

FIRST OPPORTUNITY FUND INC
Form N-Q
February 28, 2013

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, LLC

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, 2012

Item 1 Schedule of Investments.

The Schedule of Investments is included herewith.

Consolidated Portfolio of Investments as of December 31, 2012 (Unaudited)**FIRST OPPORTUNITY FUND, INC.**

| Shares | Description | Value (Note 1) |
|--|--|-------------------|
| LONG TERM INVESTMENTS (92.0%) | | |
| DOMESTIC COMMON STOCKS (47.6%) | | |
| Banks & Thrifts (10.6%) | | |
| 29,289 | Bank of Commerce Holdings | \$134,729 |
| 35,498 | Carolina Trust Bank* | 78,096 |
| 43,644 | Central Valley Community Bancorp | 338,677 |
| 12,300 | Citizens & Northern Corp. | 232,470 |
| 60,000 | Community Bank ^{*(a)(b)(c)} | 5,612,400 |
| 65,566 | Eastern Virginia Bankshares, Inc.* | 347,500 |
| 97,200 | FC Holdings, Inc. ^{*(a)(b)(c)} | |
| 4,300 | First Advantage Bancorp | 54,309 |
| 39,700 | First American International ^{*(a)(b)(c)} | 835,685 |
| 116,276 | First Capital Bancorp, Inc.* | 331,387 |
| 66,726 | First Southern Bancorp, Inc. - Class B ^(c) | 251,557 |
| 193,261 | Florida Capital Group ^{*(a)(b)(c)} | 3,865 |
| 126,100 | Metro Bancorp, Inc.* | 1,667,042 |
| 905,600 | National Bancshares, Inc. ^{*(a)(b)(c)} | 253,568 |
| 4,000 | North Dallas Bank & Trust Co. | 180,000 |
| 30,400 | Oak Ridge Financial Services, Inc.* | 123,728 |
| 1,900 | Old Point Financial Corp. | 20,995 |
| 44,300 | OmniAmerican Bancorp, Inc.* | 1,024,659 |
| 153,990 | Pilot Bancshares, Inc.* | 132,431 |
| 190,540 | Republic First Bancorp, Inc.* | 394,418 |
| 83,814 | Southern First Bancshares, Inc.* | 775,279 |
| 79,900 | Southern National Bancorp of Virginia, Inc. | 639,200 |
| 302,900 | Square 1 Financial, Inc. ^{*(a)(b)(c)} | 2,082,438 |
| 62,746 | Square 1 Financial, Inc. - Class A ^{*(a)(b)(c)} | 431,379 |
| 41,122 | Valley Commerce Bancorp | 424,379 |
| 407,189 | Wells Fargo & Co. | 13,917,720 |
| 12,404 | Xenith Bankshares, Inc.* | 56,438 |
| | | 30,344,349 |
| Construction Machinery (0.5%) | | |
| 17,200 | Caterpillar, Inc. | 1,540,776 |
| Diversified Financial Services (6.0%) | | |
| 16,241 | Affinity Financial Corp. ^{*(a)(b)(c)} | |
| 276,300 | Highland Financial Partners, LP ^{*(a)(c)(d)} | |
| 60,000 | Independence Financial Group, Inc. ^{*(a)(b)(c)} | 428,400 |
| 303,800 | JPMorgan Chase & Co. | 13,358,086 |
| 125,890 | Mackinac Financial Corp. | 892,560 |
| 455,100 | Ocwen Structured Investments, LLC ^{*(a)(b)(c)} | 359,529 |
| 25,000 | South Street Securities Holdings, Inc. ^{*(a)(c)(d)} | 835,000 |
| 47,960 | Tiptree Financial ^{*(a)(c)(d)} | 1,159,194 |
| | | 17,032,769 |
| Environmental Control (0.3%) | | |
| 30,000 | Republic Services, Inc. | 879,900 |

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Healthcare Products & Services (2.3%)

| | | |
|--------|-------------------|-----------|
| 91,800 | Johnson & Johnson | 6,435,180 |
|--------|-------------------|-----------|

Insurance (2.3%)

| | | |
|--------|---|-----------|
| 19,678 | Forethought Financial Group, Inc. - Class A ^{*(a)(b)(c)} | 6,487,640 |
|--------|---|-----------|

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| Shares | Description | Value (Note 1) |
|--|---|-------------------|
| Mining (4.1%) | | |
| 345,800 | Freeport-McMoRan Copper & Gold, Inc. | \$11,826,360 |
| Mortgages & REITS (0.2%) | | |
| 55,000 | Coronado First Bank* | 496,100 |
| 155,504 | Newcastle Investment Holdings Corp., REIT*(c) | 71,097 |
| 87,900 | Verde Realty, Escrow Shares*(a)(b)(c) | 26,018 |
| | | 593,215 |
| Oil & Gas (3.3%) | | |
| 78,300 | Chevron Corp. | 8,467,362 |
| 30,000 | Linn Energy LLC | 1,057,200 |
| | | 9,524,562 |
| Pharmaceuticals (0.3%) | | |
| 20,447 | Merck & Co., Inc. | 837,100 |
| Pipelines (0.6%) | | |
| 33,250 | Enterprise Products Partners LP | 1,665,160 |
| Registered Investment Companies (RICs) (0.4%) | | |
| 40,000 | Cohen & Steers Infrastructure Fund, Inc. | 750,000 |
| 18,727 | RMR Real Estate Income Fund | 341,206 |
| | | 1,091,206 |
| Retail (0.2%) | | |
| 10,000 | Wal-Mart Stores, Inc. | 682,300 |
| Savings & Loans (7.1%) | | |
| 10,000 | Auburn Bancorp, Inc.* | 30,600 |
| 40,846 | CFS Bancorp, Inc. | 254,879 |
| 33,500 | Eagle Bancorp | 346,725 |
| 31,254 | Georgetown Bancorp, Inc.* | 345,044 |
| 84,989 | Hampden Bancorp, Inc. | 1,275,685 |
| 22,030 | HF Financial Corp. | 289,474 |
| 47,216 | Home Bancorp, Inc.* | 861,692 |
| 88,948 | Home Federal Bancorp, Inc. | 1,105,624 |
| 42,000 | Liberty Bancorp, Inc. | 415,800 |
| 16,122 | Malvern Bancorp, Inc.* | 179,277 |
| 310,300 | MidCountry Financial Corp.*(a)(b)(c) | 2,814,421 |
| 11,314 | Newport Bancorp, Inc.* | 186,455 |
| 106,998 | Ocean Shore Holding Co. | 1,583,570 |
| 29,100 | Old Line Bancshares, Inc. | 327,666 |
| 168,810 | Pacific Premier Bancorp, Inc.* | 1,728,614 |
| 165,930 | Perpetual Federal Savings Bank(e) | 2,804,217 |
| 17,500 | Privee, LLC*(a)(b)(c) | |
| 40,650 | Redwood Financial, Inc.(e) | 630,075 |
| 89,993 | River Valley Bancorp(e) | 1,588,376 |
| 6,300 | Royal Financial, Inc.* | 22,365 |
| 273,079 | SI Financial Group, Inc. | 3,140,409 |
| 110,500 | Third Century Bancorp*(e) | 386,750 |

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20,317,718

Software & Services (3.8%)

57,000 International Business Machines Corp.

10,918,350

Technology, Hardware & Equipment (4.8%)

638,825 Cisco Systems, Inc.

12,552,911

23,000 Harris Corp.

1,126,080

13,678,991

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| Shares | Description | Value (Note 1) |
|---|-----------------------------------|-------------------|
| Tobacco Products (0.8%) | | |
| 42,000 | Altria Group, Inc. | \$1,319,640 |
| 11,000 | Philip Morris International, Inc. | 920,040 |
| | | 2,239,680 |
| TOTAL DOMESTIC COMMON STOCKS (Cost \$144,211,924) | | 136,095,256 |
| FOREIGN COMMON STOCKS (8.8%) | | |
| Banks & Thrifts (0.2%) | | |
| 5,490 | Gronlandsbanken AB | 550,719 |
| Food (0.4%) | | |
| 18,000 | Nestle SA | 1,172,908 |
| Insurance (0.4%) | | |
| 6,700 | Muenchener Rueckversicherungs AG | 1,202,745 |
| Iron/Steel (2.1%) | | |
| 72,000 | POSCO, ADR | 5,914,800 |
| National Stock Exchange (0.6%) | | |
| 17,776 | NSE India, Ltd. *(a)(b)(c) | 1,610,498 |
| Oil & Gas (0.4%) | | |
| 18,000 | Total SA, Sponsored ADR | 936,180 |
| 8,000 | Transocean, Ltd. | 357,200 |
| | | 1,293,380 |
| Pharmaceuticals (3.8%) | | |
| 24,000 | Sanofi | 2,261,563 |
| 180,300 | Sanofi, ADR | 8,542,614 |
| | | 10,804,177 |
| Real Estate (0.9%) | | |
| 98,000 | Cheung Kong Holdings, Ltd. | 1,504,609 |
| 2,490,000 | Midland Holdings, Ltd. | 1,188,644 |
| | | 2,693,253 |
| TOTAL FOREIGN COMMON STOCKS (Cost \$22,735,279) | | 25,242,480 |
| DOMESTIC LIMITED PARTNERSHIPS (16.5%) | | |
| | Bay Pond Partners, LP*(a)(b)(c) | 47,216,458 |
| TOTAL DOMESTIC LIMITED PARTNERSHIPS | | |

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(Cost \$39,387,185)

47,216,458

FOREIGN LIMITED PARTNERSHIPS (18.3%)

Iguazu Master Investors (Cayman), LP, an Iguazu Investors (Cayman), SPC share class^{*(a)(b)(c)}

4,852,878

Wolf Creek Investors (Bermuda), LP, a Wellington Management Investors (Bermuda), Ltd. share class^{*(a)(b)(c)}

47,444,504

52,297,382

TOTAL FOREIGN LIMITED PARTNERSHIPS

(Cost \$44,385,497)

52,297,382

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| Shares | Description | Value (Note 1) |
|--|---|-------------------|
| DOMESTIC PREFERRED STOCKS (0.6%) | | |
| 1,600 | Maiden Holdings, Ltd., Series C, 14.00% ^{(a)(c)(d)} | \$1,749,804 |
| TOTAL DOMESTIC PREFERRED STOCKS (Cost \$1,600,000) | | 1,749,804 |
| DOMESTIC RIGHTS AND WARRANTS (0.2%) | | |
| 116,276 | First Capital Bancorp, Inc., Warrant, strike price \$1.00, Expires 2/8/2022 ^(c) | 103,514 |
| 26,230 | Flagstar Bancorp, Warrant, strike price \$10.00, Expires 1/30/2019 ^(c) | 325,639 |
| | | 429,153 |
| TOTAL DOMESTIC RIGHTS AND WARRANTS (Cost \$0) | | 429,153 |
| TOTAL LONG TERM INVESTMENTS (Cost \$252,319,885) | | 263,030,533 |
| SHORT TERM INVESTMENTS (7.6%) | | |
| Money Market Funds (7.6%) | | |
| 14,725,066 | Dreyfus Treasury & Agency Cash Management Money Market Fund, Institutional Class (7 day Yield 0.010%) | 14,725,066 |
| 6,900,000 | JPMorgan Prime Money Market Fund (7 day Yield 0.126%) | 6,900,000 |
| TOTAL SHORT TERM INVESTMENTS (Cost \$21,625,066) | | 21,625,066 |
| TOTAL INVESTMENTS (99.6%) (Cost \$273,944,951) | | 284,655,599 |
| TOTAL OTHER ASSETS LESS LIABILITIES (0.4%) | | 1,173,932 |
| TOTAL NET ASSETS (100.0%) | | \$285,829,531 |

* Non-income producing security.

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

(b) Private Placement: these securities may only be resold in transactions exempt from registration under the Securities Act of 1933. As of December 31, 2012, these securities had a total value of \$120,459,681 or 42.14% of total net assets.

(c) Fair valued security under procedures established by the Fund's Board of Directors. Total value of fair valued securities as of December 31, 2012 was \$124,955,486 or 43.72% of total net assets.

(d) 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 December 31, 2012 these securities had a total value of \$3,743,998 or 1.31% of total net assets.

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

Common Abbreviations:

AB - Aktiebolag is the Swedish equivalent of the term corporation

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

REIT - Real Estate Investment Trust

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

See accompanying Notes to Quarterly Portfolio of Investments.

Regional Breakdown as a % of Total Net Assets

| | |
|------------------------------|-------|
| United States | 72.5% |
| Bermuda | 16.6% |
| France | 4.1% |
| South Korea | 2.1% |
| Cayman Islands | 1.7% |
| Hong Kong | 0.9% |
| India | 0.6% |
| Switzerland | 0.5% |
| Germany | 0.4% |
| Denmark | 0.2% |
| Other Assets and Liabilities | 0.4% |

Notes to Quarterly Consolidated Portfolio of Investments

December 31, 2012 (Unaudited)

Note 1. Valuation and Investment Practices

Basis for Consolidation: The First Opportunity Fund (the Fund) invests a significant portion of its investments (the Hedge Fund Portfolio) 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 Legacy Portfolio). 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 holds cash. The Fund may invest up to 25% of its total assets in the Subsidiaries. The aggregated net assets of the Subsidiaries at December 31, 2012 were \$47,157,972 or 16.5% 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 Fund's board of directors (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 Advisers 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, worthless, target event, and discounted cash flow models. In such circumstances, the Valuation Committee of the Advisers or 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 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 \$124,955,486 (43.72% 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 New York Stock Exchange (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. 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. 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)

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The following is a summary of the inputs used as of December 31, 2012 in valuing the Fund's investments carried at value:

| Investments in Securities at Value | Valuation Inputs | | | Total |
|--|----------------------|--------------------|----------------------|----------------------|
| | Level 1 | Level 2 | Level 3 | |
| Domestic Common Stocks | \$108,554,184 | \$6,140,438 | \$21,400,634 | \$136,095,256 |
| Banks & Thrifts | 19,361,368 | 1,763,646 | 9,219,335 | 30,344,349 |
| Construction Machinery | 1,540,776 | | | 1,540,776 |
| Diversified Financial Services | 14,250,646 | | 2,782,123 | 17,032,769 |
| Environmental Control | 879,900 | | | 879,900 |
| Healthcare Products & Services | 6,435,180 | | | 6,435,180 |
| Insurance | | | 6,487,640 | 6,487,640 |
| Mining | 11,826,360 | | | 11,826,360 |
| Mortgages & REITS | | 496,100 | 97,115 | 593,215 |
| Oil & Gas | 9,524,562 | | | 9,524,562 |
| Pharmaceuticals | 837,100 | | | 837,100 |
| Pipelines | 1,665,160 | | | 1,665,160 |
| Registered Investment Companies (RICs) | 1,091,206 | | | 1,091,206 |
| Retail | 682,300 | | | 682,300 |
| Savings & Loans | 13,622,605 | 3,880,692 | 2,814,421 | 20,317,718 |
| Software & Services | 10,918,350 | | | 10,918,350 |
| Technology, Hardware & Equipment | 13,678,991 | | | 13,678,991 |
| Tobacco Products | 2,239,680 | | | 2,239,680 |
| Foreign Common Stocks | 23,631,982 | | 1,610,498 | 25,242,480 |
| Banks & Thrifts | 550,719 | | | 550,719 |
| Food | 1,172,908 | | | 1,172,908 |
| Insurance | 1,202,745 | | | 1,202,745 |
| Iron/Steel | 5,914,800 | | | 5,914,800 |
| National Stock Exchange | | | 1,610,498 | 1,610,498 |
| Oil & Gas | 1,293,380 | | | 1,293,380 |
| Pharmaceuticals | 10,804,177 | | | 10,804,177 |
| Real Estate | 2,693,253 | | | 2,693,253 |
| Domestic Limited Partnerships | | | 47,216,458 | 47,216,458 |
| Foreign Limited Partnerships | | | 52,297,382 | 52,297,382 |
| Domestic Preferred Stocks | | | 1,749,804 | 1,749,804 |
| Domestic Rights and Warrants | | 429,153 | | 429,153 |
| Short Term Investments | 21,625,066 | | | 21,625,066 |
| TOTAL | \$153,811,232 | \$6,569,591 | \$124,274,776 | \$284,655,599 |

The Fund evaluates transfers into or out of Level 1, 2 and 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 bid price from a data provider at the end of the period and a last quoted sales 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 into and out of Levels 1 and 2 at December 31, 2012 were as follows:

| | Level 1 - Quoted and Unadjusted Prices | | Level 2 - Other Significant Observable Inputs | |
|------------------------|--|-----------------------|---|-----------------------|
| | Transfers In | Transfers (Out) | Transfers In | Transfers (Out) |
| Common Stocks | \$ 2,068,995 | \$ (4,599,675) | \$ 4,599,675 | \$ (2,068,995) |
| Short-Term Investments | - | - | - | - |
| Total | \$ 2,068,995 | \$ (4,599,675) | \$ 4,599,675 | \$ (2,068,995) |

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

| Investments in Securities | Balance | Realized gain/(loss) | Change in unrealized appreciation/ (depreciation) | Net | Transfer in and/or (out) of Level 3 | Balance |
|-------------------------------|----------------------------|-------------------------|--|-----------------------|--|-------------------------------|
| | as of March 31, 2012 | | | purchases/ (sales) | | as of December 31, 2012 |
| Domestic Common Stocks | \$21,124,331 | \$(4,477,573) | \$5,821,786 | \$(887,910) | \$(180,000) | \$21,400,634 |
| Foreign Common Stocks | 1,385,345 | - | 225,153 | - | - | 1,610,498 |
| Domestic Limited Partnerships | 65,842,570 | 441,871 | (1,845,359) | (17,222,624) | - | 47,216,458 |
| Foreign Limited Partnerships | 64,149,927 | (1,314,184) | 4,752,746 | (15,291,107) | - | 52,297,382 |
| Domestic Preferred Stocks | 1,713,829 | - | 35,975 | - | - | 1,749,804 |
| Domestic Rights & Warrants | 154,559 | - | 274,594 | - | (429,153) | - |
| TOTAL | \$154,370,561 | \$(5,349,886) | \$9,264,895 | \$(33,401,641) | \$(609,153) | \$124,274,776 |

The table below provides additional information about the Level 3 Fair Value Measurements as of December 31, 2012:

Quantitative Information about Level 3 Fair Value Measurements

| Asset Class | Industry Group | Fair Value (USD) | Valuation Technique | Unobservable Inputs | Range | | |
|------------------------|----------------------------|-----------------------------------|-----------------------------------|---|---------------|----------------------------|--|
| Domestic Common | | | | | | | |
| Stocks: | Banks & Thrifts | \$ 6,957,075.24 | Comparable Company Approach | Discount for lack of marketability | 10% | | |
| | | | | Loan loss reserve Price to Tangible Book Value Multiple | 0.46 1.30 | | |
| | Diversified | \$ 2,513,816.50 | Direct Offering Price | Tangible Book Value | 6.88 6.88 | | |
| | | | | Financial Services | \$ 359,529.00 | Adjusted NAV Book Value | Adjusted Net Asset Value |
| | \$ 1,159,193.20 | Comparable Company Approach | Book Value | | | | |
| | | | \$ 428,400.00 | | | | Discount for lack of marketability Price to Tangible Book Value Multiple |
| | | | | 0.89 0.89 | | | |

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| | | | | | | |
|---|------------------|--|---|-------|-------|-----|
| | \$ 835,000.00 | Tangible Book Value | Tangible Book Value | | | |
| | \$ - | Worthless | Tangible Book Value | | | |
| | \$ - | Zero | Book Value | | | |
| Insurance | | | Book Value | | | |
| | \$ 6,487,639.82 | Comparable Company Approach | Discount for lack of marketability | | | 10% |
| | | | Price to Tangible Book Value Multiple | 0.85 | 0.85 | |
| Mortgages & REITS | \$ 71,096.43 | Book Value | Book Value | | | |
| | \$ 26,018.40 | Future Cash Distribution less a 20% discount | | | | |
| | | | Discount for lack of marketability | | | |
| Savings & Loans | \$ 2,814,421.00 | Comparable Company Approach | Price to Tangible Book Value Multiple | 0.96 | 0.96 | 10% |
| | \$ - | Zero | Tangible | | | |
| | | | Book Value Book Value | | | |
| Domestic Limited | | | Tangible Book Value | | | |
| Partnerships: Domestic Preferred | \$ 47,216,458.00 | Net Asset Value | Capital Balance | | | |
| | | | Discount Rate derived from comparable fixed income securities | 1.50 | 1.50 | 5% |
| Stocks: Foreign Common | \$ 1,749,804.26 | Discounted Cash Flow | | | | |
| | | Comparable Company Approach | Discount for lack of marketability | | | |
| Stocks: National Stock Exchange | \$ 1,610,498.00 | | LTM Net Income Price to Earnings Multiple | 27.11 | 27.11 | 10% |
| Foreign Limited | | | | | | |
| Partnerships: | \$ 52,297,382.00 | Net Asset Value | Capital Balance | | | |

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

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, loan loss reserve, 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 adjusted net asset 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 Insurance are price to tangible 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 input used in fair value measurement of the Fund's investments in Mortgages & REITS is 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 Savings & Loans are price to tangible book value multiple, book value, 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 National Stock Exchanges are price to earnings multiple, net income, 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 is discount rate derived from comparable fixed income companies. 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 December 31, 2012, based on cost of \$274,590,845 for federal income tax purposes, aggregate gross unrealized appreciation for all securities in which there is an excess of value over tax cost was \$42,841,843 and aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value was \$32,777,089, resulting in net unrealized depreciation of \$10,064,754.

Note 3. Transactions With Affiliated Companies

Transactions during the period with companies in which the Fund owned at least 5% of the voting securities were as follows:

| Name of Affiliate | Beginning | | | Ending Share | | | 12/31/12 Market Value |
|--------------------------------|-----------|-----------|---------|--------------|-------------------|-----------------------|-----------------------------|
| | Share | | | Balance | Dividend | Realized | |
| | Balance | Purchases | Sales | Balance | Income | Gains (Losses) | |
| | as of | | | as of | | | |
| | 4/1/12 | | | 12/31/2012 | | | |
| Broadway Financial Corp. | 96,980 | - | 96,980 | - | \$ - | \$ (299,936) | \$ - |
| CCF Holding Co. | 340,815 | - | 340,815 | - | - | (899,925) | - |
| Hampshire First Bank | 179,500 | - | 179,500 | - | - | (1,648,885) | - |
| Perpetual Federal Savings Bank | 165,930 | - | - | 165,930 | 111,173 | - | 2,804,217 |
| Redwood Financial, Inc. | 40,650 | - | - | 40,650 | 10,163 | - | 630,075 |
| River Valley Bancorp | 89,993 | - | - | 89,993 | 56,696 | - | 1,588,376 |
| Third Century Bancorp | 110,500 | - | - | 110,500 | - | - | 386,750 |
| TOTAL | | | | | \$ 178,032 | \$ (2,848,746) | \$ 5,409,418 |

Note 4. Restricted Securities

As of December 31, 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 as reflecting fair value.

Restricted securities as of December 31, 2012 are as follows:

| Description | Acquisition Date | Cost | Value | 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 | 47,216,458 | 16.5% |
| Community Bank | 2/12/08 | 912,100 | 5,612,400 | 2.0% |

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| | | | | |
|--|------------------|-----------------------|-----------------------|---------------------|
| FC Holdings, Inc. | 1/5/06 | 972,000 | - | 0.0% |
| First American International | 11/29/05 | 1,052,050 | 835,685 | 0.3% |
| Florida Capital Group | 8/23/06 | 2,203,175 | 3,865 | 0.0% ^(a) |
| Forethought Financial Group., Inc. - Class A | 11/13/09-9/30/10 | 4,066,780 | 6,487,640 | 2.3% |
| 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 | 4,852,878 | 1.7% |
| Independence Financial Group, Inc. | 9/13/04 | 480,000 | 428,400 | 0.1% |
| Maiden Holdings, Ltd., Series C | 1/15/09 | 1,600,000 | 1,749,804 | 0.6% |
| MidCountry Financial Corp. | 10/22/04 | 4,654,500 | 2,814,421 | 1.0% |
| National Bancshares, Inc. | 6/6/06 | 2,128,160 | 253,568 | 0.1% |
| NSE India, Ltd. | 4/30/10 | 1,517,269 | 1,610,498 | 0.6% |
| Ocwen Structured Investments, LLC | 3/20/07-8/27/07 | 1,399,433 | 359,529 | 0.1% |
| Privee, LLC | 11/17/04 | 2,362,500 | - | 0.0% |
| South Street Securities Holdings, Inc. | 12/8/03 | 2,500,000 | 835,000 | 0.3% |
| Square 1 Financial, Inc. | 5/3/05 | 3,029,000 | 2,082,438 | 0.7% |
| Square 1 Financial, Inc. Class A | 11/7/12 | 431,379 | 431,379 | 0.1% |
| Tiptree Financial | 6/4/07-7/10/09 | 2,058,848 | 1,159,194 | 0.4% |
| Verde Realty, Escrow Shares | 12/21/12 | 32,523 | 26,018 | 0.0% ^(a) |
| Wolf Creek Investors (Bermuda) LP, a Wellington Management Investors (Bermuda), Ltd. share class | 10/3/11 | 40,043,650 | 47,444,504 | 16.6% |
| | | \$ 120,731,349 | \$ 124,203,679 | 43.5% |

^(a) Less than 0.05% of total net assets.

Note 5. Investments in Limited Partnerships

As of December 31, 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.

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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 December 31, 2012.

| Description | % of Net Assets as of 12/31/12 | Value as of 12/31/12 | Net Unrealized | | Mgmt fees | Incentive fees | Redemption Period/ Frequency |
|--|--------------------------------|----------------------|----------------------------|--|---------------------------------|--|---|
| | | | Gain/(Loss) as of 12/31/12 | | | | |
| Bay Pond Partners, LP | 16.5% | \$47,216,458 | \$7,829,273 | | Annual rate of 1% of net assets | 20% of net profits at the end of the fiscal year | June 30 or Dec 31 upon 45 days notice |
| Iguazu Master Investors (Cayman), LP, an Iguazu Investors (Cayman), SPC share class | 1.7% | 4,852,878 | 511,031 | | 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% | 47,444,504 | 7,400,854 | | 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 | 34.8% | \$99,513,840 | \$15,741,158 | | | | |

The Fund did not have any outstanding unfunded commitments as of December 31, 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: February 28, 2013

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 28, 2013

By: Nicole L. Murphey
Nicole L. Murphey, Chief Financial Officer,
Chief Accounting Officer, Vice President,
Treasurer, Asst. Secretary
(Principal Financial Officer)

Date: February 28, 2013