

SPECIAL OPPORTUNITIES FUND, INC.

Form N-Q

November 22, 2016

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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 811-07528

Special Opportunities Fund, Inc.  
(Exact name of registrant as specified in charter)

615 East Michigan Street  
Milwaukee, WI 53202  
(Address of principal executive offices) (Zip code)

Andrew Dakos  
Bulldog Investors, LLC  
Park 80 West  
250 Pehle Avenue, Suite 708  
Saddle Brook, NJ 07663  
(Name and address of agent for service)

Copy to:  
Thomas R. Westle, Esp.  
Blank Rome LLP  
The Chrysler Building  
405 Lexington Avenue  
New York, NY 10174

1-877-607-0414  
Registrant's telephone number, including area code

Date of fiscal year end: December 31, 2016

Date of reporting period: September 30, 2016



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Item 1. Schedule of Investments.

Special Opportunities Fund, Inc.  
Portfolio of Investments  
September 30, 2016 (Unaudited)

| INVESTMENT COMPANIES - 59.60%                             | Shares    | Value     |
|---|-----------|-----------|
| Closed-End Funds - 55.54%                                 |           |           |
| Aberdeen Singapore Fund, Inc. (a)                         | 41,160    | \$385,665 |
| Adams Diversified Equity Fund, Inc.                       | 163,607   | 2,151,432 |
| Advent/Claymore Enhanced Growth & Income Fund             | 381,704   | 3,187,229 |
| Alternative Asset Opps PCC Ltd. (a)(g)                    | 48,436    | 30,919    |
| Asia Tigers Fund, Inc.                                    | 17,660    | 177,497   |
| Boulder Growth & Income Fund, Inc.                        | 423,000   | 3,544,740 |
| Candover Investments PLC/Fund (a)(g)                      | 40,468    | 52,977    |
| Central Securities Corp.                                  | 136,479   | 2,898,814 |
| Clough Global Equity Fund                                 | 304,456   | 3,464,709 |
| Credit Suisse Asset Management Income Fund, Inc.          | 183,134   | 575,041   |
| The Cushing Renaissance Fund                              | 176,472   | 2,917,082 |
| Delaware Investments Dividend & Income Fund, Inc.         | 6,803     | 67,350    |
| Deutsche High Income Opportunities Fund, Inc.             | 269,657   | 3,815,646 |
| Deutsche High Income Trust                                | 237,781   | 2,189,963 |
| Deutsche Multi-Market Income Trust                        | 27,541    | 235,476   |
| Deutsche Strategic Income Trust                           | 839       | 10,169    |
| Ellsworth Growth and Income Fund Ltd.                     | 33,123    | 271,277   |
| First Trust Aberdeen Global Opportunity Income Fund       | 236,969   | 2,791,495 |
| First Trust Dividend and Income Fund                      | 245,674   | 2,238,090 |
| Franklin Limited Duration Income Trust                    | 892       | 10,784    |
| The GDL Fund  | 15,000    | 149,250   |
| General American Investors Co., Inc.                      | 186,696   | 6,095,624 |
| Japan Smaller Capitalization Fund, Inc.                   | 226,635   | 2,390,999 |
| JP Morgan Asian Investment Trust PLC (g)                  | 15,214    | 54,820    |
| JP Morgan China Region Fund, Inc.                         | 50,554    | 871,050   |
| Juridica Investments Ltd. (g)                             | 495,258   | 102,708   |
| Korea Equity Fund, Inc.                                   | 197,009   | 1,687,796 |
| Lazard Global Total Return and Income Fund, Inc.          | 283,582   | 3,961,641 |
| Liberty All Star Equity Fund                              | 846,933   | 4,387,113 |
| Morgan Stanley Asia-Pacific Fund, Inc.                    | 24,473    | 369,200   |
| Morgan Stanley East Europe Fund Escrow (a)                | 97,901    | 0         |
| Morgan Stanley Emerging Markets Fund, Inc.                | 3,011     | 43,810    |
| Neuberger Berman Real Estate Securities Income Fund, Inc. | 1,261,812 | 7,179,710 |
| The New Ireland Fund, Inc.                                | 6,362     | 77,871    |
| Nuveen Global Equity Income Fund                          | 552,024   | 6,591,167 |
| Pacholder High Yield Fund, Inc.                           | 333,992   | 2,381,363 |
| The Prospect Japan Fund Ltd. (a)(g)                       | 700,971   | 700,971   |
| Putman High Income Securities Fund                        | 194,038   | 1,556,185 |
| Royce Value Trust, Inc.                                   | 44,200    | 559,572   |
| The Swiss Helvetia Fund, Inc.                             | 613,335   | 6,556,551 |
| Terra Catalyst Fund (a)(g)                                | 20,319    | 26,928    |
| Tri-Continental Corp.                                     | 313,154   | 6,695,233 |
| Virtus Total Return Fund                                  | 816,440   | 3,869,926 |



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|  |           |            |
|--|-----------|------------|
| Auction Rate Preferred Securities - 0.22% (c)(f) |           |            |
| Putnam Managed Municipal Income Trust - Series C | 6         | 225,000    |
| Putnam Municipal Opportunities Trust - Series C  | 6         | 123,000    |
|  |           | 348,000    |
| Business Development Company - 3.84%             |           |            |
| Crossroads Capital, Inc.                         | 292,681   | 529,753    |
| Equus Total Return, Inc. (a)                     | 106,919   | 198,869    |
| Firsthand Technology Value Fund, Inc. (a)        | 66,217    | 519,804    |
| Full Circle Capital Corp.                        | 510,480   | 1,347,667  |
| GSV Capital Corp.                                | 17,479    | 82,501     |
| Medallion Financial Corp.                        | 3,243     | 13,685     |
| MVC Capital, Inc.                                | 403,584   | 3,345,711  |
|  |           | 6,037,990  |
| Total Investment Companies (Cost \$91,302,430)   |           | 93,711,833 |
| COMMODITY PARTNERSHIPS - 4.73%                   |           |            |
| Nuveen Diversified Commodity Fund                | 199,687   | 1,811,161  |
| Nuveen Long/Short Commodity Total Return Fund    | 424,969   | 5,618,090  |
| Total Commodity Partnerships (Cost \$9,138,161)  |           | 7,429,251  |
| PREFERRED STOCKS - 3.79%                         |           |            |
| Real Estate Investment Trusts - 3.79%            |           |            |
| Preferred Apartment Communities, Inc. (c)(f)     | 6,083     | 5,955,257  |
| Total Preferred Stocks (Cost \$5,657,129)        |           | 5,955,257  |
| COMMON STOCKS - 24.88%                           |           |            |
| Construction Materials - 0.14%                   |           |            |
| Tecnoglass, Inc. (g)                             | 18,190    | 219,008    |
| Consumer Finance - 1.92%                         |           |            |
| Emergent Capital, Inc. (a)                       | 1,032,379 | 3,024,869  |
| Household Products - 0.01%                       |           |            |
| Procter & Gamble Co.                             | 99        | 8,885      |
| Insurance - 8.49%                                |           |            |
| Stewart Information Services Corp.               | 300,440   | 13,354,558 |
| IT Services - 0.04%                              |           |            |
| JetPay Corp. (a)                                 | 23,266    | 62,597     |
| Professional Services - 3.14%                    |           |            |
| Hill International, Inc. (a)                     | 1,070,308 | 4,934,120  |
| Real Estate Investment Trusts - 5.74%            |           |            |
| New York REIT, Inc.                              | 815,160   | 7,458,714  |
| Wheeler Real Estate Investment Trust, Inc.       | 891,459   | 1,560,053  |
|  |           | 9,018,767  |
| Software - 0.01%                                 |           |            |
| COPsync, Inc. (a)                                | 10,794    | 7,556      |
| Special Purpose Acquisition Vehicles - 5.39% (a) |           |            |
| Andina Acquisition Corp. II (g)                  | 67,789    | 668,400    |
| Arowana, Inc. (g)                                | 122,028   | 1,243,465  |
| Barington/Hilco Acquisition Corp.                | 15,611    | 156,891    |
| E-Compass Acquisition Corp. (g)                  | 27,523    | 280,735    |
| FlatWorld Acquisition Corporation (g)            | 105,702   | 3,699      |

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|                                       |         |           |
|---------------------------------------|---------|-----------|
| M I Acquisitions, Inc.                | 188,817 | 1,891,946 |
| M III Acquisition Corp.               | 100,000 | 980,000   |
| Pacific Special Acquisition Corp. (g) | 104,449 | 1,070,602 |

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|   |         |            |
|---|---------|------------|
| Quinpario Acquisition Corp. 2           | 15,611  | 154,703    |
| Stellar Acquisition III, Inc. (g)       | 204,002 | 2,033,900  |
|   |         | 8,484,341  |
| Total Common Stocks (Cost \$36,064,447) |         | 39,114,701 |

LIQUIDATING TRUSTS - 1.32%

|   |         |           |
|---|---------|-----------|
| Winthrop Realty Trust Escrow (a)(c)(f)      | 250,000 | 2,082,500 |
| Total Liquidating Trusts (Cost \$2,569,141) |         | 2,082,500 |

Principal  
Amount

CONVERTIBLE BONDS - 1.64%

|  |             |           |
|--|-------------|-----------|
| Emergent Capital, Inc. (b)                 |             |           |
| 8.500%, 02/15/2019                         | \$2,941,000 | 2,571,537 |
| Total Convertible Bonds (Cost \$2,941,000) |             | 2,571,537 |

CORPORATE BONDS - 0.01%

|                                  |           |        |
|----------------------------------|-----------|--------|
| Washington Mutual Inc. (b)(d)(f) |           |        |
| 0.000%, 03/17/2014               | 3,000,000 | 22,500 |
| Total Corporate Bonds (Cost \$0) |           | 22,500 |

PROMISSORY NOTES - 0.50% (b)(c)(f)

|   |         |         |
|---|---------|---------|
| Emergent Capital, Inc.                  |         |         |
| 15.000%, 09/30/2018                     | 500,000 | 500,000 |
| Wheeler Real Estate Investment Trust    |         |         |
| 9.000%, 12/15/2018                      | 280,000 | 280,000 |
| Total Promissory Notes (Cost \$780,000) |         | 780,000 |

SENIOR UNSECURED NOTES - 0.40%

|   |        |         |
|---|--------|---------|
| Medallion Financial Corp. (b)                 |        |         |
| 9.000%, 04/15/2021                            | 25,100 | 630,010 |
| Total Senior Unsecured Notes (Cost \$630,822) |        | 630,010 |

Shares

WARRANTS - 0.10% (a)

|                                   |         |        |
|-----------------------------------|---------|--------|
| Andina Acquisition Corp. II       |         |        |
| Expiration: December 2020         | 67,789  | 12,202 |
| Exercise Price: \$11.50 (g)       |         |        |
| AR Capital Acquisition Corp.      |         |        |
| Expiration: October 2019          | 49,997  | 3,050  |
| Exercise Price: \$11.50           |         |        |
| Arowana, Inc.                     |         |        |
| Expiration: May 2020              | 122,028 | 8,542  |
| Exercise Price: \$12.50 (g)       |         |        |
| Barington/Hilco Acquisition Corp. |         |        |
| Expiration: February 2018         | 15,611  | 1,171  |
| Exercise Price: \$12.50           |         |        |
| China Lending Corp.               |         |        |
| Expiration: July 2021             | 79,818  | 15,964 |
| Exercise Price: \$12.00 (g)       |         |        |

COPsync, Inc.

Expiration: October 2020

10,794

971

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|  |         |         |
|--|---------|---------|
| Exercise Price: \$3.125<br>Electrum Special Acquisition Corp.<br>Expiration: June 2021             | 46,800  | 10,647  |
| Exercise Price: \$11.50 (g)<br>Emergent Capital, Inc.<br>Expiration: October 2019                  | 8       | 0       |
| Exercise Price: \$10.75 (c)(f)<br>Gores Holdings, Inc.<br>Expiration: October 2020                 | 5,918   | 7,102   |
| Exercise Price: \$11.50<br>Harmony Merger Corp.<br>Expiration: January 2021                        | 62,937  | 17,182  |
| Exercise Price: \$11.50<br>Hemisphere Media Group, Inc.<br>Expiration: April 2018                  | 39,430  | 22,081  |
| Exercise Price: \$12.00<br>Limbach Holdings, Inc.<br>Expiration: July 2021                         | 23,226  | 30,658  |
| Exercise Price: \$5.75<br>Origo Acquisition Corp.<br>Expiration: December 2021                     | 23,814  | 2,381   |
| Exercise Price: \$5.75 (g)<br>Pacific Special Acquisition Corp.<br>Expiration: October 2020        | 104,449 | 13,839  |
| Exercise Price: \$12.00 (g)<br>Quinpario Acquisition Corp. 2<br>Expiration: January 2023           | 15,611  | 2,732   |
| Exercise Price: \$5.75<br>Tempus Applied Solutions Holdings, Inc.<br>Expiration: July 2020         | 60,197  | 90      |
| Exercise Price: \$11.50<br>Terrapin 3 Acquisition Corp.<br>Expiration: June 2019                   | 62,138  | 11,247  |
| Exercise Price: \$11.50<br>Wheeler Real Estate Investment Trust, Inc.<br>Expiration: December 2018 | 84,211  | 0       |
| Exercise Price: \$4.75 (c)(f)<br>Total Warrants (Cost \$185,035)                                   |         | 159,859 |
| RIGHTS - 0.05% (a)   |         |         |
| Andina Acquisition Corp. II (g)  | 67,789  | 18,981  |
| Arowana, Inc. (g)  | 122,028 | 18,304  |
| Barington/Hilco Acquisition Corp.  | 15,611  | 1,874   |
| E-Compass Acquisition Corp. (g)  | 27,523  | 15,138  |
| Origo Acquisition Corp. (g)  | 23,814  | 3,834   |
| Pacific Special Acquisition Corp. (g)  | 104,449 | 19,845  |
| Total Rights (Cost \$71,552)   |         | 77,976  |

MONEY MARKET FUNDS - 38.92%

Fidelity Institutional Government Portfolio - Class I, 0.270% (e) 30,594,676 30,594,676

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|   |            |                |
|---|------------|----------------|
| STIT-Treasury Portfolio - Institutional Class, 0.230% (e) | 30,594,676 | 30,594,676     |
| Total Money Market Funds (Cost \$61,189,352)              |            | 61,189,352     |
| Total Investments (Cost \$210,529,069) - 135.94%          |            | 213,724,776    |
| Liabilities in Excess of Other Assets - (0.58)%           |            | (900,211 )     |
| Preferred Stock - (35.36)%                                |            | (55,599,400 )  |
| TOTAL NET ASSETS - 100.00%                                |            | \$ 157,225,165 |

(a) Non-income producing security.

(b) The coupon rate shown represents the rate at September 30, 2016.

(c) Fair valued securities. The total market value of these securities was \$9,165,757, representing 5.83% of net assets.

(d) Default or other conditions exist and security is not presently accruing income.

(e) The rate shown represents the 7-day yield at September 30, 2016.

(f) Illiquid securities. The total market value of these securities was \$9,188,257, representing 5.84% of net assets.

(g) Foreign-issued security.

Valuation of investments—The Fund calculates its net asset value based on the current market value for its portfolio securities. The Fund normally obtains market values for its securities from independent pricing sources and broker-dealers. Independent pricing sources may use last reported sale prices or if not available the most recent bid price, current market quotations or valuations from computerized “matrix” systems that derive values based on comparable securities. A matrix system incorporates parameters such as security quality, maturity and coupon, and/or research and evaluations by its staff, including review of broker-dealer market price quotations, if available, in determining the valuation of the portfolio securities. If a market value is not available from an independent pricing source or a broker-dealer for a particular security, that security is valued at fair value as determined in good faith by or under the direction of the Fund’s Board of Directors (the “Board”). Various factors may be reviewed in order to make a good faith determination of a security’s fair value. The auction rate preferred securities are valued at cost, unless other observable market events occur. The purchase price, or cost, of these securities is arrived at through an arms length transaction between a willing buyer and seller in the secondary market and is indicative of the value on the secondary market. Current transactions in similar securities in the marketplace are evaluated. Factors for other securities may include, but are not limited to, the type and cost of the security; contractual or legal restrictions on resale of the security; relevant financial or business developments of the issuer; actively traded similar or related securities; conversion or exchange rights on the security; related corporate actions; and changes in overall market conditions. If events occur that materially affect the value of securities between the close of trading in those securities and the close of regular trading on the New York Stock Exchange, the securities may be fair valued. U.S. and foreign debt securities including short-term debt instruments having a maturity of 60 days or less shall be valued in accordance with the price supplied by a Pricing Service using the evaluated bid price. Money market mutual funds, demand notes and repurchase agreements are valued at cost, unless the Board or its delegate determines that this does not represent fair value.

The Fund has adopted fair valuation accounting standards that establish an authoritative definition of fair value and set out a hierarchy for measuring fair value. These standards require additional disclosures about the various input and valuation techniques used in measuring fair value. Fair value inputs are summarized in the three broad levels listed below:

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access.

Level 2—Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

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Level 3—Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available; representing the Fund’s own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The Fund adopted Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2011-04 (“ASU 2011-04”), Fair Value Measurement: Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRS, which, among other things, clarifies existing disclosure requirements provided by ASC 820 regarding the level of disaggregation and the inputs and valuation techniques used to measure fair value.

The significant unobservable inputs used in fair value measurement of the Fund’s investment companies, corporate bonds, promissory notes, liquidation claims and warrants are (1) cost and (2) indicative bids or price ranges from dealers, brokers, or market makers. Significant changes in any of these inputs in isolation may result in a change in higher fair value measurement.

In accordance with procedures established by the Fund’s Board of Directors, the Adviser shall initially value non-publicly-traded securities (for which a current market value is not readily available) at their acquisition cost less related expenses, where identifiable, unless and until the Adviser determines that such value does not represent fair value.

The Adviser sends a memorandum to the Chairman of the Valuation Committee with respect to any non-publicly-traded securities that are valued using a method other than cost detailing the reason, factors considered, and impact on the Fund’s NAV. If the Chairman determines that such fair valuation(s) require the involvement of the Valuation Committee, a special meeting of the Valuation Committee is called as soon as practicable to discuss such fair valuation(s). The Valuation Committee of the Board consists of at least two non-interested Directors, as defined by the Investment Company Act of 1940.

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At each regular quarterly Board meeting, the Adviser delivers a written report (the “Quarterly Report”) to the Board regarding any recommendations of fair valuation during the past quarter, including fair valuations which have not changed. The Board reviews the Quarterly Report and discusses the valuation of the fair valued securities.

The Valuation Committee reviews all Quarterly Reports and any other interim reports, and reviews and approves the valuation of all fair valued securities. This review includes a review and discussion of an updated fair valuation summary with appropriate levels of representatives of the Adviser’s management.

The following is a summary of the fair valuations according to the inputs used as of September 30, 2016 in valuing the Fund's investments:

|                                      | Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Investments<br>(Level 1)* | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2)* | Unobservable<br>Inputs<br>(Level 3)** | Total         |
|--------------------------------------|---|--|---------------------------------------|---------------|
| Investment Companies                 | \$93,336,905  | \$26,928   | \$ 348,000                            | \$93,711,833  |
| Commodity Partnerships               | 7,429,251   | -  | -                                     | 7,429,251     |
| Preferred Stocks                     |   |  |                                       |               |
| Real Estate Investment Trusts        | -   | -  | 5,955,257                             | 5,955,257     |
| Common Stocks                        |   |  |                                       |               |
| Construction Materials               | 219,008   | -  | -                                     | 219,008       |
| Consumer Finance                     | 3,024,869   | -  | -                                     | 3,024,869     |
| Household Products                   | 8,885   | -  | -                                     | 8,885         |
| Insurance                            | 13,354,558  | -  | -                                     | 13,354,558    |
| IT Services                          | 62,597  | -  | -                                     | 62,597        |
| Professional Services                | 4,934,120   | -  | -                                     | 4,934,120     |
| Real Estate Investments Trusts       | 9,018,767   | -  | -                                     | 9,018,767     |
| Software                             | 7,556   | -  | -                                     | 7,556         |
| Special Purpose Acquisition Vehicles | 7,374,616   | 1,109,725  | -                                     | 8,484,341     |
| Liquidating Trusts                   | -   | -  | 2,082,500                             | 2,082,500     |
| Convertible Bonds                    | -   | 2,571,537  | -                                     | 2,571,537     |
| Corporate Bonds                      | -   | 22,500   | -                                     | 22,500        |
| Promissory Notes                     | -   | -  | 780,000                               | 780,000       |
| Unsecured Senior Notes               | 630,010   | -  | -                                     | 630,010       |
| Warrants                             | 107,644   | 52,215   | -                                     | 159,859       |
| Rights                               | -   | 77,976   | -                                     | 77,976        |
| Money Market Funds                   | 61,189,352  | -  | -                                     | 61,189,352    |
| Total                                | \$200,698,138   | \$3,860,881  | \$ 9,165,757                          | \$213,724,776 |

\* Transfers between Levels are recognized at the end of the reporting period.

\*\*The Fund measures Level 3 activity as of the beginning and end of each financial reporting period.

Transfers between Level 1 and Level 2 securities as of September 30, 2016 resulted from securities priced previously with an official close price (Level 1 securities) or on days where there is not an official close price the bid price is used (Level 2 securities). Transfers as of September 30, 2016 are summarized in the table below:

|  |            |          |
|--|------------|----------|
| Transfers into Level 1                 |            |          |
| Warrants                               |            | \$11,247 |
| Transfers out of Level 1               |            |          |
| Common Stocks                          |            |          |
| Special Purpose Acquisition Vehicles   | (668,400   | )        |
| Warrants                               | (29,000    | )        |
| Rights                                 | (1,874     | )        |
| Net transfers in and/or out of Level 1 | \$(688,027 | )        |

|  |           |   |
|--|-----------|---|
| Transfers into Level 2                 |           |   |
| Common Stocks                          |           |   |
| Special Purpose Acquisition Vehicles   | \$668,400 |   |
| Warrants                               | 29,000    |   |
| Rights                                 | 1,874     |   |
| Transfers out of Level 2               |           |   |
| Warrants                               | (11,247   | ) |
| Net transfers in and/or out of Level 2 | \$688,027 |   |

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Special Opportunities Fund

The fair value of derivative instruments as reported within the Schedule of Investments as of September 30, 2016:

| Derivatives not accounted for as hedging instruments | Statement of Assets & Liabilities Location | Value         |
|--|--|---------------|
| Equity Contracts - Warrants                          | Investments, at value                      | \$<br>159,859 |

The effect of derivative instruments on the Statement of Operations for the period ended September 30, 2016:

| Derivatives not accounted for as hedging instruments | Amount of Realized Gain on Derivatives Recognized in Income           |                 |
|--|---|-----------------|
|  | Statement of Operations Location                                      | Value           |
| Equity Contracts - Warrants                          | Net Realized Gain<br>on Investments                                   | \$<br>42,162    |
| Derivatives not accounted for as hedging instruments | Change in Unrealized Depreciation on Derivatives Recognized in Income |                 |
|  | Statement of Operations Location                                      | Total           |
| Equity Contracts - Warrants                          | Net change in unrealized<br>depreciation of investments               | \$<br>(282,741) |

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Level 3 Reconciliation  
Disclosure

The following is a reconciliation of Level 3 assets for which significant unobservable inputs were used to determine fair value:

| Category                                   | Balance<br>as of 12/31/2015 | Acquisitions | Dispositions   | Corporate<br>Actions | Realized Gain<br>(Loss) |
|--|-----------------------------|--------------|----------------|----------------------|-------------------------|
| Open-End<br>Funds                          | \$ -                        | \$ -         | \$ (5,041,600) | \$ 4,228,907         | \$ 812,693              |
| Auction<br>Rate<br>Preferred<br>Securities | 348,000                     | -            | -              | -                    | -                       |
| Preferred<br>Stocks                        | 5,891,324                   | -            | -              | -                    | -                       |
| Liquidation<br>Claims                      | 2,881,371                   | -            | (2,959,237)    | -                    | 389,357                 |
| Liquidating<br>Trust                       | -                           | -            | -              | 2,569,141            | -                       |
| Promissory<br>Notes                        | 600,000                     | 500,000      | (320,000)      | -                    | -                       |
| Warrants                                   | 0                           | -            | -              | -                    | -                       |
|  | \$ 9,720,695                | \$ 500,000   | \$ (8,320,837) | \$ 6,798,048         | \$ 1,202,050            |

The following table presents additional information about valuation methodologies and inputs used for investments that are measured at fair value and categorized within Level 3 as of September 30, 2016:

|  | Fair Value<br>September 30,<br>2016 | Valuation<br>Methodologies  | Unobservable Input <sup>(1)</sup>   |
|--|-------------------------------------|-----------------------------|---|
| Open-End<br>Funds                          | \$ -                                | Last Reported<br>NAV        | Redemption Fee  |
| Auction<br>Rate<br>Preferred<br>Securities | \$ 348,000                          | Market<br>Comparables/ Cost | Comparability<br>Adjustments/ Broker<br>Indications/ Company<br>Announcements |
| Preferred<br>Stocks                        | 5,955,257                           | Cost                        | Market Assessments/<br>Financial Assessments                                  |
| Liquidation                                | -                                   | Market                      | Broker Bids   |

| Claims            |           | Transactions Approach        |  |
|-------------------|-----------|------------------------------|--|
| Liquidating Trust | 2,082,500 | Last Traded Price            | Financial Assessments/<br>Company<br>Announcements                       |
| Promissory Notes  | 780,000   | Cost                         | Terms of the Note/<br>Financial Assessments/<br>Company<br>Announcements |
| Warrants          | 0         | Market Transactions Approach | Discount to Market Price<br>for Share Restrictions                       |

(1) In determining certain inputs, management evaluates a variety of factors including economic conditions, foreign developments, market valuations of comparable companies and company specific developments including exit strategy. Management has determined that market participants would take these inputs into account when valuing the investments.

(2) This column represents the directional change in the fair value of the Level 3 investments that would result from a change in an unobservable input. A decrease to the unobservable input would have the opposite effect.

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The cost basis of investments for federal income tax purposes at September 30, 2016 was as follows\*:

|   |                     |
|---|---------------------|
| Cost of investments                             | \$210,529,069       |
| Gross unrealized appreciation on<br>investments | 15,328,846          |
| Gross unrealized depreciation on<br>investments | <u>(12,133,139)</u> |
| Net unrealized depreciation                     | \$3,195,707         |

\*Because tax adjustments are calculated annually at the end of the Fund's fiscal year, the above table does not reflect tax adjustments for the current fiscal year. For the previous fiscal year's federal income tax information, please refer to the Notes to Financial Statements section in the Fund's most recent annual report.

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Item 2. Controls and Procedures.

The Registrant's President and Chief Financial Officer have concluded that the Registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940 (the "1940 Act")) (17 CFR 270.30a-3(c)) are effective as of a date within 90 days of the filing date of the report that includes the disclosure required by this paragraph, based on the evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rule 13a-15(b) or Rule 15d-15(b) under the Securities Exchange Act of 1934, as amended (17 CFR 240.13a-15(b) or 240.15d-15(d)).

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

Item 3. Exhibits.

Separate certifications for each principal executive officer and principal financial officer of the Registrant as required by Rule 30a-2(a) under the 1940 Act (17 CFR 270.30a-2(a)). Filed herewith.

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SIGNATURES

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

(Registrant) Special Opportunities Fund, Inc.

By (Signature and Title) /s/ Andrew Dakos  
Andrew Dakos, President

Date 11/21/16

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 (Signature and Title) /s/ Andrew Dakos  
Andrew Dakos, President

Date 11/21/16

By (Signature and Title) /s/ Thomas Antonucci  
Thomas Antonucci, Chief Financial Officer

Date 11/21/16

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