

FIRST OPPORTUNITY FUND INC
Form N-Q
August 30, 2010

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: 811-04605

First Opportunity Fund, Inc.

(Exact name of registrant as specified in charter)

2344 Spruce Street, Suite A, Boulder, CO 80302

(Address of principal executive offices) (Zip code)

Fund Administrative Services

2344 Spruce Street, Suite A

Boulder, CO 80302

(Name and address of agent for service)

Registrant's telephone number, including area code: (303) 444-5483

Date of fiscal year end: March 31

Date of reporting period: June 30, 2010

Item 1 Schedule of Investments.

Portfolio of Investments as of June 30, 2010 (Unaudited)

FIRST OPPORTUNITY FUND, INC.

| Shares | Description | Value (Note 1) |
|---------------------------------------|-----------------------------------------------|-------------------|
| LONG TERM INVESTMENTS (87.3%) | | |
| DOMESTIC COMMON STOCKS (39.8%) | | |
| Agriculture (0.5%) | | |
| 26,000 | Altria Group, Inc. | \$521,040 |
| 11,000 | Philip Morris International, Inc. | 504,240 |
| | | 1,025,280 |
| Banks & Thrifts (19.5%) | | |
| 63,325 | 1st United Bancorp, Inc.* | 466,072 |
| 54,790 | Alliance Bankshares Corp.* | 147,385 |
| 27,800 | American River Bankshares* | 207,666 |
| 8,440 | Ameris Bancorp* | 81,530 |
| 406,400 | AmeriServ Financial, Inc.* | 654,304 |
| 42,594 | Bancorp Rhode Island, Inc. | 1,115,963 |
| 30,289 | Bank of Commerce Holdings | 143,570 |
| 62,500 | Bank of Virginia* | 215,625 |
| 42,700 | BCB Bancorp, Inc. | 336,903 |
| 28,000 | Bridge Capital Holdings* | 254,800 |
| 5,800 | Cambridge Bancorp | 196,620 |
| 35,498 | Carolina Trust Bank* | 163,291 |
| 340,815 | CCF Holding Co. *(a) | 34,081 |
| 14,044 | Central Valley Community Bancorp* | 90,162 |
| 29,600 | Central Valley Community Bancorp*(b)(g) | 190,032 |
| 38,860 | Centrue Financial Corp. | 77,720 |
| 21,500 | Citizens & Northern Corp. | 230,050 |
| 60,000 | Community Bank*(b)(c)(g) | 3,711,600 |
| 56,800 | The Connecticut Bank & Trust Co.* | 333,984 |
| 212,670 | East West Bancorp, Inc. (b)(g) | 3,243,217 |
| 65,566 | Eastern Virginia Bankshares, Inc. | 426,835 |
| 4,085 | Evans Bancorp, Inc. | 51,675 |
| 97,200 | FC Holdings, Inc. *(b)(c)(g) | 29,160 |
| 4,300 | First Advantage Bancorp | 45,709 |
| 39,700 | First American International*(b)(c)(g) | 455,359 |
| 61,678 | First California Financial Group, Inc.* | 165,914 |
| 17,400 | First Capital Bancorp, Inc.* | 124,584 |
| 28,900 | First Community Bancshares, Inc. | 424,541 |
| 36,300 | First Interstate Bancsystem, Inc. | 570,999 |
| 558,729 | First Republic Bank*(b)(c)(g) | 8,380,942 |
| 144,200 | First Security Group, Inc. | 276,864 |
| 66,726 | First Southern Bancorp, Inc. - Class B*(c)(g) | 800,712 |
| 28,200 | First State Bank*(b)(c)(g) | 28,200 |
| 2,880 | First Trust Bank* | 17,280 |
| 193,261 | Florida Capital Group*(b)(c)(g) | 193,261 |
| 7,448 | FNB Bancorp | 67,032 |
| 155,800 | Great Florida Bank - Class A* | 115,292 |
| 15,300 | Great Florida Bank - Class B* | 1,530 |
| 66,000 | Greater Hudson Bank N.A.* | 290,400 |
| 228,000 | Hampshire First Bank*(b)(g) | 1,995,000 |
| 14,900 | Heritage Financial Corp.* | 223,053 |
| 199,918 | Heritage Oaks Bancorp*(b)(g) | 727,702 |
| 36,900 | ICB Financial* | 81,180 |
| 14,200 | Katahdin Bankshares Corp. | 215,130 |
| 126,100 | Metro Bancorp, Inc.* | 1,556,074 |
| 905,600 | National Bancshares, Inc. *(b)(c)(g) | 624,864 |
| 17,300 | New England Bancshares, Inc. | 133,037 |
| 4,000 | North Dallas Bank & Trust Co.(c)(g) | 170,440 |
| 30,400 | Oak Ridge Financial Services, Inc.* | 156,560 |

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| | | |
|---------|------------------------------------------|---------|
| 1,900 | Old Point Financial Corp. | 24,738 |
| 44,800 | OmniAmerican Bancorp, Inc.* | 505,792 |
| 24,000 | Pacific Continental Corp. | 227,280 |
| 29,700 | Parkway Bank* | 23,760 |
| 12,500 | Peoples Bancorp, Inc. | 181,250 |
| 162,590 | Pilot Bancshares, Inc. ^{(c)(g)} | 406,475 |

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| | | |
|-----------|----------------------------------------------|-----------|
| 1,058,661 | Popular, Inc.* | 2,837,212 |
| 190,540 | Republic First Bancorp, Inc.* | 371,553 |
| 370,345 | Seacoast Banking Corp.* (b)(c)(g) | 492,559 |
| 4,500 | Shore Bancshares, Inc. | 53,595 |
| 69,269 | Southern First Bancshares, Inc.* | 448,863 |
| 79,900 | Southern National Bancorp of Virginia, Inc.* | 584,069 |
| 302,900 | Square 1 Financial, Inc.* (b)(c)(g) | 1,559,935 |
| 73,100 | State Bancorp, Inc. | 694,450 |
| 63,158 | Sterling Banks, Inc.* | 152,842 |
| 9,960 | Tower Bancorp, Inc. | 218,024 |
| 39,164 | Valley Commerce Bancorp* | 234,984 |
| 19,087 | Wainwright Bank & Trust Co. | 355,973 |
| 97,400 | Wells Fargo & Co. | 2,493,440 |
| 238,000 | Western Liberty Bancorp* | 1,796,900 |
| 12,404 | Xenith Bankshares, Inc.* | 80,626 |

43,988,224

Diversified Financial Services (2.5%)

| | | |
|---------|-----------------------------------------------|-----------|
| 16,241 | Affinity Financial Corp.* (b)(c)(g) | 0 |
| 100,033 | Center Financial Corp.* (b)(g) | 515,170 |
| 25,000 | CMET Finance Holding* (c)(d)(g) | 830,000 |
| 276,300 | Highland Financial Partners LP* (c)(d)(g) | 0 |
| 60,000 | Independence Financial Group, Inc.* (b)(c)(g) | 282,000 |
| 70,215 | Mackinac Financial Corp.* | 456,397 |
| 431,640 | Muni Funding Co. of America, LLC* (c)(d)(g) | 1,057,518 |
| 161,835 | Ocwen Financial Corp.* | 1,649,099 |
| 455,100 | Ocwen Structured Investments, LLC* (b)(c)(g) | 518,814 |
| 349,967 | Terra Nova Financial Group* | 318,470 |

5,627,468

Insurance (3.3%)

| | | |
|---------|--------------------------------------------------------|-----------|
| 241,100 | Amtrust Financial Services, Inc. | 2,902,844 |
| 13,119 | Forethought Financial Group, Inc. - Class A* (b)(c)(g) | 2,762,861 |
| 93,403 | Penn Millers Holding Corp.* | 1,232,920 |
| 179,400 | The PMI Group, Inc.* | 518,466 |

7,417,091

Mining (0.4%)

| | | |
|--------|--------------------------------------|---------|
| 13,100 | Barrick Gold Corp. | 594,871 |
| 5,800 | Freeport-McMoRan Copper & Gold, Inc. | 342,954 |

937,825

Mortgages & REITS (1.3%)

| | | |
|---------|---------------------------------------------------|-----------|
| 55,000 | Embarcadero Bank* (b)(c)(g) | 537,900 |
| 155,504 | Newcastle Investment Holdings Corp., REIT* (c)(g) | 292,348 |
| 52,500 | Two Harbors Investment Corp. | 433,125 |
| 87,900 | Verde Realty* (b)(c)(g) | 1,720,203 |

2,983,576

Registered Investment Companies (0.4%)

| | | |
|--------|------------------------------------------|---------|
| 40,000 | Cohen & Steers Infrastructure Fund, Inc. | 506,000 |
| 42,000 | THL Credit, Inc.* | 483,000 |

989,000

Retail (0.5%)

| | | |
|--------|-----------------------|---------|
| 20,000 | Walgreen Co. | 534,000 |
| 10,000 | Wal-Mart Stores, Inc. | 480,700 |

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1,014,700

Savings & Loans (10.9%)

| | | |
|---------|--------------------------------------|---------|
| 56,001 | Abington Bancorp, Inc. | 488,329 |
| 34,100 | Appalachian Bancshares, Inc.* | 682 |
| 10,000 | Auburn Bancorp, Inc. *(c)(g) | 75,000 |
| 113,600 | Beacon Federal Bancorp, Inc. | 995,136 |
| 14,400 | BofI Holding, Inc.* | 203,328 |
| 96,980 | Broadway Financial Corp. (a) | 169,715 |
| 45,100 | Carver Bancorp, Inc. | 362,153 |
| 61,300 | Central Federal Corp.* | 95,015 |
| 54,346 | CFS Bancorp, Inc. | 264,122 |
| 14,015 | Charter Financial Corp. | 138,748 |
| 14,300 | Citizens Community Bank* | 66,495 |
| 80,444 | Citizens South Banking Corp. *(b)(g) | 418,311 |
| 1,399 | Colonial Bankshares, Inc.* | 13,095 |
| 33,500 | Eagle Bancorp | 329,975 |
| 20,200 | ECB Bancorp, Inc. | 235,734 |
| 30,491 | ESSA Bancorp, Inc. | 375,344 |

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| | | |
|--------------------------------------|--------------------------------------------------|------------|
| 32,500 | Fidelity Federal Bancorp ^{*(c)(g)} | 387,075 |
| 19,238 | First Community Bank Corp. of America* | 35,783 |
| 18,128 | Fox Chase Bancorp, Inc.* | 173,488 |
| 43,400 | Georgetown Bancorp, Inc.* | 207,452 |
| 222,900 | Hampden Bancorp, Inc. | 2,117,550 |
| 22,030 | HF Financial Corp. | 215,894 |
| 47,216 | Home Bancorp, Inc.* | 609,558 |
| 88,948 | Home Federal Bancorp, Inc. | 1,123,413 |
| 58,100 | Jefferson Bancshares, Inc. | 230,657 |
| 35,500 | Legacy Bancorp, Inc. | 313,110 |
| 42,000 | Liberty Bancorp, Inc. | 386,400 |
| 98,012 | LSB Corp. | 1,190,846 |
| 22,600 | Malvern Federal Bancorp, Inc. | 188,936 |
| 59,299 | Meridian Interstate Bancorp, Inc.* | 646,359 |
| 310,300 | MidCountry Financial Corp. ^{*(b)(c)(g)} | 1,241,200 |
| 600 | Naugatuck Valley Financial Corp. | 3,750 |
| 113,200 | Newport Bancorp, Inc.* | 1,378,776 |
| 106,998 | Ocean Shore Holding Co. | 1,110,639 |
| 39,000 | OceanFirst Financial Corp. | 470,730 |
| 29,100 | Old Line Bancshares, Inc. | 217,377 |
| 3,450 | Oritani Financial Corp. | 34,500 |
| 82,800 | Osage Bancshares, Inc. | 579,600 |
| 191,410 | Pacific Premier Bancorp, Inc.* | 802,008 |
| 165,930 | Perpetual Federal Savings Bank ^(a) | 2,074,125 |
| 17,500 | Privee, LLC ^{*(b)(c)(g)} | 0 |
| 52,700 | Provident Financial Holdings, Inc. | 252,960 |
| 40,650 | Redwood Financial, Inc. ^{*(a)} | 518,287 |
| 89,993 | River Valley Bancorp ^(a) | 1,143,811 |
| 12,400 | Rockville Financial, Inc. | 147,684 |
| 16,800 | Rome Bancorp, Inc. | 156,072 |
| 6,300 | Royal Financial, Inc.* | 8,190 |
| 308,740 | SI Financial Group, Inc. | 1,852,440 |
| 13,200 | Sound Financial, Inc. | 66,000 |
| 100,000 | Sterling Eagle ^{*(c)(g)} | 0 |
| 110,500 | Third Century Bancorp ^{*(a)} | 442,000 |
| | | 24,557,852 |
| Trucking & Leasing (0.5%) | | |
| 121,082 | Willis Lease Finance Corp.* | 1,116,376 |
| TOTAL DOMESTIC COMMON STOCKS | | |
| (Cost \$134,549,078) | | 89,657,392 |
| FOREIGN COMMON STOCKS (12.0%) | | |
| Australia (0.4%) | | |
| 321,916 | CGA Mining, Ltd. ^{*(b)(g)} | 604,793 |
| 143,826 | CGA Mining, Ltd.* | 270,210 |
| | | 875,003 |
| Bermuda (0.6%) | | |
| 92,330 | Assured Guaranty, Ltd. | 1,225,219 |
| 112,000 | Majestic Capital, Ltd.* | 30,240 |
| 36,500 | RAM Holdings, Ltd.* | 21,900 |
| | | 1,277,359 |
| Brazil (0.3%) | | |
| 117,000 | Banco Panamericano S.A. | 554,211 |
| Canada (0.3%) | | |
| 9,600 | Genworth MI Canada, Inc. | 209,396 |

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| | | |
|------------------------------|-----------------------------------|---------|
| 37,300 | Sino-Forest Corp.* | 530,129 |
| | | 739,525 |
| Cayman Islands (0.4%) | | |
| 1,414,100 | Fantasia Holdings Group Co., Ltd. | 237,896 |
| 70,457 | Phoenix Group Holdings | 676,344 |
| | | 914,240 |
| Denmark (0.4%) | | |
| 5,490 | Gronlandsbanken* | 383,031 |
| 7,378 | Spar Nord Bank A/S* | 70,854 |
| 19,324 | Sydbank A/S* | 395,898 |
| | | 849,783 |

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India (6.7%)

| | | |
|---------|--------------------------------------------|-----------|
| 45,582 | Axis Bank, Ltd. | 1,219,315 |
| 16,714 | Bajaj Auto, Ltd. | 895,204 |
| 43,173 | Educomp Solutions, Ltd. | 495,032 |
| 14,934 | Financial Technologies India, Ltd. | 430,062 |
| 132,495 | Jindal Saw, Ltd.* | 574,539 |
| 221,163 | Karnataka Bank, Ltd. | 845,462 |
| 80,902 | Kotak Mahindra Bank, Ltd. | 1,342,909 |
| 186,456 | Magma Fincorp, Ltd. | 1,170,845 |
| 693,370 | Manappuram General Finance & Leasing, Ltd. | 1,078,609 |
| 20,659 | Maruti Suzuki India, Ltd. | 633,292 |
| 17,776 | NSE India, Ltd. *(b)(c)(g) | 1,454,382 |
| 53,608 | Reliance Infrastructure, Ltd. | 1,386,225 |
| 200,259 | Shriram Transport Finance Co., Ltd. | 2,485,290 |
| 66,094 | Tata Motors, Ltd. | 1,107,852 |

15,119,018

Japan (0.5%)

| | | |
|-----|-------------------------------------|-----------|
| 257 | Osaka Securities Exchange Co., Ltd. | 1,097,297 |
|-----|-------------------------------------|-----------|

Pakistan (0.3%)

| | | |
|---------|-------------------|---------|
| 299,213 | Engro Corp., Ltd. | 607,277 |
|---------|-------------------|---------|

Puerto Rico (0.4%)

| | | |
|--------|--------------------------------|---------|
| 72,800 | Oriental Financial Group, Inc. | 921,648 |
|--------|--------------------------------|---------|

Singapore (0.0%)(e)

| | | |
|---------|----------------------------|--------|
| 111,400 | ARA Asset Management, Ltd. | 85,980 |
|---------|----------------------------|--------|

South Korea (0.2%)

| | | |
|--------|--------------------------|---------|
| 51,660 | Tong Yang Life Insurance | 543,249 |
|--------|--------------------------|---------|

Switzerland (1.5%)

| | | |
|---------|--------------------|-----------|
| 137,350 | UBS AG* | 1,842,632 |
| 8,447 | Valiant Holding AG | 1,576,000 |

3,418,632

United Kingdom (0.0%)(e)

| | | |
|-------|-----------------------------|--------|
| 8,218 | African Barrick Gold, Ltd.* | 77,907 |
|-------|-----------------------------|--------|

TOTAL FOREIGN COMMON STOCKS

(Cost \$30,979,756) 27,081,129

LIMITED PARTNERSHIPS (34.0%)

| | | |
|---|----------------------|------------|
| 1 | Bay Pond*(b)(c)(g) | 38,275,500 |
| 1 | Wolf Creek*(b)(c)(g) | 38,236,000 |

76,511,500

TOTAL LIMITED PARTNERSHIPS

(Cost \$79,000,000) 76,511,500

DOMESTIC PREFERRED STOCKS (1.0%)

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| | | |
|-------|---------------------------------------------------|-----------|
| 925 | Doral Financial, 15.00%*(b)(c)(g) | 475,158 |
| 1,600 | Maiden Holdings, Ltd., Series C, 14.00%*(c)(d)(g) | 1,736,000 |
| | | 2,211,158 |

TOTAL DOMESTIC PREFERRED STOCK

| | |
|--------------------|-----------|
| (Cost \$2,184,000) | 2,211,158 |
|--------------------|-----------|

DOMESTIC WARRANTS (0.1%)

| | | |
|---------|--------------------------------------------------------------------------------------------|---------|
| 195,000 | Dime Bancorp, Inc., Litigation Tracking Warrant, strike price \$0.00, Expires 12/26/50* | 78,000 |
| 52,459 | Flagstar Bancorp, Warrant, strike price \$0.62, Expires 1/30/19* (c)(g) | 97,920 |
| 6,559 | Forethought Financial Group, Warrant, strike price \$220.00, Expires 8/13/10* (b)(c)(g) | 0 |
| 6,560 | Forethought Financial Group, Warrant, strike price \$220.00, Expires 11/13/10* (b)(c)(g) | 0 |
| 233,333 | Terra Nova Financial Group, Inc., Warrant, strike price \$3.00, Expires 3/17/11* (b)(c)(g) | 0 |
| 181,429 | Washington Mutual, Inc., Warrant, strike price \$10.06, Expires 4/11/13* (b)(c)(g) | 13 |
| | | 175,933 |

TOTAL DOMESTIC WARRANTS

| | |
|------------|---------|
| (Cost \$) | 175,933 |
|------------|---------|

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| | | |
|----------------------------------------------------|-------------------------------------------------------------------------------------------------------------|----------------|
| Par | | |
| Value | | |
| DOMESTIC CORPORATE BONDS & NOTES (0.4%) | | |
| Banks (0.4%) | | |
| 1,010,000 | Susquehanna Capital II, 11.00%, due 3/23/40 | 1,040,300 |
| TOTAL DOMESTIC CORPORATE BONDS & NOTES | | |
| (Cost \$1,010,000) | | 1,040,300 |
| TOTAL LONG TERM INVESTMENTS | | |
| (Cost \$247,722,834) | | 196,677,412 |
| SHORT TERM INVESTMENTS (13.4%) | | |
| Money Market Fund (13.4%) | | |
| 30,194,850 | Dreyfus Treasury Cash Management Money Market Fund, Institutional Class (7 day Yield 0.000%) ^(f) | 30,194,850 |
| TOTAL SHORT TERM INVESTMENTS | | |
| (Cost \$30,194,850) | | 30,194,850 |
| TOTAL INVESTMENTS (100.7%) | | |
| (Cost \$277,917,684) | | 226,872,262 |
| TOTAL LIABILITIES LESS OTHER ASSETS (-0.7%) | | |
| | | (1,648,969) |
| TOTAL NET ASSETS (100.0%) | | |
| | | \$ 225,223,293 |

*Non-income producing security.

(a) *Affiliated Company. See accompanying Notes to Quarterly Portfolio of Investments.*

(b) *Private Placement; these securities may only be resold in transactions exempt from registration under the Securities Act of 1933. As of June 30, 2010, these exemptions had a total value of \$108,674,136 or 48.3% of total net assets.*

(c) *Indicates a fair valued security. Total market value for fair value securities is \$106,833,399 representing 47.4% of total net assets.*

(d) *Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933, as amended.*

(e) *Less than 0.05% of total net assets.*

(f) *Less than 0.0005%.*

(g) *Indicates a security which is considered illiquid. Also see Note 5.*

Common Abbreviations:

AG - Aktiengesellschaft is a German term that refers to a corporation that is limited by shares, i.e., owned by shareholders.

A/S - Aktieselskab is a Danish term for joint stock company

LLC - Limited Liability Company

LP - Limited Partnership

Ltd. - Limited

N.A. - National Association

REIT - Real Estate Investment Trust

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S.A.- Generally designates corporations in various countries, mostly those employing the civil law. This translates literally in all languages mentioned as anonymous company

For Fund compliance purposes, the Fund's industry classifications refer to any one or more of the industry sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or defined by Fund management. This definition may not apply for purposes of this report, which may combine industry sub-classifications for reporting ease. Industries are shown as a percent of total net assets. These industry classifications are unaudited.

See accompanying Notes to Quarterly Portfolio of Investments.

Notes to Quarterly Portfolio of Investments

June 30, 2010 (unaudited)

Note 1. Valuation and Investment Practices

Securities Valuation: Securities for which market quotations are readily available (including securities listed on national securities exchanges and those traded over-the-counter) are valued at the last quoted sales price on the valuation date on which the security is traded. If such securities were not traded on the valuation date, but market quotations are readily available, they are valued at the most recently quoted bid price provided by an independent pricing service or by principal market makers. Securities traded on NASDAQ are valued at the NASDAQ Official Closing Price (NOCP). Where market quotations are not readily available or where the pricing agent or market maker does not provide a valuation or methodology, or provides a valuation or methodology that, in the judgment of the adviser or sub-adviser, does not represent fair value (Fair Value Securities), securities are valued at fair value by a Pricing Committee appointed by the Board of Directors, in consultation with the adviser or sub-adviser. The Fund uses various valuation techniques that utilize both observable and unobservable inputs including multi-dimensional relational pricing model, option adjusted spread pricing, book value, last available trade, discounted future cash flow models, cost, and comparable company approach. In such circumstances, the adviser or sub-adviser makes an initial written recommendation to the Pricing Committee regarding valuation methodology for each Fair Value Security. Thereafter, the adviser or sub-adviser conducts periodic reviews of each Fair Value Security to consider whether the respective methodology and its application is appropriate and recommends methodology changes when appropriate. The Pricing Committee reviews and makes a determination regarding each initial methodology recommendation and any subsequent methodology changes. All methodology recommendations and any changes are reviewed by the entire Board of Directors on a quarterly basis. Due to the inherent uncertainty of the valuation of these investments, these values may differ from the values that would have been used had a ready market for these investments existed and the differences could be material.

The Portfolio of Investments include investments valued at \$106,833,399 (47.4% of total net assets), whose fair values have been estimated by management in the absence of readily determinable fair values.

Short-term securities which mature in more than 60 days are valued at current market quotations. Short-term securities which mature in 60 days or less are valued at amortized cost, which approximates fair value.

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Codification (ASC) and the Fund follows the provisions of ASC 820, Fair Value Measurements and Disclosures (ASC 820). In accordance with ASC 820, fair value is defined as the price that the Fund would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. ASC 820 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value including such a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions.

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about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad Levels listed below.

- Level 1 unadjusted quoted prices in active markets for identical investments
- Level 2 significant observable inputs (including quoted prices for similar investments, 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 valuation techniques used by the Fund to measure fair value during the three months ended June 30, 2010 maximized the use of observable inputs and minimized the use of unobservable inputs. The Fund uses the value of investment securities, as of the end of each reporting period, in determining transfers in/out of Levels 1, 2 or 3.

The following is a summary of the inputs used as of June 30, 2010 in valuing the Fund's investments carried at value:

| Investments in Securities at Value | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|----------------------|---------------------|---------------------|----------------------|
| Domestic Common Stocks [^] | \$56,181,231 | \$16,373,030 | \$ 17,103,131 | \$89,657,392 |
| Foreign Common Stocks [^] | 25,021,954 | 604,793 | 1,454,382 | 27,081,129 |
| Limited Partnerships | - | - | 76,511,500 | 76,511,500 |
| Domestic Preferred Stocks | - | - | 2,211,158 | 2,211,158 |
| Domestic Warrants | 78,000 | 97,933 | - | 175,933 |
| Domestic Corporate Bonds & Notes | - | 1,040,300 | - | 1,040,300 |
| Short Term Investments | 30,194,850 | - | - | 30,194,850 |
| TOTAL | \$111,476,035 | \$18,116,056 | \$97,280,171 | \$226,872,262 |
| Other Financial Instruments* | Level 1 | Level 2 | Level 3 | |
| Credit Default Swaps | - | \$1,510,812 | - | \$1,510,812 |
| TOTAL | - | \$1,510,812 | - | \$1,510,812 |

[^] For detailed descriptions of industry and/or geography classifications, see the accompanying Portfolio of Investments.

* Other financial instruments include swap contracts.

The following is a reconciliation of assets in which significant unobservable inputs (Level 3) were used in determining fair value:

| Investments in Securities | Balance as of March 31, 2010 | | Change in unrealized appreciation/ (depreciation) | | Net purchases/ (sales) | Transfers in and/or out of Level 3 | Balance as of June 30, 2010 |
|---------------------------|------------------------------|-----|---------------------------------------------------|--|------------------------|------------------------------------|-----------------------------|
| | Realized gain/(loss) | | | | | | |
| Domestic Common Stocks | \$16,978,622 | \$- | \$(412,491) | | \$537,000 | | \$ 17,103,131 |
| Foreign Common Stocks | - | - | (62,887) | | 1,517,269 | - | 1,454,382 |
| Limited Partnerships | - | - | (2,488,500) | | 79,000,000 | - | 76,511,500 |

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| | | | | | | |
|------------------|---------------------|------------|----------------------|---------------------|-------------|---------------------|
| Partnerships | | | | | | |
| Domestic | 2,737,160 | - | (310,002) | (216,000) | - | 2,211,158 |
| Preferred Stocks | | | | | | |
| Domestic | - | - | (15) | - | 15 | - |
| Warrants | | | | | | |
| TOTAL | \$19,715,782 | \$- | \$(3,273,895) | \$80,838,269 | \$15 | \$97,280,171 |

New Accounting Pronouncement: In January 2010, the FASB issued Accounting Standards Update Improving Disclosures about Fair Value Measurements (ASU). The ASU requires enhanced disclosures about a) transfers into and out of Levels 1 and 2, and b) purchases, sales, issuances, and settlements on a gross basis relating to Level 3 measurements. The first disclosure is effective for the first reporting period beginning after December 15, 2009, and for interim periods within those fiscal years. There were no significant transfers in to and out of Levels 1 and 2 during the current period presented.

The second disclosure will become effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Management is currently evaluating the impact this disclosure may have on the Fund's financial statements.

Securities Transactions and Net Investment Income: Securities transactions are recorded on the trade date. Realized gains or losses on sales of securities are calculated on the identified cost basis. Dividend income is recorded on the ex-dividend date, or for certain foreign securities, when the information becomes available to the Fund. Interest income including amortization of premium and accretion of discount on debt securities, as required, is recorded on the accrual basis, using the effective interest method.

Dividend income from investments in real estate investment trusts (REITs) is recorded at management's estimate of income included in distributions received. Distributions received in excess of this amount are recorded as a reduction of the cost of investments. The actual amount of income and return of capital are determined by each REIT only after its fiscal year-end, and may differ from the estimated amounts. Such differences, if any, are recorded in the Fund's following year.

Foreign Currency Translation: The Fund may invest a portion of its assets in foreign securities. In the event that the Fund executes a foreign security transaction, the Fund will generally enter into a forward foreign currency contract to settle the foreign security transaction. Foreign securities may carry more risk than U.S. securities, such as political, market and currency risks.

The books and records of the Fund are maintained in US dollars. Foreign currencies, investments and other assets and liabilities denominated in foreign currencies are translated into US dollars at the exchange rate prevailing at the end of the period, and purchases and sales of investment securities, income and expenses transacted in foreign currencies are translated at the exchange rate on the dates of such transactions. Foreign currency gains and losses result from fluctuations in exchange rates between trade date and settlement date on securities transactions, foreign currency transactions and the difference between the amounts of interest and dividends recorded on the books of the Fund and the amounts actually received.

Repurchase Agreements: The Fund may enter into repurchase agreement transactions with United States financial institutions. It is the Fund's policy that its custodian take possession of the underlying collateral securities, the value of which exceed the principal amount of the repurchase transaction, including accrued interest. To the extent that any repurchase transaction exceeds one business day, the value of the collateral is marked-to-market on a daily basis to maintain the adequacy of the collateral. The value of the collateral at the time of the execution must be at least equal to 102% of the total amount of the repurchase obligations, including interest. If the seller defaults, and the value of the collateral declines or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Fund may be delayed or limited. The Fund had no outstanding repurchase agreements as of June 30, 2010.

Note 2. Unrealized Appreciation/(Depreciation)

On June 30, 2010, based on cost of \$277,449,619 for federal income tax purposes, aggregate gross unrealized appreciation for all securities in which there is an excess of value over tax cost was \$13,519,059 and aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value was \$64,096,416, resulting in net unrealized depreciation of \$50,577,357.

Note 3. Transactions With Affiliated Companies

Transactions during the period with companies in which the Fund owned at least 5% of the voting securities were as follows:

| Name of Affiliate | Beginning | | | Ending | | | Market Value |
|--------------------------------|----------------------|-----------|----------|-----------------------|-----------------|-------------------------|--------------|
| | Share | | | Share | | | |
| | Balance as of 4/1/10 | Purchases | Sales | Balance as of 6/30/10 | Dividend Income | Realized Gains (Losses) | |
| Broadway Financial Corporation | 129,280 | - | (32,300) | 96,980 | \$ 1,293 | (11,386) | \$ 169,715 |
| CCF Holding Company | 340,815 | - | - | 340,815 | - | - | 34,081 |
| Perpetual Federal Savings Bank | 165,930 | - | - | 165,930 | 24,890 | - | 2,074,125 |
| Redwood Financial, Inc. | 40,650 | - | - | 40,650 | - | - | 518,287 |
| River Valley Bancorp | 89,993 | - | - | 89,993 | 18,899 | - | 1,143,811 |
| Third Century Bancorp | 110,500 | - | - | 110,500 | - | - | 442,000 |
| TOTAL | | | | | \$ 45,082 | \$ (11,386) | \$ 4,382,019 |

Note 4. Credit Default Swaps

The Fund may enter into credit default swap contracts for hedging purposes, to gain market exposure or to add leverage to its portfolio. When used for hedging purposes, the Fund would be the buyer of a credit default swap contract. In that case, the Fund would be entitled to receive the par (or other agreed-upon) value of a referenced debt obligation, index or other investment from the counterparty to the contract in the event of a default by a third party, such as a U.S. or foreign issuer, on the referenced debt obligation. In return, the Fund would pay to the counterparty a periodic stream of payments over the term of the contract provided that no event of default has occurred. If no default occurs, the Fund would have spent the stream of payments and received no benefit from the contract. When the Fund is the seller of a credit default swap contract, it receives the stream of payments but is obligated to pay upon default of the referenced debt obligation. As the seller, the Fund would effectively add leverage to its portfolio because, in addition to its total assets, the Fund would be subject to investment exposure on the notional amount of the swap.

In addition to the risks applicable to derivatives generally, credit default swaps involve special risks because they are difficult to value, are highly susceptible to liquidity and credit risk, and generally pay a return to the party that has paid the premium only in the event of an actual default by the issuer of the underlying obligation, as opposed to a credit downgrade or other indication of financial difficulty. Credit default swaps are marked to market periodically using quotations from pricing services. A realized gain or loss is recorded upon payment or receipt of a periodic payment or termination of the swap agreement.

Credit default swap contracts entered into by the Fund as of June 30, 2010, were as follows:

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| Swap | Referenced | Notional Amount | Rates paid by | Termination | Upfront | | Unrealized Gain/(Loss) |
|-------------------|-----------------------------|-----------------|---------------|-------------|----------|------------|------------------------|
| | | | | | Fund | Date | |
| Counterparty | Obligation | | | | | | |
| Credit Suisse | | | | | | | |
| First Boston Intl | Bank of India London | 1,000,000 | USD | 1.00% | 6/20/15 | 20,427 | 32,473 |
| Morgan Stanley | Barclays Bank | 4,500,000 | EUR | 1.42% | 9/20/13 | - | (13,977) |
| Goldman Sachs | BNP Paribas | 4,500,000 | EUR | 0.67% | 9/20/13 | - | 82,696 |
| Credit Suisse | | | | | | | |
| First Boston Intl | Capital One Bank | 1,000,000 | USD | 1.00% | 12/20/14 | (10,425) | 6,289 |
| Goldman Sachs | Commerzbank | 4,500,000 | EUR | 0.88% | 9/20/13 | - | 26,699 |
| Morgan Stanley | Credit Agricole | 4,500,000 | EUR | 1.09% | 9/20/13 | - | 51,501 |
| Morgan Stanley | DBR | 25,000,000 | USD | 0.12% | 9/20/18 | - | 655,875 |
| Goldman Sachs | EURO DB | 3,400,000 | EUR | 0.88% | 9/20/13 | - | 45,211 |
| Goldman Sachs | Export-Import Bank of India | 1,000,000 | USD | 1.00% | 6/20/15 | 17,484 | 34,333 |
| Morgan Stanley | Federative Republic Brazil | 1,500,000 | USD | 1.00% | 3/20/15 | 33,334 | (18,514) |
| Morgan Stanley | IDBI Bank Limited | 1,000,000 | USD | 1.00% | 6/20/15 | 14,470 | 31,341 |
| Goldman Sachs | Intesa Sanpaolo | 4,500,000 | EUR | 0.57% | 9/20/13 | - | 112,857 |
| Morgan Stanley | Lloyds Bank | 4,500,000 | EUR | 0.89% | 9/20/13 | - | 206,101 |
| Morgan Stanley | NAIGS13V1-5Y | 25,000,000 | USD | 1.00% | 12/20/14 | 50,653 | 55,347 |
| Morgan Stanley | NAIGS13V1-5Y | 25,000,000 | USD | 1.00% | 12/20/14 | 68,565 | 37,435 |
| Morgan Stanley | Republic of Korea | 3,000,000 | USD | 1.22% | 9/20/13 | - | (8,809) |
| Morgan Stanley | Royal Bank Scotland | 4,500,000 | EUR | 1.37% | 9/20/13 | - | 98,519 |
| Morgan Stanley | Societe Generale | 4,500,000 | EUR | 1.01% | 9/20/13 | - | 44,508 |
| | State Bank of India | | | | | | |
| Morgan Stanley | London | 1,000,000 | USD | 1.00% | 6/20/15 | 14,470 | 30,927 |
| TOTAL | | | | | | \$ 208,978 | \$ 1,510,812 |

Note 5. Illiquid Securities

As of June 30, 2010, investments in securities included issues that are considered illiquid. Illiquid securities are often purchased in private placement transactions, are not registered under the Securities Act of 1933, may have contractual restrictions on resale, and may be revalued under methods approved by the Board of Directors as reflecting fair value.

The Fund may invest, without limit, in illiquid securities. The Fund may not be able to readily dispose of such securities at prices that approximate those at which the Fund could sell such securities if they were more widely traded and, as a result of such illiquidity, the Fund may have to sell other investments or engage in borrowing transactions if necessary to raise cash to meet its obligations. Limited liquidity can also affect the market price of securities, thereby adversely affecting the Fund's net asset value and ability to make dividend distributions.

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Illiquid securities as of June 30, 2010 are as follows:

| Description | Acquisition Date | Cost | Market Value | |
|-------------------------------------------------------------------------------------|-----------------------|--------------|--------------|--------|
| | | | Market Value | Assets |
| Affinity Financial Corp. | 3/24/2005 | \$ 1,000,000 | \$ - | 0.0% |
| Auburn Bancorp, Inc. | 8/4/2008 | 100,000 | 75,000 | 0.0% |
| Bay Pond | 6/1/2010 | 39,500,000 | 38,275,500 | 17.0% |
| CGA Mining, Ltd. | 2/1/2010 | 664,149 | 604,793 | 0.3% |
| Center Financial Corp. | 12/29/2009 | 375,125 | 515,170 | 0.2% |
| Central Valley Community Bancorp | 12/22/2009 | 155,400 | 190,032 | 0.1% |
| Citizens South Banking Corp. | 3/11/2010 | 362,000 | 418,311 | 0.2% |
| CMET Finance Holding | 12/8/2003 | 2,500,000 | 830,000 | 0.4% |
| Community Bank | 2/12/2008 | 912,100 | 3,711,600 | 1.7% |
| Doral Financial | 4/19/10-5/3/10 | 584,000 | 475,158 | 0.2% |
| East West Bancorp | 11/3/2009 | 1,920,416 | 3,243,217 | 1.4% |
| Embarcadero Bank | 7/7/2006 | 550,000 | 537,900 | 0.2% |
| FC Holdings, Inc. | 1/5/2006 | 972,000 | 29,160 | 0.0% |
| Fidelity Federal Bancorp | 10/17/95-11/27/01 | 2,242,322 | 387,075 | 0.2% |
| First American International | 11/29/2005 | 1,052,050 | 455,359 | 0.2% |
| First Republic Bank | 10/21/2009-6/7/2010 | 8,380,935 | 8,380,942 | 3.7% |
| First Southern Bancorp, Inc. - Class B | 3/17/2005 | 1,634,787 | 800,712 | 0.4% |
| First State Bank | 11/21/2007 | 190,350 | 28,200 | 0.0% |
| Flagstar Bancorp, Warrant, strike price \$0.62, Expires 1/30/19 | 1/30/2009 | - | 97,920 | 0.0% |
| Florida Capital Group | 8/23/2006 | 2,203,175 | 193,261 | 0.1% |
| Forethought Financial Group, Inc. - Class A | 11/13/2009 | 2,623,800 | 2,762,861 | 1.2% |
| Forethought Financial Group, Inc., Warrant, strike price \$220.00, Expires 8/13/10 | 11/13/2009-12/31/2009 | - | - | 0.0% |
| Forethought Financial Group, Inc., Warrant, strike price \$220.00, Expires 11/13/10 | 11/13/2009-12/31/2009 | - | - | 0.0% |
| Hampshire First Bank | 10/31/2006 | 2,280,000 | 1,995,000 | 0.9% |
| Heritage Oaks Bancorp | 6/28/2006-3/10/2010 | 840,735 | 727,702 | 0.3% |
| Highland Financial Partners LP | 10/18/2006 | 4,558,950 | - | 0.0% |
| Independence Financial Group, Inc. | 9/13/2004 | 480,000 | 282,000 | 0.1% |
| Maiden Holdings, Ltd., Series C | 1/15/2009 | 1,600,000 | 1,736,000 | 0.8% |
| MidCountry Financial Corp. | 10/22/2004 | 4,654,500 | 1,241,200 | 0.6% |
| Muni Funding Co. of America, LLC | 6/4/07-7/10/09 | 2,058,848 | 1,057,518 | 0.5% |
| National Bancshares, Inc. | 6/6/2006 | 2,128,160 | 624,864 | 0.3% |
| Newcastle Investment Holdings Corp., REIT | 6/5/1998 | 562,924 | 292,348 | 0.1% |
| North Dallas Bank & Trust Co. | 12/12/07-3/13/08 | 237,478 | 170,440 | 0.1% |
| NSE India, Ltd. | 4/30/2010 | 1,517,269 | 1,454,382 | 0.6% |
| Ocwen Structured Investments, LLC | 3/20/07 - 8/27/07 | 1,547,340 | 518,814 | 0.2% |
| Pilot Bancshares, Inc. | 6/13/2005 | 2,114,992 | 406,475 | 0.2% |

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| | | | | |
|---------------------------------------------------------------------------------|----------------|-----------------------|-----------------------|--------------|
| Privee, LLC | 11/17/2004 | 2,362,500 | - | 0.0% |
| Seacoast Banking Corp. | 4/9/10-6/16/10 | 537,000 | 492,559 | 0.2% |
| Square 1 Financial, Inc. | 5/3/2005 | 3,029,000 | 1,559,935 | 0.7% |
| Sterling Eagle | 12/31/2002 | 1,000,000 | - | 0.0% |
| Terra Nova Financial Group, Inc., Warrant, strike price \$3.00, Expires 3/17/11 | 3/16/2006 | - | - | 0.0% |
| Verde Realty | 2/16/2007 | 2,900,700 | 1,720,203 | 0.8% |
| Washington Mutual, Inc., Warrant, strike price \$10.06, Expires 4/11/13 | 4/14/2008 | - | 13 | 0.0% |
| Wolf Creek | 6/1/2010 | 39,500,000 | 38,236,000 | 17.0% |
| TOTAL | | \$ 141,833,005 | \$ 114,527,624 | 50.9% |

Item 2 - Controls and Procedures.

- (a) The Registrant's Principal Executive Officer and Principal Financial Officer concluded that the Registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940 (17 CFR 270.30a-3(c))) were effective as of a date within 90 days of the filing date of this report (the Evaluation Date), based on their evaluation of the effectiveness of the Registrant's disclosure controls and procedures as of the Evaluation Date.
- (b) There were no changes in the Registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940 (17 CFR 270.30a-3(d))) that occurred during the Registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

Item 3 - Exhibits.

- (a) Certification of Principal Executive Officer and Principal Financial Officer of the Registrant as required by Rule 30a-2(a) under the Investment Company Act of 1940 (17 CFR 270.30a-2(a)) is attached hereto as Exhibit 99CERT.

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 First Opportunity Fund, Inc.

By: /s/Stephen C. Miller

Stephen C. Miller, President
(Principal Executive Officer)

Date: August 27, 2010

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: /s/Stephen C. Miller

Stephen C. Miller, President
(Principal Executive Officer)

Date: August 27, 2010

By: /s/ Carl D. Johns

Carl D. Johns, Vice President and Treasurer
(Principal Financial Officer)

Date: August 27, 2010