

FIRST OPPORTUNITY FUND INC
Form N-Q
February 26, 2010

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM N-Q

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY**

Investment Company Act file number 811-04605

First Opportunity Fund, Inc.
(Exact name of registrant as specified in charter)

2344 Spruce Street, Suite A, Boulder, CO
(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: December 31, 2009

Item 1 Schedule of Investments.

Portfolio of Investments as of December 31, 2009 (Unaudited)

FIRST OPPORTUNITY FUND, INC.

| Shares | Description | Value (Note 1) |
|---------------------------------------|---|-------------------|
| LONG TERM INVESTMENTS (96.0%) | | |
| DOMESTIC COMMON STOCKS (68.9%) | | |
| Banks & Thrifts (32.9%) | | |
| 163,844 | 1st United Bancorp, Inc.* | \$ 1,169,846 |
| 73,090 | Alliance Bankshares Corp.* | 208,307 |
| 64,000 | American River Bankshares | 503,040 |
| 541,900 | AmeriServ Financial, Inc.* | 904,973 |
| 90,652 | Associated Bancorp | 998,079 |
| 133,900 | Bancorp, Inc.* | 918,554 |
| 34,200 | Bank of Marin | 1,113,552 |
| 83,300 | Bank of Virginia* | 274,057 |
| 57,000 | BCB Bancorp, Inc. | 520,980 |
| 37,400 | Bridge Capital Holdings* | 261,800 |
| 13,400 | Cambridge Bancorp | 408,700 |
| 54,900 | CapitalSource, Inc. | 217,953 |
| 47,298 | Carolina Trust Bank* | 236,490 |
| 340,815 | CCF Holding Co.*(a) | 156,775 |
| 29,600 | Central Valley Community Bancorp*(b)(c) | 147,852 |
| 20,544 | Central Valley Community Bancorp* | 114,019 |
| 51,860 | Centrue Financial Corp. | 138,466 |
| 49,600 | Citizens & Northern Corp. | 473,184 |
| 60,000 | Community Bank(b)(c) | 3,621,600 |
| 75,800 | The Connecticut Bank & Trust Co.* | 295,620 |
| 114,831 | Dearborn Bancorp, Inc.* | 51,674 |
| 168,344 | East West Bancorp*(b)(c) | 2,393,852 |
| 93,366 | Eastern Virginia Bankshares, Inc. | 662,899 |
| 97,200 | FC Holdings, Inc.*(b)(c) | 94,284 |
| 5,700 | First Advantage Bancorp | 60,477 |
| 39,700 | First American International*(b)(c) | 485,134 |
| 14,434 | First Busey Corp. | 56,148 |
| 79,578 | First California Financial Group, Inc.* | 218,044 |
| 17,400 | First Capital Bancorp, Inc.* | 80,214 |
| 10,955 | First Citizens BancShares, Inc. | 1,796,730 |
| 66,500 | First Community Bancshares, Inc. | 801,325 |
| 192,300 | First Security Group, Inc. | 457,674 |
| 66,726 | First Southern Bancorp, Inc. - Class B*(b)(c) | 1,407,919 |
| 28,200 | First State Bank*(b)(c) | 56,400 |
| 2,880 | First Trust Bank* | 18,864 |
| 193,261 | Florida Capital Group*(b)(c) | 270,565 |
| 17,248 | FNB Bancorp | 136,259 |
| 58,900 | The Goldman Sachs Group, Inc. | 9,944,675 |
| 207,700 | Great Florida Bank - Class A* | 114,235 |
| 15,300 | Great Florida Bank - Class B* | 7,650 |
| 66,000 | Greater Hudson Bank N.A.* | 280,500 |
| 228,000 | Hampshire First Bank*(c) | 1,621,080 |
| 34,400 | Heritage Financial Corp. | 474,032 |
| 35,203 | Heritage Oaks Bancorp* | 176,015 |

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|---------|-------------------------------------|-----------|
| 771,312 | Huntington Bancshares, Inc. | 2,815,289 |
| 49,200 | ICB Financial* | 123,000 |
| 19,000 | Katahdin Bankshares Corp. | 190,380 |
| 83,700 | MB Financial, Inc. | 1,650,564 |
| 168,100 | Metro Bancorp, Inc.* | 2,113,017 |
| 34,951 | Nara Bancorp, Inc.* | 396,344 |
| 905,600 | National Bancshares, Inc.*(b)(c) | 706,368 |
| 39,900 | New England Bancshares, Inc. | 183,540 |
| 5,400 | North Dallas Bank & Trust Co. | 209,250 |
| 361,622 | Northfield Bancorp, Inc. | 4,889,130 |
| 40,500 | Oak Ridge Financial Services, Inc.* | 172,125 |
| 2,500 | Old Point Financial Corp. | 38,875 |
| 55,400 | Pacific Continental Corp. | 633,776 |
| 39,600 | Parkway Bank* | 39,600 |

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| 162,590 | Pilot Bancshares, Inc.*(b) | 191,856 |
| 508,000 | Popular, Inc. | 1,148,080 |
| 247,100 | PrivateBancorp, Inc. | 2,216,487 |
| 190,540 | Republic First Bancorp, Inc.* | 813,606 |
| 92,369 | Southern First Bancshares, Inc.* | 609,635 |
| 106,600 | Southern National Bancorp of Virginia, Inc.* | 756,860 |
| 302,900 | Square 1 Financial, Inc.*(b)(c) | 2,020,343 |
| 97,500 | State Bancorp, Inc.* | 693,225 |
| 84,158 | Sterling Banks, Inc.* | 40,396 |
| 71,100 | Susquehanna Bancshares, Inc. | 418,779 |
| 22,860 | Tower Bancorp, Inc. | 522,351 |
| 13,900 | Union Bankshares Corp. | 172,221 |
| 52,164 | Valley Commerce Bancorp* | 302,551 |
| 1,629 | VIST Financial Corp. | 8,487 |
| 43,787 | Wainwright Bank & Trust Co. | 319,645 |
| 106,200 | Washington Banking Co. | 1,268,028 |
| 292,800 | Wells Fargo & Co. | 7,902,672 |
| 238,000 | Western Liberty Bancorp* | 1,811,180 |
| 107,500 | Whitney Holding Corp. | 979,325 |
| 16,604 | Xenith Bankshares, Inc.* | 49,812 |
| | | 70,757,293 |
| Diversified Financial Services (4.4%) | | |
| 16,241 | Affinity Financial Corp.*(b)(c) | |
| 86,700 | Altisource Portfolio Solutions S.A.* | 1,819,833 |
| 25,000 | CMET Finance Holding*(b)(d) | 1,017,000 |
| 276,300 | Highland Financial Partners LP*(b)(d) | |
| 60,000 | Independence Financial Group, Inc.*(b)(c) | 213,000 |
| 93,615 | Mackinac Financial Corp.* | 425,012 |
| 431,640 | Muni Funding Co. of America, LLC*(b)(d) | 1,027,303 |
| 260,100 | Ocwen Financial Corp.*(b)(c) | 2,240,242 |
| 174,900 | Ocwen Financial Corp.* | 1,673,793 |
| 455,100 | Ocwen Structured Investments, LLC*(b)(c) | 559,363 |
| 466,667 | Terra Nova Financial Group* | 331,333 |
| 31,360 | TICC Capital Corp. | 189,728 |
| | | 9,496,607 |
| Insurance (6.2%) | | |
| 241,100 | Amtrust Financial Services, Inc. | 2,849,802 |
| 11,400 | Forethought Financial Group - Class A*(b)(c) | 2,280,000 |
| 1,719 | Forethought Financial Group - Class B*(b)(c) | 343,800 |
| 133,700 | Hartford Financial Services Group, Inc. | 3,109,862 |
| 72,000 | Maiden Holdings, Ltd.(c) | 527,040 |
| 339,603 | Penn Millers Holding Corp.* | 3,735,633 |
| 7,100 | Transatlantic Holdings, Inc. | 369,981 |
| | | 13,216,118 |
| Mining (1.1%) | | |
| 61,600 | Barrick Gold Corp. | 2,425,808 |
| Mortgages & REITS (3.4%) | | |
| 152,766 | Cypress Sharpridge Investments, Inc., REIT(d) | 2,063,869 |
| 56,000 | Dynex Capital, Inc., REIT | 488,880 |
| 55,000 | Embarcadero Bank*(b)(c) | 540,650 |
| 276,800 | MFA Mortgage Investments, Inc., REIT | 2,034,480 |
| 155,504 | Newcastle Investment Holdings Corp., REIT*(b) | 247,251 |
| 87,900 | Verde Realty*(b)(c) | 1,853,811 |
| | | 7,228,941 |
| Savings & Loans (20.1%) | | |
| 129,101 | Abington Bancorp, Inc. | 889,506 |
| 34,100 | Appalachian Bancshares, Inc.* | 9,207 |

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| 10,000 | Auburn Bancorp, Inc.*(b) | 73,500 |
| 151,500 | Beacon Federal Bancorp, Inc. | 1,408,950 |
| 335,235 | Beneficial Mutual Bancorp, Inc.* | 3,298,712 |
| 169,100 | Boston Private Financial Holdings, Inc. | 975,707 |
| 129,280 | Broadway Financial Corp.(a) | 808,000 |
| 60,100 | Carver Bancorp, Inc. | 521,668 |
| 81,700 | Central Federal Corp.* | 130,720 |
| 72,446 | CFS Bancorp, Inc. | 234,001 |
| 33,000 | Citizens Community Bank* | 198,000 |

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| 106,738 | Danvers Bancorp, Inc. | 1,386,527 |
| 26,900 | ECB Bancorp, Inc. | 301,280 |
| 40,691 | ESSA Bancorp, Inc. | 476,085 |
| 32,500 | Fidelity Federal Bancorp*(b) | 290,550 |
| 25,638 | First Community Bank Corp. of America* | 61,788 |
| 87,300 | First Financial Holdings, Inc. | 1,134,027 |
| 96,400 | Flushing Financial Corp. | 1,085,464 |
| 22,555 | Fox Chase Bancorp, Inc.* | 214,724 |
| 43,400 | Georgetown Bancorp, Inc.* | 203,980 |
| 222,900 | Hampden Bancorp, Inc. | 2,353,824 |
| 29,430 | HF Financial Corp. | 276,642 |
| 62,916 | Home Bancorp, Inc.* | 766,946 |
| 204,948 | Home Federal Bancorp, Inc. | 2,727,857 |
| 205,300 | Investors Bancorp, Inc.* | 2,245,982 |
| 77,500 | Jefferson Bancshares, Inc. | 347,975 |
| 81,700 | Legacy Bancorp, Inc. | 805,562 |
| 56,000 | Liberty Bancorp, Inc. | 420,000 |
| 130,712 | LSB Corp. | 1,274,442 |
| 30,200 | Malvern Federal Bancorp, Inc. | 271,800 |
| 158,200 | Meridian Interstate Bancorp, Inc.* | 1,374,758 |
| 310,300 | MidCountry Financial Corp.*(b)(c) | 1,157,419 |
| 113,200 | Newport Bancorp, Inc.* | 1,313,120 |
| 48,200 | Northwest Bancshares, Inc. | 545,624 |
| 89,900 | OceanFirst Financial Corp. | 1,015,870 |
| 67,100 | Old Line Bancshares, Inc. | 442,189 |
| 110,400 | Osage Bancshares, Inc. | 1,087,440 |
| 255,210 | Pacific Premier Bancorp, Inc.* | 862,610 |
| 165,930 | Perpetual Federal Savings Bank(a) | 1,692,486 |
| 17,500 | Privee, LLC*(b)(c) | |
| 121,500 | Provident Financial Holdings, Inc. | 335,340 |
| 40,650 | Redwood Financial, Inc.*(a) | 410,565 |
| 89,993 | River Valley Bancorp(a) | 886,431 |
| 28,600 | Rockville Financial, Inc. | 300,300 |
| 38,700 | Rome Bancorp, Inc. | 308,052 |
| 6,300 | Royal Financial, Inc.* | 15,750 |
| 307,820 | SI Financial Group, Inc.* | 1,582,195 |
| 17,600 | Sound Financial, Inc. | 74,800 |
| 100,000 | Sterling Eagle*(b) | |
| 90,700 | Territorial Bancorp, Inc.* | 1,637,135 |
| 110,500 | Third Century Bancorp*(a) | 430,950 |
| 156,400 | ViewPoint Financial Group | 2,253,724 |
| 1,451,428 | Washington Mutual Unit Split*(b)(c) | 182,227 |
| | | 43,102,411 |
| Trucking & Leasing (0.8%) | | |
| 121,082 | Willis Lease Finance Corp.* | 1,816,230 |
| TOTAL DOMESTIC COMMON STOCKS | | |
| (Cost \$205,691,310) | | 148,043,408 |
| FOREIGN COMMON STOCKS (20.6%) | | |
| Bermuda (7.7%) | | |
| 193,200 | Assured Guaranty, Ltd. | 4,204,032 |
| 441,422 | Catlin Group, Ltd. | 2,424,142 |
| 112,000 | CRM Holdings, Ltd.* | 37,072 |
| 483,900 | Maiden Holdings, Ltd. | 3,542,148 |
| 36,500 | RAM Holdings, Ltd.* | 17,885 |
| 19,200 | White Mountains Insurance Group, Ltd. | 6,387,072 |
| | | 16,612,351 |

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Brazil (1.7%)

| | | |
|---------|---|-----------|
| 42,800 | BR Malls Participacoes S.A.* | 528,547 |
| 292,300 | Brasil Brokers Participacoes S.A. | 1,087,940 |
| 68,700 | MRV Engenharia e Participacoes S.A. | 556,387 |
| 143,100 | PDG Realty S.A. Empreendimentos e Participacoes | 1,426,068 |
| | | 3,598,942 |

Canada (0.2%)

| | | |
|---------|-----------------|---------|
| 145,300 | New Gold, Inc.* | 528,892 |
|---------|-----------------|---------|

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| Cayman Islands (1.1%) | | |
| 1,885,500 | Fantasia Holdings Group Co. Ltd.* | 522,845 |
| 162,457 | Pearl Group Ltd./British Virgin Islands* | 1,732,701 |
| | | 2,255,546 |
| Denmark (0.4%) | | |
| 12,690 | Gronlandsbanken* | 933,870 |
| India (2.3%) | | |
| 181 | Axis Bank, Ltd. | 3,848 |
| 24,740 | Bharat Heavy Electricals Ltd. | 1,277,697 |
| 14,934 | Financial Technologies India, Ltd. | 431,461 |
| 13,393 | Housing Development Finance Corp. | 770,108 |
| 193,066 | Indiabulls Financial Services, Ltd. | 523,790 |
| 132,495 | Jindal Saw Ltd. | 536,415 |
| 80,902 | Kotak Mahindra Bank, Ltd. | 1,402,898 |
| | | 4,946,217 |
| Japan (1.4%) | | |
| 457 | Osaka Securities Exchange Co. Ltd. | 2,173,738 |
| 20,100 | T&D Holdings, Inc. | 409,834 |
| 72,600 | Zuken, Inc. | 480,180 |
| | | 3,063,752 |
| Mexico (0.3%) | | |
| 147,600 | Grupo Financiero Banorte SAB de CV | 539,763 |
| Netherlands (1.2%) | | |
| 294,130 | AerCap Holdings N.V.* | 2,664,818 |
| Singapore (0.1%) | | |
| 214,000 | ARA Asset Management, Ltd. | 132,527 |
| Switzerland (4.2%) | | |
| 26,021 | Bank Sarasin & Cie AG* | 983,538 |
| 416,550 | UBS AG* | 6,462,978 |
| 8,447 | Valiant Holding AG | 1,649,470 |
| | | 9,095,986 |
| TOTAL FOREIGN COMMON STOCKS | | |
| (Cost \$50,382,186) | | 44,372,664 |
| DOMESTIC PREFERRED STOCK (6.4%) | | |
| 424,600 | Bank of America Corp., convertible, 10.00%* | 6,335,031 |
| 500 | Center Financial, Series B, convertible, 12.00%*(b)(c) | 613,318 |
| 2,907 | East West Bancorp, 11.00%*(b)(c)(e) | 5,080,819 |
| 1,600 | Maiden Holdings, Ltd., Series C, 14.00%(b)(d) | 1,736,000 |
| | | 13,765,168 |
| TOTAL DOMESTIC PREFERRED STOCK | | |
| (Cost \$11,376,000) | | 13,765,168 |
| DOMESTIC WARRANTS (0.1%) | | |
| 195,000 | Dime Bancorp, Inc., Warrant, strike price \$0.00, Expires 12/26/50* | 17,550 |
| 423,058 | Flagstar Bancorp, Warrant, strike price \$0.62, Expires 1/30/19* (b) | 172,058 |
| 5,700 | Forethought Financial Group, Warrant, strike price \$220.00, Expires 5/13/10* (b)(c) | |
| 859 | Forethought Financial Group, Warrant, strike price \$220.00, Expires 6/30/10* (b)(c) | |
| 5,700 | Forethought Financial Group, Warrant, strike price \$220.00, Expires 11/13/10* (b)(c) | |
| 860 | Forethought Financial Group, Warrant, strike price \$220.00, Expires 12/30/10* (b)(c) | |

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| 233,333 | Terra Nova Financial Group, Warrant, strike price \$3.00, Expires 3/17/11* (b)(c) | |
| 181,429 | Washington Mutual, Inc., Warrant, strike price \$10.06, Expires 4/11/13* (b)(c) | 18 |
| TOTAL DOMESTIC WARRANTS | | 189,626 |
| (Cost \$) | | 189,626 |
| TOTAL LONG TERM INVESTMENTS | | |
| (Cost \$267,449,496) | | 206,370,866 |

| | | |
|--|--|----------------|
| SHORT TERM INVESTMENTS (4.1%) | | |
| Repurchase Agreement (4.1%) | | |
| 8,800,000 | Deutsche Bank Tri-Party Repo, 0.01% dated 12/31/09, to be repurchased at \$8,800,010 on 1/4/10, collateralized by U.S. Government Agency Securities with an aggregate market value plus interest of \$8,976,000. | 8,800,000 |
| TOTAL REPURCHASE AGREEMENT | | |
| (Cost \$8,800,000) | | 8,800,000 |
| TOTAL SHORT TERM INVESTMENTS | | |
| (Cost \$8,800,000) | | 8,800,000 |
| TOTAL INVESTMENTS (100.1%) | | |
| (Cost \$276,249,496) | | 215,170,866 |
| TOTAL LIABILITIES LESS OTHER ASSETS (-0.1%) | | |
| | | (271,832) |
| TOTAL NET ASSETS (100.0%) | | |
| | | \$ 214,899,034 |

* *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 \$31,024,502 representing 14.4% 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 December 31, 2009, these exemptions had a total value of \$28,417,104 or 13.2% of total net assets.*

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

(e) *The rate shown on floating or adjustable rate securities represents the current effective rate at December 31, 2009.*

Common Abbreviations:

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

LLC - Limited Liability Company

LP - Limited Partnership

Ltd. - Limited

N.A. - National Association

N.V. - Naamloze Vennootschap is the Dutch term for a public limited liability corporation

REIT - Real Estate Investment Trust

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

SAB de CV - A variable capital company.

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

See accompanying Notes to Quarterly Portfolio of Investments.

Notes to Quarterly Portfolio of Investments

December 31, 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), 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 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 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 \$31,024,502 (14.4% of total net assets), whose fair values have been estimated by management in the absence of readily determinable fair values.

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

The Fund has adopted the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), issued in June 2009. The Fund follows the provisions of ASC 820, Fair Value Measurements and Disclosures (ASC 820). In accordance with ASC 820, fair value is defined as the price that the Fund would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. ASC 820 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value including such a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the

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circumstances. The three-tier hierarchy of inputs is summarized in the three broad Levels listed below.

- 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 nine months ended December 31, 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 December 31, 2009 in valuing the Fund's investments carried at value:

| Investments in Securities at Value | Level 1 | Level 2 | Level 3 | Total |
|------------------------------------|-----------------------|----------------------|----------------------|-----------------------|
| Domestic Common Stocks | \$ 124,621,118 | \$ 5,094,072 | \$ 18,328,218 | \$ 148,043,408 |
| Foreign Common Stocks | 44,372,664 | | | 44,372,664 |
| Domestic Preferred Stock | 6,335,031 | 5,694,137 | 1,736,000 | 13,765,168 |
| Domestic Warrants | 17,550 | 172,076 | | 189,626 |
| Short Term Investments | 8,800,000 | | | 8,800,000 |
| TOTAL | \$ 184,146,363 | \$ 10,960,285 | \$ 20,064,218 | \$ 215,170,866 |

| Other Financial Instruments* | Level 1 | Level 2 | Level 3 |
|------------------------------|---------|---------------------|---------------------|
| Credit Default Swaps | | \$ (780,253) | \$ (780,253) |
| TOTAL | | \$ (780,253) | \$ (780,253) |

* 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 December 31, 2009 |
|---------------------------|------------------------------|----------------------|--|---------------------|------------------------------------|---------------------------------|
| Domestic Common Stocks | \$ 18,285,007 | \$ | \$ (2,787,403) | \$ 2,931,648 | \$ (101,034) | \$ 18,328,218 |
| Domestic Preferred Stock | 1,600,000 | | 136,000 | | | 1,736,000 |
| Domestic Warrants | | | 18 | | (18) | |
| TOTAL | \$ 19,885,007 | \$ | \$ (2,651,385) | \$ 2,931,648 | \$ (101,052) | \$ 20,064,218 |

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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

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

Repurchase Agreements: The Fund may enter into repurchase agreement transactions with United States financial institutions. It is the Fund's policy that its custodian take possession of the underlying collateral securities, the value of which exceed the principal amount of the repurchase transaction, including accrued interest. To the extent that any repurchase transaction exceeds one business day, the value of the collateral is marked-to-market on a daily basis to maintain the adequacy of the collateral. The value of the collateral at the time of the execution must be at least equal to 102% of the total amount of the repurchase obligations, including interest. If the seller defaults, and the value of the collateral declines or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Fund may be delayed or limited.

Note 2. Unrealized Appreciation/(Depreciation)

On December 31, 2009, based on cost of \$275,781,916 for federal income tax purposes, aggregate gross unrealized appreciation for all securities in which there is an excess of value over tax cost was \$31,164,340 and aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value was \$91,775,390, resulting in net unrealized depreciation of \$60,611,050.

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 Share Balance as of 4/1/09 | Purchases | Sales | Ending Share Balance as of 12/31/09 | Dividend Income | Realized Gains (Losses) | Market Value |
|-------------------|---|-----------|-------|--|--------------------|-------------------------------|-----------------|
| | 129,280 | | | 129,280 | \$ 19,392 | | \$ 808,000 |

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| | | | | |
|--------------------------------|---------|---------|------------|--------------|
| Broadway Financial Corporation | | | | |
| CCF Holding Company | 340,815 | 340,815 | | 156,775 |
| Perpetual Federal Savings Bank | 165,930 | 165,930 | 82,966 | 1,692,486 |
| Redwood Financial, Inc. | 40,650 | 40,650 | | 410,565 |
| River Valley Bancorp | 89,993 | 89,993 | 56,696 | 886,431 |
| Third Century Bancorp | 110,500 | 110,500 | | 430,950 |
| | | | \$ 159,054 | \$ 4,385,207 |

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 December 31, 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 | \$ (171,604) |
| Goldman Sachs | BNP Paribas | 4,500,000 | EUR | 0.67% | 9/20/13 | (44,596) |
| Credit Suisse First Boston Intl | Capital One Bank USA National | 1,000,000 | USD | 1.00% | 12/20/14 | (2,096) |
| Goldman Sachs | Commerzbank | 4,500,000 | EUR | 0.88% | 9/20/13 | (97,482) |
| Morgan Stanley | Credit Agricole | 4,500,000 | EUR | 1.09% | 9/20/13 | (112,746) |
| Morgan Stanley | DBR | 25,000,000 | USD | 0.12% | 9/20/18 | 335,861 |
| Goldman Sachs | EURO DB | 3,400,000 | EUR | 0.88% | 9/20/13 | (48,284) |
| Goldman Sachs | Intesa Sanpaolo | 4,500,000 | EUR | 0.57% | 9/20/13 | (24,955) |
| Morgan Stanley | Lloyds Bank | 4,500,000 | EUR | 0.89% | 9/20/13 | 41,208 |
| Morgan Stanley | NAIGS13V1-5Y | 25,000,000 | USD | 1.00% | 12/20/14 | (221,672) |
| Morgan Stanley | NAIGS13V1-5Y | 25,000,000 | USD | 1.00% | 12/20/14 | (239,584) |
| Morgan Stanley | Republic of Korea | 3,000,000 | USD | 1.22% | 9/20/13 | (51,630) |
| Morgan Stanley | Royal Bank Scotland | 4,500,000 | EUR | 1.37% | 9/20/13 | (46,940) |
| Morgan Stanley | Societe Generale | 4,500,000 | EUR | 1.01% | 9/20/13 | (95,733) |
| TOTAL | | | | | | \$ (780,253) |

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 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: February 26, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Stephen C. Miller
Stephen C. Miller, President
(Principal Executive Officer)

Date: February 26, 2010

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

Date: February 26, 2010
