

Flaherty & Crumrine PREFERRED INCOME OPPORTUNITY FUND INC
Form N-Q
April 29, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED

MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-06495

Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated

(Exact name of registrant as specified in charter)

301 E. Colorado Boulevard, Suite 720

Pasadena, CA 91101

(Address of principal executive offices) (Zip code)

Donald F. Crumrine

Flaherty & Crumrine Incorporated

301 E. Colorado Boulevard, Suite 720

Pasadena, CA 91101

(Name and address of agent for service)

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

Date of fiscal year end: November 30

Date of reporting period: February 28, 2013

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-5 (§§ 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to rule 30b1-5 under the Investment Company Act of 1940 (17 CFR 270.30b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-Q, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-Q

unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to the Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

Item 1. Schedule of Investments.

The Schedule(s) of Investments is attached herewith.

FLAHERTY & CRUMRINE PREFERRED INCOME OPPORTUNITY FUND

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

The new fiscal year is off to a fine start total return on *net asset value* for the first fiscal quarter² was +4.3%. Over the same period total return based on income plus change in the Fund's *market price* was +11.7%.

With signs of economic improvement trickling in, prices on intermediate and long-term US Treasury bonds fell as much as five percent in the quarter. In contrast, prices on many preferred securities rose. Conditions in the market for preferred securities have been, and remain, positive; credit quality continues to improve, investor demand is high, and the market is shrinking.

Once again redemptions of preferred securities outpaced issuance. Since December 1, 2012, redemptions³ totaled \$30.1 billion. Over the same period, \$16.8 billion of new preferred securities were brought to market. *During the past four months, the preferred securities market has shrunk by \$13.3 billion, or 3.7%.*

It's instructive to break these numbers down between bank and non-bank securities. Since December 1, 2012, redemptions of bank preferred securities have totaled \$17.6 billion, or 44% of total preferred redemptions. Since mid-March, however, bank calls have spiked and comprise over 70% of total redemptions. The pace quickened immediately after regulators announced results from their annual review of capital at large banks. So far, banks have been slow to replace preferred capital new bank issues have totaled a paltry \$3.9 billion since December¹ of last year.

For non-bank companies the decision to call or issue is driven primarily by economics. In the current low interest rate environment, it is often possible for issuers to achieve substantial savings by refinancing. While banks are concerned about expense reduction as well, their decisions about redemption or issuance have been driven mainly by regulatory requirements. The Dodd-Frank Wall Street Reform and Consumer Protection Act, passed by Congress in 2010, mandated new standards for the amount and form of bank capital. Under the Act, trust preferred securities are being phased out of the calculation of Tier 1 capital. New capital will be either traditional equity or non-cumulative perpetual preferred stock.

As we've discussed in the past, the wave of refinancing negatively impacts income earned from Fund investments. The current combination of high-yielding portfolio assets and low cost of Fund leverage won't last forever; we attempt to set distribution rates that reflect this situation.

As always, we encourage you to visit the Fund's website www.preferredincome.com, for important information.

Sincerely,

Donald F. Crumrine

Chairman

March 28, 2013

Robert M. Ettinger

President

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

² December 1, 2012 - February 28, 2013

³ Announced or implemented.

Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated

PORTFOLIO OVERVIEW

February 28, 2013 (Unaudited)

Fund Statistics

Net Asset Value	\$	11.33
Market Price	\$	12.56
Premium		10.86%
Yield on Market Price		6.97%
Common Stock Shares Outstanding		12,246,004

Moody's Ratings	% of Net Assets
A	0.9%
BBB	58.7%
BB	31.8%
Below BB	3.7%
Not Rated*	3.6%
Below Investment Grade**	24.8%

* Does not include net other assets and liabilities of 1.3%.

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

Industry Categories % of Net Assets

Top 10 Holdings by Issuer	% of Net Assets
Liberty Mutual Group	4.4%
MetLife	4.3%
HSBC PLC	4.3%
Goldman Sachs Group	4.0%
Banco Santander, S.A.	3.8%
Wells Fargo & Company	3.6%
Barclays Bank PLC	3.1%
XL Group PLC	2.8%

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Axis Capital Holdings Ltd	2.5%
Enbridge Energy Partners	2.5%
	% of Net Assets***
Holdings Generating Qualified Dividend Income (QDI) for Individuals	49%
Holdings Generating Income Eligible for the Corporate Dividends Received Deduction (DRD)	31%

*** This does not reflect year-end results or actual tax categorization of Fund distributions. These percentages can, and do, change, perhaps significantly, depending on market conditions. Investors should consult their tax advisor regarding their personal situation.
Net Assets includes assets attributable to the use of leverage.

Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated

PORTFOLIO OF INVESTMENTS

February 28, 2013 (Unaudited)

Shares/\$ Par		Value
Preferred Securities 89.0%		
Banking 35.2%		
	Astoria Financial:	
\$ 2,750,000	Astoria Capital Trust I, 9.75% 11/01/29, Series B	\$ 2,838,685 ⁽¹⁾⁽²⁾
	Banco Bilbao Vizcaya Argentaria, S.A.:	
\$ 1,375,000	BBVA International Preferred, 5.919%	1,161,875** ⁽¹⁾⁽²⁾⁽³⁾
	Banco Santander, S.A.:	
280,123	Banco Santander, 10.50% Pfd., Series 10	7,891,765** ⁽¹⁾⁽³⁾
	Bank of America:	
10,000	Bank of America Corporation, 8.20% Pfd.	255,300*
125,765	Bank of America Corporation, 8.625% Pfd.	3,207,008* ⁽¹⁾
2,500	Countrywide Capital IV, 6.75% Pfd. 04/01/33	63,750
20,000	Countrywide Capital V, 7.00% Pfd. 11/01/36	505,000
	Barclays Bank PLC:	
\$ 2,750,000	Barclays Bank PLC, 6.278%	2,696,554** ⁽¹⁾⁽²⁾⁽³⁾
56,000	Barclays Bank PLC, 7.10% Pfd.	1,419,600** ⁽³⁾
4,700	Barclays Bank PLC, 7.75% Pfd., Series 4	119,239** ⁽³⁾
90,000	Barclays Bank PLC, 8.125% Pfd., Series 5	2,289,600** ⁽¹⁾⁽³⁾
	BNP Paribas:	
\$ 1,750,000	BNP Paribas, 7.195%, 144A****	1,824,375** ⁽¹⁾⁽²⁾⁽³⁾
	Citigroup:	
\$ 2,750,000	Citigroup, Inc., 8.40%, Series E	3,089,925*
13,000	Citigroup Capital VII, 7.125% Pfd. 07/31/31	330,282
	CoBank ACB:	
10,000	CoBank ACB, 6.25% Pfd., 144A****	1,067,500*
	Colonial BancGroup:	
\$ 4,500,000	Colonial BancGroup, 7.114%, 144A****	6,750 ⁽⁴⁾⁽⁵⁾
	Cullen/Frost Bankers:	
20,000	Cullen/Frost Bankers, Inc., 5.375% Pfd.	496,250*
	FBOP Corp:	
4,500	FBOP Corporation, Adj. Rate Pfd., 144A****	2,250* ⁽⁴⁾⁽⁵⁾
	Fifth Third Bancorp:	
\$ 700,000	Fifth Third Capital Trust IV, 6.50% 04/15/37	703,500 ⁽¹⁾
	First Horizon:	
750	First Tennessee Bank, Adj. Rate Pfd., 3.75% ⁽⁶⁾ , 144A****	554,531* ⁽¹⁾
\$ 500,000	First Tennessee Capital II, 6.30% 04/15/34, Series B	491,250
1	FT Real Estate Securities Company, 9.50% Pfd., 144A****	1,100,625
	First Niagara Financial Group:	
104,000	First Niagara Financial Group, Inc., 8.625% Pfd.	3,052,660* ⁽¹⁾

Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

February 28, 2013 (Unaudited)

Shares/\$ Par		Value
Preferred Securities (Continued)		
Banking (Continued)		
	First Republic Bank:	
29,050	First Republic Bank, 6.70% Pfd.	\$ 796,914*
	Goldman Sachs Group:	
22,500	Goldman Sachs, 5.95% Pfd.	564,806*
\$ 2,255,000	Goldman Sachs, Capital I, 6.345% 02/15/34	2,368,248 ⁽¹⁾⁽²⁾
	HSBC PLC:	
\$ 1,000,000	HSBC Capital Funding LP, 10.176%, 144A****	1,402,500 ⁽¹⁾⁽³⁾
127,500	HSBC Holdings PLC, 8.00% Pfd., Series 2	3,544,691** ⁽¹⁾⁽³⁾
\$ 120,000	HSBC USA Capital Trust I, 7.808% 12/15/26, 144A****	122,400
99,850	HSBC USA, Inc., 6.50% Pfd., Series H	2,574,263* ⁽¹⁾
	ING Groep NV:	
30,000	ING Groep NV, 7.05% Pfd.	760,845** ⁽³⁾
21,700	ING Groep NV, 7.20% Pfd.	549,932** ⁽³⁾
32,500	ING Groep NV, 7.375% Pfd.	828,425** ⁽³⁾
14,300	ING Groep NV, 8.50% Pfd.	370,656** ⁽³⁾
	JPMorgan Chase:	
\$ 3,550,000	JPMorgan Chase & Company, 7.90%, Series 1	4,113,289* ⁽¹⁾
	KeyCorp:	
1,000	KeyCorp, 7.75% Pfd., Series A	127,313*
	Lloyds Banking Group PLC:	
\$ 450,000	Lloyds Banking Group PLC, 6.657%, 144A****	408,375** ⁽³⁾
	M&T Bank Corp:	
\$ 1,750,000	M&T Bank Corporation, 6.875%, 144A****	1,838,632* ⁽¹⁾
	Morgan Stanley:	
30,000	Morgan Stanley Capital Trust VI, 6.60% Pfd. 02/01/46	761,250
4,500	Morgan Stanley Capital Trust VII, 6.60% Pfd.	113,895
	PNC Financial Services:	
85,070	PNC Financial Services, 6.6285% ⁽⁶⁾ Adj. Rate Pfd., Series L	2,209,481* ⁽¹⁾
\$ 200,000	PNC Preferred Funding Trust III, 8.70%, 144A****	203,516
	Sovereign Bancorp:	
2,600	Sovereign REIT, 12.00% Pfd., Series A, 144A****	3,395,272
	Wells Fargo:	
3,085	Wells Fargo & Company, 7.50% Pfd., Series L	3,912,937* ⁽¹⁾
123,500	Wells Fargo & Company, 8.00% Pfd., Series J	3,589,219* ⁽¹⁾
	Zions Bancorporation:	
85,200	Zions Bancorporation, 7.90% Pfd., Series F	2,449,500*
30,000	Zions Bancorporation, 9.50% Pfd., Series C	775,500*
		72,950,133

Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

February 28, 2013 (Unaudited)

Shares/\$ Par		Value
Preferred Securities (Continued)		
Financial Services 1.5%		
Credit Suisse Group:		
\$ 1,260,000	Claudius, Ltd. - Credit Suisse AG, 7.875%, Series B, 144A****	\$ 1,343,475 ⁽³⁾
6,000	Credit Suisse Guernsey, 7.90% Pfd.	153,563** ⁽³⁾
General Electric Capital Corp:		
\$ 200,000	General Electric Capital Corp., 7.125%, Series A	231,366*
HSBC PLC:		
50,000	HSBC Finance Corporation, 6.36% Pfd., Series B	1,281,575*(1)
		3,009,979
Insurance 25.4%		
Ace Ltd.:		
\$ 1,200,000	Ace Capital Trust II, 9.70% 04/01/30	1,749,000 ⁽¹⁾⁽²⁾⁽³⁾
Aon Corporation:		
\$ 375,000	AON Corp, 8.205% 01/01/27	481,842
Arch Capital Group:		
81,925	Arch Capital Group, Ltd., 6.75% Pfd., Series C	2,252,323** ⁽¹⁾⁽³⁾
AXA SA:		
\$ 2,800,000	AXA SA, 6.379%, 144A****	2,800,000** ⁽¹⁾⁽²⁾⁽³⁾
\$ 500,000	AXA SA, 8.60% 12/15/30	644,542 ⁽³⁾
Axis Capital:		
187,000	Axis Capital Holdings, 6.875% Pfd., Series C	5,195,141** ⁽¹⁾⁽³⁾
Delphi Financial:		
90,000	Delphi Financial Group, 7.376% Pfd. 05/15/37	2,258,442 ⁽¹⁾⁽²⁾
Endurance Specialty Holdings:		
25,000	Endurance Specialty Holdings, 7.50% Pfd.	671,813** ⁽³⁾
Everest Re Group:		
\$ 4,350,000	Everest Re Holdings, 6.60% 05/15/37	4,453,313 ⁽¹⁾⁽²⁾
Liberty Mutual Group:		
\$ 4,600,000	Liberty Mutual Group, 10.75% 06/15/58, 144A****	7,049,500
Lincoln National Corp:		
\$ 175,000	Lincoln National Corporation, 7.00% 05/17/66	178,938
MetLife:		
\$ 2,454,000	MetLife, Inc., 10.75% 08/01/39	3,785,295 ⁽¹⁾⁽²⁾
\$ 448,000	MetLife Capital Trust IV, 7.875% 12/15/37, 144A****	557,760 ⁽¹⁾⁽²⁾
\$ 3,325,000	MetLife Capital Trust X, 9.25% 04/08/38, 144A****	4,605,125 ⁽¹⁾⁽²⁾
PartnerRe Ltd.:		
35,535	PartnerRe Ltd., 7.250% Pfd., Series E	988,939** ⁽¹⁾⁽³⁾

Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

February 28, 2013 (Unaudited)

Shares/\$ Par		Value
Preferred Securities (Continued)		
Insurance (Continued)		
	Principal Financial:	
21,000	Principal Financial Group, 5.563% Pfd., Series A	\$ 2,094,750*(1)
75,000	Principal Financial Group, 6.518% Pfd., Series B	2,048,438*(1)
	Prudential Financial:	
\$ 300,000	Prudential Financial Inc., 5.625% 06/15/43	313,500
	QBE Capital Funding:	
\$ 1,020,000	QBE Capital Funding III Ltd., 7.25% 05/24/41, 144A****	1,067,549(1)(3)
	Renaissancere Holdings:	
20,065	Renaissancere Holdings Ltd., 6.60% Pfd.	510,052**(3)
	StanCorp Financial Group:	
\$ 1,910,000	StanCorp Financial Group, 6.90% 06/01/67	1,943,425(1)(2)
	The Travelers Companies:	
\$ 960,400	USF&G Capital, 8.312% 07/01/46, 144A****	1,249,443(1)(2)
	XL Group PLC:	
\$ 5,900,000	XL Capital Ltd., 6.50%, Series E	5,782,000(1)(2)(3)
		52,681,130
	Utilities 17.6%	
	Alabama Power:	
7,460	Alabama Power Company, 6.45% Pfd.	213,776*(1)
	Baltimore Gas & Electric:	
6,579	Baltimore Gas & Electric Company, 6.70% Pfd., Series 1993	677,226*(1)
2,500	Baltimore Gas & Electric Company, 7.125% Pfd., Series 1993	255,625*
	Commonwealth Edison:	
\$ 2,350,000	COMED Financing III, 6.35% 03/15/33	2,467,500(1)
	Constellation Energy:	
8,000	Constellation Energy Group, 8.625% Pfd. 06/15/63, Series A	207,200
	Dominion Resources:	
\$ 3,000,000	Dominion Resources, Inc., 7.50% 06/30/66	3,332,616(1)(2)
	Energy Future Competitive Holdings Corp:	
\$ 636,000	TXU Electric Capital V, 8.175% 01/30/37	159,000(4)
	Entergy Arkansas:	
50,000	Entergy Arkansas, Inc., 6.45% Pfd.	1,273,440*
	Entergy Louisiana:	
16,500	Entergy Louisiana, Inc., 6.95% Pfd.	1,653,094*
	Entergy Mississippi:	
80,000	Entergy Mississippi, Inc., 6.25% Pfd.	2,020,000*
	Georgia Power:	
16,937	Georgia Power Company, 6.50% Pfd., Series 2007A	1,895,357*(1)

Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

February 28, 2013 (Unaudited)

Shares/\$ Par		Value
Preferred Securities (Continued)		
Utilities (Continued)		
	Gulf Power:	
15,035	Gulf Power Company, 6.00% Pfd., Series 1	\$ 1,535,338*(1)
	Indianapolis Power & Light:	
25,000	Indianapolis Power & Light Company, 5.65% Pfd.	2,514,063*(1)
	Interstate Power & Light:	
137,756	Interstate Power & Light Company, 8.375% Pfd., Series B	3,465,431*
	Nextera Energy:	
\$ 2,100,000	FPL Group Capital, Inc., 6.65% 06/15/67	2,249,094 ⁽¹⁾⁽²⁾
\$ 1,000,000	FPL Group Capital, Inc., 7.30% 09/01/67, Series D	1,131,094 ⁽¹⁾⁽²⁾
	PECO Energy:	
\$ 1,500,000	PECO Energy Capital Trust III, 7.38% 04/06/28, Series D	1,583,946 ⁽¹⁾⁽²⁾
	PPL Corp:	
\$ 1,250,000	PPL Capital Funding, 6.70% 03/30/67, Series A	1,329,306 ⁽¹⁾
	Puget Energy:	
\$ 4,155,000	Puget Sound Energy, Inc., 6.974% 06/01/67	4,538,577 ⁽¹⁾⁽²⁾
	Southern California Edison:	
32,544	Southern California Edison, 6.50% Pfd., Series D	3,457,800*(1)
	Virginia Electric & Power:	
3,000	Virginia Electric & Power Company, \$6.98 Pfd.	298,781*
	Wisconsin Public Service:	
3,000	Wisconsin Public Service Corporation, 6.88% Pfd.	304,219*
		36,562,483
	Energy 6.0%	
	Enbridge Energy Partners:	
\$ 4,498,000	Enbridge Energy Partners LP, 8.05% 10/01/37	5,087,656 ⁽¹⁾⁽²⁾
	Enterprise Products Partners:	
\$ 4,150,000	Enterprise Products Partners, 8.375% 08/01/66, Series A	4,744,936 ⁽¹⁾⁽²⁾
	Kinder Morgan:	
3,000	Kinder Morgan GP, Inc., 4.188% ⁽⁶⁾ , Pfd., 144A****	2,545,500*
		12,378,092
	Real Estate Investment Trust (REIT) 0.8%	
	Duke Realty Corp:	
4,000	Duke Realty Corp, 6.50% Pfd.	100,970
3,500	Duke Realty Corp, 6.60% Pfd.	89,360
	Kimco Realty Corp:	
11,075	Kimco Realty Corporation, 6.90% Pfd.	297,696

Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

February 28, 2013 (Unaudited)

Shares/\$ Par		Value
Preferred Securities (Continued)		
Real Estate Investment Trust (REIT) (Continued)		
	PS Business Parks:	
40,000	PS Business Parks, Inc., 6.45% Pfd.	\$ 1,063,752
7,500	PS Business Parks, Inc., 6.875% Pfd., Series R	199,875
		1,751,653
Miscellaneous Industries 2.5%		
	Ocean Spray Cranberries:	
32,700	Ocean Spray Cranberries, Inc., 6.25% Pfd., 144A****	3,013,511*
	Stanley Black & Decker:	
12,251	Stanley Black & Decker, Inc., 5.75% Pfd. 07/25/52	320,137 ⁽¹⁾⁽²⁾
	Textron, Inc.:	
\$ 1,950,000	Textron Financial Corporation, 6.00% 02/15/67, 144A****	1,794,000
		5,127,648
	Total Preferred Securities (Cost \$171,668,686)	184,461,118
Corporate Debt Securities 9.6%		
Banking 5.2%		
	Goldman Sachs Group:	
\$ 4,625,300	Goldman Sachs Group, 6.75% 10/01/37, Sub Notes	5,260,923 ⁽¹⁾⁽²⁾
	Morgan Stanley:	
\$ 1,000,000	Morgan Stanley, 6.375% 07/24/42	1,226,032 ⁽¹⁾⁽²⁾
	Regions Financial:	
\$ 2,500,000	Regions Financial Corporation, 7.375% 12/10/37, Sub Notes	2,787,500 ⁽¹⁾⁽²⁾
	Texas Capital Bancshares:	
59,000	Texas Capital Bancshares Inc., 6.50% 09/21/42	1,489,750
		10,764,205
Financial Services 0.3%		
	Affiliated Managers Group:	
19,230	Affiliated Managers Group, Inc., 6.375% 08/15/42	504,047
	Raymond James Financial:	
5,900	Raymond James Financial, 6.90% 03/15/42	164,684
		668,731

Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

February 28, 2013 (Unaudited)

Shares/\$ Par		Value
Corporate Debt Securities (Continued)		
Insurance 2.2%		
	Liberty Mutual Group:	
\$ 1,850,000	Liberty Mutual Insurance, 7.697% 10/15/97, 144A****	\$ 2,049,637 ⁽¹⁾⁽²⁾
	Unum Group:	
\$ 2,000,000	UnumProvident Corporation, 7.25% 03/15/28	2,432,642 ⁽¹⁾⁽²⁾
		4,482,279
Utilities 0.9%		
	Energy Transfer Equity:	
\$ 1,474,000	Southern Union Company, 8.25% 11/15/29	1,887,703 ⁽¹⁾⁽²⁾
		1,887,703
Energy 0.9%		
	Nexen, Inc.:	
72,995	Nexen, Inc., 7.35% 11/01/43	1,847,686 ⁽³⁾
		1,847,686
Real Estate Investment Trust (REIT) 0.1%		
	CommonWealth REIT:	
10,750	CommonWealth REIT, 7.50% 11/15/19	229,636
		229,636
	Total Corporate Debt Securities (Cost \$16,385,687)	19,880,240
Common Stock 0.1%		
Insurance 0.0%		
	WMI Holdings Corporation:	
17,821	WMI Holdings Corporation, 144A****	13,900*
		13,900
Utilities 0.1%		
	Exelon Corp:	
8,940	Exelon Corporation	277,051*
		277,051

Total Common Stock
(Cost \$1,279,370)

290,951

Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

February 28, 2013 (Unaudited)

Shares/\$ Par		Value
Money Market Fund 0.3%		
	BlackRock Liquidity Funds:	
561,250	T-Fund	\$ 561,250
	Total Money Market Fund (Cost \$561,250)	561,250
Total Investments (Cost \$189,894,993***)		99.0% 205,193,559
Other Assets And Liabilities (Net)		1.0% 2,001,684
Total Managed Assets		100.0% \$ 207,195,243
Loan Principal Balance		(68,500,000)
Total Net Assets Available To Common Stock		\$ 138,695,243

* Securities eligible for the Dividends Received Deduction and distributing Qualified Dividend Income.

** Securities distributing Qualified Dividend Income only.

*** Aggregate cost of securities held.

**** Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional buyers. At February 28, 2013, these securities amounted to \$40,016,126 or 19.3% of total managed assets.

(1) All or a portion of this security is pledged as collateral for the Fund's loan. The total value of such securities was \$129,884,228 at February 28, 2013.

(2) All or a portion of this security has been rehypothecated. The total value of such securities was \$65,408,877 at February 28, 2013.

(3) Foreign Issuer.

(4) Illiquid.

(5) Valued at fair value as determined in good faith by or under the direction of the Board of Directors as of February 28, 2013.

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

Non-income producing.

The issuer has filed for bankruptcy protection. As a result, the Fund may not be able to recover the principal invested and also does not expect to receive income on this security going forward.

The percentage shown for each investment category is the total value of that category as a percentage of total managed assets.

ABBREVIATIONS:

Pfd. Preferred Securities
REIT Real Estate Investment Trust

Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE TO COMMON STOCK⁽¹⁾**For the period from December 1, 2012 through February 28, 2013 (Unaudited)**

	Value
OPERATIONS:	
Net investment income	\$ 2,774,908
Net realized gain/(loss) on investments sold during the period	1,821,028
Change in net unrealized appreciation/depreciation of investments	1,157,884
Net increase in net assets resulting from operations	5,753,820
DISTRIBUTIONS:	
Dividends paid from net investment income to Common Stock Shareholders ⁽²⁾	(4,102,707)
Total Distributions to Common Stock Shareholders	(4,102,707)
FUND SHARE TRANSACTIONS:	
Increase from shares issued under the Dividend Reinvestment and Cash Purchase Plan	453,709
Net increase in net assets available to Common Stock resulting from Fund share transactions	453,709
NET INCREASE IN NET ASSETS AVAILABLE TO COMMON STOCK FOR THE PERIOD	\$ 2,104,822
NET ASSETS AVAILABLE TO COMMON STOCK:	
Beginning of period	\$ 136,590,421
Net increase in net assets during the period	2,104,822
End of period	\$ 138,695,243

(1) These tables summarize the three months ended February 28, 2013 and should be read in conjunction with the Fund's audited financial statements, including footnotes, in its Annual Report dated November 30, 2012.

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

Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated

FINANCIAL HIGHLIGHTS⁽¹⁾

For the period from December 1, 2012 through February 28, 2013 (Unaudited)

For a Common Stock share outstanding throughout the period

PER SHARE OPERATING PERFORMANCE:

Net asset value, beginning of period	\$ 11.19
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INVESTMENT OPERATIONS:

Net investment income	0.23
Net realized and unrealized gain/(loss) on investments	0.25

Total from investment operations	0.48
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DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS:

From net investment income	(0.34)
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Total distributions to Common Stock Shareholders	(0.34)
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Net asset value, end of period	\$ 11.33
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Market value, end of period	\$ 12.56
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Common Stock shares outstanding, end of period	12,246,004
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RATIOS TO AVERAGE NET ASSETS AVAILABLE TO COMMON STOCK SHAREHOLDERS:

Net investment income	8.17%*
Operating expenses including interest expense	1.92%*
Operating expenses excluding interest expense	1.37%*

SUPPLEMENTAL DATA:

Portfolio turnover rate	8%**
Total managed assets, end of period (in 000 s)	\$ 207,195
Ratio of operating expenses including interest expense to total managed assets	1.28%*
Ratio of operating expenses excluding interest expense to total managed assets	0.92%*

(1) These tables summarize the three months ended February 28, 2013 and should be read in conjunction with the Fund's audited financial statements, including footnotes, in its Annual Report dated November 30, 2012.

* Annualized.

** Not Annualized.

The net investment income ratios reflect income net of operating expenses, including interest expense. Information presented under heading Supplemental Data includes loan principal balance.

Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated

FINANCIAL HIGHLIGHTS (Continued)

Per Share of Common Stock (Unaudited)

	Total Dividends Paid	Net Asset Value	NYSE Closing Price	Dividend Reinvestment Price⁽¹⁾
December 31, 2012	\$ 0.1895	\$ 11.13	\$ 11.22	\$ 11.13
January 31, 2013	0.0730	11.30	12.14	11.53
February 28, 2013	0.0730	11.33	12.56	11.93

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

Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated

NOTES TO FINANCIAL STATEMENTS (Unaudited)**1. Aggregate Information for Federal Income Tax Purposes**

At February 28, 2013, the aggregate cost of securities for federal income tax purposes was \$189,930,212, the aggregate gross unrealized appreciation for all securities in which there is an excess of value over tax cost was \$25,950,536 and the aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value was \$10,687,189.

2. Additional Accounting Standards

Fair Value Measurements: The Fund has performed an analysis of all existing investments and derivative instruments to determine the significance and character of all inputs to their fair value determination. The levels of fair value inputs used to measure the Fund's investments are characterized into a fair value hierarchy. Where inputs for an asset or liability fall into more than one level in the fair value hierarchy, the investment is classified in its entirety based on the lowest level input that is significant to that investment's valuation. The three levels of the fair value hierarchy are described below:

Level 1 quoted prices in active markets for identical securities

Level 2 other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)

Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)
The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Transfers in and out of levels are recognized at market value at the end of the period. A summary of the inputs used to value the Fund's investments as of February 28, 2013 is as follows:

	Total Value at February 28, 2013	Level 1 Quoted Price	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs
Preferred Securities				
Banking	\$ 72,950,133	\$ 52,977,868	\$ 19,963,265	\$ 9,000
Financial Services	3,009,979	1,666,504	1,343,475	
Insurance	52,681,130	33,938,824	18,742,306	
Utilities	36,562,483	11,714,741	24,847,742	
Energy	12,378,092	9,832,592	2,545,500	
Real Estate Investment Trust (REIT)	1,751,653	1,751,653		
Miscellaneous Industries	5,127,648	320,137	4,807,511	
Corporate Debt Securities	19,880,240	10,722,758	9,157,482	
Common Stock				
Insurance	13,900	13,900		
Utilities	277,051	277,051		
Money Market Fund	561,250	561,250		
Total Investments	\$ 205,193,559	\$ 123,777,278	\$ 81,407,281	\$ 9,000

Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

During the reporting period, there were no transfers into Level 1 from Level 2. During the reporting period, securities with an aggregate market value of \$1,067,500 were transferred into Level 2 from Level 1. The securities were transferred because of a reduction in the amount of observable market data, resulting from: a decrease in market activity for the securities, reduced availability of quoted prices for the securities, or de-listing of securities from a national securities exchange that resulted in a material decrease in activity.

The fair values of the Fund's investments are generally based on market information and quotes received from brokers or independent pricing services approved by the Board and unaffiliated with the Adviser. To assess the continuing appropriateness of security valuations, management, in consultation with the Adviser, regularly compares current prices to prior prices, prices across comparable securities, actual sale prices for securities in the Fund's portfolio, and market information obtained by the Adviser as a function of being an active participant in the markets.

Securities with quotes that are based on actual trades or actionable bids and offers with a sufficient level of activity on or near the measurement date are classified as Level 1. Securities that are priced using quotes derived from implied values, indicative bids and offers, or a limited number of actual trades or the same information for securities that are similar in many respects to those being valued are classified as Level 2. If market information is not available for securities being valued, or materially-comparable securities, then those securities are classified as Level 3. In considering market information, management evaluates changes in liquidity, willingness of a broker to execute at the quoted price, the depth and consistency of prices from pricing services, and the existence of observable trades in the market.

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

	Preferred Securities	
	Total Investments	Banking
Balance as of 11/30/12	\$ 9,000	\$ 9,000
Accrued discounts/premiums		
Realized gain/(loss)		
Change in unrealized appreciation/(depreciation)		
Purchases		
Sales		
Transfer in		
Transfer out		
Balance as of 2/28/13	\$ 9,000	\$ 9,000

For the three months ended February 28, 2013, total change in unrealized gain/(loss) on Level 3 securities still held at period-end and included in the change in net assets was \$0.

Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

The following table summarizes the valuation techniques used and unobservable inputs developed to determine the fair value of Level 3 investments:

Category	Fair Value at 2/28/13	Valuation Technique	Unobservable Input	Input Range (Wgt Avg)
Preferred Securities				
Banking	\$ 6,750	Bankruptcy recovery	Credit/Structure-specific recovery	0.00% - 0.50% (0.15%)
	2,250	Bankruptcy recovery	Credit/Structure-specific recovery	0.00% - 0.50% (0.05%)

The significant unobservable inputs used in the fair value measurement technique for bankruptcy recovery are based on recovery analysis that is specific to the security being valued, including the level of subordination and structural features of the security, and the current status of any bankruptcy or liquidation proceedings. Observable market trades in bankruptcy claims are utilized by management, when available, to assess the appropriateness of valuations, although the frequency of trading depends on the specific credit and seniority of the claim. Expected recoveries in bankruptcy by security type and industry do not tend to deviate much from historical recovery rates, which are very low (sometimes zero) for preferred securities and more moderate for senior debt. Significant changes in these inputs would result in a significantly higher or lower fair value measurement.

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Directors

Donald F. Crumrine, CFA

Chairman of the Board

David Gale

Morgan Gust

Karen H. Hogan

Robert F. Wulf, CFA

Officers

Donald F. Crumrine, CFA

Chief Executive Officer

Robert M. Ettinger, CFA

President

R. Eric Chadwick, CFA

Chief Financial Officer,

Vice President and Treasurer

Chad C. Conwell

Chief Compliance Officer,

Vice President and Secretary

Bradford S. Stone

Vice President and

Assistant Treasurer

Laurie C. Lodolo

Assistant Compliance Officer,

Assistant Treasurer and

Assistant Secretary

Linda M. Puchalski

Assistant Treasurer

Investment Adviser

Flaherty & Crumrine Incorporated

e-mail: flaherty@pfdincome.com

Questions concerning your shares of Flaherty & Crumrine Preferred Income Opportunity Fund?

If your shares are held in a Brokerage Account, contact your Broker.

If you have physical possession of your shares in certificate form, contact the Fund's Transfer Agent & Shareholder Servicing Agent
BNY Mellon Investment Servicing

P.O. Box 358035

Pittsburgh, PA 15252-8035

1-866-351-7446

This report is sent to shareholders of Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated for their information. It is not a Prospectus, circular or representation intended for use in the purchase or sale of shares of the Fund or of any securities mentioned in this report.

Quarterly

Report

February 28, 2013

www.preferredincome.com

Item 2. Controls and Procedures.

- (a) The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the 1940 Act) (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of the report that includes the disclosure required by this paragraph, based on their evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934, as amended (17 CFR 240.13a-15(b) or 240.15d-15(b)).

- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d))) that occurred during the registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3. Exhibits.

Certifications pursuant to Rule 30a-2(a) under the 1940 Act and Section 302 of the Sarbanes-Oxley Act of 2002 are attached hereto.

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 4/19/2013

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 4/19/2013

By (Signature and Title)* /s/ R. Eric Chadwick
R. Eric Chadwick, Chief Financial Officer, Treasurer and Vice
President
(principal financial officer)

Date 4/19/2013

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