

FIRST OPPORTUNITY FUND INC
Form N-Q
August 29, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED

MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number: 811-04605

First Opportunity Fund, Inc.

(Exact name of registrant as specified in charter)

2344 Spruce Street, Suite A, Boulder, CO 80302

(Address of principal executive offices) (Zip code)

Fund Administrative Services

2344 Spruce Street, Suite A

Boulder, CO 80302

(Name and address of agent for service)

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

Date of fiscal year end: March 31

Date of reporting period: June 30, 2012

Item 1 Schedule of Investments.

Consolidated Portfolio of Investments as of June 30, 2012 (Unaudited)

FIRST OPPORTUNITY FUND, INC.

| Shares | Description | Value (Note 1) |
|---------------------------------------|---|-------------------|
| LONG TERM INVESTMENTS (96.3%) | | |
| DOMESTIC COMMON STOCKS (42.3%) | | |
| Banks (1.2%) | | |
| 51,965 | BBCN Bancorp, Inc.* | \$565,899 |
| 119,112 | NBT Bancorp, Inc. | 2,571,628 |
| | | 3,137,527 |
| Banks & Thrifts (12.0%) | | |
| 41,290 | Alliance Bankshares Corp.* | 177,547 |
| 27,800 | American River Bankshares* | 202,384 |
| 8,439 | Ameris Bancorp* | 106,331 |
| 406,400 | AmeriServ Financial, Inc.* | 1,146,048 |
| 29,289 | Bank of Commerce Holdings | 119,499 |
| 45,500 | Bank of Virginia* | 39,130 |
| 35,498 | Carolina Trust Bank* | 106,494 |
| 340,815 | CCF Holding Co. *(a) | 85,204 |
| 43,644 | Central Valley Community Bancorp* | 307,254 |
| 18,860 | Centrue Financial Corp.* | 10,373 |
| 12,300 | Citizens & Northern Corp. | 234,315 |
| 60,000 | Community Bank *(b)(c)(d) | 6,288,600 |
| 65,566 | Eastern Virginia Bankshares, Inc.* | 245,217 |
| 4,085 | Evans Bancorp, Inc. | 67,362 |
| 97,200 | FC Holdings, Inc. *(b)(c)(d) | |
| 4,300 | First Advantage Bancorp | 58,093 |
| 39,700 | First American International *(b)(c)(d) | 761,446 |
| 116,276 | First Capital Bancorp, Inc.* | 272,086 |
| 14,321 | First Security Group, Inc.* | 42,820 |
| 66,726 | First Southern Bancorp, Inc. - Class B* | 513,790 |
| 193,261 | Florida Capital Group *(b)(c)(d) | 1,933 |
| 8,211 | FNB Bancorp | 132,608 |
| 155,800 | Great Florida Bank - Class A* | 43,624 |
| 15,300 | Great Florida Bank - Class B* | 4,437 |
| 61,000 | Greater Hudson Bank N.A.* | 259,250 |
| 8,500 | Heritage Financial Corp. | 124,525 |
| 199,918 | Heritage Oaks Bancorp* | 1,113,543 |
| 36,900 | ICB Financial* | 138,744 |
| 2,323 | Katahdin Bankshares Corp. | 30,199 |
| 126,100 | Metro Bancorp, Inc.* | 1,516,983 |
| 905,600 | National Bancshares, Inc. *(b)(c)(d) | 208,288 |
| 4,000 | North Dallas Bank & Trust Co. | 120,000 |
| 30,400 | Oak Ridge Financial Services, Inc.* | 138,016 |
| 1,900 | Old Point Financial Corp. | 20,520 |
| 44,300 | OmniAmerican Bancorp, Inc.* | 949,349 |
| 12,000 | Pacific Continental Corp. | 106,440 |
| 162,090 | Pilot Bancshares, Inc.* | 293,383 |
| 190,540 | Republic First Bancorp, Inc.* | 398,228 |
| 4,500 | Shore Bancshares, Inc. | 26,730 |
| 83,814 | Southern First Bancshares, Inc.* | 680,570 |

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| | | |
|---------|--|------------|
| 79,900 | Southern National Bancorp of Virginia, Inc. | 605,642 |
| 302,900 | Square 1 Financial, Inc.* ^{(b)(e)(d)} | 1,771,965 |
| 41,122 | Valley Commerce Bancorp | 452,342 |
| 324,189 | Wells Fargo & Co. | 10,840,880 |
| 226,000 | Western Liberty Bancorp* | 655,400 |
| 12,404 | Xenith Bankshares, Inc.* | 51,476 |
| | | 31,469,068 |

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| Shares | Description | Value (Note 1) |
|--|---|-------------------|
| Coal (0.2%) | | |
| 10,000 | Alliance Resource Partners, LP | \$561,200 |
| Diversified Financial Services (5.3%) | | |
| 16,241 | Affinity Financial Corp. ^{*(b)(c)(d)} | |
| 276,300 | Highland Financial Partners, LP ^{*(b)(d)(e)} | |
| 60,000 | Independence Financial Group, Inc. ^{*(b)(c)(d)} | 438,000 |
| 303,800 | JPMorgan Chase & Co. | 10,854,774 |
| 70,215 | Mackinac Financial Corp.* | 420,588 |
| 455,100 | Ocwen Structured Investments, LLC ^{*(b)(c)(d)} | 354,978 |
| 25,000 | South Street Securities Holdings, Inc. ^{*(b)(d)(e)} | 746,000 |
| 47,960 | Tiptree Financial ^{*(b)(d)(e)} | 1,189,887 |
| | | 14,004,227 |
| Electric (1.3%) | | |
| 80,000 | PPL Corp. | 2,224,800 |
| 16,800 | Public Service Enterprise Group, Inc. | 546,000 |
| 12,400 | SCANA Corp. | 593,216 |
| | | 3,364,016 |
| Environmental Control (0.3%) | | |
| 30,000 | Republic Services, Inc. | 793,800 |
| Healthcare Products (2.4%) | | |
| 91,800 | Johnson & Johnson | 6,202,008 |
| Insurance (2.1%) | | |
| 19,678 | Forethought Financial Group, Inc. - Class A ^{*(b)(c)(d)} | 5,487,014 |
| Mining (1.6%) | | |
| 119,500 | Freeport-McMoRan Copper & Gold, Inc. | 4,071,365 |
| Mortgages & REITS (0.7%) | | |
| 55,000 | Coronado First Bank* | 511,500 |
| 155,504 | Newcastle Investment Holdings Corp., REIT ^{*(d)} | 83,475 |
| 87,900 | Verde Realty ^{*(b)(c)(d)} | 1,312,347 |
| | | 1,907,322 |
| Oil & Gas (0.4%) | | |
| 30,000 | Linn Energy LLC | 1,143,000 |
| Pharmaceuticals (0.3%) | | |
| 20,447 | Merck & Co., Inc. | 853,662 |
| Pipelines (1.0%) | | |
| 33,250 | Enterprise Products Partners LP | 1,703,730 |
| 40,000 | Penn Virginia Resource Partners, LP | 980,000 |
| | | 2,683,730 |

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| Registered Investment Companies (RICs) (0.4%) | | |
|--|--|---------|
| 40,000 | Cohen & Steers Infrastructure Fund, Inc. | 688,000 |
| 18,727 | RMR Real Estate Income Fund | 311,617 |
| | | 999,617 |
| Retail (0.3%) | | |
| 10,000 | Wal-Mart Stores, Inc. | 697,200 |
| Savings & Loans (7.7%) | | |
| 34,100 | Appalachian Bancshares, Inc. ^{*(d)} | 3 |
| 10,000 | Auburn Bancorp, Inc. [*] | 51,500 |
| 15,548 | Beacon Federal Bancorp, Inc. | 308,317 |
| 92,380 | Broadway Financial Corp. ^{*(a)} | 101,618 |

| Shares | Description | Value (Note 1) |
|--|---|-------------------|
| Savings & Loans (continued) | | |
| 3,006 | Carver Bancorp, Inc.* | \$8,958 |
| 11,940 | Central Federal Corp.* | 18,626 |
| 40,846 | CFS Bancorp, Inc. | 182,582 |
| 12,730 | Citizens Community Bank* | 68,233 |
| 33,500 | Eagle Bancorp | 335,000 |
| 20,200 | ECB Bancorp, Inc. | 189,072 |
| 30,000 | Fidelity Federal Bancorp ^{*(d)} | 276,600 |
| 43,400 | Georgetown Bancorp, Inc.* | 291,648 |
| 84,989 | Hampden Bancorp, Inc. | 1,099,758 |
| 22,030 | HF Financial Corp. | 267,444 |
| 47,216 | Home Bancorp, Inc.* | 808,810 |
| 88,948 | Home Federal Bancorp, Inc. | 933,954 |
| 57,300 | Jefferson Bancshares, Inc.* | 134,655 |
| 42,000 | Liberty Bancorp, Inc. | 434,700 |
| 15,000 | Malvern Federal Bancorp, Inc. | 127,500 |
| 310,300 | MidCountry Financial Corp. ^{*(b)(c)(d)} | 2,653,065 |
| 11,314 | Newport Bancorp, Inc.* | 155,002 |
| 106,998 | Ocean Shore Holding Co. | 1,353,525 |
| 29,100 | Old Line Bancshares, Inc. | 298,857 |
| 79,100 | Osage Bancshares, Inc. | 597,205 |
| 168,810 | Pacific Premier Bancorp, Inc.* | 1,418,004 |
| 165,930 | Perpetual Federal Savings Bank ^(a) | 2,157,090 |
| 17,500 | Privee, LLC ^{*(b)(c)(d)} | |
| 50,200 | Provident Financial Holdings, Inc. | 578,806 |
| 40,650 | Redwood Financial, Inc. ^{*(a)} | 569,100 |
| 89,993 | River Valley Bancorp ^(a) | 1,394,892 |
| 6,300 | Royal Financial, Inc.* | 16,380 |
| 273,079 | SI Financial Group, Inc. | 3,140,408 |
| 13,200 | Sound Financial, Inc.* | 102,168 |
| 100,000 | Sterling Eagle Mortgage Investment Company, LLC ^{*(d)} | |
| 110,500 | Third Century Bancorp ^{*(a)} | 281,775 |
| | | 20,355,255 |
| Technology Hardware & Equipment (4.2%) | | |
| 584,625 | Cisco Systems, Inc. | 10,038,011 |
| 23,000 | Harris Corp. | 962,550 |
| | | 11,000,561 |
| Tobacco Products (0.9%) | | |
| 42,000 | Altria Group, Inc. | 1,451,100 |
| 11,000 | Philip Morris International, Inc. | 959,860 |
| | | 2,410,960 |
| TOTAL DOMESTIC COMMON STOCKS (Cost \$141,647,019) | | 111,141,532 |
| FOREIGN COMMON STOCKS (6.2%) | | |
| Banks & Thrifts (0.1%) | | |
| 5,490 | Gronlandsbanken AB | 336,414 |

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Food (0.4%)

| | | |
|--------|-----------|-----------|
| 18,000 | Nestle SA | 1,072,433 |
|--------|-----------|-----------|

Insurance (0.6%)

| | | |
|--------|----------------------------------|---------|
| 11,200 | Majestic Capital, Ltd.* | 11 |
| 6,700 | Muenchener Rueckversicherungs AG | 942,426 |
| 70,457 | Phoenix Group Holdings | 529,551 |

1,471,988

| Shares | Description | Value (Note 1) |
|--|--|-------------------|
| Iron/Steel (0.3%) | | |
| 9,000 | POSCO, ADR | \$723,960 |
| National Stock Exchange (0.5%) | | |
| 17,776 | NSE India, Ltd. ^{*(b)(c)(d)} | 1,286,717 |
| Oil & Gas (0.6%) | | |
| 80,000 | Pengrowth Energy Corp. | 509,600 |
| 18,000 | Total SA, Sponsored ADR | 809,100 |
| 8,000 | Transocean, Ltd. | 357,840 |
| | | 1,676,540 |
| Pharmaceuticals (3.3%) | | |
| 24,000 | Sanofi | 1,814,427 |
| 180,300 | Sanofi, ADR | 6,811,734 |
| | | 8,626,161 |
| Real Estate (0.4%) | | |
| 98,000 | Cheung Kong Holdings, Ltd. | 1,195,006 |
| TOTAL FOREIGN COMMON STOCKS (Cost \$19,813,284) | | 16,389,219 |
| DOMESTIC LIMITED PARTNERSHIPS (22.9%) | | |
| 1 | Bay Pond Partners, LP ^{*(b)(c)(d)} | 43,696,304 |
| 1 | J. Caird Partners, LP ^{*(b)(c)(d)} | 16,508,185 |
| | | 60,204,489 |
| TOTAL DOMESTIC LIMITED PARTNERSHIPS (Cost \$56,167,938) | | 60,204,489 |
| FOREIGN LIMITED PARTNERSHIPS (23.9%) | | |
| 1 | Iguazu Master Investors (Cayman), LP, an Iguazu Investors (Cayman), SPC share class ^{*(b)(c)(d)} | 4,532,886 |
| 1 | North River Investors (Bermuda), LP, a Wellington Management Investors (Bermuda), Ltd. share class ^{*(b)(c)(d)} | 14,846,133 |
| 1 | Wolf Creek Investors (Bermuda), LP, a Wellington Management Investors (Bermuda), Ltd. share class ^{*(b)(c)(d)} | 43,553,243 |
| | | 62,932,262 |
| TOTAL FOREIGN LIMITED PARTNERSHIPS (Cost \$60,990,788) | | 62,932,262 |
| DOMESTIC PREFERRED STOCKS (0.6%) | | |
| 1,600 | Maiden Holdings, Ltd., Series C, 14.00% ^{*(b)(d)(e)} | 1,689,347 |

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TOTAL DOMESTIC PREFERRED STOCKS
(Cost \$1,600,000)

1,689,347

DOMESTIC RIGHTS AND WARRANTS (0.1%)

| | | |
|---------|---|---------|
| 11,940 | Central Federal Corp., Right, strike price \$1.50, Expires 7/16/12* | 9,386 |
| 195,000 | Dime Bancorp, Inc., Litigation Tracking Warrant, strike price \$0.00, Expires 12/26/50 ^(d) | |
| 116,276 | First Capital Banc, Warrant, strike price \$2.00, Expires 02/08/2022 ^(d) | 106,113 |
| 262,296 | Flagstar Bancorp, Warrant, strike price \$1.00, Expires 1/30/19 ^(d) | 141,082 |

| Shares | Description | Value (Note 1) |
|---|---|-------------------|
| DOMESTIC RIGHTS AND WARRANTS (continued) | | |
| 24,996 | Mackinac Financial, Rights, strike price \$5.75, Expires 7/16/12 ^{*(d)} | \$8,637 |
| | | 265,218 |
| TOTAL DOMESTIC RIGHTS AND WARRANTS (Cost \$0) | | 265,218 |
| Shares/ Par Value Description Value (Note 1) | | |
| DOMESTIC CORPORATE BONDS & NOTES (0.3%) | | |
| \$760,000 | Susquehanna Capital II, 11.00%, due 3/23/40 | 811,300 |
| TOTAL DOMESTIC CORPORATE BONDS & NOTES (Cost \$760,000) | | 811,300 |
| TOTAL LONG TERM INVESTMENTS (Cost \$280,979,029) | | 253,433,367 |
| SHORT TERM INVESTMENTS (3.6%) | | |
| <i>Money Market Funds (3.6%)</i> | | |
| 1,548,224 | Dreyfus Treasury & Agency Cash Management Money Market Fund, Institutional Class (7 day Yield 0.010%) | 1,548,224 |
| 7,900,000 | JPMorgan Prime Money Market Fund (7 day Yield 0.170%) | 7,900,000 |
| TOTAL SHORT TERM INVESTMENTS (Cost \$9,448,224) | | 9,448,224 |
| TOTAL INVESTMENTS (99.9%) (Cost \$290,427,253) | | 262,881,591 |
| TOTAL OTHER ASSETS LESS LIABILITIES (0.1%) | | 195,628 |
| TOTAL NET ASSETS (100.0%) | | \$263,077,219 |

* Non-income producing security.

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

(b) Indicates a security which is considered restricted. Also see Notes to Quarterly Consolidated Portfolio of Investments.

(c) Private Placement: these securities may only be resold in transactions exempt from registration under the Securities Act of 1933. As of June 30, 2012, these securities had a total value of \$143,701,104 or 54.62% of total net assets.

(d) Fair valued security under procedures established by the Fund's Board of Directors. Total value of fair valued securities as of June 30, 2012 was \$147,942,248 or 56.23% of total net assets.

(e) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. As of June 30, 2012 these securities had a total value of \$3,625,234 or 1.38% of total net assets.

Percentages are stated as a percent of the Total Net Assets.

Common Abbreviations:

AB - Aktiebolag is the Swedish equivalent of the term corporation

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ADR - American Depositary Receipt

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

REIT - Real Estate Investment Trust

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

Regional Breakdown as a % of Total Net Assets

| | |
|-------------------------------------|-------|
| United States | 69.7% |
| Bermuda | 22.2% |
| France | 3.6% |
| Cayman Islands | 1.9% |
| Switzerland | 0.5% |
| India | 0.5% |
| Hong Kong | 0.5% |
| Germany | 0.4% |
| South Korea | 0.3% |
| Canada | 0.2% |
| Denmark | 0.1% |
| Total assets less other liabilities | 0.2%* |

See Accompanying Notes to Quarterly Consolidated Portfolio of Investments.

Notes to Quarterly Consolidated Portfolio of Investments

June 30, 2012 (Unaudited)

Note 1. Valuation and Investment Practices

Basis for Consolidation: The First Opportunity Fund (the Fund) invests a significant portion of its investments in private investment partnerships and similar investment vehicles, typically referred to as hedge funds (Hedge Funds). In addition, a portion of the Fund's assets are invested primarily in equity securities issued by financial services companies. The accompanying Consolidated Portfolio of Investments includes the investment positions of FOFI 1, Ltd. and FOFI 2, Ltd. (the Subsidiaries), each a wholly-owned subsidiary of the Fund, organized under the laws of the Cayman Islands. FOFI 1, Ltd. invests in Bay Pond Partners, LP, and FOFI 2, Ltd. invests in J. Caird Partners, LP. The Fund may invest up to 25% of its total assets in the Subsidiaries. The aggregated net assets of the Subsidiaries at June 30, 2012 were \$60,169,181 or 22.9% of the Fund's consolidated total net assets. The Consolidated Portfolio of Investments includes positions of the Fund and of the Subsidiaries. The Subsidiaries price their portfolio investments pursuant to the same pricing and valuation methodologies used by the Fund.

Securities Valuation: Equity securities for which market quotations are readily available (including securities listed on national securities exchanges and those traded over-the-counter) are valued based on the last quoted sales price from the applicable exchange. If such equity 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. Equity securities traded on NASDAQ are valued at the NASDAQ Official Closing Price (NOCP). Debt securities are valued at the mean between the closing bid and asked prices, or based on a matrix system which utilizes information (such as credit ratings, yields and maturities) from independent sources.

The Board has delegated to the Pricing Committee the responsibility of determining fair value of any security or financial instrument owned by the Fund for which market quotations are not readily available or where the pricing agent or market maker does not provide a valuation or methodology, or provides a valuation or methodology that, in the judgment of the adviser or sub-adviser, does not represent fair value (Fair Value Securities). The Pricing Committee, which consists of at least one non-interested director and one senior officer of the Fund, in consultation with the adviser or sub-adviser's Valuation Committee, as appropriate, uses various valuation techniques that utilize both observable and unobservable inputs including tangible book value, zero, adjusted NAV, NAV, comparable company approach, comparable company approach less a 10% discount, greater of modified Black Scholes less a 10% discount or Intrinsic Value less 10% discount, book value, last trade, and discounted cash flow models. In such circumstances, the Valuation Committee of the adviser or sub- The Valuation Committees of the investment adviser and investment sub-adviser are responsible for (i) identifying Fair Value Securities, (ii) analyzing the Fair Value Security and developing, applying and documenting a methodology for valuing Fair Value Securities, and (iii) recommending to the Pricing Committee and memorializing valuations for Fair Value Securities, and (iv) periodically reviewing the appropriateness and accuracy of the methods used in valuing Fair Value Securities. The Pricing Committee reviews and makes a determination regarding each initial methodology recommendation and any subsequent methodology changes. All methodology recommendations and any changes are reviewed by the entire Board of Directors on a quarterly basis.

The Fund's investments in Hedge Funds are valued, as a practical expedient, at the most recent estimated net asset value periodically determined by the respective Hedge Fund managers according to such manager's policies and procedures based on valuation information reasonably available to the Hedge Fund manager at that time (adjusted for estimated expenses and fees accrued to the Fund since the last valuation date); provided, however, that the Pricing Committee may consider whether it is appropriate, in light of relevant circumstances, to adjust such valuation in accordance with the Fund's valuation procedures. If a Hedge Fund does not report a

value to the Fund on a timely basis, the fair value of such Hedge Fund shall be based on the most recent value reported by the Hedge Fund, as well as any other relevant information available at the time the Fund values its portfolio. As a practical matter, Hedge Fund valuations generally can be obtained from Hedge Fund managers on a weekly basis, as of close of business Thursday, but the frequency and timing of receiving valuations for Hedge Fund investments is subject to change at any time, without notice to investors, at the discretion of the Hedge Fund manager or the Fund.

The Consolidated Portfolio of Investments includes investments valued at \$147,942,248 (56.23% of total net assets), whose fair values have been estimated by management in the absence of readily determinable fair values. Due to the inherent uncertainty of the valuation of these investments, these values may differ from the values that would have been used had a ready market for these investments existed and the differences could be material.

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

For valuation purposes, the last quoted prices of non-U.S. equity securities may be adjusted under the circumstances described below. If the Fund determines that developments between the close of a foreign market and the close of the NYSE will, in its judgment, materially affect the value of some or all of its portfolio securities, the Fund will adjust the previous closing prices to reflect what it believes to be the fair value of the securities as of the close of the NYSE. In deciding whether it is necessary to adjust closing prices to reflect fair value, the Fund reviews a variety of factors, including developments in foreign markets, the performance of U.S. securities markets, and the performance of instruments trading in U.S. markets that represent foreign securities and baskets of foreign securities. The Fund may also fair value securities in other situations, such as when a particular foreign market is closed but the U.S. market is open. The Fund uses outside pricing services to provide it with closing prices and information to evaluate and/or adjust those prices. The Fund cannot predict how often it will use closing prices and how often it will determine it necessary to adjust those prices to reflect fair value. If the Fund uses adjusted prices, the Fund will periodically compare closing prices, the next day's opening prices in the same markets and those adjusted prices as a means of evaluating its security valuation process.

Various inputs are used to determine the value of the Fund's investments. Observable inputs are inputs that reflect the assumptions market participants would use based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions based on the best information available in the circumstances.

These inputs are summarized in the three broad levels listed below.

- ⌄ Level 1 Unadjusted quoted prices in active markets for identical investments
- ⌄ Level 2 Significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- ⌄ Level 3 Significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The following is a summary of the inputs used as of June 30, 2012 in valuing the Fund's investments carried at value:

| Valuation Inputs | | | | |
|--|-----------------------|---------------------|-----------------------|-----------------------|
| Investments in Securities at | | | | |
| Value | Level 1 | Level 2 | Level 3 | Total |
| Domestic Common Stocks | \$80,694,420 | \$8,873,514 | \$21,573,598 | \$111,141,532 |
| Banks | 3,137,527 | | | 3,137,527 |
| Banks & Thrifts | 20,670,300 | 1,766,536 | 9,032,232 | 31,469,068 |
| Coal | 561,200 | | | 561,200 |
| Diversified Financial Services | 10,854,774 | 420,588 | 2,728,865 | 14,004,227 |
| Electric | 3,364,016 | | | 3,364,016 |
| Environmental Control | 793,800 | | | 793,800 |
| Healthcare Products | 6,202,008 | | | 6,202,008 |
| Insurance | | | 5,487,014 | 5,487,014 |
| Mining | 4,071,365 | | | 4,071,365 |
| Mortgages & REITS | 511,500 | | 1,395,822 | 1,907,322 |
| Oil & Gas | 1,143,000 | | | 1,143,000 |
| Pharmaceuticals | 853,662 | | | 853,662 |
| Pipelines | 2,683,730 | | | 2,683,730 |
| Registered Investment Companies (RICs) | 999,617 | | | 999,617 |
| Retail | 697,200 | | | 697,200 |
| Savings & Loans | 10,739,200 | 6,686,390 | 2,929,665 | 20,355,255 |
| Technology Hardware & Equipment | 11,000,561 | | | 11,000,561 |
| Tobacco Products | 2,410,960 | | | 2,410,960 |
| Foreign Common Stocks | 15,102,491 | 11 | 1,286,717 | 16,389,219 |
| Banks & Thrifts | 336,414 | | | 336,414 |
| Food | 1,072,433 | | | 1,072,433 |
| Insurance | 1,471,977 | 11 | | 1,471,988 |
| Iron/Steel | 723,960 | | | 723,960 |
| National Stock Exchange | | | 1,286,717 | 1,286,717 |
| Oil & Gas | 1,676,540 | | | 1,676,540 |
| Pharmaceuticals | 8,626,161 | | | 8,626,161 |
| Real Estate | 1,195,006 | | | 1,195,006 |
| Domestic Limited Partnerships | | | 60,204,489 | 60,204,489 |
| Foreign Limited Partnerships | | | 62,932,262 | 62,932,262 |
| Domestic Preferred Stocks | | | 1,689,347 | 1,689,347 |
| Domestic Rights and Warrants | | 265,218 | | 265,218 |
| Domestic Corporate Bonds & Notes | | 811,300 | | 811,300 |
| Short Term Investments | 9,448,224 | | | 9,448,224 |
| TOTAL | \$ 105,245,135 | \$ 9,950,043 | \$ 147,686,413 | \$ 262,881,591 |

The Fund evaluates transfers into or out of Level 1, Level 2 and Level 3 as of the end of the reporting period. Financial assets were transferred from Level 1 to Level 2 since certain equity prices used a mean price from a data provider at the end of the period and a close price from a data provider at the beginning of the period. Other financial assets were moved from Level 3 to Level 2 as observable inputs are available for purposes of valuing those assets.

Transfers between Levels 1 and 2 at June 30, 2012 were as follows:

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| | Level 1 - Quoted and Unadjusted Prices | | Level 2 - Other Significant Observable Inputs | |
|--------------------------|--|-----------------|---|-----------------|
| | Transfers In | Transfers (Out) | Transfers In | Transfers (Out) |
| Common Stocks Short-Term | \$ 2,004,221 | \$ (5,337,046) | \$ 5,337,046 | \$ (2,004,221) |
| Investments | - | - | - | - |
| Total | \$ 2,004,221 | \$ (5,337,046) | \$ 5,337,046 | \$ (2,004,221) |

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, 2012 | Realized gain/(loss) | Change in unrealized appreciation/(depreciation) | Net purchases/(sales) | Transfer in | Balance as of June 30, 2012 |
|-------------------------------|------------------------------|----------------------|--|-----------------------|-------------------------|-----------------------------|
| | | | | | and/or (out) of Level 3 | |
| Domestic Common Stocks | \$21,124,331 | \$ - | \$569,267 | \$ - | \$(120,000) | \$21,573,598 |
| Foreign Common Stocks | 1,385,345 | - | (98,628) | - | - | 1,286,717 |
| Domestic Limited Partnerships | 65,842,570 | - | (5,638,081) | - | - | 60,204,489 |
| Foreign Limited Partnerships | 64,149,927 | - | (1,217,665) | - | - | 62,932,262 |
| Domestic Preferred Stocks | 1,713,829 | - | (24,482) | - | - | 1,689,347 |
| Domestic Warrants | 154,559 | - | 110,659 | - | (265,218) | - |
| TOTAL | \$154,370,561 | \$ - | \$(6,298,930) | \$ - | \$(385,218) | \$147,686,413 |

The table below provides additional information about the Level 3 Fair Value Measurements as of June 30, 2012:

Quantitative Information about Level 3 Fair Value Measurements

| Security | Fair Value | | | |
|---------------------------------|-------------|-----------------------------|------------------------------------|------------|
| Description | (USD) | Valuation Technique | Unobservable Inputs | Range |
| Domestic Common Stocks: | | | | |
| Banks & Thrifts: | | | | |
| | \$7,260,267 | Comparable Company Approach | Price to Tangible Book Value | 0.13x-1.5x |
| | | | Multiple | |
| | | | Tangible Book Value | |
| | | | Discount for lack of marketability | 10% |
| | | | Tangible Book Value | |
| | | | Discount for lack of marketability | 10% |
| | | | Tangible Book Value | |
| | | | Discount for lack of marketability | 10% |
| | 1,771,965 | Tangible Book Value | Tangible Book Value | |
| Diversified Financial Services: | | | | |

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| | | | | |
|--------------------------------|--------------|---|--|------------------|
| | \$0 | Zero | Book Value | |
| | 1,189,887 | Book Value | Book Value | |
| | 438,000 | Comparable Company Approach | Price to Tangible Book Value Multiple | 0.88x to 1.09x |
| | 354,978 | Adjusted NAV | Tangible Book Value Discount for lack of marketability | 10% |
| | 746,000 | Tangible Book Value | Capital Balance | |
| Insurance: | | | Tangible Book Value | |
| | \$5,487,014 | Comparable Company Approach | Price to Book Value Multiple | 0.47x to 1.94x |
| | | | Book Value Discount for lack of marketability | 10% |
| Mortgages & REITS: | | | | |
| | \$83,475 | Book Value | Book Value | |
| | 1,312,347 | Net Asset Value | Net Operating Income | |
| | | | Cap Rate Data | 6.5% to 9.5% |
| | | | Balance Sheet information | |
| Savings & Loans: | | | | |
| | \$276,600 | Comparable Company Approach less 10% discount | Price to Tangible Book Value Multiple | 0.59x-0.71x |
| | 2,653,065 | Comparable Company Approach | Tangible Book Value Discount for lack of marketability | 10% |
| | 0 | Zero | Price to Tangible Book Value Multiple | 0.60x to 1.48x |
| | | | Tangible Book Value Discount for lack of marketability | 10% |
| | | | Book Value | |
| | | | Tangible Book Value | |
| Total: | \$21,573,598 | | | |
| Foreign Common Stocks: | | | | |
| National Stock Exchange: | | | | |
| | \$1,286,717 | Comparable Company Approach | Price to Earnings Multiple | 21.78x to 23.76x |
| | | | Earnings | |
| | | | Discount for lack of marketability | 10% |
| Total: | \$1,286,717 | | | |
| Domestic Limited Partnerships: | | | | |
| | \$60,204,489 | Net Asset Value | Capital Balance | |
| Total: | \$60,204,489 | | | |

Foreign Limited Partnerships:

| | | | |
|--|--------------|-----------------|-----------------|
| | \$62,932,262 | Net Asset Value | Capital Balance |
|--|--------------|-----------------|-----------------|

| | |
|--------|--------------|
| Total: | \$62,932,262 |
|--------|--------------|

Domestic Preferred Stocks:

| | | | | |
|--|-------------|----------------------|--|------------------|
| | \$1,689,347 | Discounted Cash Flow | Yield Discount for lack of marketability | 10.14% 150bps |
|--|-------------|----------------------|--|------------------|

| | |
|--------|-------------|
| Total: | \$1,689,347 |
|--------|-------------|

Domestic Rights and Warrants:

| | | |
|-----|------|------------|
| \$0 | Zero | Bankruptcy |
|-----|------|------------|

Level 3 securities consist of the Fund's investments in Domestic and Foreign Limited Partnerships, Domestic Preferred Stocks, Domestic Rights and Warrants, and Domestic and Foreign Common Stocks in the following industries: Banks & Thrifts, Diversified Financial Services, Insurance, Mortgages & REITS, and Savings & Loans.

The significant unobservable inputs used in fair value measurement of the Fund's investments in Banks & Thrifts are price to tangible book value multiple, tangible book value, and discount for lack of marketability. A change to the inputs of the formula may result in a change to the valuation.

The significant unobservable inputs used in fair value measurement of the Fund's investments in Diversified Financial Services are book value, price to tangible book value multiple, tangible book value, discount for lack of marketability and capital balance. A change to the inputs of the formula may result in a change to the valuation.

The significant unobservable inputs used in fair value measurement of the Fund's investments in Insurance are price to book value multiple, book value, and discount for lack of marketability. A change to the inputs of the formula may result in a change to the valuation.

The significant unobservable inputs used in fair value measurement of the Fund's investments in Mortgages & REITS are book value, net operating income, cap rate data, and balance sheet information. A change to the inputs of the formula may result in a change to the valuation.

The significant unobservable inputs used in fair value measurement of the Fund's investments in Savings & Loans are price to tangible book value multiple, tangible book value, discount for lack of marketability, and book value. A change to the inputs of the formula may result in a change to the valuation.

The significant unobservable inputs used in fair value measurement of the Fund's investments in National Stock Exchanges are price to earnings multiple, earnings, and discount for lack of marketability. A change to the inputs of the formula may result in a change to the valuation.

The significant unobservable input used in fair value measurement of the Fund's investments in Domestic and Foreign Limited Partnerships is capital balance. A change to the inputs of the formula may result in a change to the valuation.

The significant unobservable inputs used in fair value measurement of the Fund's investments in Domestic Preferred Stocks are yield and discount for lack of marketability. A change to the inputs of the formula may result in a change to the valuation.

The significant unobservable input used in fair value measurement of the Fund's investments in Domestic Rights and Warrants is bankruptcy. A change to the inputs of the formula may result in a change to the valuation.

Securities Transactions and Investment Income: Securities transactions are recorded as of the trade date. Realized gains and losses from securities sold are recorded on the identified cost basis. Dividend income is recorded as of 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 interest method.

Foreign Currency Translations: 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. See Foreign Issuer Risk below.

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 U.S. 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 amounts of foreign interest and dividends recorded on the books of the Fund and the amounts actually received.

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

Concentration Risk: The Fund has highly concentrated positions in certain Hedge Funds and may take concentrated positions in other securities. Concentrating investments in a fewer number of securities (including investments in Hedge Funds) may involve a degree of risk that is greater than a fund which has less concentrated investments spread out over a greater number of securities. For example, the value of the Fund's net assets will fluctuate significantly based on the fluctuation in the value of the Hedge Funds in which it invests. In addition, investments in Hedge Funds can be highly volatile and may subject investors to heightened risk and higher operating expenses than another closed-end fund with a different investment focus.

Hedge Fund Risk: The Fund invests a significant portion of its assets in Hedge Funds. The Fund's investments in Hedge Funds are private entities that are not registered under the 1940 Act and have limited regulatory oversight and disclosure obligations. In addition, the Hedge Funds invest in and actively trade securities and other financial instruments using different strategies and investment techniques, which involve significant risks. These strategies and techniques may include, among others, leverage, employing various types of derivatives, short selling, securities lending, and commodities trading. These Hedge Funds may invest a high percentage of their assets in specific sectors of the market in order to achieve a potentially greater investment return. As a result, the Hedge Funds may be more susceptible to economic, political, and regulatory developments in a particular sector of the market, positive or negative, and may experience increased volatility. These and other

risks associated with Hedge Funds may cause the Fund's net asset value to be more volatile and more susceptible to the risk of loss than that of other funds with a different investment strategy.

Note 2. Unrealized Appreciation/(Depreciation)

On June 30, 2012, based on cost of \$287,927,737 for federal income tax purposes, aggregate gross unrealized appreciation for all securities in which there is an excess of value over tax cost was \$30,327,318 and aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value was \$55,373,464, resulting in net unrealized depreciation of \$25,046,146.

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 4/1/12 | Purchases | Sales | Ending Share Balance as of 6/30/12 | Dividend Income | Realized Gains (Losses) | 6/30/12 Market Value |
|--------------------------------|--------------------------------------|-----------|-------|------------------------------------|------------------|-------------------------|----------------------|
| Broadway Financial Corp.. | 96,980 | - | 4,600 | 92,380 | \$ - | \$ (12,294) | \$ 101,618 |
| CCF Holding Co. | 340,815 | - | - | 340,815 | - | - | 85,204 |
| Perpetual Federal Savings Bank | 165,930 | - | - | 165,930 | 26,549 | - | 2,157,090 |
| Redwood Financial, Inc. | 40,650 | - | - | 40,650 | - | - | 569,100 |
| River Valley Bancorp | 89,993 | - | - | 89,993 | 18,899 | - | 1,394,892 |
| Third Century Bancorp | 110,500 | - | - | 110,500 | - | - | 281,775 |
| TOTAL | | | | | \$ 45,448 | \$ (12,294) | \$ 4,589,679 |

Note 4. Restricted Securities

As of June 30, 2012, investments in securities included issues that are considered restricted. Restricted securities are often purchased in private placement transactions, are not registered under the Securities Act of 1933, may have contractual restrictions on resale, and may be valued under methods approved by the Board of Directors as reflecting fair value.

Restricted securities as of June 30, 2012 are as follows:

| Description | Acquisition Date | Cost | Market Value | Market Value as Percentage of Net Assets |
|--------------------------|------------------|--------------|--------------|--|
| Affinity Financial Corp. | 3/24/05 | \$ 1,000,000 | \$ - | 0.0% |
| Bay Pond Partners, LP | 10/3/11 | 39,387,185 | 43,696,304 | 16.6% |
| Community Bank | 2/12/08 | 912,100 | 6,288,600 | 2.4% |
| FC Holdings, Inc. | 1/5/06 | 972,000 | - | 0.0% |

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| | | | | |
|---|-------------------|-----------------------|----------------------|--------------|
| First American International | 11/29/05 | 1,052,050 | 761,446 | 0.3% |
| Florida Capital Group | 8/23/06 | 2,203,175 | 1,933 | 0.0% |
| Forethought Financial Group, Inc. - Class A | 11/13/09 | 4,066,780 | 5,487,014 | 2.1% |
| Highland Financial Partners, LP | 10/18/06 | 4,558,950 | - | 0.0% |
| Iguazu Master Investors (Cayman), LP, an Iguazu Investors (Cayman), SPC share class | 10/3/11 | 4,341,847 | 4,532,886 | 1.7% |
| Independence Financial Group, Inc. | 9/13/04 | 480,000 | 438,000 | 0.2% |
| J. Caird Partners, LP | 10/3/11 | 16,780,753 | 16,508,185 | 6.3% |
| Maiden Holdings, Ltd., Series C | 1/15/09 | 1,600,000 | 1,689,347 | 0.6% |
| MidCountry Financial Corp. | 10/22/04 | 4,654,500 | 2,653,065 | 1.0% |
| National Bancshares, Inc. | 6/6/06 | 2,128,160 | 208,288 | 0.1% |
| North River Investors (Bermuda) LP, a Wellington Management Investors (Bermuda), Ltd. share class | 10/3/11 | 16,605,291 | 14,846,133 | 5.6% |
| NSE India, Ltd. | 4/30/10 | 1,517,269 | 1,286,717 | 0.5% |
| Ocwen Structured Investments, LLC | 3/20/07 - 8/27/07 | 1,399,433 | 354,978 | 0.1% |
| Privee, LLC | 11/17/04 | 2,362,500 | - | 0.0% |
| South Street Securities Holdings, Inc. | 12/8/03 | 2,500,000 | 746,000 | 0.3% |
| Square 1 Financial, Inc. | 5/3/05 | 3,029,000 | 1,771,965 | 0.7% |
| Tiptree Financial | 6/4/07-7/10/09 | 2,058,848 | 1,189,887 | 0.5% |
| Verde Realty | 2/16/07 | 2,900,700 | 1,312,347 | 0.5% |
| Wolf Creek Investors (Bermuda) LP, a Wellington Management Investors (Bermuda), Ltd. share class | 10/3/11 | 40,043,650 | 43,553,243 | 16.6% |
| | | \$ 156,554,191 | \$147,326,338 | 56.1% |

Note 5. Investments in Limited Partnerships

As of June 30, 2012, the Fund held investments in limited partnerships. The Fund's investments in the limited partnerships are reported on the Consolidated Portfolio of Investments under the sections titled Domestic Limited Partnerships and Foreign Limited Partnerships.

Since the investments in limited partnerships are not publicly traded, the Fund's ability to make withdrawals from its investments in the limited partnerships is subject to certain restrictions which vary for each respective limited partnership. These restrictions include notice requirements for withdrawals and additional restrictions or charges for withdrawals within a certain time period following initial investment. In addition, there could be circumstances in which such restrictions can include the suspension or delay in withdrawals from the respective limited partnership, or limited withdrawals allowable only during specified times during the year. In certain circumstances a limited partner may not make withdrawals that occur less than one year following the date of admission to the partnership. The following table summarizes the Fund's investments in limited partnerships as of June 30, 2012.

| Description | % of Net Assets as of 6/30/12 | Net | | | | |
|-----------------------|-------------------------------|---------------------|----------------------------|----------------------|-------------------------------|------------------------|
| | | Value as of 6/30/12 | Unrealized | | Redemption | |
| | | | Gain/ (Loss) as of 6/30/12 | Mgmt fees | Incentive fees | Period/ Frequency |
| Bay Pond Partners, LP | 16.6% | \$43,696,304 | \$4,309,119 | Annual rate of 1% of | 20% of net profits at the end | 31 upon 45 days notice |

net assets of the
fiscal year

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| | | | | | | |
|---|--------------|----------------------|--------------------|---------------------------------|--|---|
| Iguazu Master Investors (Cayman), LP, an Iguazu Investors (Cayman), SPC share class | 1.7% | 4,532,886 | 191,039 | Annual rate of 1% of net assets | 20% of net profits at the end of the fiscal year | At the end of each calendar quarter upon 45 days notice |
| J. Caird Partners, LP | 6.3% | 16,508,185 | (272,568) | Annual rate of 1% of net assets | 20% of net profits at the end of the fiscal year | At the end of each calendar quarter upon 45 days notice |
| North River Investors (Bermuda) LP, a Wellington Management Investors (Bermuda), Ltd. share class | 5.6% | 14,846,133 | (1,759,158) | Annual rate of 1% of net assets | 20% of net profits at the end of the fiscal year | At the end of each calendar quarter upon 45 days notice |
| Wolf Creek Investors (Bermuda) LP, a Wellington Management (Bermuda), Ltd. share class | 16.6% | 43,553,243 | 3,509,593 | Annual rate of 1% of net assets | 20% of net profits at the end of the fiscal year | At the end of each calendar quarter upon 45 days notice |
| Total | 46.8% | \$123,136,751 | \$5,978,025 | | | |

The Fund did not have any outstanding unfunded commitments as of June 30, 2012.

Item 2 - Controls and Procedures.

- (a) The Registrant's Principal Executive Officer and Principal Financial Officer concluded that the Registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940 (17 CFR 270.30a-3(c))) were effective as of a date within 90 days of the filing date of this report (the Evaluation Date), based on their evaluation of the effectiveness of the Registrant's disclosure controls and procedures as of the Evaluation Date.

- (b) There were no changes in the Registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940 (17 CFR 270.30a-3(d))) that occurred during the Registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

Item 3 Exhibits.

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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Registrant First Opportunity Fund, Inc.

By: /s/ Stephen C. Miller
Stephen C. Miller, President

(Principal Executive Officer)

Date: August 29, 2012

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 29, 2012

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

Chief Accounting Officer, Vice President,

Treasurer, Asst. Secretary

(Principal Financial Officer)

Date: August 29, 2012