pfd., Series 53	$ 1,162,400*
12,722	Portland General Electric, 7.75%, Sinking Fund Pfd.	1,322,325*
	Potomac Electric Power Company:	
2,493	$2.44 Pfd., Series 1957	113,544*
19,209	$3.40 Sinking Fund Pfd.	962,563*
	Public Service Enterprise Group, Inc.:	
10,900	Enterprise Capital Trust I, 7.44% TOPrS, Series A	275,825
14,020	Public Service Electric & Gas Company, 5.28% Pfd., Series E	1,265,726*
	Rochester Gas & Electric Corporation:	
5,060	4.10% Pfd., Series J	370,468*
10,000	4.55% Pfd., Series M, Pvt.	812,500*
4,030	4.75% Pfd., Series I	341,825*
3,404	4.95% Pfd., Series K	300,897*
20,000	6.60% Sinking Fund Pfd., Series V	2,015,100*
	San Diego Gas & Electric Company:	
40,000	$1.70 Pfd	1,045,200*
38,000	$1.7625 Sinking Fund Pfd.	979,070*
	South Carolina Electric & Gas Company:	
14,226	5.125% Purchase Fund Pfd., Pvt.	698,781*
7,774	6.00% Purchase Fund Pfd., Pvt.	397,562*
60,000	Southern Union Company, 7.55% Pfd.	1,560,900*
	TXU US Holdings Company:	
$ 750,000	TXU Electric Capital V, 8.175% 01/30/37 Capital Security	813,476
	Virginia Electric & Power Company:	
1,665	$4.04 Pfd.	126,249*
2,270	$4.20 Pfd.	178,944*
2,878	$6.98 Pfd.	297,369*
12,500	$7.05 Pfd.	1,292,063*
1,673	$4.80 Pfd.	150,712*
2,262	Washington Gas & Light Company, $4.25 Pfd.	180,044*
	Xcel Energy, Inc.:	
15,000	$4.08 Pfd., Series B	1,029,000*
20,040	$4.10 Pfd., Series C	1,381,457*
35,510	$4.11 Pfd., Series D	2,453,919*

The accompanying notes are an integral part of the financial statements.

Flaherty & Crumrine Preferred Income Opportunity Fund
PORTFOLIO OF INVESTMENTS (CONTINUED)
NOVEMBER 30, 2003

SHARES/$ PAR		VALUE (NOTE 2)
	PREFERRED SECURITIES -- (CONTINUED)	
	FIXED RATE PREFERRED SECURITIES -- (CONTINUED)	
	UTILITIES -- (CONTINUED)	
17,750	$4.16 Pfd., Series E	$ 1,241,524*
10,000	$4.56 Pfd., Series G	766,650*
	TOTAL UTILITIES FIXED RATE PREFERRED SECURITIES	81,358,269
	OIL AND GAS -- 3.8%	
17,200	Anadarko Petroleum Corporation, 5.46% Pfd.	1,695,662*
19,300	Apache Corporation, 5.68% Pfd., Series B	1,936,176*
3,200	EOG Resources, Inc., 7.195% Pfd., Series B	3,481,856*
	ENI, S.p.A.:	
10,000	Lasmo America Limited, 8.15% Pfd., 144A****	1,158,450*
	TOTAL OIL AND GAS FIXED RATE PREFERRED SECURITIES	8,272,144
	MISCELLANEOUS INDUSTRIES-- 2.6%	
13,600	E.I. Du Pont de Nemours and Company, $4.50 Pfd., Series B	1,249,976*
36,200	Farmland Industries, Inc., 8.00% Pfd., 144A****	31,675+*
40,000	Health Care Property Investments, 7.10% Pfd., Series F, REIT	984,800
30,500	Ocean Spray Cranberries, Inc., 6.25% Pfd., 144A****	2,306,715*
26,000	Touch America Holdings, $6.875 Pfd.	39,000+*
9,520	Viad Corporation, $4.75 Sinking Fund Pfd.	896,213*
	TOTAL MISCELLANEOUS INDUSTRIES FIXED RATE PREFERRED SECURITIES	5,508,379
	TOTAL FIXED RATE PREFERRED SECURITIES	175,130,386

SHARES/$ PAR		VALUE (NOTE 2)
	INVERSE FLOATING RATE PREFERRED -- 0.9%	
18	Premium Assets, Series A, Zurich Financial Reg. Capital	$ 1,854,596*
	TOTAL PREFERRED SECURITIES (Cost $178,073,384)	198,275,077

CORPORATE DEBT SECURITIES -- 0.7%

15,000	Northern States Power Company, 8.00% Pfd., PINES	414,825
$1,000,000	Oneamerica Financial Partners, 7.00% 10/15/33, 144A****	985,705
	TOTAL CORPORATE DEBT SECURITIES (Cost $1,364,042)	1,400,530
COMMON STOCKS AND CONVERTIBLE SECURITIES -- 4.3%		
5,000	American Electric Power, 9.25% Pfd. Convertible	210,275
102,500	CenterPoint Energy, Inc.	994,250*
1,304	Conseco, Inc.	25,187*+
5,216	Conseco, Inc., Warrants	33,382*+
97,500	Duke Energy Corporation	1,761,825*
65,000	FPL Group, Inc., 8.50% Pfd. Convertible	3,668,600
80,831	Reliant Resources, Inc.	531,464+
40,000	TXU Corporation, 8.75% Pfd. Convertible	1,283,600
25,000	UnumProvident Corporation, 8.25% Pfd. Convertible	803,750
	TOTAL COMMON STOCKS AND CONVERTIBLE SECURITIES (Cost $10,034,807)	9,312,333
OPTION CONTRACTS-- 1.2% (Cost $2,151,157)		
1,290	Put Options on U.S. Treasury, Bond, March Futures, Expiring 02/21/04	2,523,594+

The accompanying notes are an integral part of the financial statements.

SHARES/$ PAR			VALUE (NOTE 2)
MONEY MARKET FUND -- 0.8% (Cost $1,814,739)			
1,814,739	BlackRock Provident Institutional TempFund, 0.95%		$ 1,814,739
TOTAL INVESTMENTS (Cost $193,438,129***)		99.4%	213,326,273
OTHER ASSETS AND LIABILITIES (Net)		0.6%	1,084,406
TOTAL NET ASSETS AVAILABLE TO COMMON AND PREFERRED STOCK		100.0%++	$214,410,679
MONEY MARKET CUMULATIVE PREFERREDTM STOCK (MMP(TRADE MARK)) REDEMPTION VALUE			(70,000,000)
ACCUMULATED UNDECLARED DISTRIBUTIONS			

TO MMP(TRADE MARK)	(107,757)
TOTAL NET ASSETS AVAILABLE TO COMMON STOCK	$144,302,922

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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 by resold in transactions exempt from registration to qualified institutional buyers.

\+ 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 (Note 7):
PINES -- Public Income Notes
QUIPS -- Quarterly Income Preferred Securities
REIT -- Real Estate Investment Trust
TOPRS -- Trust Originated Preferred Securities
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.

The accompanying notes are an integral part of the financial statements.

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Flaherty & Crumrine Preferred Income Opportunity Fund
STATEMENT OF ASSETS AND LIABILITIES
NOVEMBER 30, 2003

ASSETS:		
Investments, at value (Cost $193,438,129)		
(See accompanying Portfolio of Investments)		$213,326,273
Receivable for Investments sold		318,917
Dividends and interest receivable		2,014,518
Prepaid expenses		109,388
Total Assets		215,769,096
LIABILITIES:		
Payable for securities purchased	$1,000,000	
Dividends payable to Common Shareholders	126,953	
Investment advisory fee payable	98,603	
Administration, Transfer Agent and Custodian fees		
and expenses payable	27,580	
Professional fees payable	59,681	
Directors' fees payable	3,271	
Accrued expenses and other payables	42,329	

Accumulated undeclared distributions to Money Market Cumulative Preferred(TRADE MARK) Stock	107,757	
Total Liabilities		1,466,174
MONEY MARKET CUMULATIVE PREFERRED(TRADE MARK) STOCK (700 SHARES OUTSTANDING) REDEMPTION VALUE		70,000,000
NET ASSETS AVAILABLE TO COMMON STOCK		$144,302,922
NET ASSETS AVAILABLE TO COMMON STOCK consist of:		
Undistributed net investment income		$ 356,326
Accumulated net realized loss on investments sold		(8,384,407)
Unrealized appreciation of investments		19,888,144
Par value of Common Stock		114,610
Paid-in capital in excess of par value of Common Stock		132,328,249
Total Net Assets Available to Common Stock		$144,302,922
NET ASSET VALUE PER SHARE OF COMMON STOCK:		
Common Stock (11,461,050 shares outstanding)		$ 12.59

The accompanying notes are an integral part of the financial statements.

Flaherty & Crumrine Preferred Income Opportunity Fund
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED NOVEMBER 30, 2003

INVESTMENT INCOME:		
Dividends		$11
Interest		2
Total Investment Income		13
EXPENSES:		
Investment advisory fee	$1,160,562	
Administrator's fee	208,577	
Money Market Cumulative Preferred(TRADE MARK) Stock broker commissions and auction agent fees	190,189	
Professional fees	111,677	
Insurance expense	149,369	
Shareholder servicing agent fees and expenses	82,026	
Directors' fees and expenses	72,993	
Custodian fees and expenses	23,606	
Other	117,306	
Total Expenses		2
NET INVESTMENT INCOME		11

REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS	
Net realized gain on investments sold during the year	2
Change in unrealized appreciation of investments during the year	18
NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS	21
DISTRIBUTIONS TO MONEY MARKET CUMULATIVE PREFERRED(TRADE MARK) STOCK SHAREHOLDERS:	
From net investment income (including changes in accumulated undeclared distributions)	
NET INCREASE IN NET ASSETS TO COMMON STOCK RESULTING FROM OPERATIONS	$31

The accompanying notes are an integral part of the financial statements.

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Flaherty & Crumrine Preferred Income Opportunity Fund
STATEMENTS OF CHANGES IN NET ASSETS

	YEAR ENDED NOVEMBER 30, 20
OPERATIONS:	
Net investment income	$ 11,682,749
Net realized gain/(loss) on investments sold during the period	2,447,429
Change in net unrealized appreciation/(depreciation) of investments sold during the period	18,626,279
Distributions to Money Market Cumulative Preferred(TRADE MARK) Stock Shareholders from net investment income, including changes in accumulated undeclared distributions	(920,912)
Net increase in net assets resulting from operations	31,835,545
DISTRIBUTIONS:	
Dividends paid from net investment income to Common Stock Shareholders	(11,222,895)
Distributions paid from net realized capital gains to Common Stock Shareholders	--
FUND SHARE TRANSACTIONS:	
Increase from Common Stock transactions	1,431,926
NET INCREASE/(DECREASE)IN NET ASSETS TO COMMONSTOCKFOR THE YEAR	22,044,576

NET ASSETS AVAILABLETOCOMMONSTOCK:	
Beginning of year	122,258,346
End of year (including undistributed net investment income of $356,326 and $756,099, respectively)	$144,302,922

The accompanying notes are an integral part of the financial statements.

Flaherty & Crumrine Preferred Income Opportunity Fund
FINANCIAL HIGHLIGHTS

FOR A COMMON SHARE OUTSTANDING THROUGHOUT EACH PERIOD.

Contained below is per share operating performance data, total investment returns, ratios to average net assets and other supplemental data. This information has been derived from information provided in the financial statements and market price data for the Fund's shares.

	YEAR ENDED NOV		
	2003	2002	2001
OPERATING PERFORMANCE:			
Net asset value, beginning of period	$ 10.78	$ 11.60	$ 10.
INVESTMENT OPERATIONS:			
Net investment income	1.02	1.07	1.
Net realized and unrealized gain/(loss) on investments	1.85	(0.87)	0.
DISTRIBUTIONS TO MMP(TRADE MARK)* SHAREHOLDERS:			
From net investment income	(0.08)	(0.11)	(0.
From net realized capital gains	--	--	
Total from investment operations.	2.79	0.09	1.
DISTRIBUTIONS TO COMMON SHAREHOLDERS:			
From net investment income	(0.98)	(0.91)	(0.
From net realized capital gains	--	--	
Total distributions	(0.98)	(0.91)	(0.
Net asset value, end of period	$ 12.59	$ 10.78	$ 11.
Market value, end of period	$ 13.51	$ 11.72	$ 11.
Total investment return based on net asset value**	26.57%	0.63%	16.9
Total investment return based on market value**	24.92%	12.61%	26.9
RATIOS TO AVERAGE NET ASSETS AVAILABLE TO COMMON STOCK SHAREHOLDERS:			
Total net assets, end of period (in 000's)	$144,303	$122,258	$129,7
Operating expenses.	1.54%	1.56%	1.

Net investment income***	7.85%	8.67%	7.
SUPPLEMENTAL DATA:+			
Portfolio turnover rate.	28%	29%	
Total net assets available to Common and Preferred Stock, end of period (in 000's)	$214,411	$192,361	$200,2
Ratio of operating expenses to total average net assets available to Common and Preferred Stock	1.02%	1.00%	1.

The accompanying notes are an integral part of the financial statements.

Flaherty & Crumrine Preferred Income Opportunity Fund
FINANCIAL HIGHLIGHTS (CONTINUED)

The table below sets out information with respect to Money Market Cumulative Preferred(TRADE MARK) Stock currently outstanding.

DATE	TOTAL SHARES OUTSTANDING (1)	ASSET COVERAGE PER SHARE (3)	INVOLUNTARY LIQUIDATING PREFERENCE PER SHARE (2)	AVERAGE MARKET VALUE PER SHARE (1) & (2)
11/30/03	700	$306,301	$100,000	$100,000
11/30/02	700	274,802	100,000	100,000
11/30/01	700	286,040	100,000	100,000
11/30/00	700	270,952	100,000	100,000
11/30/99	700	284,371	100,000	100,000
11/30/98	700	315,271	100,000	100,000

The accompanying notes are an integral part of the financial statements.

Flaherty & Crumrine Preferred Income Opportunity Fund
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION

Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated (the "Fund"), (formerly known as Preferred Income Opportunity Fund Incorporated) was incorporated as a Maryland corporation on December 10, 1991, and commenced operations on February 13, 1992 as a diversified, closed-end management investment company under the Investment Company Act of 1940, as amended. The Fund's investment objective is to provide its common shareholders with high current income consistent with the preservation of capital.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The preparation of financial statements is in conformity with accounting principles generally accepted in the United States of America and requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

PORTFOLIO VALUATION: The net asset value of the Fund's Common Stock is determined by the Fund's Administrator no less frequently than on the last business day of each week and month. It is determined by dividing the value of the Fund's net assets available to common stock by the number of shares of Common Stock outstanding. The value of the Fund's net assets attributable to common shares is deemed to equal the value of the Fund's total assets less (i) the Fund's liabilities, (ii) the aggregate liquidation value of the outstanding Money Market Cumulative Preferred(TRADE MARK) Stock and (iii) accumulated and unpaid dividends on the outstanding Money Market Cumulative Preferred(TRADE MARK) Stock.

Securities listed on a national securities exchange are valued on the basis of the last sale on such exchange on the day of valuation, except as described hereafter. In the absence of sales of listed securities and with respect to (a) securities for which the most recent sale prices are not deemed to represent fair market value and (b) unlisted securities (other than money market instruments), securities are valued at the mean between the closing bid and asked prices when quoted prices for investments are readily available. Investments in over-the-counter derivative instruments, such as interest rate swaps and options thereon ("swaptions") are valued at the prices obtained from the broker/dealer or bank that is the counterparty to such instrument, subject to comparison of such valuation with a valuation obtained from a broker/dealer or bank that is not a counterparty to the particular derivative instrument. Investments for which market quotations are not readily available or for which management determines that the prices are not reflective of current market conditions are valued at fair value as determined in good faith by or under the direction of the Board of Directors of the Fund, including reference to valuations of other securities which are comparable in quality, maturity and type. Investments in money market instruments, which mature in 60 days or less, are valued at amortized cost. Investments in Money Market Funds are valued at the net asset value of such funds.

SECURITIES TRANSACTIONS AND INVESTMENT INCOME: Securities transactions are recorded as of the trade date. Realized gains and losses from securities sold are recorded on the identified cost basis. Dividend income is recorded on ex-dividend dates. Interest income is recorded on the accrual basis. The Fund also amortizes premiums and accretes discounts on those fixed income securities, including capital securities and bonds, which trade and are quoted on an "accrued income" basis.

The AICPA Audit and Accounting Guide, Audits of Investment Companies, requires that, for book accounting purposes, the Fund amortize premiums and accrete discounts on those fixed-income securities, such as capital securities, which trade and are quoted on an "accrued income" basis. Prior to December 1, 2001, the Fund was not required to amortize premiums and accrete discounts for these securities. Adopting these accounting principles has not affected the Fund's net asset value, but changes the classification of certain amounts between interest income and realized and unrealized gain/loss in the Statement of Operations. The adoption of this principle was not material to the financial statements.

The Statements of Changes in Net Assets and Financial Highlights for prior periods have not been restated to reflect these changes in presentation.

OPTIONS: Upon the purchase of an option by the Fund, the total purchase price paid is recorded as an investment. The market valuation is determined as set forth in the preceding portfolio valuation paragraph. When the Fund enters into a closing sale transaction, the Fund will record a gain or loss depending on the difference between the purchase and sale price. The risks associated with purchasing options and the maximum loss the Fund would incur are limited to the purchase price originally paid.

REPURCHASE AGREEMENTS: The Fund may engage in repurchase agreement transactions. The Fund's investment adviser reviews and approves the eligibility of the banks and dealers with which the Fund may enter into repurchase agreement transactions. The value of the collateral underlying such transactions is at least equal at all times to the total amount of the repurchase obligations, including interest. The Fund maintains possession of the collateral through its custodian and, in the event of counterparty default, the Fund has the right to use the collateral to offset losses incurred. There is the possibility of loss to the Fund in the event the Fund is delayed or prevented from exercising its rights to dispose of the collateral securities.

DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS: The Fund expects to declare dividends on a monthly basis to Shareholders of Common Stock ("Shareholder"). The Shareholders of Money Market Cumulative Preferred(TRADE MARK) Stock are entitled to receive cumulative cash dividends as declared by the Fund's Board of Directors. Distributions to Shareholders are recorded on the ex-dividend date. Any net realized short-term capital gains will be distributed to Shareholders at least annually. Any net realized long-term capital gains may be distributed to Shareholders at least annually or may be retained by the Fund as determined by the Fund's Board of Directors. Capital gains retained by the Fund are subject to tax at the capital gains corporate tax rate. Subject to the Fund's qualifying as a regulated investment company, any taxes paid by the Fund on such net realized long-term gains may be used by the Fund's Shareholders as a credit against their own tax liabilities.

FEDERAL INCOME TAXES: The Fund intends to continue to qualify as a regulated investment company by complying with the requirements under subchapter M of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies and intends to distribute substantially all of its taxable net investment income to its shareholders. Therefore, no Federal income tax provision is required.

Income and capital gain distributions are determined and characterized in accordance with income tax regulations which may differ from generally accepted accounting principles. These differences are primarily due to (1) differing treatments of income and gains on various investment securities held by the Fund, including timing differences, (2) the attribution of expenses against certain components of taxable investment income, and (3) federal regulations requiring proportionate allocation of income and gains to all classes of shareholders.

Distributions from net realized gains for book purposes may include short-term capital gains, which are included as ordinary income for tax purposes, and may exclude amortization of premium on "accrued income" securities, which are not reflected in ordinary income for tax purposes. The tax character of distributions paid, including changes in accumulated undeclared distributions to MMP(TRADE MARK) shareholders, during 2003 and 2002 was as follows:

	DISTRIBUTIONS PAID IN FISCAL YEAR 2003		DISTRIBUTIONS PAID IN FISCAL	
	ORDINARY INCOME	LONG-TERM CAPITAL GAINS	ORDINARY INCOME	LONG-TERM C
Common	$11,222,895	--	$10,296,991	
Preferred	$ 920,912	--	$ 1,243,631	

As of November 30, 2003, the components of distributable earnings (i.e., ordinary income and capital gain/(loss)) available to Common and Preferred Stock Shareholders, on a tax basis were as follows:

CAPITAL (LOSS) CARRYFORWARD	UNDISTRIBUTED ORDINARY INCOME	UNDISTRIBUTED LONG-TERM GAIN	UNREALIZED APPRECIATION/(DEPRECIATION)
$(7,603,945)	$671,767	--	$19,107,682

At November 30, 2003, the composition of the Fund's $7,603,945 accumulated realized capital losses was $5,163,910, $982,343 and $1,457,692 in 2000, 2001 and 2002, respectively. These losses may be carried forward and offset against any future capital gains through 2008, 2009 and 2010, respectively.

EXCISE TAX: The Internal Revenue Code of 1986, as amended, imposes a 4% nondeductible excise tax on the Fund to the extent the Fund does not distribute by the end of any calendar year at least (1) 98% of the sum of its net investment income for that year and its capital gains (both long term and short term) for its fiscal year and (2) certain undistributed amounts from previous years. The Fund is subject to pay an estimated $20,500 of Federal excise taxes attributable to calendar year 2003. During the fiscal year ending November 30, 2003, the Fund paid $10,293 of Federal excise taxes attributable to calendar year 2002.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. INVESTMENT ADVISORY FEE, DIRECTORS' FEES, ADMINISTRATION FEE, TRANSFER AGENT FEE AND CUSTODIAN FEE

Flaherty & Crumrine Incorporated (the "Adviser") serves as the Fund's investment adviser. The Fund pays the Adviser a monthly fee at an annual rate of 0.625% of the value of the Fund's average monthly total net assets available to Common and Preferred Stock up to $100 million and 0.50% of the value of the Fund's average monthly total net assets available to Common and Preferred Stock in excess of $100 million.

The Fund currently pays each Director who is not a director, officer or employee of the Adviser a fee of $9,000 per annum, plus $500 for each in-person meeting of the Board of Directors or any committee and $150 for each telephone meeting. Effective October 17, 2003, the Audit Committee Chairman will receive an annual fee of $2,500. In addition, the Fund will reimburse all Directors for travel and out-of-pocket expenses incurred in connection with such meetings.

PFPC Inc., a member of the PNC Financial Services Group, Inc. ("PNC Financial Services"), serves as the Fund's Administrator and Transfer Agent. As Administrator, PFPC Inc. calculates the net asset value of the Fund's shares and generally assists in all aspects of the Fund's administration and operation. As compensation for PFPC Inc.'s services as Administrator, the Fund paid PFPC Inc. a monthly fee at an annual rate of 0.10% of the Fund's average monthly total net assets available to Common and Preferred Stock through October 31, 2003. Effective November 1, 2003, the fee structure changed to a monthly fee at an annual rate of 0.10% on the first $200 million of the Fund's average weekly total managed assets, 0.04% on the next $300 million of the Fund's average weekly total managed assets, 0.03% on the next $500 million of the Fund's average weekly total managed assets and 0.02% on the Fund's average weekly total managed assets above $1 billion.

PFPC Inc. also serves as the Fund's Common Stock servicing agent (transfer agent), dividend-paying agent and registrar and, as compensation for PFPC Inc.'s services as such, the Fund paid PFPC Inc. a fee at an annual rate of 0.02% of the Fund's average monthly total net assets available to Common and Preferred Stock plus certain out-of-pocket expenses through October 31, 2003. Effective November 1, 2003, the fee structure changed to a fee at an annual rate of 0.02% on the first $150 million of the Fund's average weekly net assets attributable to common shares, 0.01% on the next $350 million of the Fund's average weekly net assets attributable to common shares, 0.005% on the next $500 million of the Fund's average weekly net assets attributable to common shares and 0.0025% on the Fund's average weekly net assets attributable to common shares above $1 billion, plus certain out of pocket expenses. For the purpose of calculating such fee, the Fund's average weekly net assets attributable to common shares will be deemed to be the average weekly value of the Fund's total assets minus the sum of the Fund's liabilities, and accumulated dividends, if any, on Preferred Stock. For this calculation, the Fund's liabilities are deemed to INCLUDE the aggregate liquidation preference of any outstanding Fund preferred shares.

PFPC Trust Company ("PFPC Trust") serves as the Fund's Custodian. PFPC Trust is an indirect subsidiary of PNC Financial Services. As compensation for PFPC Trust's services as custodian, the Fund paid PFPC Trust a monthly fee at the annual rate of 0.01% of the Fund's average monthly total net assets available to Common and Preferred Stock through October 31, 2003. Effective November 1, 2003, the fee structure changed to a monthly fee at an annual rate of 0.010% on the first $200 million of the Fund's average weekly total managed assets, 0.008% on the next $300 million of the Fund's average weekly total managed assets, 0.006% on the next $500 million of the Fund's average weekly total managed assets and 0.005% on the Fund's average weekly total managed assets above $1 billion.

4. PURCHASES AND SALES OF SECURITIES

Cost of purchases and proceeds from sales of securities for the year ended November 30, 2003, excluding short-term investments, aggregated $61,522,402 and $56,197,595, respectively.

At November 30, 2003, aggregate gross unrealized appreciation for all securities in which there is an excess of value over tax cost was $25,777,048 and aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value was $6,669,366.

5. COMMON STOCK

At November 30, 2003, 240,000,000 shares of $0.01 par value Common Stock were authorized.

Common Stock transactions were as follows:

	YEAR ENDED 11/30/03		YEAR ENDE 11/30/02
	SHARES	AMOUNT	SHARES
Issued as reinvestment of dividends under the Dividend Reinvestment and Cash Purchase Plan	119,617	$1,431,926	152,365

6. MONEY MARKET CUMULATIVE PREFERRED(TRADE MARK) STOCK (MMP(TRADE MARK))

The Fund's Articles of Incorporation authorize the issuance of up to 10,000,000 shares of $0.01 par value preferred stock. The Money Market Cumulative Preferred(TRADE MARK) Stock is senior to the Common Stock and results in the financial leveraging of the Common Stock. Such leveraging tends to magnify both the risks and opportunities to Common Stock Shareholders. Dividends on shares of MMP(TRADE MARK) Stock are cumulative.

The Fund is required to meet certain asset coverage tests with respect to the MMP(TRADE MARK) Stock. If the Fund fails to meet these requirements and does not correct such failure, the Fund may be required to redeem, in part or in full, MMP(TRADE MARK) Stock at a redemption price of $100,000 per share plus an amount equal to the accumulated and unpaid dividends on such shares in order to meet these requirements. Additionally, failure to meet the foregoing asset requirements could restrict the Fund's ability to pay dividends to Common Stock Shareholders and could lead to sales of portfolio securities at inopportune times.

Under Emerging Issues Task Force (EITF) promulgation Topic D-98,

CLASSIFICATION AND MEASUREMENT OF REDEEMABLE SECURITIES, which was issued on July 19, 2001, preferred securities that are redeemable for cash or other assets are to be classified outside of permanent equity to the extent

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that the redemption is at a fixed or determinable price and at the option of the holder or upon the occurrence of an event that is not solely within the control of the issuer. Subject to the guidance of the EITF, the Fund's MMP(TRADE MARK) Stock, which was previously classified as a component of total net assets, has been reclassified outside of permanent equity (net assets available to common stock) in the accompanying financial statements. Prior year amounts have also been reclassified to conform with this presentation. The impact of this reclassification creates no change to the net assets available to Common Stock Shareholders.

If the Fund allocates any net gains or income ineligible for the Dividends Received Deduction to shares of the MMP(TRADE MARK) Stock, the Fund is required to make additional distributions to MMP(TRADE MARK) Stock Shareholders or to pay a higher dividend rate in amounts needed to provide a return, net of tax, equal to the return had such originally paid distributions been eligible for the Dividends Received Deduction. Net assets available to MMP(TRADE MARK) Stock at November 30, 2003 included an accrued additional distribution of $38,068. The amount subsequently calculated and then paid to the MMP(TRADE MARK) Stock Shareholders for the fiscal year ended November 30, 2003 was $36,841 (See Note 11 - "Subsequent Events.")

Estimates of additional distributions payable to MMP(TRADE MARK) Stock are accrued on a regular basis in advance of declaration. The amount of additional distributions payable for any year may be highly uncertain and will not be known until after a fiscal year has been completed.

An auction of the MMP(TRADE MARK) Stock is generally held every 49 days. Existing shareholders may submit an order to hold, bid or sell such shares at par value on each auction date. MMP(TRADE MARK) Stock Shareholders may also trade shares in the secondary market between auction dates.

At November 30, 2003, 700 shares of MMP(TRADE MARK) Stock were outstanding at the annual rate of 1.12%. The dividend rate, as set by the auction process, is generally expected to vary with short-term interest rates. These rates may vary in a manner unrelated to the income received on the Fund's assets, which could have either a beneficial or detrimental impact on net investment income and gains available to Common Stock Shareholders. While the Fund expects to structure its portfolio holdings and hedging transactions to lessen such risks to Common Stock Shareholders, there can be no assurance that such results will be attained.

7. PORTFOLIO INVESTMENTS, CONCENTRATION AND INVESTMENT QUALITY

The Fund invests primarily in traditional DRD-eligible preferred securities (i.e., adjustable and fixed rate preferred and preference stocks) and similar hybrid, i.e., fully taxable, preferred securities. Under normal market conditions, at least 80% of the value of the Fund's net assets will be invested in preferred securities. Also, under normal market conditions, the Fund invests at least 25% of its assets in securities issued by utilities and a significant percentage, but no more than 25% of its assets, in securities issued by companies in the banking industry. Because of the Fund's concentration of investments in the utility industry and significant holdings in the banking industry, the ability of the fund to maintain its dividend and the value of the Fund's investments could be adversely affected by the possible inability of companies in

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these industries to pay dividends and interest on their securities and the ability of holders of securities of such companies to realize any value from the assets of the issuer upon liquidation or bankruptcy.

The Fund may invest up to 25% of its assets at the time of purchase in securities rated below investment grade. These securities must be rated at least either "Ba3" by Moody's Investors Service, Inc. or "BB-" by Standard & Poor's or judged to be comparable in quality, in either case at the time of purchase; however, these securities must be issued by an issuer having a class of senior debt rated investment grade outstanding. The percentage limitation was raised from 15% by the Fund's Board of Directors at its regular board meeting on April 19, 2002.

The Fund may invest up to 15% of its assets in common stocks and, under normal market conditions, up to 20% of its assets in debt securities. Certain of its investments in hybrid, i.e., fully taxable, preferred securities, such as TOPrS, TIPS, QUIPS, MIPS, QUIDS, QUICS, QIB's, STOPS, CorTS, REIT, Capital Securities, and other similar or related investments, will be subject to the foregoing 20% limitation to the extent that, in the opinion of the Fund's Investment Adviser, such investments are deemed to be debt-like in key characteristics. Typically, a security will not be considered debt-like (a) if an issuer can defer payment of income for eighteen months or more without triggering an event of default and (b) if such issue is a junior and fully subordinated liability of an issuer or its ultimate guarantor.

8. SPECIAL INVESTMENT TECHNIQUES

The Fund may employ certain investment techniques in accordance with its fundamental investment policies. These may include the use of when-issued and delayed delivery transactions. Securities purchased or sold on a when-issued or delayed delivery basis may be settled within 45 days after the date of the transaction. Such transactions may expose the Fund to credit and market valuation risk greater than that associated with regular trade settlement procedures. The Fund may also enter into transactions, in accordance with its fundamental investment policies, involving any or all of the following: lending of portfolio securities, short sales of securities, futures contracts, interest rate swaps, options on futures contracts, options on securities and swaptions. As in the case of when-issued securities, the use of over-the-counter derivatives, such as interest rate swaps and swaptions, may expose the Fund to greater credit, operations, and market value risk than is the case with regulated, exchange traded futures and options. With the exception of purchasing securities on a when-issued or delayed delivery basis or lending portfolio securities, these transactions are used for hedging or other appropriate risk-management purposes or, under certain other circumstances, to increase income. As of November 30, 2003, the Fund owned put options on U.S. Treasury bond futures contracts. No assurance can be given that such transactions will achieve their desired purposes or will result in an overall reduction of risk to the Fund.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders
Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated:

We have audited the accompanying statement of assets and liabilities of Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated (formerly, Preferred Income Opportunity Fund Incorporated), including the fund's portfolio of investments, as of November 30, 2003, and the related statement of operations for the year then ended, statement of changes in net assets for each of the years in the two-year period then ended and financial highlights for each of the years in the three-year period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of November 30, 2003 by correspondence with the custodian and brokers. As to securities purchased or sold but not yet received or delivered, we performed other appropriate auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated as of November 30, 2003, the results of its operations for the year then ended, changes in its net assets for each of the years in the two-year period then ended and financial highlights for each of the years in the three-year period then ended in conformity with accounting principles generally accepted in the United States of America.

/S/ KPMG LLP

Boston, Massachusetts
January 16, 2004

Flaherty & Crumrine Preferred Income Opportunity Fund
SUPPLEMENTARY TAX INFORMATION (UNAUDITED)

For Fiscal 2003, the distributions attributable both to Common Stock and MMPTM are characterized as follows for purposes of Federal income taxes: for individual investors, 84.99% consisted of Qualified Dividend Income ("QDI") eligible for the maximum 15% personal tax rate while 15.01% consisted of ordinary income taxable at regular personal tax rates. For corporate investors, 84.59% consisted of income eligible for the inter-corporate Dividends Received Deduction ("DRD") while 15.41% consisted of ordinary income taxable at regular corporate rates.

For Calendar 2003, the distributions to Common Stock are characterized as follows for purposes of Federal income taxes: for individual investors, 84.39% consisted of Qualified Dividend Income ("QDI") eligible for the maximum 15% personal tax rate while 15.61% consisted of ordinary income taxable at regular personal tax rates. For corporate investors, 83.99% consisted of income eligible for the inter-corporate Dividends Received Deduction ("DRD") while 16.01% consisted of ordinary income taxable at regular corporate rates.

DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

Under the Fund's Dividend Reinvestment and Cash Purchase Plan (the "Plan"), a shareholder whose Common Stock is registered in his own name will have all distributions reinvested automatically by PFPC Inc. as agent under the Plan, unless the shareholder elects to receive cash. Distributions with respect to shares registered in the name of a broker-dealer or other nominee (that is, in "street name") may be reinvested by the broker or nominee in additional shares under the Plan, but only if the service is provided by the broker or nominee, unless the shareholder elects to receive distributions in cash. A shareholder who holds Common Stock registered in the name of a broker or other nominee may not be able to transfer the Common Stock to another broker or nominee and continue to participate in the Plan. Investors who own Common Stock registered in street name should consult their broker or nominee for details regarding reinvestment.

The number of shares of Common Stock distributed to participants in the Plan in lieu of a cash dividend is determined in the following manner. Whenever the market price per share of the Fund's Common Stock is equal to or exceeds the net asset value per share on the valuation date, participants in the Plan will be issued new shares valued at the higher of net asset value or 95% of the then current market value. Otherwise, PFPC Inc. will buy shares of the Fund's Common Stock in the open market, on the New York Stock Exchange or elsewhere, on or shortly after the payment date of the dividend or distribution and continuing until the ex-dividend date of the Fund's next distribution to holders of the Common Stock or until it has expended for such purchases all of the cash that would otherwise be payable to the participants. The number of purchased shares that will then be credited to the participants' accounts will be based on the average per share purchase price of the shares so purchased, including brokerage commissions. If PFPC Inc. commences purchases in the open market and the then current market price of the shares (plus any estimated brokerage commissions) subsequently exceeds their net asset value most recently determined before the completion of the purchases, PFPC Inc. will attempt to terminate purchases in the open market and cause the Fund to issue the remaining dividend or distribution in shares. In this case, the number of shares received by the participant will be based on the weighted average of prices paid for shares purchased in the open market and the price at which the Fund issues the remaining shares. These remaining shares will be issued by the Fund at the higher of net asset value or 95% of the then current market value.

Plan participants are not subject to any charge for reinvesting dividends or capital gains distributions. Each Plan participant will, however, bear a proportionate share of brokerage commissions incurred with respect to PFPC Inc.'s open market purchases in connection with the reinvestment of dividends or capital gains distributions. For the period ended November 30, 2003, $926 in brokerage commissions were incurred.

The automatic reinvestment of dividends and capital gains distributions will not relieve Plan participants of any income tax that may be payable on the dividends or capital gains distributions. A participant in the Plan will be treated for Federal income tax purposes as having received, on the dividend payment date, a dividend or distribution in an amount equal to the cash that the participant could have received instead of shares.

In addition to acquiring shares of Common Stock through the reinvestment of cash dividends and distributions, a shareholder may invest any further amounts from $100 to $3,000 semi-annually at the then current market price in shares purchased through the Plan. Such semi-annual investments are subject to any brokerage commission charges incurred by PFPC Inc. under the Plan.

A shareholder whose Common Stock is registered in his or her own name may terminate participation in the Plan at any time by notifying PFPC Inc. in writing, by completing the form on the back of the Plan account statement and forwarding it to PFPC Inc. or by calling PFPC Inc. directly. A termination will be effective immediately if notice is received by PFPC Inc. not less than 10 days before any dividend or distribution record date. Otherwise, the termination will be effective, and only with respect to any subsequent dividends or distributions, on the first day after the dividend or distribution has been credited to the participant's account in additional shares of the Fund. Upon termination and according to a participant's instructions, PFPC Inc. will either (a) issue certificates for the whole shares credited to the shareholder's Plan account and a check representing any fractional shares or (b) sell the shares in the market. Shareholders who hold common stock registered in the name of a broker or other nominee should consult their broker or nominee to terminate participation.

The Plan is described in more detail in the Fund's Plan brochure. Information concerning the Plan may be obtained from PFPC Inc. at 1-800-331-1710.

PROXY VOTING POLICIES

The Fund's proxy voting policies and procedures are available (i) without charge, upon request, by calling the Fund's transfer agent at 1-800-331-1710, (ii) on the Fund's website at www.preferredincome.com and (iii) on the Securities and Exchange Commission's website at www.sec.gov.

PORTFOLIO MANAGEMENT TEAM

In managing the day-to-day operations of the Fund, the Adviser relies on the expertise of its team of money management professionals, consisting of Messrs. Crumrine, Ettinger, Stimes, Stone and Chadwick. The professional backgrounds of each member of the management team are included in the "Information about Fund Directors and Officers" section of this report beginning on page 31.

Flaherty & Crumrine Preferred Income Opportunity Fund
ADDITIONAL INFORMATION (UNAUDITED) (CONTINUED)

SUBSEQUENT EVENTS

As a result of the income realized by the Fund that did not qualify for the inter-corporate Dividends Received Deduction ("DRD"), a portion of the distributions paid to the Fund's Money Market Cumulative Preferred(TRADE MARK) Stock shareholders from January 1, 2003 through November 30, 2003 has been designated as being non-DRD income, as required by Internal Revenue Services Ruling 89-81, with respect to the Internal Revenue Code of 1986, as amended. On December 22, 2003, the Fund declared an additional distribution of $36,841, payable December 24, 2003, to Money Market Cumulative Preferred(TRADE MARK) Stock shareholders as required by the Fund's Articles Supplementary (See Note 6.)

Flaherty & Crumrine Preferred Income Opportunity Fund
ADDITIONAL INFORMATION (UNAUDITED) (CONTINUED)

INFORMATION ABOUT FUND DIRECTORS AND OFFICERS

The business and affairs of the Fund are managed under the direction of the Fund's Board of Directors. Information pertaining to the Directors and officers of the Fund is set forth below.

NAME, ADDRESS, AND AGE	POSITION(S) HELD WITH FUND	TERM OF OFFICE AND LENGTH OF TIME SERVED*	PRINCIPAL OCCUPATION(S) DURING PAST FIVE YEARS	NUMBER OF FUNDS IN FUND COMPLEX OVERSEEN BY DIRECTOR	O
NON-INTERESTED DIRECTORS:					
MARTIN BRODY c/o HMK Associates 30 Columbia Turnpike Florham Park, NJ 07932 Age: 82	Director	Class I Director since 1992	Retired	4	Di (l ac Em Mu Fl Pr Fl Pr In Cr Re
DAVID GALE Delta Dividend Group, Inc.	Director	Class I Director since 1997	President & CEO of Delta Dividend	4	Di Vi

220 Montgomery Street Suite 426 San Francisco, CA 94104 Age: 54			Group, Inc. (investments).		pr Cr Fu Cl Se an Cl Fu

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Flaherty & Crumrine Preferred Income Opportunity Fund
ADDITIONAL INFORMATION (UNAUDITED) (CONTINUED)

NAME, ADDRESS, AND AGE	POSITION(S) HELD WITH FUND	TERM OF OFFICE AND LENGTH OF TIME SERVED*	PRINCIPAL OCCUPATION(S) DURING PAST FIVE YEARS	NUMBER OF FUNDS IN FUND COMPLEX OVERSEEN BY DIRECTOR	O
NON-INTERESTED DIRECTORS:					
MORGAN GUST+ Giant Industries, Inc. 23733 N. Scottsdale Road Scottsdale, AZ 85255 Age: 56	Director	Class III Director since 1992	From March 2002, President of Giant Industries, Inc. (petroleum refining and marketing); and for more than five years prior thereto, Executive Vice President, and various other Vice President positions at Giant Industries, Inc.	4	Fl Pr Fl Cl Se an Cl Fu
ROBERT F. WULF 3560 Deerfield Drive South Salem, OR 97302 Age: 66	Director	Class II Director since 1992	Financial Consultant; Trustee, University of Oregon Foundation; Trustee, San Francisco Theological Seminary.	4	Fl Pr Fl Cl Se an Cl Fu

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ADDITIONAL INFORMATION (UNAUDITED) (CONTINUED)

NAME, ADDRESS, AND AGE	POSITION(S) HELD WITH FUND	TERM OF OFFICE AND LENGTH OF TIME SERVED*	PRINCIPAL OCCUPATION(S) DURING PAST FIVE YEARS	NUMBER OF FUNDS IN FUND COMPLEX OVERSEEN BY DIRECTOR	O
INTERESTED DIRECTORS:					
DONALD F. CRUMRINE+, ++ 301 E. Colorado Boulevard Suite 720 Pasadena, CA 91101 Age: 56	Director, Chairman of the Board and Chief Executive Officer	Class II Director since 1992	Chairman of the Board, Director of Flaherty & Crumrine.	4	Fl Pr Fl Cl Se an Cl Fu
ROBERT M. ETTINGER++ 301 E. Colorado Boulevard Suite 720 Pasadena, CA 91101 Age: 45	Director, President	Class III Director since 2002	President and Director of Flaherty & Crumrine.	2	Fl Pr
OFFICERS:					
PETER C. STIMES 301 E. Colorado Boulevard Suite 720 Pasadena, CA 91101 Age: 48	Chief Financial Officer, Chief Accounting Officer, Vice President, Treasurer, and Assistant Secretary	Since 1992	Vice President of Flaherty & Crumrine.	--	

NAME, ADDRESS, AND AGE	POSITION(S) HELD WITH FUND	TERM OF OFFICE AND LENGTH OF TIME SERVED*	PRINCIPAL OCCUPATION(S) DURING PAST FIVE YEARS	NUMBER OF FUNDS IN FUND COMPLEX OVERSEEN BY DIRECTOR	O

OFFICERS:

BRADFORD S. STONE 392 Springfield Avenue Mezzanine Suite Summit, NJ 07901 Age: 44	Vice President and Assistant Treasurer	Since July 2003	Since May 2003, Vice President of Flaherty & Crumrine; from June 2001 to April 2003, Director of US Market Strategy at Barclays Capital; from February 1987 to June 2001, Vice President of Goldman, Sachs & Company as Director of US Interest Rate Strategy and, previously, Vice President of Interest Rate Product Sales.	--
R. ERIC CHADWICK 301 E. Colorado Boulevard Suite 720 Pasadena, CA 91101 Age: 28	Vice President, Secretary and Assistant Treasurer	Since October 2002	Since August 2001, Vice President of Flaherty & Crumrine, from January 1997 through November 1998, portfolio manager of Koch Industries, Inc.	--

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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
- Peter C. Stimes, CFA
  Chief Financial Officer,
  Chief Accounting Officer,
  Vice President, Treasurer,
  and Assistant Secretary
- Bradford S. Stone
  Vice President and
  Assistant Treasurer
- R. Eric Chadwick, CFA
  Vice President, Secretary and
  Assistant Treasurer

INVESTMENT ADVISER
Flaherty & Crumrine Incorporated
e-mail: flaherty@fin-mail.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

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

[LOGO OMITTED]
FLAHERTY & CRUMRINE
PREFERRED
INCOME
OPPORTUNITY
FUND

ANNUAL
REPORT

NOVEMBER 30, 2003

web site: www.preferredincome.com

ITEM 2. CODE OF ETHICS.

(a) The registrant, as of the end of the period covered by this report, has adopted a code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party.

(b) There have been no amendments, during the period covered by this report, to a provision of the code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party, and that relates to any element of the code of ethics description.

(c) The registrant has not granted any waivers, including an implicit waiver, from a provision of the code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party, that relates to one or more of the items set forth in paragraph (b) of this item's instructions.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

As of the end of the period covered by the report, the registrant's board of directors has determined that David Gale and Robert F. Wulf are each qualified to serve as an audit committee financial expert serving on its audit committee and that they both are "independent," as defined by the Securities and Exchange Commission.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable.

ITEM 6. [RESERVED]

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

FLAHERTY & CRUMRINE INCORPORATED (THE "ADVISER")
POLICIES AND PROCEDURES FOR VOTING PROXIES FOR CLIENTS

(The definition of clients includes Flaherty & Crumrine Preferred Income Fund Incorporated, Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated, Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated, and Flaherty & Crumrine/Claymore Total Return Fund Incorporated - collectively, the "Funds")

PURPOSE

These Policies and Procedures are designed to satisfy the Adviser's duties of care and loyalty to its clients with respect to monitoring corporate events and exercising proxy authority in the best interests of such clients.

In connection with this objective, these Policies and Procedures are designed to deal with potential complexities which may arise in cases where the Adviser's interests conflict or appear to conflict with the interests of its clients.

These Policies and Procedures are also designed to communicate with clients the methods and rationale whereby the Adviser exercises proxy authority.

This document is available to any client or Fund shareholder upon request and the Adviser will make available to such clients and Fund shareholders the record of the Adviser's votes promptly upon request and to the extent required by Federal law and regulations.[1]

FUNDAMENTAL STANDARD

The Adviser will be guided by the principle that, in those cases where it has discretion, it is bound to vote proxies and take such other corporate actions consistent with the interest of its clients with regard to the objective of wealth maximization.

GENERAL

The Adviser has divided its discussion in this document into two major categories: voting with respect to common stock and voting with respect to senior equity, e.g., preferred stock and similar securities. In those events where the Adviser may have to take action with respect to debt, such as in the case of amendments of covenants or in the case of default, bankruptcy, reorganization, etc., the

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1 This will include Fund web site reporting of proxy votes on Form N-PX no later than 8/31/2004 for the twelve month period ended 6/30/2004.

Adviser will apply the same principles as would apply to common or preferred stock, MUTATIS MUTANDIS.

These Policies and Procedures apply only where the client has granted discretionary authority with respect to proxy voting of an issuer. Where the Adviser does not have authority, it will keep appropriate written records evidencing that such discretionary authority has not been granted.

The Adviser may choose not to keep written copies of proxy materials that are subject to SEC regulation and maintained in the SEC's EDGAR database. In other instances, the Adviser will keep appropriate written records in its files or in reasonably accessible storage.

Similarly, the Adviser will keep in its files, or reasonably accessible storage, work papers and other materials that were significant to the Adviser in making a decision how to vote.

For purposes of decision making, the Adviser will assume that each ballot for which it casts votes is the only security of an issuer held by the client. Thus, when casting votes where the Adviser may have discretionary authority with regard to several different securities of the same issuer, it may vote securities "in favor" for those securities or classes where the Adviser has determined the matter in question to be beneficial while, at the same time, voting "against" for those securities or classes where the Adviser has determined the matter to be adverse. Such cases occasionally arise, for example, in those instances where a vote is required by both common and preferred shareholders, voting as separate classes, for a change in the terms regarding preferred stock issuance.

The Adviser will reach its voting decisions independently, after appropriate investigation. It does not generally intend to delegate its decision making or to rely on the recommendations of any third party, although it may take such recommendations into consideration. The Adviser may consult with such other experts, such as CPA's, investment bankers, attorneys, etc., as it regards necessary to help it reach informed decisions.

Absent good reason to the contrary, the Adviser will generally give substantial weight to management recommendations regarding voting. This is based on the view that management is usually in the best position to know which corporate actions are in the best interests of common shareholders as a whole.

With regard to those shareholder-originated proposals which are typically described as "social, environmental, and corporate responsibility" matters, the Adviser will typically give weight to management's recommendations and vote against such shareholder proposals, particularly if the adoption of such proposals would bring about burdens or costs not borne by those of the issuer's competitors.

In cases where the voting of proxies would not justify the time and costs involved, the Adviser may refrain from voting. From the individual client's perspective, this would most typically come about in the case of small holdings, such as might arise in connection with spin-offs or other corporate reorganizations. From the perspective of the Adviser's institutional clients, this envisions cases (1) as more fully described below where preferred and common shareholders vote together as a class or (2) other similar or analogous instances.

Ultimately, all voting decisions are made on a case-by-case basis, taking relevant considerations into account.

VOTING OF COMMON STOCK PROXIES

The Adviser categorizes matters as either routine or non-routine, which definition may or may not precisely conform to the definitions set forth by securities exchanges or other bodies categorizing such matters. Routine matters would include such things as the voting for directors and the ratification of auditors and most shareholder proposals regarding social, environmental, and corporate responsibility matters. Absent good reason to the contrary, the Adviser normally will vote in favor of management's recommendations on these routine matters.

Non-routine matters might include, without limitation, such things as (1) amendments to management incentive plans, (2) the authorization of additional common or preferred stock, (3) initiation or termination of barriers to takeover or acquisition, (4) mergers or acquisitions, (5) changes in the state of incorporation, (6) corporate reorganizations, and (7) "contested" director slates. In non-routine matters, the Adviser, as a matter of policy, will attempt to be generally familiar with the questions at issue. This will include, without limitation, studying news in the popular press, regulatory filings, and competing proxy solicitation materials, if any. Non-routine matters will be voted on a case-by-case basis, given the complexity of many of these issues.

VOTING OF PREFERRED STOCK PROXIES

Preferred stock, which is defined to include any form of equity senior to common stock, generally has voting rights only in the event that the issuer has not made timely payments of income and principal to shareholders or in the event that a corporation desires to effectuate some change in its articles of incorporation which might modify the rights of preferred stockholders. These are non-routine in both form and substance.

In the case of non-routine matters having to do with the modification of the rights or protections accorded preferred stock shareholders, the Adviser will attempt, wherever possible, to quantify the costs and benefits of such modifications and will vote in favor of such modifications only if they are in the bests interests of preferred shareholders or if the issuer has offered sufficient compensation to preferred stock shareholders to offset the reasonably foreseeable adverse consequences of such modifications. A similar type of analysis would be made in the case where preferred shares, as a class, are entitled to vote on a merger or other substantial transaction.

In the case of the election of directors when timely payments to preferred shareholders have not been made ("contingent voting"), the Adviser will cast its votes on a case-by-case basis after investigation of the qualifications and independence of the persons standing for election.

Routine matters regarding preferred stock are the exception, rather than the rule, and typically arise when the preferred and common shareholders vote together as a class on such matters as election of directors. The Adviser will vote on a case-by-case basis, reflecting the principles set forth elsewhere in this document. However, in those instances where the common shares of an issuer are held by a holding company and where, because of that, the election outcome is not in doubt, the Adviser does not intend to vote such proxies since the time and costs would outweigh the benefits.

ACTUAL AND APPARENT CONFLICTS OF INTEREST

Potential conflicts of interest between the Adviser and the Adviser's clients may arise when the Adviser's relationships with an issuer or with a related third party conflict or appear to conflict with the best interests of the Adviser's clients.

The Adviser will indicate in its voting records available to clients whether or not a material conflict exists or appears to exist. In addition, the Adviser will communicate with the client (which shall mean the independent Directors or Director(s) they may so designate in the case of the Funds) in instances when a material conflict of interest may be apparent. The Adviser shall describe the conflict to the client and state the Adviser's voting recommendation and the basis therefore. If the client considers there to be a reasonable basis for the proposed vote notwithstanding the conflict or, in the case of the Funds, that the recommendation was not affected by the conflict (without considering the merits of the proposal), the Adviser shall vote in accordance with the recommendation it had made to the client.

In all such instances, the Adviser will keep reasonable documentation supporting its voting decisions and/or recommendations to clients.

AMENDMENT OF THE POLICIES AND PROCEDURES

These Policies and Procedures may be modified at any time by action of the Board of Directors of the Adviser but will not become effective, in the case of the Funds, unless they are approved by majority vote of the non-interested Directors of the Funds. Any such modifications will be made to the Adviser's clients by mail and/or other electronic means in a timely manner. These Policies and Procedures, and any amendments thereto, will be posted on the Funds' webs sites and will be disclosed in reports to shareholders as required by law.

Dated: 7/24/2003

ITEM 8. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

Not applicable.

ITEM 9. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

ITEM 10. 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 half-year (the registrant's second fiscal half-year in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 11. EXHIBITS.

(a)(1) Code of ethics, or any amendment thereto, that is the subject of disclosure required by Item 2 is attached hereto.

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

(a)(3) Not applicable.

(b) Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 are attached hereto.

SIGNATURES

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

(registrant) FLAHERTY & CRUMRINE PREFERRED INCOME 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 JANUARY 29, 2004

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

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

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

Date January 29, 2004

By (Signature and Title)*/s/PETER C. STIMES

Peter C. Stimes, Chief Financial and Accounting Officer,
Vice President, Treasurer & Assistant Secretary
(principal financial officer)

Date JANUARY 29, 2004
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* Print the name and title of each signing officer under his or her signature.