

FIRST FINANCIAL FUND INC  
 Form N-30D  
 November 23, 2001

(LOGO)

SEMI  
 ANNUAL  
 REPORT

September 30, 2001

Letter To Shareholders

November 1, 2001

Dear Fellow Shareholder:

We cannot begin this review to you without acknowledging a debt. Building over the last 18 years of my professional career, this debt consists of the stellar research, true grit and integrity of a number of brokerage firms. Chief among them were Sandler O'Neill and Keefe, Bruyette and Woods. The professionals of these firms are financial service industry specialists who know their craft like none before them. They are, in short, world class. That so many of them perished on September 11th is the kind of loss that is beyond comprehension--beyond my understanding, that is--a loss we suffer for a long time and in bits because the whole of it is too much today. That so many are so missed is consolation, even inspiration--a charge to cherish our lives and one another a little more.

TOTAL RETURN  
 For The Periods Ended 9/30/01

|                             | 6 Mos. | 1 Year | 3 Years | 5 Years |
|-----------------------------|--------|--------|---------|---------|
| First Financial Fund's NAV1 | 11.0%  | 34.6%  | 13.1%   | 12.1%   |
| S&P 500                     | -9.7   | -26.6  | 2.0     | 10.2    |
| NASDAQ Composite*           | -18.6  | -59.2  | -4.0    | 4.1     |
| NASDAQ Banks*               | 9.4    | 15.8   | 6.0     | 12.4    |
| SNL All Daily Thrift*       | 7.8    | 32.8   | 13.6    | 17.3    |
| SNL MBS REITS               | 26.8   | 35.9   | -3.5    | 1.4     |
| SNL Mortgage Banks*         | 3.2    | 55.5   | 1.3     | -5.3    |

1 Past performance is not indicative of future results. Returns based on market performance of the Fund's shares would be different.

\* Principal only.

Note: Returns for periods greater than one year are annualized.

Financially, we enjoyed a fine six-month period. This was not so for



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LONG-TERM INVESTMENTS--83.9%

COMMON STOCKS--82.6%

-----  
 Banks & Thrifts--44.6%

|         |                                     |              |
|---------|-------------------------------------|--------------|
| 12,800  | Abington Bancorp, Inc.              | \$ 172,160   |
| 34,600  | Algiers Bancorp, Inc.               | 301,020      |
| 129,200 | Astoria Financial Corp.             | 7,656,392    |
| 703,250 | Bay View Capital Corp.              | 4,922,750    |
| 125,300 | Bostonfed Bancorp, Inc.             | 2,856,840    |
| 64,640  | Broadway Financial Corp.            | 749,824      |
| 225,500 | Capital Crossing Bank*              | 4,038,705    |
| 86,600  | CBES Bancorp, Inc.                  | 1,125,800    |
| 142,538 | CCF Holding Co.                     | 2,227,869    |
| 101,900 | Commerce Bancorp, Inc.              | 6,929,200    |
| 118,000 | Commercial Bank New York            | 3,858,600    |
| 60,000  | Community Bank San Jose             |              |
|         | California(a)                       | 1,938,600    |
| 155,500 | Community Financial Corp.           | 2,239,200    |
| 308,700 | Connecticut Bancshares, Inc.        | 6,822,270    |
| 195,000 | Dime Bancorp, Inc.                  | 48,750       |
| 275,500 | Downey Financial Corp.              | 12,157,815   |
| 370,486 | Fidelity Federal Bancorp            | 1,352,274    |
| 64,380  | Fifth Third Bancorp                 | 3,958,082    |
| 29,000  | First Financial Corp.               | 514,750      |
| 319,150 | First Republic Bank                 | 7,324,493    |
| 313,500 | FirstFed America Bancorp, Inc.      | 5,454,900    |
| 252,000 | FirstFed Bancorp, Inc.              | 1,638,000    |
| 39,600  | Firstfed Financial Corp.            | 1,029,600    |
| 124,400 | Golden State Bancorp, Inc.          | 3,781,761    |
| 291,400 | Hawthorne Financial Corp.*          | 5,594,880    |
| 19,999  | HFB Financial Corp.                 | 241,588      |
| 50,000  | Hibernia Corp.                      | 817,500      |
| 19,500  | Iberiabank Corp.                    | 557,700      |
| 41,600  | Lincoln Bancorp                     | 640,640      |
| 42,000  | M & T Bankcorp.                     | 3,108,000    |
| 186,400 | Macatawa Bank Corp.                 | 3,112,880    |
| 33,300  | Mercantile Bank Corp.*              | 547,785      |
| 219,600 | MetroCorp Bancshares, Inc.          | 2,507,832    |
| 224,000 | North Valley Bancorp                | 2,878,400    |
| 210,000 | Northeast Pennsylvania Financial    |              |
|         | Corp.                               | 3,034,500    |
| 213,200 | Pacific Century Financial Corp.*    | 4,982,484    |
| 102,900 | Pacific Crest Capital, Inc.         | 1,924,230    |
| 341,660 | Pacific Union Bank*                 | 3,621,596    |
| 34,600  | Peoples Financial Corp.             | 281,990      |
| 165,930 | Perpetual Federal Savings Bank      | 2,522,136    |
| 345,000 | Port Financial Corp.                | \$ 8,238,600 |
| 94,900  | PrivateBankcorp, Inc.*              | 1,508,910    |
| 317,300 | Provident Financial Holdings, Inc.* | 7,535,875    |
| 40,650  | Redwood Financial, Inc.*            | 447,150      |
| 45,000  | River Valley Bancorp                | 900,900      |
| 47,800  | Rowan Bancorp, Inc.*                | 812,600      |
| 210,000 | Southwest Bancorp, Inc.             | 3,213,000    |
| 32,500  | St. Landry Financial Corp. (a)*     | 357,500      |
| 21,100  | Team Financial, Inc.                | 173,864      |
| 345,800 | Thistle Group Holdings Co.*         | 3,146,780    |
| 100,700 | Unionbanal Corp.                    | 3,407,688    |
| 172,000 | Woronoco Bancorp, Inc.*             | 2,958,400    |
|         |                                     | -----        |
|         |                                     | 152,175,063  |
|         |                                     | -----        |

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Other Financial Intermediaries--21.3%

|         |  |            |
|---------|--|------------|
| 762,800 | America First Mortgage Investments, Inc. | 6,750,780  |
| 125,600 | American Home Mortgage Holdings, Inc.    | 2,191,720  |
| 42,730  | American International Group, Inc.       | 3,332,955  |
| 210,000 | American Physicians Capital, Inc.        | 4,361,700  |
| 170,700 | Annaly Mortgage Management, Inc.         | 2,466,615  |
| 167,500 | Anthracite Capital, Inc.                 | 1,742,000  |
| 574,200 | Banner Central Finance Co.               | 717,750    |
| 157,500 | E*Trade Group, Inc.*                     | 952,875    |
| 42,000  | Fannie Mae                               | 3,362,520  |
| 227,875 | First Mortgage Corp.*                    | 820,350    |
| 155,504 | Fortress Investment Corp.(a)             | 2,897,040  |
| 430,053 | Hanmi Financial Corp.*                   | 5,848,721  |
| 272,590 | Healthcare Financial Partners, Inc.(a)   | 4,034,332  |
| 574,200 | Hispanic Express, Inc.                   | 677,556    |
| 128,200 | IndyMac Bancorp, Inc.                    | 3,475,502  |
| 161,600 | Landamerica Financial Group, Inc.        | 5,373,200  |
| 72,500  | Legg Mason, Inc.                         | 2,882,600  |
| 570,200 | Ocwen Financial Corp.*                   | 4,111,142  |
| 401,600 | RAIT Investment Trust                    | 6,405,520  |
| 959,315 | Resource America, Inc.                   | 8,576,276  |
| 77,595  | Vista Bancorp, Inc.                      | 1,454,906  |
| 13,500  | Willis Group Holdings Ltd.*              | 315,765    |
|         |  | -----      |
|         |  | 72,751,825 |
|         |  | -----      |

See Notes to Financial Statements. 3

Portfolio of Investments as of September 30, 2001  
(Unaudited)

FIRST FINANCIAL FUND, INC.

| Shares                | Description                       | Value (Note 1) |
|-----------------------|-----------------------------------|----------------|
| -----                 |                                   |                |
| Rental Services--1.6% |                                   |                |
| 242,200               | Rental-A-Center, Inc.             | \$ 5,631,150   |
| -----                 |                                   |                |
| Savings & Loan--15.1% |                                   |                |
| 87,500                | Brookline Bancorp, Inc.           | 1,312,500      |
| 71,800                | Chesterfield Financial Corp.*     | 1,076,282      |
| 238,500               | Citizens First Bancorp, Inc.      | 3,541,725      |
| 259,700               | Fidelity Bankshares, Inc.         | 3,466,995      |
| 35,500                | First Bell Bancorp, Inc.          | 518,300        |
| 170,000               | First Federal Bancshares, Inc.    | 2,638,400      |
| 184,400               | Floridafirst Bancorp, Inc.        | 3,081,324      |
| 294,000               | Golden West Financial Corp.       | 17,081,400     |
| 146,900               | Hudson City Bancorp, Inc.         | 3,510,910      |
| 357,300               | Independence Community Bank Corp. | 7,764,129      |
| 51,300                | Ledger Capital Corp.              | 912,114        |
| 33,000                | Northwest Bancorp, Inc.           | 330,330        |
| 100,000               | Parkvale Financial Corp.          | 2,195,000      |
| 139,700               | Quaker City Bancorp, Inc.         | 4,189,603      |

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|                              |  |                              |
|------------------------------|--|------------------------------|
|                              |  | -----<br>51,619,012<br>----- |
|                              | Total common stocks<br>(cost \$242,432,683)          | 282,177,050<br>-----         |
| Principal<br>Amount<br>(000) |  |                              |
| -----                        |  |                              |
| Convertible Bonds--1.3%      |  |                              |
| \$ 5,000                     | E*Trade Group, Inc.,<br>6.75%, 5/15/08               | 3,893,750                    |
| 1,000                        | Online Resources & Communications,<br>8.00%, 9/30/05 | 520,000<br>-----             |
|                              | Total convertible bonds<br>(cost \$5,991,591)        | 4,413,750<br>-----           |
|                              | Total long-term investments<br>(cost \$248,424,274)  | 286,590,800<br>-----         |

|                              |  |                     |
|------------------------------|--|---------------------|
| Principal<br>Amount<br>(000) | Description  | Value (Note 1)      |
| -----                        |  |                     |
|                              | SHORT-TERM INVESTMENTS--14.7%  |                     |
|                              | Repurchase Agreement--14.7%  |                     |
| \$ 49,489                    | Paribas Corp., 3.00 %, dated<br>9/28/2001, due 10/1/2001 in the<br>amount of \$49,501,372 (cost<br>\$49,489,000; collateralized by<br>\$24,762,000 U.S. Treasury Notes,<br>6.50%, due 2/28/02, value of<br>collateral including interest<br>\$25,254,399 and by 21,270,000 U.S.<br>Treasury Bonds, 9.125%, due<br>5/15/09, value of collateral<br>including interest-\$25,217,321) | \$ 49,489,000       |
| 636                          | Paribas Corp., 3.25%, dated<br>9/28/2001, due 10/1/2001 in the<br>amount of \$636,172 (cost \$636,000;<br>collateralized by 647,000 U.S.<br>Treasury Bonds, 5.50%, due<br>8/15/28, value of collateral<br>including interest-\$648,130)  | 636,000<br>-----    |
|                              | Total repurchase agreements<br>(cost \$50,125,000)   | 50,125,000<br>----- |

|                         |  |        |
|-------------------------|--|--------|
| -----                   |  |        |
| Certificates of Deposit |  |        |
| 2                       | Brookline Savings,<br>4.00%, 11/25/01          | 1,530  |
| 22                      | First Federal Savings Bank,<br>3.75%, 10/12/01 | 22,465 |



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Net unrealized appreciation on investments.....  
 Net assets, September 30, 2001.....  
 Net asset value per share (\$341,492,739 / 23,910,787 shares of common stock outstanding).....

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 See Notes to Financial Statements. 5

FIRST FINANCIAL FUND, INC.  
 Statement of Operations (Unaudited)  
 -----

|  | Six Months<br>Ended<br>September 30, 2001 |
|--|---|
| Net Investment Income  |   |
| Income   |   |
| Dividends.....   | \$ 2,654,592                              |
| Interest.....  | 1,355,348                                 |
|  | -----                                     |
| Total income.....  | 4,009,940                                 |
|  | -----                                     |
| Expenses   |   |
| Investment advisory fee.....                                 | 1,095,837                                 |
| Administration fee.....                                      | 255,501                                   |
| Legal fees and expenses.....                                 | 100,000                                   |
| Commitment fees.....   | 98,000                                    |
| Reports to shareholders.....                                 | 65,000                                    |
| Custodian's fees and expenses.....                           | 38,000                                    |
| Transfer agent's fees and expenses....                       | 17,000                                    |
| Listing fees.....  | 14,000                                    |
| Directors fees.....  | 12,000                                    |
| Audit fee.....   | 10,000                                    |
| Miscellaneous.....   | 49,151                                    |
|  | -----                                     |
| Total expenses.....  | 1,754,489                                 |
|  | -----                                     |
| Net investment income.....                                   | 2,255,451                                 |
|  | -----                                     |
| Realized and Unrealized<br>Gain (Loss) on Investments        |   |
| Net realized gain on investment<br>transactions.....         | 33,858,676                                |
| Net change in unrealized appreciation of<br>investments..... | (2,304,267)                               |
|  | -----                                     |
| Net gain on investments.....                                 | 31,554,409                                |
|  | -----                                     |
| Net Increase in Net Assets<br>Resulting from Operations..... | \$ 33,809,860                             |
|  | -----                                     |
|  | -----                                     |

FIRST FINANCIAL FUND, INC.  
 Statement of Changes in Net Assets (Unaudited)

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|   | Six Months<br>Ended<br>September<br>30,<br>2001 | Year Ended<br>March 31,<br>2000 |
|---|---|---------------------------------|
| Increase in<br>Net Assets                                       |   |                                 |
| Operations  |   |                                 |
| Net investment income.....                                      | \$ 2,255,451                                    | \$ 3,434,275                    |
| Net realized gain on<br>investment<br>transactions.....         | 33,858,676                                      | 15,308,555                      |
| Net change in unrealized<br>appreciation of<br>investments..... | (2,304,267)                                     | 85,599,520                      |
|   | -----   | -----                           |
| Net increase in net assets<br>resulting from<br>operations..... | 33,809,860                                      | 104,342,350                     |
|   | -----   | -----                           |
| Dividends and distributions (Note 1)                            |   |                                 |
| Dividends from net<br>investment income.....                    | --  | (2,462,878)                     |
| Cost of Fund shares<br>reacquired.....                          | (7,709,459)                                     | (1,148,855)                     |
|   | -----   | -----                           |
| Total increase.....   | 26,100,401                                      | 100,730,617                     |
| Net Assets  |   |                                 |
| Beginning of period.....  | 315,392,338                                     | 214,661,721                     |
|   | -----   | -----                           |
| End of period(a).....   | \$341,492,739                                   | \$315,392,338                   |
|   | -----   | -----                           |
|   |   |                                 |
| (a) Includes undistributed net<br>investment income of.....     | \$ 4,316,048                                    | \$ 2,060,597                    |
|   | -----   | -----                           |

See Notes to Financial Statements. 6

Notes to Financial Statements (Unaudited)

FIRST FINANCIAL FUND, INC.

First Financial Fund, Inc. (the 'Fund') was incorporated in Maryland on March 3, 1986, as a closed-end, diversified investment company. The Fund's primary investment objective is to achieve long-term capital appreciation with the secondary objective of current income by investing in securities issued by savings and banking institutions, mortgage banking institutions and their holding companies. The ability of issuers of debt securities held by the Fund to meet their obligations may be affected by economic developments in a specific industry or region.

Note 1. Accounting Policies

The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

Securities Valuation: Securities for which market quotations are readily available--including securities listed on national securities exchanges and



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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 for which market quotations are not readily available will be valued at fair value as determined in good faith by or under the direction of the Board of Directors of the Fund. 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.

All securities are valued as of 4:15 p.m., New York time.

**Repurchase Agreement:** In connection with repurchase agreement transactions with financial institutions, it is the Fund's policy that its custodian take possession of the underlying collateral securities, the value of which exceeds the principal amount of the repurchase transactions, including accrued interest. To the extent that any repurchase transaction exceed one business day, the value of the collateral is marked-to-market on a daily basis to ensure the adequacy of collateral. 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.

**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; interest income is recorded on the accrual basis. Expenses are recorded on the accrual basis, which may require the use of certain estimates by management.

**Federal Income Taxes:** It is the Fund's policy to meet the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable income to shareholders. Therefore, no federal income tax provision is required.

**Dividends and Distributions:** The Fund expects to declare and pay dividends from net investment income and any net capital gains, if any, annually. Dividends and distributions are recorded on the ex-dividend date.

Income distributions and capital gain distributions are determined in accordance with income tax regulations which may differ from generally accepted accounting principles.

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**Note 2. Agreements**

The Fund has agreements with Wellington Management Company, LLP (the 'Investment Adviser') and with Prudential Investments LLC (the 'Administrator'), formerly Prudential Investments Fund Management LLC. The Investment Adviser makes investment decisions on behalf of the Fund; the Administrator provides occupancy and certain clerical and accounting services to the Fund. The Fund bears all other costs and expenses.

The investment advisory agreement provides for the Investment Adviser to receive a fee, computed monthly and payable quarterly, at the following annual rates: .75% of the Fund's average month-end net assets up to and including \$50 million, and .625% of such assets in excess of \$50 million. The administration agreement provides for the Administrator to receive a fee, computed monthly and payable quarterly, at the annual rate of .15% of the Fund's average month-end net assets.

The Fund has entered into a credit agreement with an unaffiliated lender. The maximum commitment under the agreement is \$45 million. Interest on any such borrowings will be at market rates. The Fund also pays a variable commitment fee

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on the unused portion of the credit facility. The commitment fee is accrued daily and paid quarterly. The expiration date of the credit agreement is April 29, 2002. The Fund did not borrow any amounts pursuant to the credit agreement during the period ended September 30, 2001.

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**Note 3. Portfolio Securities**

Purchases and sales of investment securities, other than short-term investments, for the six months ended September 30, 2001 were \$173,584,391 and \$165,900,154, respectively.

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**Notes to Financial Statements (Unaudited)**

**FIRST FINANCIAL FUND, INC.**

The cost basis of the Fund's investments for federal income tax purposes, including short-term investments, at September 30, 2001 was \$298,668,101; and, accordingly, net unrealized appreciation for federal income tax purposes was \$38,093,610 (gross unrealized appreciation--\$47,957,782; gross unrealized depreciation--\$9,864,172).

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**Note 4. Capital**

There are 50 million shares of \$.001 par value common stock authorized. Of the 25,064,981 shares issued as of September 30, 2001, the Investment Adviser owned 10,994 shares. During the year ended March 31, 2001, the Fund repurchased 104,094 of its own shares at a weighted average discount of 15.2%. During the six months ended September 30, 2001, the Fund repurchased 613,900 of its own shares at a weighted average discount of 14.8%.

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**Note 5. Dividends**

On November 28, 2001, the Board of Directors of the Fund declared dividends of \$.20, \$.60 and \$.85 per share from ordinary income, short-term capital gains and long-term capital gains, respectively, payable December , 2001 to shareholders of record as of December , 2001.

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**Financial Highlights (Unaudited)**

**FIRST FINANCIAL FUND, INC.**

|  | Six Months<br>Ended<br>September 30,<br>2001 | -----<br>2001 | -----<br>Year E<br>2000 |
|--|--|---------------|-------------------------|
| <b>PER SHARE OPERATING PERFORMANCE:</b>                        |  |               |                         |
| Net asset value, beginning of period.....                      | \$ 12.86                                     | \$ 8.72       | \$ 8.85                 |
| Income from investment operations                              |  |               |                         |
| Net investment income.....                                     | .10  | .14           | .12                     |
| Net realized and unrealized gain (loss) on<br>investments..... | 1.27   | 4.09          | (.20)                   |
| Total from investment operations.....                          | 1.37   | 4.23          | (.08)                   |
| Less dividends and distributions                               |  |               |                         |

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|  |            |           |           |
|--|------------|-----------|-----------|
| Dividends from net investment income.....                                      | --         | (.10)     | (.08)     |
| Distributions from net realized gains.....                                     | --         | --        | --        |
| Distributions in excess of net realized gains....                              | --         | --        | --        |
|  | -----      | -----     | -----     |
| Total dividends and distributions.....   | --         | (.10)     | (.08)     |
|  | -----      | -----     | -----     |
| Increase resulting from Fund share repurchase....                              | .05        | .01       | .03       |
| Net change resulting from the issuance of Fund shares.....                     | --         | --        | --        |
|  | -----      | -----     | -----     |
| Net asset value, end of period(a).....   | \$ 14.28   | \$ 12.86  | \$ 8.72   |
|  | -----      | -----     | -----     |
| Market price per share, end of period(a).....                                  | \$ 11.88   | \$ 11.29  | \$ 7.8125 |
|  | -----      | -----     | -----     |
| TOTAL INVESTMENT RETURN(b) :.....  | 5.23%      | 49.40%    | 7.93%     |
| RATIOS/SUPPLEMENTAL DATA:  |            |           |           |
| Net assets, end of period (000).....   | \$ 341,424 | \$315,392 | \$214,662 |
| Average net assets (000).....  | \$ 340,668 | \$258,156 | \$230,163 |
| Ratios to average net assets:  |            |           |           |
| Expenses, before loan interest, commitment fees and nonrecurring expenses..... | .97% (c)   | 1.09%     | 1.06%     |
| Total expenses.....  | 1.03% (c)  | 2.12%     | 2.20%     |
| Net investment income.....   | 1.32% (c)  | 1.33%     | 1.33%     |
| Portfolio turnover rate.....   | 59%        | 85%       | 63%       |
| Total debt outstanding at end of period (000 omitted).....                     | \$ --      | \$ --     | \$ 45,000 |
| Asset coverage per \$1,000 of debt outstanding....                             | \$ --      | \$ --     | \$ 5,768  |

- 
- (a) NAV and market value are published in The Wall Street Journal each Monday.
- (b) Total investment return is calculated assuming a purchase of common stock at the current market value on the first day and a sale at the current market value on the last day of each period reported. Dividends and distributions are assumed for purposes of this calculation to be reinvested at prices obtained under the dividend reinvestment plan. This calculation does not reflect brokerage commissions.
- (c) Annualized.

Contained above is selected data for a share of common stock outstanding, total investment return, ratios to average net assets and other supplemental data for the period indicated. This information has been determined based upon information provided in the financial statements and market price data for the Fund's shares.

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See Notes to Financial Statements. 9

Supplemental Proxy Information (Unaudited) FIRST FINANCIAL FUND, INC.

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The annual meeting of shareholders of First Financial Fund, Inc. was held on August 30, 2001 at the offices of Prudential Investments LLC, 100 Mulberry Street, Newark, New Jersey. The meeting was held for the following purposes:

- (1) To elect the following director to serve as follows:

| Director        | Class | Term    | Expiration |
|-----------------|-------|---------|------------|
| -----           | ----- | -----   | -----      |
| Richard I. Barr | III   | 3 years | 2004       |

Directors whose term of office continued beyond this meeting are Eugene C. Dorsey, Robert and Clay T. Whitehead.

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The results of the proxy solicitation on the above matter were as follows:

|     | Director/Auditor | Votes For  | Votes Against | Votes Withheld |
|-----|------------------|------------|---------------|----------------|
| (1) | Richard I. Barr  | 22,776,174 | --            | 483,084        |

Other Information

FIRST FINANCIAL FUND, INC.

Dividend Reinvestment Plan. Shareholders may elect to have all distributions of dividends and capital gains automatically reinvested in Fund shares (Shares) pursuant to the Fund's Dividend Reinvestment Plan (the Plan.) Shareholders who do not participate in the Plan will normally receive all distributions in cash paid by check in United States dollars mailed directly to the shareholders of record (or if the shares are held in streetname or other nominee name, then to the nominee) by the custodian, as dividend disbursing agent, unless the Fund declares a distribution payable in shares, absent a shareholder's specific election to receive cash. Shareholders who wish to participate in the Plan should contact the Fund at (800) 451-6788.

State Street Bank and Trust Co. (the Plan Agent) serves as agent for the shareholders in administering the Plan. After the Fund declares a dividend or a capital gains distribution, if (1) the market price is lower than net asset value, the participants in the Plan will receive the equivalent in Shares valued at the market price determined as of the time of purchase (generally, following the payment date of the dividend or distribution); or if (2) the market price of Shares on the payment date of the dividend or distribution is equal to or exceeds their net asset value, participants will be issued Shares at the higher of net asset value or 95% of the market price. If the Fund declares a dividend or other distribution payable only in cash and the net asset value exceeds the market price of Shares on the valuation date, the Plan Agent will, as agent for the participants, receive the cash payment and use it to buy Shares in the open market. If, before the Plan Agent has completed its purchases, the market price exceeds the net asset value per share, the Plan Agent will halt open-market purchases of the Fund's shares for this purpose, and will request that the Fund pay the remainder, if any, in the form of newly-issued shares. The Fund will not issue Shares under the Plan below net asset value.

There is no charge to participants for reinvesting dividends or capital gain distributions, except for certain brokerage commissions, as described below. The Plan Agent's fees for the handling of the reinvestment of dividends and distributions will be paid by the Fund. There will be no brokerage commissions charged with respect to shares issued directly by the Fund. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open market purchases in connection with the reinvestment of dividends and distributions. The automatic reinvestment of dividends and distributions will not relieve participants of any federal income tax that may be payable on such dividends or distributions.

The Fund reserves the right to amend or terminate the Plan upon 90 days' written notice to shareholders of the Fund.

Participants in the Plan may withdraw from the Plan upon written notice to the Plan Agent or by telephone in accordance with specific procedures and will receive certificates for whole Shares and cash for fractional Shares. All correspondence concerning the Plan should be directed to the Plan Agent, State Street Bank & Trust Company, P.O. Box 8200, Boston, MA 02266-8200.

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Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940 that the Fund may purchase, from time to time, shares of its common stock at market prices.

The accompanying Financial Statements as of 9/30/01 were not audited and, accordingly, no opinion is expressed on them.

The views expressed in this report and the information about the Fund's portfolio holdings are for the period covered by this report and are subject to change thereafter.

This report is for stockholder information. This is not a prospectus intended for use in the purchase or sale of Fund shares.

First Financial Fund, Inc.

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