

FLAHERTY & CRUMRINE/CLAYMORE TOTAL RETURN FUND INC

Form N-30B-2

April 19, 2005

FLAHERTY & CRUMRINE PREFERRED INCOME OPPORTUNITY FUND

Dear Shareholder:

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

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

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

U.S. TREASURY YIELD CURVES

[GRAPHIC OMITTED]

EDGAR REPRESENTATION OF DATA POINTS USED IN PRINTED GRAPHIC

Maturity	4/30/04	2/28/05
0.25	0.97	2.74
0.50	1.14	2.97
2.00	2.31	3.58
3.00	2.75	3.75
5.00	3.61	3.99
10.00	4.50	4.36
30.00	5.28	4.71

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

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

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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.

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

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

The chart below plots the recent market price and net asset value of PFO. For most of this period, the market price traded at a premium to the NAV. We attributed this in part to the Fund's long history and successful track record, plus an attractive dividend rate which may be taxed at favorable rates for certain investors. During late February of this year, shares were trading around \$13 3/4; as of this writing, they are trading around \$12 1/2. During the same period, the net asset value declined less than \$0.10!

FLAHERTY & CRUMRINE PREFERRED INCOME OPPORTUNITY FUND  
 MARKET PRICE VS. NET ASSET VALUE  
 [GRAPHIC OMITTED]  
 EDGAR REPRESENTATION OF DATA POINTS USED IN PRINTED GRAPHIC

FLAHERTY & CRUMRINE PREFERRED INCOME OPPORTUNITY FUND

2/6/04	14.75	12.91
2/13/04	14.78	12.96
2/20/04	14.95	12.89
2/27/04	14.57	13.01
3/5/04	14.67	13.04
3/12/04	14.89	13.11
3/19/04	15.1	13.11
3/26/04	15.05	12.94
4/2/04	14.3	12.85
4/9/04	13.59	12.85
4/16/04	13.84	12.8
4/23/04	12.89	12.67
4/30/04	12.97	12.68
5/7/04	12.55	12.48
5/14/04	12.99	12.33
5/21/04	13.2	12.22
5/28/04	13.25	12.26
6/4/04	13.05	12.24
6/11/04	12.85	12.19
6/18/04	12.8	12.23
6/25/04	12.74	12.13
7/2/04	12.77	12.16
7/9/04	12.79	12.14
7/16/04	12.93	12.23
7/23/04	12.82	12.09
7/30/04	12.68	12.11
8/6/04	13.3	12.22
8/13/04	13.26	12.28
8/20/04	13.38	12.21
8/27/04	13.7	12.23

9/3/04	13.706	12.2
9/10/04	13.89	12.33
9/17/04	13.97	12.46
9/24/04	13.63	12.57
10/1/04	13.62	12.42
10/8/04	13.54	12.47
10/15/04	13.74	12.54
10/22/04	13.68	12.5
10/29/04	13.56	12.48
11/5/04	13.82	12.41
11/12/04	13.79	12.41
11/19/04	13.79	12.39
11/26/04	13.72	12.4
12/3/04	13.16	12.45
12/10/04	13.15	12.59
12/17/04	13.4	12.59
12/24/04	13.65	12.46
12/31/04	13.5	12.58
1/7/05	13.59	12.54
1/14/05	13.62	12.72
1/21/05	13.66	12.76
1/28/05	13.62	12.75
2/4/05	13.73	12.91
2/11/05	13.8	12.91
2/18/05	13.9	12.78
2/25/05	13.75	12.79
3/4/05	13.44	12.84
3/11/05	12.69	12.69
3/18/05	12.36	12.68
3/25/05	11.95	12.53
4/1/05	12.36	12.7

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

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

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

Sincerely,

/S/ DONALD F. CRUMRINE  
 Donald F. Crumrine  
 Chairman of the Board

/S/ ROBERT M. ETTINGER  
 Robert M. Ettinger  
 President

April 5, 2005

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 Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated  
 PORTFOLIO OVERVIEW  
 FEBRUARY 28, 2005 (UNAUDITED)  
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FUND STATISTICS ON 2/28/05

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

INDUSTRY CATEGORIES % OF PORTFOLIO

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

Utilities	43%
Banks	21%
Financial Services	16%
Insurance	9%
Oil and Gas	6%
Other	4%
REITs	1%

MOODY'S RATINGS % OF PORTFOLIO

Aaa	0.6%
Aa	8.5%
A	20.4%
Baa	40.7%
Ba	16.9%
Not Rated	7.6%
Below Investment Grade*	16.0%

\* BELOW INVESTMENT GRADE BY BOTH MOODY'S AND S&P.

TOP 10 HOLDINGS BY ISSUER % OF PORTFOLIO

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

% O

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 Holdings Generating Qualified Dividend Income (QDI) for Individuals  
 Holdings Generating Income Eligible for the Corporate Dividend Received Deduction (DRD)  
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\*\* 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.

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 Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated  
 PORTFOLIO OF INVESTMENTS  
 FEBRUARY 28, 2005 (UNAUDITED)  
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SHARES/\$ PAR  
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PREFERRED SECURITIES -- 92.6%  
     BANKING -- 20.5%  
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	ABN AMRO North America, Inc.:
1,165	6.46% Pfd., 144A**** .....
4,200	6.59% Pfd., 144A**** .....
\$ 150,000	BT Capital Trust B, 7.90% 01/15/27, Capital Security .....
\$ 660,000	BT Preferred Capital Trust II, 7.875% 02/25/27 Capital Security .....
\$ 250,000	Chase Capital I, 7.67% 12/01/26 Capital Security .....
	Citigroup, Inc.:
72,435	5.864% Pfd., Series M .....
7,700	6.213% Pfd., Series G .....

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	46,000	6.231% Pfd., Series H .....
	31,850	6.365% Pfd., Series F .....
		Cobank, ACB:
	45,000	7.00% Pfd., 144A**** .....
	75,000	Adj. Rate Pfd., 144A**** .....
\$	500,000	Comerica (Imperial) Capital Trust I, 9.98% 12/31/26 Capital Security, Series B .
\$	2,250,000	First Hawaiian Capital I, 8.343% 07/01/27 Capital Security, Series B .....
\$	719,000	First Union Institutional Capital I, 8.04% 12/01/26 Capital Security .....
\$	1,885,000	First Union Institutional Capital II, 7.85% 01/01/27 Capital Security .....
\$	4,349,000	GreenPoint Capital Trust I, 9.10% 06/01/27 Capital Security .....
\$	2,500,000	HBOS Capital Funding LP, 6.85% Pfd. ....
	6,900	HSBC USA, Inc., \$2.8575 Pfd. ....
	36,500	J.P. Morgan Chase & Co., 6.625% Pfd., Series H .....
\$	1,350,000	Keycorp Institutional Capital B, 8.25% 12/15/26 Capital Security .....
\$	1,500,000	North Fork Capital Trust I, 8.70% 12/15/26 Capital Security .....
\$	1,700,000	RBS Capital Trust B, 6.80% Pfd. ....
	10	Roslyn Real Estate, 8.95% Pfd., Pvt., Series C, 144A**** .....
\$	1,200,000	Wachovia Capital Trust V, 7.965% 06/01/27 Capital Security, 144A**** .....

FINANCIAL SERVICES -- 15.5%

		The Bear Stearns Companies, Inc.:
	63,750	5.49% Pfd., Series G .....
	78,823	5.72% Pfd., Series F .....
	120,000	Fannie Mae, Adj. Rate Pfd. ....
		Freddie Mac:
	6,975	5.00% Pfd., Series F .....
	25,500	5.10% Pfd., Series H .....
	42,650	5.30% Pfd. ....

Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 FEBRUARY 28, 2005 (UNAUDITED)

SHARES/\$ PAR

PREFERRED SECURITIES -- (CONTINUED)  
 FINANCIAL SERVICES -- (CONTINUED)

		Lehman Brothers Holdings, Inc.:
	10,150	5.67% Pfd., Series D .....
	159,505	5.94% Pfd., Series C .....
	44,000	6.50% Pfd., Series F .....
	110,900	SLM Corporation, 6.97% Pfd., Series A .....

INSURANCE -- 9.0%

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\$	2,000,000	AON Capital Trust A, 8.205% 01/01/27 Capital Security .....
	15,850	Everest Re Capital Trust II, 6.20% Pfd. Series B .....
\$	4,395,000	MMI Capital Trust I, 7.625% 12/15/27 Capital Security, Series B .....
	18	Premium Assets, Series A, Zurich RegCaPS Variable Inverse Pfd., Pvt. ....
\$	5,734,000	Provident Financing Trust I, 7.405% 03/15/38 Capital Security .....
		Zurich RegCaPS Funding Trust:
	1,750	6.01% Pfd., 144A**** .....
	2,600	6.58% Pfd., 144A**** .....

UTILITIES -- 39.8%

		Alabama Power Company:
	4,980	4.60% Pfd. ....
	6,485	4.72% Pfd. ....
	868	4.92% Pfd. ....
	120,900	5.20% Pfd. ....
	225,000	5.30% Pfd. ....
	6,000	Baltimore Gas & Electric Company, 6.70% Pfd., Series 1993 .....
	1,628	Central Hudson Gas & Electric Corporation, 4.35% Pfd., Series D, Pvt. ....
	10,000	Central Illinois Light Company, 4.64% Pfd. ....
	8,160	Central Illinois Public Service Corporation, 4.90% Pfd. ....
	3,798	Central Maine Power Company, 4.75% Pfd. ....
	16,679	Central Vermont Public Service Corporation, 8.30% Sinking Fund Pfd. Pvt. ....
		Connecticut Light & Power Company:
	2,050	4.50% Pfd., Series 1956 .....
	2,900	\$2.20 Pfd., Series 1949 .....
	9,652	\$3.24 Pfd. ....
	2,000	Consolidated Edison Company of New York, 4.65% Pfd., Series C .....
	7,500	Dayton Power and Light Company, 3.90% Pfd., Series C .....

Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 FEBRUARY 28, 2005 (UNAUDITED)

SHARES/\$ PAR

PREFERRED SECURITIES -- (CONTINUED)  
 UTILITIES -- (CONTINUED)

		Duke Energy Corporation:
	8,004	4.50% Pfd., Series C, Pvt. ....
	34,943	7.85% Pfd., Series S .....
		Duquesne Light Company:
	15,030	3.75% Pfd. ....
	25,775	6.50% Pfd. ....
	5,000	Energy East Capital Trust I, 8.25% Pfd. ....
		Entergy Arkansas, Inc.:
	2,840	4.56% Pfd. ....
	3,050	4.56% Pfd., Series 1965 .....

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1,050	6.08% Pfd. ....
13,500	7.40% Pfd. ....
5,880	7.80% Pfd. ....
2,265	7.88% Pfd. ....
23,914	\$1.96 Pfd. ....
2,441	Entergy Gulf States, Inc., 7.56% Pfd. ....
	Entergy Louisiana, Inc.:
299	5.16% Pfd. ....
705	6.44% Pfd. ....
4,174	7.36% Pfd. ....
175,000	8.00% Pfd., Series 92 ....
	Entergy Mississippi, Inc.:
3,791	4.36% Pfd. ....
5,000	4.92% Pfd. ....
8,500	7.44% Pfd. ....
10,900	Enterprise Capital Trust I, 7.44% Pfd., Series A ....
	Florida Power Company:
10,000	4.58% Pfd. ....
2,000	4.75% Pfd. ....
	Great Plains Energy, Inc.:
1,625	4.20% Pfd. ....
2,000	4.35% Pfd. ....
	Hawaiian Electric Company, Inc.:
1,411	5.00% Pfd., Series D ....
6,688	5.00% Pfd., Series E ....
\$ 3,750,000	Houston Light & Power, Capital Trust II, 8.257% 02/01/37 Capital Security .....
30,500	Indianapolis Power & Light Company, 5.65% Pfd. ....
340,000	Interstate Power & Light Company, 8.375% Pfd., Series B ....
2,588	New York State Electric & Gas, \$4.50 Pfd., Series 1949 .....

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 Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 FEBRUARY 28, 2005 (UNAUDITED)  
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SHARES/\$ PAR  
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PREFERRED SECURITIES -- (CONTINUED)  
 UTILITIES -- (CONTINUED)  
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12,265	Northern Indiana Public Service Company, Adj. Rate Pfd., Series A .....
	Ohio Power Company:
3,018	4.20% Pfd. ....
1,251	4.40% Pfd. ....
	Pacific Enterprises:
13,680	\$4.36 Pfd. ....
24,985	\$4.50 Pfd. ....
15,730	\$4.75 Pfd., Series 53 .....
	PacifiCorp:
5,672	\$4.56 Pfd. ....
6,458	\$4.72 Pfd. ....
12,250	\$7.48 Sinking Fund Pfd. ....



	PECO Energy Company:
1,100	\$4.30 Pfd., Series B .....
5,000	\$4.40 Pfd., Series C .....
17,537	Portland General Electric, 7.75% Sinking Fund Pfd. ....
14,020	Public Service Electric & Gas Company, 5.28% Pfd., Series E .....
	San Diego Gas & Electric Company:
55,210	\$1.70 Pfd .....
30,000	\$1.7625 Sinking Fund Pfd. ....
85,000	Savannah Electric & Gas Company, 6.00% Pfd. ....
	South Carolina Electric & Gas Company:
14,226	5.125% Purchase Fund Pfd., Pvt. ....
7,774	6.00% Purchase Fund Pfd., Pvt. ....
57,646	Southern California Edison, 4.08% Pfd. ....
60,000	Southern Union Company, 7.55% Pfd. ....
\$ 750,000	TXU Electric Capital V, 8.175% 01/30/37 Capital Security .....
10,000	TXU US Holdings Company, \$4.00 Pfd., Series TES .....
5,600	Union Electric Company, 4.56% Pfd. ....
	Virginia Electric & Power Company:
1,665	\$4.04 Pfd. ....
2,270	\$4.20 Pfd. ....
1,673	\$4.80 Pfd. ....
2,878	\$6.98 Pfd. ....
12,500	\$7.05 Pfd. ....
2,262	Washington Gas & Light Company, \$4.25 Pfd. ....
12,863	Wisconsin Power & Light, 6.20% Pfd. ....

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 Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 FEBRUARY 28, 2005 (UNAUDITED)  
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SHARES/\$ PAR  
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PREFERRED SECURITIES -- (CONTINUED)  
 UTILITIES -- (CONTINUED)  
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	Xcel Energy, Inc.:
15,000	\$4.08 Pfd., Series B .....
20,040	\$4.10 Pfd., Series C .....
35,510	\$4.11 Pfd., Series D .....
17,750	\$4.16 Pfd., Series E .....
10,000	\$4.56 Pfd., Series G .....

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 OIL AND GAS -- 5.0%  
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17,200	Anadarko Petroleum Corporation, 5.46% Pfd. ....
6,650	Apache Corporation, 5.68% Pfd., Series B .....
8,000	Devon Energy Corporation, 6.49% Pfd., Series A .....
6,125	EOG Resources, Inc., 7.195% Pfd., Series B .....
10,000	Lasmo America Limited, 8.15% Pfd., 144A**** .....

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 REAL ESTATE INVESTMENT TRUST (REIT) -- 1.0%

40,000 Realty Income Corporation, 7.375% Pfd., REIT, Series D .....  
 40,000 Regency Centers Corporation, 7.25% Pfd., REIT .....

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 MISCELLANEOUS INDUSTRIES -- 1.8%

13,600 E.I. Du Pont de Nemours and Company, \$4.50 Pfd., Series B .....  
 36,200 Farmland Industries, Inc., 8.00% Pfd., 144A\*\*\*\* .....  
 30,500 Ocean Spray Cranberries, Inc., 6.25% Pfd., 144A\*\*\*\* .....  
 26,000 Touch America Holdings, \$6.875 Pfd. ....

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 TOTAL PREFERRED SECURITIES

(Cost \$182,871,835) .....

CORPORATE DEBT SECURITY -- 1.1%

OIL AND GAS -- 1.1%

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 85,900 Nexen, Inc., 7.35% Subordinated Notes .....

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 TOTAL CORPORATE DEBT SECURITY

(Cost \$2,245,426) .....

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 Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 FEBRUARY 28, 2005 (UNAUDITED)  
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SHARES/\$ PAR  
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COMMON STOCKS AND CONVERTIBLE SECURITIES -- 4.4%

BANKING -- 0.4%

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 50,000 New York Community Bancorp, Inc. ....

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 INSURANCE -- 0.4%

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 25,000 UnumProvident Corporation, 8.25% Mandatory Convertible, 05/16/06 .....

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 UTILITIES -- 3.6%

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97,500	Duke Energy Corporation .....
64,496	FPL Group, Inc. ....

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TOTAL COMMON STOCKS AND CONVERTIBLE SECURITIES  
(Cost \$8,373,345) .....

OPTION CONTRACTS -- 1.0%

1,275	June Put Options on June U.S. Treasury Bond Futures, Expiring 05/20/05 .....
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TOTAL OPTION CONTRACTS  
(Cost \$1,580,670) .....

MONEY MARKET FUND -- 0.6%

1,342,237	BlackRock Provident Institutional, TempFund .....
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TOTAL MONEY MARKET FUND  
(Cost \$1,342,237) .....

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Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated  
PORTFOLIO OF INVESTMENTS (CONTINUED)  
FEBRUARY 28, 2005 (UNAUDITED)

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TOTAL INVESTMENTS (Cost \$196,413,513***) .....	99.7%
OTHER ASSETS AND LIABILITIES (NET) .....	0.3%
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TOTAL NET ASSETS AVAILABLE TO COMMON AND PREFERRED STOCK .....	100.0%++
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MONEY MARKET CUMULATIVE PREFERRED(TM) STOCK (MMP(R)) REDEMPTION VALUE .....	
TOTAL NET ASSETS AVAILABLE TO COMMON STOCK .....	

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Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated  
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE TO COMMON STOCK(1)  
FOR THE PERIOD FROM DECEMBER 1, 2004 THROUGH FEBRUARY 28, 2005 (UNAUDITED)

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OPERATIONS:

Net investment income .....	\$
Net realized gain on investments sold during the period .....	
Change in net unrealized appreciation of investments held during the period .....	
Distributions to Money Market Cumulative Preferred(TM) Stock	
Shareholders from net investment income, including changes in	
accumulated undeclared distributions .....	
NET INCREASE IN NET ASSETS FROM OPERATIONS .....	----

DISTRIBUTIONS:

Dividends paid from net investment income to Common Stock Shareholders(2) .....	(
TOTAL DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS .....	(

FUND SHARE TRANSACTIONS:

Increase from Common Stock Transactions .....	----
NET INCREASE IN NET ASSETS AVAILABLE TO COMMON STOCK RESULTING	
FROM FUND SHARE TRANSACTIONS .....	----

NET INCREASE IN NET ASSETS AVAILABLE TO COMMON STOCK	----
FOR THE PERIOD .....	\$

NET ASSETS AVAILABLE TO COMMON STOCK:

Beginning of period .....	\$ 14
Net increase during the period .....	----
End of period .....	\$ 14

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 Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated  
 FINANCIAL HIGHLIGHTS(1)  
 FOR THE PERIOD FROM DECEMBER 1, 2004 THROUGH FEBRUARY 28, 2005 (UNAUDITED)  
 FOR A COMMON SHARE OUTSTANDING THROUGHOUT THE PERIOD.  
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PER SHARE OPERATING PERFORMANCE:

Net asset value, beginning of period .....	
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INVESTMENT OPERATIONS:

Net investment income .....	
Net realized and unrealized gain on investments .....	

DISTRIBUTIONS TO MMP(R)\* SHAREHOLDERS:

From net investment income .....	
From net realized capital gains .....	

Total from investment operations .....	
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DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS:

From net investment income .....  
 From net realized capital gains .....  
  
 Total distributions to Common Shareholders .....  
  
 Net asset value, end of period .....  
  
 Market value, end of period .....  
  
 Common shares outstanding, end of period .....

RATIOS TO AVERAGE NET ASSETS AVAILABLE TO COMMON STOCK SHAREHOLDERS:

Net investment income + .....  
 Operating expenses .....

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 SUPPLEMENTAL DATA:++

Portfolio turnover rate .....  
 Total net assets available to Common and Preferred Stock, end of period (in 000's) .....  
 Ratio of operating expenses to total average net assets available to  
 Common and Preferred Stock .....

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 Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated  
 FINANCIAL HIGHLIGHTS (CONTINUED)  
 PER SHARE OF COMMON STOCK (UNAUDITED)  
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	TOTAL DIVIDENDS PAID -----	NET ASSET VALUE -----	NYSE CLOSING PRICE -----
December 31, 2004 - EXTRA .....	\$0.0450	\$12.58	\$13.50
December 31, 2004 .....	0.0755	12.58	13.50
January 31, 2005 .....	0.0755	12.78	13.59
February 28, 2005 .....	0.0755	12.74	13.85

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[GRAPHIC OMITTED]

LIGHTHOUSE LOGO

FLAHERTY & CRUMRINE

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PREFERRED INCOME  
OPPORTUNITY FUND

QUARTERLY  
REPORT

FEBRUARY 28, 2005

web site: [www.preferredincome.com](http://www.preferredincome.com)

DIRECTORS

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

OFFICERS

Donald F. Crumrine, CFA  
Chairman of the Board  
and Chief Executive Officer  
Robert M. Ettinger, CFA  
President  
R. Eric Chadwick, CFA  
Chief Financial Officer,  
Vice President, Treasurer  
and Secretary  
Peter C. Stimes, CFA  
Chief Compliance  
Officer and Vice President  
Bradford S. Stone  
Vice President  
Laurie Lodolo  
Assistant Compliance Officer,  
Assistant Treasurer and  
Assistant Secretary

INVESTMENT ADVISER

Flaherty & Crumrine Incorporated  
e-mail: [flaherty@pfdincome.com](mailto:flaherty@pfdincome.com)

QUESTIONS CONCERNING YOUR SHARES OF FLAHERTY &  
CRUMRINE PREFERRED INCOME OPPORTUNITY  
FUND?

- o If your shares are held in a Brokerage Account, contact your Broker.
- o If you have physical possession of your shares in certificate form, contact the Fund's Transfer Agent & Shareholder Servicing Agent --

PFPC Inc.  
P.O. Box 43027  
Providence, RI 02940-3027  
1-800-331-1710

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