

SPECIAL OPPORTUNITIES FUND, INC.
Form N-Q
May 29, 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 811-07528

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
Brooklyn Capital Management, 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, 2013

Date of reporting period: March 31, 2013

Item 1. Schedule of Investments.

Special Opportunities Fund, Inc.
Portfolio of Investments
March 31, 2013 (Unaudited)

| INVESTMENT COMPANIES - 92.21% | Shares | Fair Value |
|---------------------------------------------------------------|-----------|--------------|
| Closed-End Funds - 78.09% | | |
| Aberdeen Israel Fund, Inc. | 82,016 | \$ 1,198,254 |
| Adams Express Company | 250,216 | 2,938,036 |
| Advance Developing Markets Fund Ltd. (a)(h) | 187,317 | 1,377,561 |
| Advance Frontier Markets Fund Ltd. (a)(h) | 500,000 | 390,158 |
| Alpine Total Dynamic Dividend Fund | 585,259 | 2,393,709 |
| American Strategic Income Portfolio II | 182,487 | 1,622,309 |
| American Strategic Income Portfolio III | 530,930 | 3,869,949 |
| Bancroft Fund, Ltd. | 79,335 | 1,388,958 |
| Blackrock Latin American Investment Trust PLC (h) | 80,000 | 686,794 |
| Boulder Growth & Income Fund, Inc. | 428,406 | 3,140,216 |
| Boulder Total Return Fund, Inc. (a) | 184,149 | 3,848,714 |
| Central Europe & Russia Fund, Inc. | 70,987 | 2,326,244 |
| Central Securities Corporation | 123,123 | 2,557,265 |
| Clough Global Equity Fund | 141,875 | 2,085,562 |
| Clough Global Opportunities Fund | 13,270 | 170,785 |
| Dividend & Income Fund | 2,796 | 42,779 |
| DPF India Opportunities Fund (h) | 479,700 | 1,737,753 |
| DWS RREEF Real Estate Fund II, Inc. (a)(c)(f)(g) | 201,612 | 28,830 |
| DWS RREEF Real Estate Fund, Inc. (a)(c)(f)(g) | 126,913 | 11,803 |
| Eaton Vance Risk Managed Diversified Equity Income Fund | 1,428,217 | 15,696,106 |
| Eaton Vance Tax Managed Global Diversified Equity Income Fund | 43,000 | 400,760 |
| Ellsworth Fund Ltd. | 55,094 | 420,918 |
| The European Equity Fund, Inc. | 9,361 | 66,467 |
| First Opportunity Fund, Inc. (a) | 279,106 | 2,266,341 |
| The GDL Fund | 34,028 | 400,850 |
| General American Investors Co., Inc. | 105,177 | 3,284,678 |
| Hansa Trust (h) | 41,000 | 507,726 |
| The India Fund, Inc. | 92,375 | 1,962,045 |
| INVESCO Asia Trust PLC (h) | 347,395 | 885,471 |
| JP Morgan Asian IT (h) | 34,105 | 113,488 |
| Juridica Investment Ltd. | 495,258 | 691,381 |
| Liberty All-Star Equity Fund | 2,239,240 | 11,576,871 |
| Macquarie Global Infrastructure Total Return Fund, Inc. | 54,324 | 1,150,039 |
| Monks Investment Trust PLC (h) | 175,000 | 943,962 |
| Morgan Stanley Asia Pacific Fund, Inc. | 16,524 | 266,863 |
| The New Germany Fund, Inc. | 11,712 | 197,230 |
| The New Ireland Fund, Inc. | 26,785 | 278,028 |
| Pacific Alliance Asia Opportunities Fund (a) | 100,000 | 131,750 |
| PennantPark Floating Rate Capital Ltd. | 16,743 | 233,732 |
| Royce Micro-Cap Trust, Inc. | 440,426 | 4,712,558 |
| Royce Value Trust, Inc. | 348,093 | 5,242,281 |

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| | | |
|---------------------------------------------------------------------|---------|-------------|
| Swiss Helvetia Fund, Inc. | 134,018 | 1,643,061 |
| Terra Catalyst Fund (h) | 40,000 | 33,276 |
| The Thai Capital Fund, Inc. | 106,942 | 1,498,257 |
| The Thai Fund, Inc. | 144,393 | 3,452,437 |
| Tri-Continental Corporation | 387,319 | 6,797,448 |
| The Zweig Total Return Fund, Inc. | 432,403 | 5,634,211 |
| | | 102,303,914 |
| Closed-End Funds - Preferred Shares - 2.78% | | |
| Oxford Lane Capital Corp. | 140,000 | 3,640,000 |
| Auction Rate Preferred Securities - 3.89% (b)(c)(f) | | |
| BlackRock California Municipal 2018 Term Trust - Series M7, 0.152% | 89 | 2,113,750 |
| BlackRock Municipal 2018 Term Trust - Series W7, 0.168% | 73 | 1,733,750 |
| Putnam Managed Municipal Income Trust - Series C, 0.00% | 6 | 225,000 |
| Putnam Municipal Opportunities Trust - Series C, 0.00% | 6 | 112,500 |
| Western Asset Premier Bond Fund - Series M, 0.060% | 46 | 914,250 |
| | | 5,099,250 |
| Business Development Company - 7.45% | | |
| Equus Total Return, Inc. (a) | 106,919 | 230,945 |
| Firsthand Technology Value Fund, Inc. (a) | 253,938 | 4,898,464 |
| Gladstone Investment Corporation | 241,102 | 1,762,456 |
| Hercules Technology Growth Capital, Inc. | 12,934 | 158,441 |
| MVC Capital, Inc. | 211,575 | 2,714,507 |
| | | 9,764,813 |
| Total Investment Companies (Cost \$106,187,034) | | 120,807,977 |
| PREFERRED STOCKS - 5.30% | | |
| Oil and Gas Extraction - 0.64% | | |
| Magnum Hunter Resources Corporation - Series D, 8.000% | 17,875 | 838,695 |
| Other Investment Pools and Funds - 0.13% | | |
| Arbor Realty Trust, Inc. - Series A, 8.250% | 6,558 | 169,524 |
| Real Estate Investment Trust - 4.53% | | |
| AG Mortgage Investment Trust, Inc. - Series B, 8.000% | 10,755 | 274,038 |
| Healthcare Corp. of America - Series A, 0.000% (a)(c)(f) | 10,000 | 0 |
| Preferred Apartment Communities - Series A, (a) | 6,083 | 5,657,129 |
| | | 5,931,167 |
| Total Preferred Stocks (Cost \$6,876,454) | | 6,939,386 |
| COMMON STOCKS - 20.12% | | |
| Commercial Banks - 0.01% | | |
| 1st Constitution Bancorp (a) | 2,214 | 19,195 |
| Energy Equipment & Services - 0.21% | | |
| Zedi, Inc. (a)(h) | 422,825 | 270,548 |
| Financials - 0.03% | | |
| Universal Business Payment Solutions Acquisition Corporation (c)(j) | 13,330 | 36,991 |
| Food & Staples Retailing - 0.38% | | |
| SUPERVALU, Inc. | 98,396 | 495,916 |
| Household Durables - 1.80% | | |
| Lennar Corp. | 73,014 | 2,355,432 |
| Life Insurance - 1.80% | | |
| Imperial Holdings, Inc. (a) | 581,622 | 2,355,569 |

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| | | |
|------------------------------------------------------------------------|-----------|------------------|
| Marine - 0.21% | | |
| Box Ships, Inc. (h) | 58,612 | 272,546 |
| Pharmaceuticals Preparations - 0.06% | | |
| Myrexix, Inc. | 857,013 | 81,416 |
| Real Estate Investment Trusts - 1.98% | | |
| Gladstone Land Corporation | 5,500 | 85,360 |
| Gyrodyne Company of America, Inc. | 8,345 | 613,441 |
| JAVELIN Mortgage Investment Corporation | 96,231 | 1,890,939 |
| | | 2,589,740 |
| Software - 0.14% | | |
| Single Touch Systems, Inc. (a) | 264,771 | 185,340 |
| Special Purpose Acquisition Vehicle - 13.50% (a) | | |
| Andina Acquisition Corporation (h) | 95,026 | 945,509 |
| Aquisition Corporation (h)(i) | 400,000 | 4,020,000 |
| Azteca Acquisition Corporation | 12,982 | 133,714 |
| BGS Acquisition Corporation (h) | 120,615 | 1,212,181 |
| Blue Wolf Mongolia Holdings Corporation (h) | 50,273 | 499,211 |
| Chart Acquisition Corporation | 124,265 | 1,185,488 |
| CIS Acquisition Ltd. (h) | 144,147 | 1,458,768 |
| Collabrium Japan Acquisition Corporation (h) | 208,234 | 2,082,340 |
| Hyde Park Acquisition Corporation II | 59,000 | 607,700 |
| Infinity Cross Border Acquisition Corporation (h) | 126,200 | 971,740 |
| Lone Oak Acquisition Corporation (h) | 112,297 | 918,589 |
| Prime Acquisition Corporation (h) | 80,545 | 801,423 |
| ROI Acquisition Corporation | 48,370 | 435,814 |
| SCG Financial Acquisition Corporation | 163,384 | 1,607,698 |
| Selway Capital Acquisition Corporation | 80,000 | 816,000 |
| | | 17,696,175 |
| Total Common Stocks (Cost \$27,782,384) | | 26,358,868 |
| | | Principal Amount |
| CORPORATE BONDS - 3.28% | | |
| American Airlines, Inc. 10.500%, 10/15/2012 (b) | \$666,000 | 790,875 |
| Greenwood Asset Portfolio LLC 12.000%, 09/27/2014 (b) | 3,770,000 | 3,487,250 |
| Washington Mutual, Inc. 0.000%, 09/17/2012 (c)(d)(f) | 3,000,000 | 15,000 |
| Total Corporate Bonds (Cost \$4,257,484) | | 4,293,125 |
| CONVERTIBLE NOTES - 0.08% | | |
| HCA Note 0.080%, 9/19/2013 (c)(f) | 100,000 | 100,000 |
| Total Convertible Notes (Cost \$100,000) | | 100,000 |
| PROMISSORY NOTES - 0.35% | | |
| Symbios Holdings, Inc. 15.000%, 07/16/2012 (c)(f) | 450,000 | 225,000 |
| UBPS Secured Convertible Promissory Note 12.000%, 12/31/2014 (c)(f) | 234,000 | 234,000 |

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| | | |
|-----------------------------------------------|---------|---------|
| Total Promissory Notes (Cost \$684,000) | | 459,000 |
| | Shares | |
| WARRANTS - 0.74% (a) | | |
| Andina Acquisition Corporation | | |
| Expiration: March 2016 | 95,026 | 14,254 |
| Exercise Price: \$8.00 (h) | | |
| Azteca Acquisition Corporation | | |
| Expiration: April 2018 | 166,726 | 191,735 |
| Exercise Price: \$12.50 | | |
| Blue Wolf Mongolia Holdings Corporation | | |
| Expiration: July 2016 | 50,273 | 9,049 |
| Exercise Price: \$12.00 (c)(h) | | |
| Chart Acquisition Corporation | | |
| Expiration: December 2017 | 124,265 | 54,677 |
| Exercise Price: \$11.50 | | |
| Collabrium Japan Acquisition Corporation | | |
| Expiration: December 2017 | 208,234 | 33,317 |
| Exercise Price: \$11.50 | | |
| Empeiria Acquisition Corporation | | |
| Expiration: December 2017 | 205,929 | 65,897 |
| Exercise Price: \$11.50 | | |
| Global Eagle Acquisition Corporation | | |
| Expiration: May 2016 | 100,000 | 135,000 |
| Exercise Price: \$11.50 | | |
| Infinity Cross Border Acquisition Corporation | | |
| Expiration: July 2016 | 270,124 | 151,270 |
| Exercise Price: \$7.00 (h) | | |
| Lone Oak Acquisition Corporation | | |
| Expiration: March 2016 | 81,430 | 17,711 |
| Exercise Price: \$5.00 (h) | | |
| Nautilus Marine Acquisition Corporation | | |
| Expiration: July 2016 | 30,852 | 3,085 |
| Exercise Price: \$11.50 (h) | | |
| Net Element International, Inc. | | |
| Expiration: October 2017 | 228,491 | 34,274 |
| Exercise Price: \$7.50 | | |
| Perferred Apartment Communities | | |
| Expiration: March 2017 | 6,083 | 61 |
| Exercise Price: \$9.00 | | |
| Pingtan Marine Enterprise Ltd. | | |
| Expiration: February 2018 | 52,798 | 17,951 |
| Exercise Price: 12.00 (h) | | |
| Prime Acquisition Corporation | | |
| Expiration: March 2016 | 50,142 | 20,558 |
| Exercise Price: \$7.50 (h) | | |
| RLJ Entertainment, Inc. | | |
| Expiration: October 2017 | 436,744 | 91,716 |
| Exercise Price: \$12.00 | | |
| ROI Acquisition Corporation | | |
| Expiration: February 2017 | 48,370 | 38,696 |

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| | | |
|-------------------------------------------------------------------|-----------|----------------|
| Exercise Price: \$120.00 | | |
| SCG Financial Acquisition Corporation | | |
| Expiration: May 2016 | 60,478 | 22,377 |
| Exercise Price: \$11.50 | | |
| Selway Capital Acquisition Corporation | | |
| Expiration: November 2016 | 80,000 | 74,400 |
| Exercise Price: \$7.50 | | |
| Total Warrants (Cost \$770,191) | | 976,028 |
| | | |
| MONEY MARKET FUNDS - 6.67% | | |
| Fidelity Institutional Government Portfolio - Class I, 0.010% (e) | 4,369,140 | 4,369,140 |
| Fidelity Institutional Tax-Exempt Portfolio - Class I, 0.010% (e) | 4,365,432 | 4,365,432 |
| Total Money Market Funds (Cost \$8,734,572) | | 8,734,572 |
| | | |
| Total Investments (Cost \$155,392,119) - 128.75% | | 168,668,956 |
| Liabilities in Excess of Other Assets - (0.16)% | | (209,094) |
| Preferred Stock (28.59)% | | (37,454,300) |
| TOTAL NET ASSETS - 100.00% | | \$ 131,005,562 |

Percentage are stated as a percent of net assets.

- (a) Non-income producing security.
- (b) The coupon rates shown represent the rates at March 31, 2013.
- (c) Fair valued securities. The total market value of these securities was \$5,759,923, representing 4.40% 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 March 31, 2013.
- (f) Illiquid security. The total market value of these securities was \$5,713,883 representing 4.36% of net assets.
- (g) Security currently undergoing a full liquidation with all proceeds paid out to shareholders.
- (h) Foreign-issued securities.
- (i) Affiliated company.
- (j) Restricted security.

Special Opportunities Fund, Inc.
 Schedule of Securities Sold Short
 March 31, 2013 (Unaudited)

| | Shares | Value |
|----------------------------------------------------|--------|--------------|
| Lennar Corp | 54,106 | \$ 2,244,317 |
| Total Securities Sold Short (Proceeds \$2,275,688) | | \$ 2,244,317 |

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 and the structured life settlement notes 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. The amortized cost method of valuation, which approximates market value, generally is used to value short-term debt instruments with sixty days or less remaining to maturity, 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.

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.

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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, and structured finance notes 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.

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 March 31, 2013 (Unaudited) in valuing the Fund’s investments:

| | Quoted Prices in Active Markets for Identical Investments (Level 1) | Significant Other Observable Inputs Investments (Level 2) | Unobservable Inputs (Level 3) | Total |
|----------------------|------------------------------------------------------------------------------------|--------------------------------------------------------------------------|-------------------------------------|----------------|
| Investment Companies | \$ 115,634,818 | \$ 33,276 | \$ 5,139,883 | \$ 120,807,977 |
| Preferred Stocks | 1,282,257 | - | 5,657,129 | 6,939,386 |
| Common Stocks | 14,252,367 | 12,069,510 | 36,991 | 26,358,868 |
| Corporate Bonds | - | 4,278,125 | 15,000 | 4,293,125 |
| Convertible Notes | - | - | 100,000 | 100,000 |
| Promissory Notes | - | - | 459,000 | 459,000 |
| Warrants | 461,368 | 505,611 | 9,049 | 976,028 |
| Money Market Funds | 8,734,572 | - | - | 8,734,572 |
| Total | \$ 140,365,382 | \$ 16,886,522 | \$ 11,417,052 | \$ 168,668,956 |

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Liabilities:

Securities Sold Short \$ 2,244,317 \$ - \$ - \$ 2,244,317

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 as of 12/31/2012 | Purchases | Sales | Realized Gain (Loss) | Change in unrealized appreciation (depreciation) | Transfers into Level 3 | Balance as of 3/31/2013 |
|-----------------------------------------------|--------------------------------|--------------|----------------|----------------------------|--------------------------------------------------------------|------------------------------|-------------------------------|
| Closed End Funds | \$ 40,633 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 40,633 |
| Auction Rate Preferred Securities | 5,876,750 | - | (950,000) | 144,875 | 27,625 | - | 5,099,250 |
| Preferred Stocks | - | 5,657,129 | - | - | - | - | 5,657,129 |
| Special Purpose Acquisition Vehicles | 20,101 | - | - | - | 16,890 | - | 36,991 |
| Corporate Bonds | 15,000 | - | - | - | - | - | 15,000 |
| Convertible Notes | 100,000 | - | - | - | - | - | 100,000 |
| Promissory Notes | 459,000 | - | - | - | - | - | 459,000 |
| Structured Life Settlement Notes | 188,321 | - | (188,321) | - | - | - | - |
| Warrants | - | - | - | - | - | 9,049 | 9,049 |
| | \$ 6,699,805 | \$ 5,657,129 | \$ (1,138,321) | \$ 144,875 | \$ 44,515 | \$ 9,049 | \$ 11,417,052 |

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 March 31, 2013:

| | Fair Value March 31, 2013 | Valuation Methodologies | Unobservable Input(1) Third party inputs | Impact to Valuation from an increase in Input(2) |
|--------------------------------------|------------------------------|----------------------------|---------------------------------------------------|--------------------------------------------------------------|
| Closed End Funds | \$ 40,633 | Fair Value Pricing | Third party inputs | Increase |
| Auction Rate Preferred Securities | 5,099,250 | Fair Value Pricing | Third party inputs | Increase |
| Preferred Stocks | 5,657,129 | Fair Value Pricing | Third party inputs | Increase |

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| | | | | |
|--------------------------------------|---------|--------------------|--------------------|----------|
| Special Purpose Acquisition Vehicles | 36,991 | Fair Value Pricing | Third party inputs | Increase |
| Corporate Bonds | 15,000 | Fair Value Pricing | Third party inputs | Increase |
| Convertible Notes | 100,000 | Fair Value Pricing | Third party inputs | Increase |
| Warrants | 9,049 | Fair Value Pricing | Third party inputs | Increase |
| Promissory Notes | 459,000 | Fair Value Pricing | Third party inputs | Increase |

(1) In determining certain of these inputs, management evaluates a variety of factors including economic conditions, foreign exchange rates, industry and market developments, market valuations of comparable companies and company specific developments including exit strategies and realization opportunities. 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 an increase to the corresponding unobservable input. A decrease to the unobservable input would have the opposite effect.

The cost basis of investments for federal income tax purposes at March 31, 2013 was as follows*:

| | |
|-------------------------------------------------|------------------------|
| Cost of investments | \$ 155,392,119 |
| Gross unrealized appreciation on investments | 16,793,316 |
| Gross unrealized appreciation on short sales | |
| Gross unrealized depreciation on investments | 31,371 (3,516,479) |
| Net unrealized appreciation | \$ 13,308,208 |

* Because tax adjustments are calculated annually, the above table reflects the tax adjustments outstanding at the Fund's previous fiscal year end. 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 semi-annual or annual report.

Special Opportunities Fund

The fair value of derivative instruments as reported within this Schedule of Investments as of March 31, 2013:

| Derivatives not accounted for as hedging instruments | Statement of Assets & Liabilities Location | Value |
|------------------------------------------------------------|-----------------------------------------------|------------|
| Equity Contracts - Warrants | Investments, at value | \$ 976,028 |

The effect of derivative instruments on income for the period ended March 31, 2013:

| Derivatives not accounted for as hedging instruments | Statement of Operations Location | Amount of Realized Gain or (Loss) on Derivatives Recognized in Income | Value |
|------------------------------------------------------------|-------------------------------------|--------------------------------------------------------------------------|--------------|
| Equity Contracts - Warrants | Net Realized Gain on Investments | | \$ (22,263) |

| Derivatives not accounted for as hedging instruments | Statement of Operations Location | Change in Unrealized Appreciation or (Depreciation) on Derivatives Recognized in Income | Total |
|------------------------------------------------------------|---------------------------------------------------------|--------------------------------------------------------------------------------------------|------------|
| Equity Contracts - Warrants | Net change in unrealized appreciation of investments | | \$ 299,863 |

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The following issuer is affiliated with the Fund; that is, the Fund held 5% or more of the outstanding Voting shares during the period ended December 31, 2012 through March 31, 2013. As defined in Section (2)(a)(3) of the Investment Company Act of 1940, such issuers are:

| Issuer Name | Share Balance at Dec. 31, 2012 | Additions | Reductions | Share Balance at Mar. 31, 2013 | Realized Gain | Dividend Income | Value at Mar. 31, 2013 | Acquisition Cost |
|------------------|--------------------------------|-----------|------------|--------------------------------|---------------|-----------------|------------------------|------------------|
| Aquasition Corp. | 400,000 | - | - | 400,000 | - | - | 4,020,000 | 4,000,000 |

Item 2. Controls and Procedures.

- (a) 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)).
- (b) 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.

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 May 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 (Signature and Title) /s/ Andrew Dakos

Andrew Dakos, President

Date May 28, 2013

By (Signature and Title) /s/ Gerald Hellerman

Gerald Hellerman, Chief Financial Officer

Date May 15, 2013