

FIRST OPPORTUNITY FUND INC
Form N-Q
March 01, 2011

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: December 31, 2010

Item 1 Schedule of Investments.

The Schedule of Investments is included herewith.

Portfolio of Investments as of December 31, 2010 (Unaudited)

FIRST OPPORTUNITY FUND, INC.

| Shares | Description | Value (Note 1) |
|---------------------------------------|--|-------------------|
| LONG TERM INVESTMENTS (96.4%) | | |
| DOMESTIC COMMON STOCKS (33.4%) | | |
| Banks & Thrifts (14.6%) | | |
| 32,825 | 1st United Bancorp, Inc.* | \$ 226,821 |
| 54,790 | Alliance Bankshares Corp.* | 213,133 |
| 27,800 | American River Bankshares* | 166,522 |
| 8,439 | Ameris Bancorp* | 88,947 |
| 406,400 | AmeriServ Financial, Inc.* | 642,112 |
| 30,289 | Bank of Commerce Holdings | 128,728 |
| 62,500 | Bank of Virginia* | 158,750 |
| 42,700 | BCB Bancorp, Inc. | 418,460 |
| 28,000 | Bridge Capital Holdings* | 243,600 |
| 35,498 | Carolina Trust Bank* | 122,468 |
| 340,815 | CCF Holding Co. *(a) | 102,245 |
| 14,044 | Central Valley Community Bancorp* | 78,646 |
| 29,600 | Central Valley Community Bancorp *(b)(c) | 165,760 |
| 38,860 | Centrue Financial Corp.* | 38,083 |
| 14,300 | Citizens & Northern Corp. | 212,498 |
| 60,000 | Community Bank *(b)(c)(d) | 3,810,000 |
| 56,800 | The Connecticut Bank & Trust Co.* | 318,080 |
| 65,566 | Eastern Virginia Bankshares, Inc. | 251,774 |
| 4,085 | Evans Bancorp, Inc. | 58,007 |
| 97,200 | FC Holdings, Inc. *(b)(c)(d) | 18,468 |
| 4,300 | First Advantage Bancorp | 50,568 |
| 39,700 | First American International *(b)(c)(d) | 519,276 |
| 61,678 | First California Financial Group, Inc.* | 172,698 |
| 17,400 | First Capital Bancorp, Inc.* | 62,292 |
| 518,508 | First Republic Bank *(b)(c)(d) | 13,589,058 |
| 144,200 | First Security Group, Inc.* | 131,222 |
| 66,726 | First Southern Bancorp, Inc. - Class B* | 620,552 |
| 28,200 | First State Bank *(b)(c)(d) | 7,614 |
| 2,880 | First Trust Bank* | 10,080 |
| 193,261 | Florida Capital Group *(b)(c)(d) | 96,631 |
| 7,820 | FNB Bancorp | 78,200 |
| 155,800 | Great Florida Bank - Class A* | 38,950 |
| 15,300 | Great Florida Bank - Class B* | 153 |
| 66,000 | Greater Hudson Bank N.A.* | 310,200 |
| 228,000 | Hampshire First Bank *(b)(c) | 1,938,000 |
| 8,500 | Heritage Financial Corp.* | 118,320 |
| 199,918 | Heritage Oaks Bancorp *(b)(c) | 659,729 |
| 36,900 | ICB Financial* | 138,375 |
| 14,200 | Katahdin Bankshares Corp. | 201,640 |
| 126,100 | Metro Bancorp, Inc.* | 1,388,361 |
| 905,600 | National Bancshares, Inc. *(b)(c)(d) | 452,800 |
| 17,300 | New England Bancshares, Inc. | 137,535 |
| 4,000 | North Dallas Bank & Trust Co. (d) | 188,720 |
| 30,400 | Oak Ridge Financial Services, Inc.* | 134,368 |
| 1,900 | Old Point Financial Corp. | 23,047 |
| 44,800 | OmniAmerican Bancorp, Inc.* | 607,040 |
| 24,000 | Pacific Continental Corp. | 241,440 |
| 162,590 | Pilot Bankshares, Inc.* | 269,899 |
| 190,540 | Republic First Bancorp, Inc.* | 463,012 |
| 370,344 | Seacoast Banking *(b)(c) | 540,702 |
| 4,500 | Shore Bankshares, Inc. | 47,430 |
| 69,269 | Southern First Bankshares, Inc.* | 516,747 |

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| | | |
|---------|--|------------|
| 79,900 | Southern National Bancorp of Virginia, Inc.* | 607,240 |
| 302,900 | Square 1 Financial, Inc. *(b)(c)(d) | 1,608,399 |
| 73,100 | State Bancorp, Inc. | 676,175 |
| 9,960 | Tower Bancorp, Inc. | 219,518 |
| 39,164 | Valley Commerce Bancorp* | 195,820 |
| 57,400 | Wells Fargo & Co. | 1,778,826 |
| 238,000 | Western Liberty Bancorp* | 1,294,720 |
| 12,404 | Xenith Bankshares, Inc.* | 65,493 |
| | | 37,663,952 |

Diversified Financial Services (2.1%)

| | | |
|---------|---|-----------|
| 16,241 | Affinity Financial Corp. *(b)(c)(d) | |
| 79,000 | AllianceBernstein Holding, LP | 1,843,070 |
| 100,033 | Center Financial Corp. *(b)(c) | 758,250 |
| 25,000 | CMET Finance Holding *(b)(d)(e) | 538,500 |
| 276,300 | Highland Financial Partners LP *(b)(d)(e) | |
| 60,000 | Independence Financial Group, Inc. *(b)(c)(d) | 300,600 |
| 70,215 | Mackinac Financial Corp.* | 311,053 |
| 431,640 | Muni Funding Co. of America, LLC *(b)(d)(e) | 1,113,631 |
| 455,100 | Ocwen Structured Investments, LLC *(b)(c)(d) | 464,202 |
| 349,967 | Terra Nova Financial Group* | 96,241 |
| | | 5,425,547 |

Electric (1.2%)

| | | |
|--------|---------------------------------------|-----------|
| 80,000 | PPL Corp. | 2,105,600 |
| 16,800 | Public Service Enterprise Group, Inc. | 534,408 |
| 12,400 | SCANA Corp. | 503,440 |
| | | 3,143,448 |

Insurance (2.3%)

| | | |
|--------|--|-----------|
| 19,678 | Forethought Financial Group, Inc. - Class A *(b)(c)(d) | 4,788,838 |
| 93,403 | Penn Millers Holding Corp.* | 1,227,315 |
| | | 6,016,153 |

Mortgages & REITS (0.8%)

| | | |
|---------|--|-----------|
| 55,000 | Embarcadero Bank *(b)(c)(d) | 507,650 |
| 155,504 | Newcastle Investment Holdings Corp., REIT *(d) | 143,686 |
| 87,900 | Verde Realty *(b)(c)(d) | 1,482,873 |
| | | 2,134,209 |

Pharmaceuticals (0.3%)

| | | |
|--------|-------------------|---------|
| 20,447 | Merck & Co., Inc. | 736,910 |
|--------|-------------------|---------|

Registered Investment Companies (RICs) (0.7%)

| | | |
|--------|---|-----------|
| 40,000 | Cohen & Steers Infrastructure Fund, Inc. | 656,800 |
| 32,235 | Cohen & Steers Quality Income Realty Fund, Inc. | 278,833 |
| 45,475 | RMR Asia Pacific Real Estate Fund | 835,376 |
| | | 1,771,009 |

Retail (0.5%)

| | | |
|--------|-----------------------|-----------|
| 20,000 | Walgreen Co. | 779,200 |
| 10,000 | Wal-Mart Stores, Inc. | 539,300 |
| | | 1,318,500 |

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Savings & Loans (9.6%)

| | | |
|---------|---|-----------|
| 34,100 | Appalachian Bancshares, Inc.* | 852 |
| 10,000 | Auburn Bancorp, Inc.* ^(d) | 63,000 |
| 113,600 | Beacon Federal Bancorp, Inc. | 1,330,256 |
| 14,400 | BofI Holding, Inc.* | 223,344 |
| 96,980 | Broadway Financial Corp. ^(a) | 226,933 |
| 45,100 | Carver Bancorp, Inc. | 86,141 |
| 61,300 | Central Federal Corp.* | 31,263 |
| 54,346 | CFS Bancorp, Inc. | 284,230 |
| 14,015 | Charter Financial Corp. | 124,733 |
| 14,300 | Citizens Community Bank* | 57,915 |
| 84,466 | Citizens South Banking Corp.* ^{(b)(c)} | 363,204 |
| 1,314 | Colonial Financial Services, Inc.* | 16,031 |
| 33,500 | Eagle Bancorp | 360,125 |

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| | | |
|---------|--|-----------|
| 20,200 | ECB Bancorp, Inc. | 272,094 |
| 30,491 | ESSA Bancorp, Inc. | 403,091 |
| 32,500 | Fidelity Federal Bancorp ^{*(d)} | 417,625 |
| 19,238 | First Community Bank Corp. of America [*] | 23,470 |
| 18,128 | Fox Chase Bancorp, Inc. [*] | 214,817 |
| 43,400 | Georgetown Bancorp, Inc. [*] | 225,680 |
| 222,900 | Hampden Bancorp, Inc. | 2,525,457 |
| 22,030 | HF Financial Corp. | 237,924 |
| 47,216 | Home Bancorp, Inc. [*] | 652,525 |
| 88,948 | Home Federal Bancorp, Inc. | 1,091,392 |
| 58,100 | Jefferson Bancshares, Inc. [*] | 188,244 |
| 35,500 | Legacy Bancorp, Inc. | 466,470 |
| 42,000 | Liberty Bancorp, Inc. | 252,000 |
| 22,600 | Malvern Federal Bancorp, Inc. | 158,200 |
| 58,299 | Meridian Interstate Bancorp, Inc. [*] | 687,345 |
| 310,300 | MidCountry Financial Corp. ^{*(b)(c)(d)} | 1,377,732 |
| 600 | Naugatuck Valley Financial Corp. | 4,050 |
| 113,200 | Newport Bancorp, Inc. [*] | 1,379,908 |
| 106,998 | Ocean Shore Holding Co. | 1,225,127 |
| 29,100 | Old Line Bancshares, Inc. | 234,546 |
| 82,800 | Osage Bancshares, Inc. | 575,460 |
| 191,410 | Pacific Premier Bancorp, Inc. [*] | 1,203,969 |
| 165,930 | Perpetual Federal Savings Bank ^(a) | 2,181,980 |
| 17,500 | Privee, LLC ^{*(b)(c)(d)} | |
| 52,700 | Provident Financial Holdings, Inc. | 381,548 |
| 40,650 | Redwood Financial, Inc. ^{*(a)} | 376,013 |
| 89,993 | River Valley Bancorp ^(a) | 1,439,888 |
| 12,400 | Rockville Financial, Inc. | 151,528 |
| 6,300 | Royal Financial, Inc. [*] | 10,521 |
| 308,740 | SI Financial Group, Inc. | 2,726,174 |
| 13,200 | Sound Financial, Inc. | 63,360 |
| 100,000 | Sterling Eagle ^{*(d)} | |
| 110,500 | Third Century Bancorp ^{*(a)} | 303,875 |

24,620,040

Tobacco Products (0.7%)

| | | |
|--------|-----------------------------------|-----------|
| 42,000 | Altria Group, Inc. | 1,034,040 |
| 11,000 | Philip Morris International, Inc. | 643,830 |

1,677,870

Trucking & Leasing (0.6%)

| | | |
|---------|---|-----------|
| 121,082 | Willis Lease Finance Corp. [*] | 1,577,698 |
|---------|---|-----------|

TOTAL DOMESTIC COMMON STOCKS

(Cost \$124,638,114) 86,085,336

FOREIGN COMMON STOCKS (9.8%)

Bermuda (0.0%)^(f)

| | | |
|--------|-------------------------------------|--------|
| 11,200 | Majestic Capital, Ltd. [*] | 48,048 |
| 36,500 | RAM Holdings, Ltd. [*] | 33,580 |

81,628

Cayman Islands (0.2%)

| | | |
|--------|------------------------|---------|
| 70,457 | Phoenix Group Holdings | 671,176 |
|--------|------------------------|---------|

Denmark (0.4%)

| | | |
|--------|---------------------------------|---------|
| 5,490 | Gronlandsbanken [*] | 467,502 |
| 7,378 | Spar Nord Bank A/S [*] | 80,684 |
| 19,324 | Sydbank A/S [*] | 524,147 |

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1,072,333

France (0.6%)

24,000 Sanofi-Aventis S.A.

1,554,822

Germany (0.4%)

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| | | |
|-------|----------------------------------|-----------|
| 6,700 | Muenchener Rueckversicherungs AG | 1,015,211 |
|-------|----------------------------------|-----------|

Hong Kong (0.6%)

| | | |
|--------|----------------------------|-----------|
| 98,000 | Cheung Kong Holdings, Ltd. | 1,511,708 |
|--------|----------------------------|-----------|

India (7.1%)

| | | |
|---------|--|-----------|
| 45,582 | Axis Bank, Ltd. | 1,376,278 |
| 33,428 | Bajaj Auto, Ltd. | 1,152,019 |
| 43,173 | Educomp Solutions, Ltd. | 513,413 |
| 14,934 | Financial Technologies India, Ltd. | 298,496 |
| 221,163 | Karnataka Bank, Ltd. | 814,369 |
| 161,804 | Kotak Mahindra Bank, Ltd. | 1,641,561 |
| 932,280 | Magma Fincorp, Ltd. | 1,513,665 |
| 693,370 | Manappuram General Finance & Leasing, Ltd. | 2,325,964 |
| 20,659 | Maruti Suzuki India, Ltd. | 656,800 |
| 17,776 | NSE India, Ltd. *(b)(c)(d) | 1,478,511 |
| 53,608 | Reliance Infrastructure, Ltd. | 1,010,897 |
| 200,259 | Shriram Transport Finance Co., Ltd. | 3,497,983 |
| 66,094 | Tata Motors, Ltd. | 1,933,894 |

18,213,850

Pakistan (0.3%)

| | | |
|---------|-------------------|---------|
| 299,213 | Engro Corp., Ltd. | 676,668 |
|---------|-------------------|---------|

Switzerland (0.2%)

| | | |
|-------|-------------------|---------|
| 8,000 | Transocean, Ltd.* | 556,080 |
|-------|-------------------|---------|

TOTAL FOREIGN COMMON STOCKS

| | |
|---------------------|------------|
| (Cost \$24,457,320) | 25,353,476 |
|---------------------|------------|

LIMITED PARTNERSHIPS (51.9%)

| | | |
|---|---------------------------------|------------|
| 1 | Bay Pond*(b)(c)(d) | 45,194,228 |
| 1 | Iguazu Partners, LP*(b)(c)(d) | 4,533,257 |
| 1 | J. Caird Partners, LP*(b)(c)(d) | 20,229,766 |
| 1 | North River Partners*(b)(c)(d) | 16,624,265 |
| 1 | Wolf Creek*(b)(c)(d) | 47,167,198 |

133,748,714

TOTAL LIMITED PARTNERSHIPS

| | |
|----------------------|-------------|
| (Cost \$118,500,000) | 133,748,714 |
|----------------------|-------------|

DOMESTIC PREFERRED STOCKS (0.7%)

| | | |
|-------|---|-----------|
| 1,600 | Maiden Holdings, Ltd., Series C, 14.00%*(b)(d)(e) | 1,728,283 |
|-------|---|-----------|

TOTAL DOMESTIC PREFERRED STOCKS

| | |
|--------------------|-----------|
| (Cost \$1,600,000) | 1,728,283 |
|--------------------|-----------|

DOMESTIC RIGHTS & WARRANTS (0.2%)

| | | |
|---------|--|---------|
| 195,000 | Dime Bancorp, Inc., Litigation Tracking Warrant, strike price \$0.00, Expires 12/26/50* | 107,250 |
| 262,296 | Flagstar Bancorp, Warrant, strike price \$1.00, Expires 1/30/19*(d) | 302,786 |
| 6,560 | Forethought Financial Group, Inc., Warrant, strike price \$220.00, Expires 7/13/11*(b)(c)(d) | 153,242 |

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| | | |
|--|--|-----------------|
| 3,622,400 | National Bancshares, Inc., Right, subscription price \$0.50, expires 1/31/2011 | |
| 233,333 | Terra Nova Financial Group, Inc., Warrant, strike price \$3.00, Expires 3/17/11* (b) (c)(d) | |
| | | 563,278 |
| TOTAL DOMESTIC RIGHTS & WARRANTS | | |
| (Cost \$) | | 563,278 |
| Shares/ | | Value |
| Par Value | Description | (Note 1) |
| DOMESTIC CORPORATE BONDS & NOTES (0.4%) | | |
| <i>Banks (0.4%)</i> | | |
| \$1,010,000 | Susquehanna Capital II, 11.00%, due 3/23/40 | 1,078,175 |
| TOTAL DOMESTIC CORPORATE BONDS & NOTES | | |
| (Cost \$1,010,000) | | 1,078,175 |
| TOTAL LONG TERM INVESTMENTS | | |
| (Cost \$270,205,434) | | 248,557,262 |
| SHORT TERM INVESTMENTS (3.5%) | | |
| <i>Money Market Funds (3.5%)</i> | | |
| 961,376 | Dreyfus Treasury Cash Management Money Market Fund, Institutional Class (7 day Yield 0.000%)(g) | 961,376 |
| 8,000,000 | JPMorgan Prime Money Market Fund (7 day Yield 0.135%) | 8,000,000 |
| TOTAL SHORT TERM INVESTMENTS | | |
| (Cost \$8,961,376) | | 8,961,376 |
| TOTAL INVESTMENTS (99.9%) | | |
| (Cost \$279,166,810) | | 257,518,638 |
| TOTAL OTHER ASSETS LESS LIABILITIES (0.1%) | | 251,223 |
| TOTAL NET ASSETS (100.0%) | | \$ 257,769,861 |

*Non-income producing security.

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

(b) Indicates a security which is considered restricted. Also see Note 5.

(c) Private Placement: these securities may only be resold in transactions exempt from registration under the Securities Act of 1933. As of December 31, 2010, private placements had a total value of \$168,830,253 or 65.50% of total net assets.

(d) Indicates a fair valued security. Total market value for fair value securities is \$168,900,839 representing 65.52% of total net assets.

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

(f) Less than 0.05% of total net assets.

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(g) Less than 0.0005%.

Common Abbreviations:

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

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/geography classifications refer to any one or more of the industry/geography 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/geography sub-classifications for reporting ease. Industries/geographies are shown as a percent of total net assets. These industry/geography classifications are unaudited.

See accompanying Notes to Quarterly Portfolio of Investments.

Notes to Quarterly Portfolio of Investments

December 31, 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.

The Fund's investments in unregistered pooled investment vehicles (hedge funds) are valued at the most recent value periodically determined by the respective hedge fund managers according to such manager's policies and procedures (adjusted for estimated expenses and fees accrued to the Fund since the last valuation date); provided, however, that the Pricing Committee may consider whether it is appropriate, in light of relevant circumstances, to adjust such valuation in accordance with the Fund's valuation procedures. If a hedge fund does not report a value to the Fund on a timely basis, the fair value of such hedge fund shall be based on the most recent value reported by the hedge fund, as well as any other relevant information available at the time the Fund values its portfolio. As a practical matter, hedge fund valuations generally can be obtained from hedge fund managers on a weekly basis, as of close of business Thursday, but the frequency and timing of receiving valuations for hedge fund investments is subject to change at any time, without notice to stockholders, at the discretion of the hedge fund manager or the Fund.

The Portfolio of Investments includes investments valued at \$168,900,839 (65.5% of total net assets), whose fair values have been estimated by management in the absence of readily determinable fair values. 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.

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.

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Various inputs are used to determine the value of the Fund's investments. 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 about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

These inputs are 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 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 December 31, 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 | \$48,051,981 | \$6,803,386 | \$31,229,969 | \$86,085,336 |
| Banks & Thrifts | 14,514,715 | 3,054,607 | 20,076,164 | 37,645,486 |
| Diversified Financial Services | 2,601,320 | 407,293 | 2,416,933 | 5,425,546 |
| Electric | 3,143,448 | | | 3,143,448 |
| Insurance | 1,227,315 | | 4,788,838 | 6,016,153 |
| Mortgages & REITS | | | 2,134,209 | 2,134,209 |
| Pharmaceuticals | 736,910 | | | 736,910 |
| Registered Investment Companies (RICs) | 1,771,008 | | | 1,771,008 |
| Retail | 1,318,500 | | | 1,318,500 |
| Savings & Loans | 19,483,197 | 3,341,486 | 1,813,825 | 24,638,508 |
| Tobacco Products | 1,677,870 | | | 1,677,870 |
| Trucking & Leasing | 1,577,698 | | | 1,577,698 |
| Foreign Common Stocks | 23,874,965 | | 1,478,511 | 25,353,476 |
| Bermuda | 81,628 | | | 81,628 |
| Cayman Islands | 671,176 | | | 671,176 |
| Denmark | 1,072,333 | | | 1,072,333 |
| France | 1,554,822 | | | 1,554,822 |
| Germany | 1,015,211 | | | 1,015,211 |
| Hong Kong | 1,511,708 | | | 1,511,708 |
| India | 16,735,339 | | 1,478,511 | 18,213,850 |
| Pakistan | 676,668 | | | 676,668 |
| Switzerland | 556,080 | | | 556,080 |
| Limited Partnerships | - | - | 133,748,714 | 133,748,714 |
| Domestic Preferred Stocks | - | - | 1,728,283 | 1,728,283 |
| Domestic Warrants | 107,250 | 302,786 | 153,242 | 563,278 |
| Domestic Corporate Bonds & Notes | - | 1,078,175 | - | 1,078,175 |
| Short Term Investments | 8,961,376 | - | - | 8,961,376 |
| TOTAL | \$80,995,572 | \$8,184,347 | \$168,338,719 | \$257,518,638 |
| Other Financial Instruments | Level 1 | Level 2 | Level 3 | |
| Credit Default Swaps | - | \$440,652 | - | \$440,652 |
| TOTAL | - | \$440,652 | - | \$440,652 |

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

| Investments in Securities | Change in | | | | | Balance as of December 31, 2010 |
|------------------------------|------------------------------------|-------------------------|---|------------------------------|--|---------------------------------------|
| | Balance as of March 31, 2010 | Realized gain/(loss) | unrealized appreciation/ (depreciation) | Net purchases/ (sales) | Transfers in and/or out of Level 3 | |
| Domestic | \$16,978,622 | \$- | \$(507,090) | \$1,979,980 | \$12,778,457 | \$31,229,969 |
| Common Stocks | | | | | | |
| Foreign | - | - | (38,758) | 1,517,269 | - | 1,478,511 |
| Common Stocks Limited | - | - | 15,248,714 | 118,500,000 | - | 133,748,714 |
| Partnerships | | | | | | |
| Domestic | 2,737,160 | - | (208,877) | (800,000) | - | 1,728,283 |
| Preferred Stocks | | | | | | |
| Domestic | - | - | 153,242 | - | - | 153,242 |
| Warrants | | | | | | |
| TOTAL | \$19,715,782 | \$- | \$14,647,231 | \$121,197,249 | \$12,778,457 | \$168,338,719 |

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.

Investment in non-U.S. issuers may involve unique risks compared to investing in securities of U.S. issuers. These risks may include, but are not limited to: (i) less information about non-U.S. issuers or markets may be available due to less rigorous disclosure, accounting standards or regulatory practices; (ii) many non-U.S. markets are smaller, less liquid and more volatile thus, in a changing market, the adviser may not be able to sell the Fund's portfolio securities at times, in amounts and at prices they consider reasonable; (iii) currency exchange rates or controls may adversely affect the value of the Fund's investments; (iv) the economies of non-U.S. countries may grow at slower rates than expected or may experience downturns or recessions; and, (v) withholdings and other non-U.S. taxes may decrease the Fund's return.

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 December 31, 2010.

Note 2. Unrealized Appreciation/(Depreciation)

On December 31, 2010, based on cost of \$276,792,064 for federal income tax purposes, aggregate gross unrealized appreciation for all securities in which there is an excess of value over tax cost was \$38,934,855 and aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value was \$58,208,281, resulting in net unrealized depreciation of \$19,273,426.

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 | | Realized | Market |
|--------------------------------|------------|-----------|----------|------------|----------|----------|------------|
| | Share | | | Share | Dividend | | |
| | Balance as | Purchases | Sales | Balance as | Income | (Losses) | Value |
| | of 4/1/10 | | | of | | | |
| | 12/31/10 | | | 12/31/10 | | | |
| Broadway Financial Corporation | 129,280 | - | (32,300) | 96,980 | \$ 1,293 | (11,386) | \$ 226,933 |
| CCF Holding Company | 340,815 | - | - | 340,815 | - | - | 102,245 |
| Perpetual Federal Savings Bank | 165,930 | - | - | 165,930 | 74,669 | - | 2,181,980 |

| | | | | | | | |
|-------------------------|---------|---|---|---------|------------|-------------|--------------|
| Redwood Financial, Inc. | 40,650 | - | - | 40,650 | - | - | 376,013 |
| River Valley Bancorp | 89,993 | - | - | 89,993 | 56,696 | - | 1,439,888 |
| Third Century Bancorp | 110,500 | - | - | 110,500 | - | - | 303,875 |
| TOTAL | | | | | \$ 132,658 | \$ (11,386) | \$ 4,630,934 |

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 December 31, 2010, were as follows:

| Swap | Counterparty | Referenced Obligation | Notional Amount | Rates | | Upfront | |
|------|---------------------------------|--------------------------------|-----------------|--------------|------------------|-------------------------|------------------------|
| | | | | paid by Fund | Termination Date | Payment Received/(Paid) | Unrealized Gain/(Loss) |
| | Credit Suisse | Bank of India | | | | | |
| | First Boston Intl | London | 500,000 | USD | 1.00% | 6/20/15 | 10,214 270 |
| | Morgan Stanley Credit Suisse | Barclays Bank | 2,250,000 | EUR | 1.42% | 9/20/13 | - (43,061) |
| | First Boston Intl | Capital One Bank | 500,000 | USD | 1.00% | 12/20/14 | (5,213) (1,578) |
| | Goldman Sachs | Commerzbank | 2,250,000 | EUR | 0.88% | 9/20/13 | - 22,835 |
| | Morgan Stanley | Credit Agricole | 2,250,000 | EUR | 1.09% | 9/20/13 | - 17,591 |
| | Morgan Stanley | DBR | 12,500,000 | USD | 0.12% | 9/20/18 | - 487,649 |
| | Goldman Sachs | EURO DB | 1,700,000 | EUR | 0.88% | 9/20/13 | - (11,146) |
| | Goldman Sachs | Export-Import Bank of India | 500,000 | USD | 1.00% | 6/20/15 | 8,742 998 |
| | | Federative | | | | | |
| | Morgan Stanley | Republic Brazil | 750,000 | USD | 1.00% | 3/20/15 | 16,667 (16,598) |

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Morgan Stanley

IDBI Bank Limited

500,000

USD

1.00%

6/20/15

7,235

2,377

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| | | | | | | | |
|----------------|-------------------------------|-----------|-----|-------|---------|-----------|------------|
| Morgan Stanley | Republic of Korea | 1,500,000 | USD | 1.22% | 9/20/13 | - | (20,507) |
| Morgan Stanley | State Bank of India London | 500,000 | USD | 1.00% | 6/20/15 | 7,235 | 1,822 |
| TOTAL | | | | | | \$ 44,880 | \$ 440,652 |

Note 5. Restricted Securities

As of December 31, 2010, investments in securities included issues that are considered restricted. Restricted 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 valued under methods approved by the Board of Directors as reflecting fair value.

Restricted securities as of December 31, 2010 are as follows:

| Description | Acquisition Date | Cost | Market Value | |
|----------------------------------|---------------------|--------------|--------------|--------------------------|
| | | | Market Value | as % of Net Assets |
| Affinity Financial Corp. | 3/24/2005 | \$ 1,000,000 | \$ - | 0.0% |
| Bay Pond | 6/1/2010 | 39,500,000 | 45,194,228 | 17.4% |
| Center Financial Corp. | 12/29/2009 | 375,125 | 758,250 | 0.3% |
| Central Valley Community Bancorp | 12/22/2009 | 155,400 | 165,760 | 0.1% |
| Citizens South Banking Corp. | 3/11/2010 | 361,998 | 363,204 | 0.1% |
| CMET Finance Holding | 12/8/2003 | 2,500,000 | 538,500 | 0.2% |
| Embarcadero Bank | 7/7/2006 | 550,000 | 507,650 | 0.2% |
| FC Holdings, Inc. | 1/5/2006 | 972,000 | 18,468 | 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 | 519,276 | 0.2% |
| First Republic Bank | 10/21/2009- | | | |
| | 6/7/2010 | 7,889,995 | 13,589,058 | 5.3% |
| First State Bank | 11/21/2007 | 190,350 | 7,614 | 0.0% |
| Florida Capital Group | 8/23/2006 | 2,203,175 | 96,631 | 0.0% |
| Forethought Financial | | | | |
| Group, Inc.- Class A | 11/13/2009 | 4,066,780 | 4,788,838 | 1.9% |
| Forethought Financial | | | | |
| Group, Inc., Warrant, strike | | | | |
| price \$220.00, Expires | | | | |
| | 11/13/2009- | | | |
| 7/13/11 | 12/31/2009 | - | 153,242 | 0.1% |
| Hampshire First Bank | 10/31/2006 | 2,280,000 | 1,938,000 | 0.8% |
| Heritage Oaks Bancorp | 6/28/2006- | | | |
| | 3/10/2010 | 840,735 | 659,729 | 0.3% |
| Highland Financial Partners LP | 10/18/2006 | 4,558,950 | - | 0.0% |
| Iguazu Partners, LP | 11/4/2010 | 4,500,000 | 4,533,257 | 1.8% |

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| | | | | |
|------------------------------------|------------------|------------|------------|------|
| Independence Financial Group, Inc. | 9/13/2004 | 480,000 | 300,600 | 0.1% |
| J. Caird Partners, LP | 7/1/2010 | 18,000,000 | 20,229,766 | 7.8% |
| Maiden Holdings, Ltd., Series C | 1/15/2009 | 1,600,000 | 1,728,283 | 0.7% |
| MidCountry Financial Corp. | 10/22/2004 | 4,654,500 | 1,377,732 | 0.5% |
| Muni Funding Co. of America, LLC | 6/4/07-7/10/09 | 2,058,848 | 1,113,631 | 0.4% |
| National Bancshares, Inc. | 6/6/2006 | 2,128,160 | 452,800 | 0.2% |
| North River Partners | 8/2/2010 | 17,000,000 | 16,624,265 | 6.4% |
| NSE India, Ltd. | 4/30/2010 | 1,517,269 | 1,478,511 | 0.6% |
| Ocwen Structured Investments, LLC | 3/20/07 -8/27/07 | 1,494,245 | 464,202 | 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 | 536,999 | 540,702 | 0.2% |
| Square 1 Financial, Inc. | 5/3/2005 | 3,029,000 | 1,608,399 | 0.6% |
| Terra Nova Financial | | | | |
| Group, Inc. Warrant, strike | | | | |
| price \$3.00, expires 3/17/11 | 3/16/2006 | 233,333 | - | 0.0% |
| Verde Realty | 2/16/2007 | 2,900,700 | 1,482,873 | 0.6% |
| Wolf Creek | 6/1/2010 | 39,500,000 | 47,167,198 | 18.3% |
| TOTAL | | \$ 171,404,211 | \$ 172,210,667 | 66.8% |

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: March 1, 2011

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: March 1, 2011

By: /s/ Nicole L. Murphey
Nicole L. Murphey, Chief Financial Officer,

Chief Accounting Officer, Vice President,

Treasurer, Asst. Secretary
(Principal Financial Officer)

Date: March 1, 2011