

FIRST OPPORTUNITY FUND INC  
Form N-Q  
August 28, 2009

**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  
(Address of principal executive offices)

80302  
(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, 2009

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**Item 1 Schedule of Investments.**

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## Portfolio of Investments as of June 30, 2009 (unaudited)

## FIRST OPPORTUNITY FUND, INC.

| Shares                                | Description                             | Value<br>(Note 1) |
|---------------------------------------|---|-------------------|
| <b>LONG TERM INVESTMENTS (97.7%)</b>  |   |                   |
| <b>DOMESTIC COMMON STOCKS (79.2%)</b> |   |                   |
| <b>Banks &amp; Thrifts (43.5%)</b>    |   |                   |
| 97,144                                | 1st United Bancorp, Inc.*               | \$ 388,576        |
| 73,090                                | Alliance Bankshares Corp.*              | 175,416           |
| 541,900                               | AmeriServ Financial, Inc.               | 975,420           |
| 494,100                               | Bank of America Corp.                   | 6,522,119         |
| 34,200                                | Bank of Marin                           | 921,690           |
| 83,300                                | Bank of Virginia*                       | 291,550           |
| 57,000                                | BCB Bancorp, Inc.                       | 534,660           |
| 64,300                                | Beverly National Corp.                  | 1,408,170         |
| 37,400                                | Bridge Capital Holdings*                | 224,774           |
| 13,400                                | Cambridge Bancorp                       | 333,660           |
| 47,298                                | Carolina Trust Bank*                    | 295,613           |
| 340,815                               | CCF Holding Co. *(a)                    | 255,611           |
| 51,860                                | Centrue Financial Corp.                 | 229,740           |
| 60,000                                | Community Bank (b)(c)                   | 3,966,000         |
| 75,800                                | The Connecticut Bank & Trust Co.*       | 390,370           |
| 114,831                               | Dearborn Bancorp, Inc.*                 | 206,696           |
| 101,066                               | Eastern Virginia Bankshares, Inc.       | 873,210           |
| 97,200                                | FC Holdings, Inc.*(b)(c)                | 424,764           |
| 456,600                               | Fifth Third Bancorp                     | 3,241,860         |
| 5,700                                 | First Advantage Bancorp                 | 53,865            |
| 39,700                                | First American International*(b)(c)     | 747,551           |
| 32,450                                | First Bankshares, Inc.*                 | 211,250           |
| 79,578                                | First California Financial Group, Inc.* | 490,996           |
| 17,400                                | First Capital Bancorp, Inc.*            | 139,200           |
| 66,500                                | First Community Bancshares, Inc.        | 853,860           |
| 192,300                               | First Security Group, Inc.              | 730,740           |
| 66,726                                | First Southern Bancorp*(b)(c)           | 891,459           |
| 28,200                                | First State Bank*(b)(c)                 | 102,366           |
| 2,880                                 | First Trust Bank*                       | 20,160            |
| 193,261                               | Florida Capital Group*(b)(c)            | 709,268           |
| 16,427                                | FNB Bancorp                             | 166,734           |
| 100,000                               | The Goldman Sachs Group, Inc.           | 14,743,999        |
| 207,700                               | Great Florida Bank - Class A*           | 290,780           |
| 15,300                                | Great Florida Bank - Class B*           | 26,775            |
| 66,000                                | Greater Hudson Bank N.A.*               | 297,000           |
| 228,000                               | Hampshire First Bank*(c)                | 1,311,000         |
| 35,203                                | Heritage Oaks Bancorp*                  | 220,019           |
| 418,300                               | Huntington Bancshares, Inc.             | 1,748,494         |
| 49,200                                | ICB Financial*                          | 147,600           |
| 19,000                                | Katahdin Bancshares Corp.*(c)           | 161,500           |
| 130,500                               | Metro Bancorp, Inc.*                    | 2,513,430         |
| 905,600                               | National Bancshares, Inc.*(b)(c)        | 751,648           |
| 39,900                                | New England Bancshares, Inc.            | 219,450           |
| 5,400                                 | North Dallas Bank & Trust Co.           | 199,800           |

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|         |                                     |           |
|---------|-------------------------------------|-----------|
| 361,622 | Northfield Bancorp, Inc.            | 4,202,048 |
| 40,500  | Oak Ridge Financial Services, Inc.* | 311,850   |
| 2,500   | Old Point Financial Corp.           | 46,250    |
| 39,600  | Parkway Bank*                       | 93,060    |
| 162,590 | Pilot Bancshares, Inc.*             | 447,123   |
| 190,540 | Republic First Bancorp, Inc.*       | 1,486,212 |
| 511,743 | The South Financial Group, Inc.     | 608,974   |
| 92,369  | Southern First Bancshares, Inc.*    | 645,659   |
| 302,900 | Square 1 Financial, Inc.*(b)(c)     | 2,205,112 |
| 97,500  | State Bancorp, Inc.*                | 737,100   |
| 84,158  | Sterling Banks, Inc.*               | 128,762   |
| 7,420   | Sun Bancorp, Inc.*                  | 38,436    |
| 353,000 | SunTrust Banks, Inc.                | 5,806,850 |
| 52,164  | Valley Commerce Bancorp*            | 469,476   |
| 36,100  | VIST Financial Corp.                | 238,621   |

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|  |  |            |
|--|--|------------|
| 43,787                                       | Wainwright Bank & Trust Co.                      | 343,728    |
| 42,700                                       | Washington Banking Co.                           | 402,234    |
| 575,100                                      | Wells Fargo & Co.                                | 13,951,925 |
| 251,800                                      | Western Alliance Bancorp*                        | 1,722,312  |
|  |  | 83,294,575 |
| <b>Diversified Financial Services (7.0%)</b> |  |            |
| 16,241                                       | Affinity Financial Corp.*(b)(c)                  | 1,462      |
| 25,000                                       | CMET Finance Holding*(b)(d)                      | 981,750    |
| 165,700                                      | Goldleaf Financial Solutions, Inc.*              | 96,106     |
| 276,300                                      | Highland Financial Partners LP*(b)(d)            |            |
| 60,000                                       | Independence Financial Group, Inc.*(b)(c)        | 257,400    |
| 93,615                                       | Mackinac Financial Corp.*                        | 421,268    |
| 864,523                                      | MF Global, Ltd.*                                 | 5,126,620  |
| 431,640                                      | Muni Funding Co. of America, LLC(b)(d)           | 841,698    |
| 260,100                                      | Ocwen Financial Corp.*(b)(c)                     | 3,036,148  |
| 455,100                                      | Ocwen Structured Investments, LLC*(b)(c)         | 775,308    |
| 265,000                                      | Resource Capital Group.                          | 848,000    |
| 466,667                                      | Terra Nova Financial Group*                      | 350,000    |
| 139,172                                      | TICC Capital Corp.                               | 613,749    |
|  |  | 13,349,509 |
| <b>Insurance (2.5%)</b>                      |  |            |
| 241,100                                      | Amtrust Financial Services, Inc.                 | 2,748,540  |
| 72,000                                       | Maiden Holdings, Ltd.*(c)                        | 472,320    |
| 22,075                                       | Principal Financial Group, Inc.                  | 415,893    |
| 26,800                                       | Transatlantic Holdings, Inc.                     | 1,161,244  |
|  |  | 4,797,997  |
| <b>Mortgages &amp; REITS (6.9%)</b>          |  |            |
| 1,893,215                                    | Chimera Investment Corp.                         | 6,607,321  |
| 55,000                                       | Cypress Sharpridge Investments, Inc., REIT*      | 654,500    |
| 152,766                                      | Cypress Sharpridge Investments, Inc., REIT(b)(d) | 1,636,124  |
| 55,000                                       | Embarcadero Bank*(b)(c)                          | 540,100    |
| 191,100                                      | Forest City Enterprises, Inc. - Class A          | 1,261,260  |
| 155,504                                      | Newcastle Investment Holdings Corp., REIT*(b)    | 475,842    |
| 87,900                                       | Verde Realty*(b)(c)                              | 1,741,299  |
| 18,600                                       | Walter Investment Management Corp., REIT*        | 247,008    |
|  |  | 13,163,454 |
| <b>Savings &amp; Loans (19.3%)</b>           |  |            |
| 236,800                                      | Abington Bancorp, Inc.                           | 1,884,928  |
| 34,100                                       | Appalachian Bancshares, Inc.*                    | 40,920     |
| 10,000                                       | Auburn Bancorp, Inc.*                            | 67,500     |
| 151,500                                      | Beacon Federal Bancorp, Inc.                     | 1,357,440  |
| 289,435                                      | Beneficial Mutual Bancorp, Inc.*                 | 2,778,576  |
| 129,280                                      | Broadway Financial Corp.(a)                      | 775,680    |
| 60,100                                       | Carver Bancorp, Inc.                             | 298,096    |
| 81,700                                       | Central Federal Corp.                            | 238,564    |
| 72,446                                       | CFS Bancorp, Inc.                                | 306,447    |
| 33,000                                       | Citizens Community Bank*                         | 363,000    |
| 278,200                                      | Citizens Republic Bancorp, Inc.*                 | 197,522    |
| 129,482                                      | Danvers Bancorp, Inc.                            | 1,741,533  |
| 14,099                                       | Dime Community Bancshares                        | 128,442    |
| 26,900                                       | ECB Bancorp, Inc.                                | 524,550    |
| 94,300                                       | ESSA Bancorp, Inc.                               | 1,289,081  |
| 32,500                                       | Fidelity Federal Bancorp(b)                      | 162,500    |
| 25,638                                       | First Community Bank Corp. of America*           | 97,424     |
| 43,400                                       | Georgetown Bancorp, Inc.*                        | 158,410    |
| 222,900                                      | Hampden Bancorp, Inc.                            | 2,206,710  |
| 3,630  | HF Financial Corp.                               | 42,689     |
| 62,916                                       | Home Bancorp, Inc.*                              | 751,217    |

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|         |                                    |           |
|---------|------------------------------------|-----------|
| 204,948 | Home Federal Bancorp, Inc.         | 2,088,420 |
| 42,698  | Investors Bancorp, Inc.*           | 391,114   |
| 77,500  | Jefferson Bancshares, Inc.         | 422,375   |
| 81,700  | Legacy Bancorp, Inc.               | 906,870   |
| 56,000  | Liberty Bancorp, Inc.              | 408,800   |
| 130,712 | LSB Corp.                          | 1,330,648 |
| 30,200  | Malvern Federal Bancorp, Inc.      | 266,666   |
| 158,200 | Meridian Interstate Bancorp, Inc.* | 1,178,590 |
| 310,300 | MidCountry Financial Corp.*(b)(c)  | 1,719,062 |
| 113,200 | Newport Bancorp, Inc.*             | 1,359,532 |
| 67,100  | Old Line Bancshares, Inc.          | 395,890   |
| 110,400 | Osage Bancshares, Inc.             | 850,080   |

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|                                      |   |             |
|--------------------------------------|---|-------------|
| 163,300                              | Pacific Premier Bancorp, Inc.*              | 777,308     |
| 165,930                              | Perpetual Federal Savings Bank(a)           | 2,571,915   |
| 17,500                               | Privee, LLC*(b)(c)                          |             |
| 90,100                               | Provident Financial Holdings, Inc.          | 499,154     |
| 40,650                               | Redwood Financial, Inc.*(a)(b)              | 658,530     |
| 89,993                               | River Valley Bancorp(a)                     | 1,100,614   |
| 28,600                               | Rockville Financial, Inc.                   | 313,170     |
| 38,700                               | Rome Bancorp, Inc.                          | 325,080     |
| 6,300                                | Royal Financial, Inc.*                      | 18,585      |
| 289,600                              | SI Financial Group, Inc.                    | 1,230,800   |
| 17,600                               | Sound Financial, Inc.                       | 105,600     |
| 100,000                              | Sterling Eagle*(b)                          |             |
| 110,500                              | Third Century Bancorp(a)                    | 497,250     |
| 131,000                              | ViewPoint Financial Group                   | 1,995,130   |
| 1,451,428                            | Washington Mutual Unit Split*(b)(c)         | 131,935     |
|                                      |   | 36,954,347  |
| <b>Telecommunications (0.0%)(e)</b>  |   |             |
| 3,900                                | LogMeIn, Inc.*                              | 62,400      |
| <b>TOTAL DOMESTIC COMMON STOCKS</b>  |   |             |
| (Cost \$211,300,573)                 |   | 151,622,282 |
| <b>FOREIGN COMMON STOCKS (16.7%)</b> |   |             |
| <b>Bermuda (7.7%)</b>                |   |             |
| 277,800                              | Assured Guaranty, Ltd.                      | 3,439,164   |
| 441,422                              | Catlin Group, Ltd.                          | 2,333,001   |
| 112,000                              | CRM Holdings, Ltd.*                         | 135,520     |
| 483,900                              | Maiden Holdings, Ltd.                       | 3,174,384   |
| 36,500                               | RAM Holdings, Ltd.*                         | 9,855       |
| 25,100                               | White Mountains Insurance Group, Ltd.       | 5,723,554   |
|                                      |   | 14,815,478  |
| <b>Brazil (0.4%)</b>                 |   |             |
| 292,300                              | Brasil Brokers Participacoes S.A.           | 420,661     |
| 42,000                               | Companhia Brasileira de Meios de Pagamento* | 361,164     |
|                                      |   | 781,825     |
| <b>Canada (0.4%)</b>                 |   |             |
| 111,000                              | Dundee Wealth, Inc.                         | 820,702     |
| <b>Cayman Islands (0.0%)(e)</b>      |   |             |
| 84,000                               | Real Gold Mining, Ltd.*                     | 70,885      |
| <b>Denmark (0.5%)</b>                |   |             |
| 12,690                               | Gronlandsbanken*                            | 903,620     |
| <b>Great Britain (1.2%)</b>          |   |             |
| 288,398                              | Lancashire Holdings, Ltd.*                  | 2,213,409   |
| <b>India (1.5%)</b>                  |   |             |
| 181                                  | Axis Bank, Ltd.                             | 3,145       |
| 14,934                               | Financial Technologies India, Ltd.          | 406,917     |
| 13,393                               | Housing Development Finance Corp.*          | 655,532     |
| 193,066                              | Indiabulls Financial Services, Ltd.         | 806,641     |
| 80,902                               | Kotak Mahindra Bank, Ltd.                   | 1,066,984   |
|                                      |   | 2,939,219   |
| <b>Netherlands (0.9%)</b>            |   |             |
| 223,230                              | AerCap Holdings N.V.*                       | 1,611,720   |
| <b>Singapore (0.1%)</b>              |   |             |

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|                                    |                               |            |
|------------------------------------|-------------------------------|------------|
| 214,000                            | ARA Asset Management, Ltd.(d) | 85,695     |
| <b>Switzerland (4.0%)</b>          |                               |            |
| 89,969                             | Paris RE Holdings, Ltd.*      | 1,451,459  |
| 378,750                            | UBS AG*                       | 4,632,633  |
| 8,447                              | Valiant Holding               | 1,559,494  |
|                                    |                               | 7,643,586  |
| <b>TOTAL FOREIGN COMMON STOCKS</b> |                               |            |
| (Cost \$43,923,709)                |                               | 31,886,139 |



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|   |   |  |                |
|---|---|--|----------------|
| <b>DOMESTIC PREFERRED STOCK (1.7%)</b>            |   |  |                |
| 1,600   | Maiden Holdings, Ltd.(b)(d)   |  | 1,600,000      |
| 5,500   | South Financial Group, Inc.*(b)(c)  |  | 1,661,420      |
|   |   |  | 3,261,420      |
| <b>TOTAL DOMESTIC PREFERRED STOCK</b>             |   |  |                |
| (Cost \$7,100,000)                                |   |  | 3,261,420      |
| <b>DOMESTIC WARRANTS (0.1%)</b>                   |   |  |                |
| 195,000   | Dime Bancorp, Inc., Warrant, strike price \$0.00, Expires 12/26/50*   |  | 1,950          |
| 423,058   | Flagstar Bancorp, Warrant, strike price \$0.62, Expires 1/30/19*(b)   |  | 202,095        |
| 233,333   | Terra Nova Financial Group, Warrant, strike price \$3.00, Expires 3/20/11*(b)(c)  |  |                |
| 181,429   | Washington Mutual, Inc., Warrant, strike price \$10.06, Expires 4/11/13*(b)(c)  |  | 18             |
|   |   |  | 204,063        |
| <b>TOTAL DOMESTIC WARRANTS</b>                    |   |  |                |
| (Cost \$ )  |   |  | 204,063        |
| <b>FOREIGN RIGHTS ( %)</b>                        |   |  |                |
| 1,167   | Brasil Brokers Participacoes S.A., Right, subscription price \$15.63, Expires 7/20/09*  |  |                |
| <b>TOTAL FOREIGN RIGHTS</b>                       |   |  |                |
| (Cost \$ )  |   |  |                |
| <b>Par Value</b>                                  |   |  |                |
| <b>DOMESTIC CORPORATE BONDS &amp; NOTES ( %)</b>  |   |  |                |
| <b>Mortgages &amp; REITS</b>                      |   |  |                |
| \$ 9,956,000                                      | Thornburg Mortgage, Inc., 12.00%, due 3/31/15(b)(d)   |  |                |
| 1,094,077   | Thornburg Mortgage, Inc., 12.00%, due 3/31/15(b)  |  |                |
| <b>TOTAL DOMESTIC CORPORATE BONDS &amp; NOTES</b> |   |  |                |
| (Cost \$10,094,213)                               |   |  |                |
| <b>TOTAL LONG TERM INVESTMENTS</b>                |   |  |                |
| (Cost \$272,418,495)                              |   |  | 186,973,904    |
| <b>SHORT TERM INVESTMENTS (0.7%)</b>              |   |  |                |
| <b>Repurchase Agreement (0.7%)</b>                |   |  |                |
| 1,300,000   | Deutsche Bank Tri-party Repo, 0.09% dated 6/30/09, to be repurchased at \$1,300,003 on 7/1/09, collateralized by U.S. Government Agency Securities with an aggregate market value plus interest of \$1,326,001. |  | 1,300,000      |
| <b>TOTAL REPURCHASE AGREEMENT</b>                 |   |  |                |
| (Cost \$1,300,000)                                |   |  | 1,300,000      |
| <b>TOTAL SHORT TERM INVESTMENTS</b>               |   |  |                |
| (Cost \$1,300,000)                                |   |  | 1,300,000      |
| <b>TOTAL INVESTMENTS (98.4%)</b>                  |   |  |                |
| (Cost \$273,718,495)                              |   |  | 188,273,904    |
| <b>TOTAL OTHER ASSETS LESS LIABILITIES (1.6%)</b> |   |  | 3,066,117      |
| <b>TOTAL NET ASSETS (100.0%)</b>                  |   |  | \$ 191,340,021 |

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\* Non-income producing security.

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

(b) Indicates a fair valued security. Total market value for fair value securities is \$26,220,859 representing 13.70% of total net assets.

(c) Private Placement; these securities may only be resold in transactions exempt from registration under the Securities Act of 1933. As of June 30, 2009, these exemptions had a total value of \$21,607,140 or 11.29% of 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.

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**Common Abbreviations:**

REIT - Real Estate Investment Trust

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 net assets. These industry classifications are unaudited.

See accompanying Notes to Quarterly Portfolio of Investments.

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**Notes to Quarterly Portfolio of Investments**

**June 30, 2009 (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, does not represent fair value ( Fair Value ), securities are valued at fair value by a Pricing Committee appointed by the Board of Directors, in consultation with the adviser. The Fund uses various valuation techniques that utilize both observable and unobservable inputs including multidimensional 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 makes an initial written recommendation to the Pricing Committee regarding valuation methodology for each Fair Value Security. Thereafter, the 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 Portfolio of Investments include investments valued at \$26,220,859 (13.7% 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 Fund follows Financial Accounting Standards Board ( FASB ) Statement of Financial Accounting Standards No. 157, Fair Value Measurements ( FAS 157 ). In accordance with FAS 157, 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. FAS 157 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 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.

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- Level 1 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, 2009 maximized the use of observable inputs and minimized the use of unobservable inputs.

The following is a summary of the inputs used as of June 30, 2009 in valuing the Fund's investments carried at value:

| Investments in Securities at Value | Level 1               | Level 2             | Level 3              | Total                 |
|------------------------------------|-----------------------|---------------------|----------------------|-----------------------|
| Common Stocks                      | \$ 160,589,596        | \$ 5,128,206        | \$ 17,790,619        | \$ 183,508,421        |
| Preferred Stocks                   |                       | 1,661,420           | 1,600,000            | 3,261,420             |
| Rights and Warrants                | 1,950                 | 202,113             |                      | 204,063               |
| Short Term Investments             | 1,300,000             |                     |                      | 1,300,000             |
| <b>TOTAL</b>                       | <b>\$ 161,891,546</b> | <b>\$ 6,991,739</b> | <b>\$ 19,390,619</b> | <b>\$ 188,273,904</b> |

| Other Financial Instruments* | Level 1   | Level 2           | Level 3   |
|------------------------------|-----------|-------------------|-----------|
| Credit Default Swaps         | \$        | \$ 817,763        | \$        |
| <b>TOTAL</b>                 | <b>\$</b> | <b>\$ 817,763</b> | <b>\$</b> |

\* 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, 2009 | Realized gain/(loss) | Change in unrealized appreciation/(depreciation) | Net purchases     | Transfers in and/or out of Level 3 | Balance as of June 30, 2009 |
|---------------------------|------------------------------|----------------------|--|-------------------|------------------------------------|-----------------------------|
| Common Stocks             | \$ 18,285,007                | \$                   | \$ (988,446)                                     | \$ 307,848        | \$ 186,210                         | \$ 17,790,619               |
| Preferred Stocks          | 1,600,000                    |                      |  |                   |                                    | 1,600,000                   |
| Rights and Warrants       |                              |                      | 18   |                   | (18)                               |                             |
| <b>TOTAL</b>              | <b>\$ 19,885,007</b>         | <b>\$</b>            | <b>\$ (988,428)</b>                              | <b>\$ 307,848</b> | <b>\$ 186,192</b>                  | <b>\$ 19,390,619</b>        |

*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.

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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

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differ from the estimated amounts. Such differences, if any, are recorded in 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. The portion of foreign currency gains and losses related to fluctuation in the exchange rates between the initial purchase trade date and subsequent sale trade date is included in gains and losses as stated in the Statement of Operations under Foreign currency related transactions.

*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.

### Note 2. Unrealized Appreciation/(Depreciation)

On June 30, 2009, based on cost of \$274,717,879 for federal income tax purposes, aggregate gross unrealized appreciation for all securities in which there is an excess of value over tax cost was \$25,854,991 and aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value was \$112,298,966, resulting in net unrealized depreciation of \$86,443,975.

### 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<br>Share<br>Balance as<br>of 4/1/09 | Purchases | Sales | Ending<br>Share<br>Balance as<br>of 6/30/09 | Dividend<br>Income | Realized<br>Gains<br>(Losses) | Market<br>Value |
|--------------------------------|---|-----------|-------|---|--------------------|-------------------------------|-----------------|
| Broadway Financial Corporation | 129,280                                       |           |       | 129,280                                     | \$ 6,464           |                               | \$ 775,680      |

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|                                |         |         |           |              |
|--------------------------------|---------|---------|-----------|--------------|
| CCF Holding Company            | 340,815 | 340,815 |           | 255,611      |
| Perpetual Federal Savings Bank | 165,930 | 165,930 | 33,186    | 2,571,915    |
| Redwood Financial, Inc.        | 40,650  | 40,650  |           | 658,530      |
| River Valley Bancorp           | 89,993  | 89,993  | 18,899    | 1,100,614    |
| Third Century Bancorp          | 110,500 | 110,500 |           | 497,250      |
|                                |         |         | \$ 58,549 | \$ 5,859,600 |

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**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. Unrealized gains, including the accrual of interest are recorded as an asset and unrealized losses are reported as a liability on the Statement of Assets and Liabilities. The change in value of the credit default swap, including the accrual of interest to be paid or received is reported as a change in unrealized appreciation/depreciation on the Statement of Operations. 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, 2009, were as follows:

| Swap Counterparty | Referenced Obligation | Notional Amount |     | Rates paid by Fund | Termination Date | Unrealized Gain/(Loss) |
|-------------------|-----------------------|-----------------|-----|--------------------|------------------|------------------------|
| Morgan Stanley    | Barclays Bank         | 4,500,000       | EUR | 1.42%              | 9/20/13          | \$ (19,542)            |
| Goldman Sachs     | BNP Paribas           | 4,500,000       | EUR | 0.67%              | 9/20/13          | (57)                   |
| Goldman Sachs     | Commerzbank           | 4,500,000       | EUR | 0.88%              | 9/20/13          | 52,313                 |
| Morgan Stanley    | Credit Agricole       | 4,500,000       | EUR | 1.09%              | 9/20/13          | (10,754)               |
| Morgan Stanley    | DBR                   | 25,000,000      | USD | 0.12%              | 9/20/18          | 418,590                |
| Goldman Sachs     | EURO DB               | 3,400,000       | EUR | 0.88%              | 9/20/13          | 36,471                 |
| Goldman Sachs     | Intesa Sanpaolo       | 4,500,000       | EUR | 0.57%              | 9/20/13          | 29,644                 |
| Morgan Stanley    | Lloyds Bank           | 4,500,000       | EUR | 0.89%              | 9/20/13          | 188,232                |
| Morgan Stanley    | Republic of Korea     | 3,000,000       | USD | 1.22%              | 9/20/13          | 68,717                 |
| Morgan Stanley    | Royal Bank Scott      | 4,500,000       | EUR | 1.37%              | 9/20/13          | 70,747                 |
| Morgan Stanley    | Societe Generale      | 4,500,000       | EUR | 1.01%              | 9/20/13          | (16,598)               |
| <b>TOTAL</b>      |                       |                 |     |                    |                  | \$ 817,763             |

**Note 5. Recently Issued Accounting Pronouncements**

The Fund follows FASB Statement of Financial Accounting Standards No. 161 ( SFAS 161 ) Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133 ( SFAS 133 ), which expands the disclosure requirements in SFAS 133 about entity s derivative instruments and hedging activities. Management has concluded that the adoption of SFAS 161, as adopted by the Fund April 1, 2009, has no impact on the Fund s Quarterly Portfolio of Investments (filed as part of the Form NQ) for the three months ended June 30, 2009.

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**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 270.300-3(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 Act (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 EX-99.CERT
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**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, 2009

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, 2009

By: /s/ Carl D. Johns  
Carl D. Johns, Vice President and Treasurer  
(Principal Financial Officer)

Date: August 27, 2009

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