

SPECIAL OPPORTUNITIES FUND, INC.
Form N-Q
May 25, 2012

As filed with the Securities and Exchange Commission on May 25, 2012

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

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT
INVESTMENT COMPANY

Investment Company Act file number 811-07528

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: 12/31/2012

Date of reporting period: 3/31/2012

Item 1. Schedule of Investments.

Special Opportunities Fund, Inc.
Portfolio of Investments
March 31, 2012 (Unaudited)

| INVESTMENT COMPANIES - 64.48% | Shares | Value |
|---|-----------|--------------|
| Closed-End Funds - 55.99% | | |
| Adams Express Company | 276,839 | \$ 3,039,692 |
| Alpine Global Premier Properties Fund | 977,737 | 6,355,291 |
| American Strategic Income Portfolio III | 452,833 | 3,169,831 |
| Bancroft Fund, Ltd. | 41,401 | 689,741 |
| Boulder Growth & Income Fund, Inc. | 330,287 | 2,070,899 |
| Boulder Total Return Fund, Inc. (a) | 184,149 | 3,150,789 |
| The China Fund, Inc. | 11,191 | 260,750 |
| Diamond Hill Financial Trends Fund, Inc. | 119,042 | 1,286,844 |
| Dividend & Income Fund, Inc. | 42,245 | 152,927 |
| DWS RREEF Real Estate Fund, Inc. (a)(c)(f)(g) | 126,913 | 11,803 |
| DWS RREEF Real Estate Fund II, Inc. (a)(c)(f)(g) | 201,612 | 28,830 |
| Eaton Vance Risk Managed Diversified Equity Income Fund | 618,676 | 6,551,778 |
| Federated Enhanced Treasury Income Fund | 4,532 | 66,892 |
| First Opportunity Fund, Inc. (a) | 279,106 | 1,967,697 |
| The GDL Fund | 33,327 | 408,922 |
| Global Income & Currency Fund, Inc. | 23,593 | 323,932 |
| The Greater China Fund, Inc. | 122,337 | 1,406,876 |
| JF China Region Fund, Inc. | 1,885 | 23,996 |
| Liberty All-Star Equity Fund, Inc. | 1,878,592 | 9,261,458 |
| Liberty All-Star Growth Fund, Inc. | 349,392 | 1,519,855 |
| Macquarie Global Infrastructure Total Return Fund, Inc. | 93,785 | 1,730,333 |
| Morgan Stanley Asia Pacific Fund, Inc. | 30,101 | 447,301 |
| Neuberger Berman Real Estate Securities Income Fund, Inc. | 1,084 | 4,640 |
| The New Germany Fund, Inc. | 6,246 | 94,190 |
| The New Ireland Fund, Inc. | 188,171 | 1,527,949 |
| Royce Focus Trust, Inc. | 17,500 | 121,800 |
| Royce Micro-Cap Trust, Inc. | 440,426 | 4,144,409 |
| Royce Value Trust, Inc. | 348,093 | 4,831,531 |
| Swiss Helvetia Fund, Inc. | 84,717 | 949,678 |
| The Taiwan Fund, Inc. | 3,830 | 64,421 |
| The Thai Capital Fund, Inc. | 33,850 | 391,983 |
| The Thai Fund, Inc. | 81,773 | 1,297,738 |
| Tri-Continental Corporation | 387,319 | 6,166,118 |
| Zweig Total Return Fund, Inc. (a) | 709,538 | 2,270,522 |
| | | 65,791,416 |
| Auction Rate Preferred Securities - 6.25% (b)(c) | | |
| Advent Claymore Convertible Securities & Income Fund - Series TH28, 1.492% | 11 | 255,750 |
| BlackRock California Municipal 2018 Term Trust - Series M7, 0.244% | 100 | 2,250,000 |
| BlackRock Municipal 2018 Term Trust - Series W7, 0.274% | 100 | 2,250,000 |
| Invesco Quality Municipal Investment Trust - Series A, 0.099% | 44 | 1,980,000 |

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| | | |
|--|----|-----------|
| MFS High Yield Municipal Trust - Series F, 0.274% | 1 | 18,750 |
| MFS Municipal Income Trust - Series T, 0.274% | 3 | 57,000 |
| MFS Municipal Income Trust - Series TH, 0.274% | 22 | 418,000 |
| Western Asset Premier Bond Fund - Series M, 0.180% | 6 | 120,000 |
| | | 7,349,500 |

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| | | |
|--|---------|------------|
| Business Development Company - 2.24% | | |
| Capital Southwest Corporation | 1,468 | 138,799 |
| Equus Total Return, Inc. (a) | 106,919 | 242,706 |
| MVC Capital, Inc. | 171,137 | 2,247,029 |
| | | 2,628,534 |
| Total Investment Companies (Cost \$68,633,401) | | 75,769,450 |
| COMMON STOCKS - 4.20% | | |
| Life Insurance - 0.82% | | |
| Imperial Holdings, Inc. (a) | 359,302 | 959,336 |
| Oil and Gas Field Exploration Services - 0.03% | | |
| Zion Oil & Gas, Inc. (a) | 14,090 | 37,198 |
| Pharmaceuticals Preparations - 1.48% | | |
| Myrexis, Inc. (a) | 575,537 | 1,743,877 |
| Real Estate Investment Trusts - 1.87% | | |
| American Realty Capital Properties, Inc. | 55,938 | 634,337 |
| American Realty Capital Trust, Inc. | 5,541 | 56,906 |
| Gyrodyne Company of America, Inc. (a) | 15,132 | 1,512,595 |
| | | 2,203,838 |
| Total Common Stocks (Cost \$4,446,992) | | 4,944,249 |
| SPECIAL PURPOSE ACQUISITION VEHICLE - 26.13% | | |
| Andina Acquisition Corporation (a)(h) | 95,026 | 950,260 |
| Australia Acquisition Corporation (a) | 250,000 | 2,477,500 |
| Azteca Acquisition Corporation (a) | 189,924 | 1,838,464 |
| BGS Acquisition Corp. (a)(h) | 113,602 | 1,120,116 |
| Blue Wolf Mongolia Holdings Corporation (a) | 50,273 | 485,637 |
| Cazador Acquisition Corporation, Ltd. (a) | 200,000 | 1,968,000 |
| China Growth Equity Investment, Ltd. (a) | 52,798 | 507,389 |
| China VantagePoint Acquisition Company (a)(i) | 27,130 | 160,610 |
| Empeiria Acquisition Corp. (a) | 182,343 | 1,796,078 |
| FlatWorld Acquisition Corp. (a) | 105,702 | 1,058,077 |
| Global Cornerstone Holdings, Ltd. (a)(c)(h) | 115,935 | 1,153,553 |
| Global Eagle Acquisition Corporation (a) | 54,028 | 525,152 |
| Hicks Acquisition Company II, Inc. (a) | 304,142 | 2,986,674 |
| JWC Acquisition Corporation (a) | 377,578 | 3,734,247 |
| L&L Acquisition Corporation (a)(c) | 100,000 | 995,000 |
| Lone Oak Acquisition Corporation (a) | 81,430 | 632,711 |
| Nautilus Marine Acquisition Corporation (a) | 127,846 | 1,251,612 |
| Prime Acquisition Corporation (a)(c) | 65,008 | 633,178 |
| RLJ Acquisition, Inc. (a) | 312,788 | 3,034,044 |
| ROI Acquisition Corp. (a)(h) | 48,370 | 483,700 |
| SCG Financial Acquisition Corporation (a)(c) | 163,384 | 1,584,825 |
| Selway Capital Acquisition Corporation (a) | 80,000 | 745,600 |
| Universal Business Payment Solutions Acquisition Corporation (a) | 100,000 | 581,000 |
| Total Special Purpose Acquisition Vehicle (Cost \$30,153,398) | | 30,703,427 |

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| | Principal Amount | |
|---|---------------------|---------|
| CORPORATE BONDS - 0.07% | | |
| Washington Mutual Inc. | | |
| 0.000%, 09/17/2012 (c)(d) | \$ 3,000,000 | 30,000 |
| 5.250%, 09/15/2017 (c)(d) | 1,300,000 | 48,750 |
| Total Corporate Bonds (Cost \$0) | | 78,750 |
| PROMISSORY NOTES - 0.38% | | |
| Symbios Holdings, Inc. - 15.00%, 07/16/2012 (c)(f) | 450,000 | 450,000 |
| Total Promissory Notes (Cost \$450,000) | | 450,000 |
| STRUCTURED PREMIUM FINANCE NOTES - 0.63% | | |
| Cedar Lane Series A-2 Notes (c)(f) | 742,233 | 742,233 |
| Total Structured Premium Finance Notes (Cost \$742,233) | | 742,233 |
| | Shares | |
| WARRANTS - 0.77% | | |
| Australia Acquisition Corporation | | |
| Expiration: October 2015 | 250,000 | 77,500 |
| Exercise Price: \$11.50 (a) | | |
| Azteca Acquisition Corporation | | |
| Expiration: April 2018 | 189,924 | 75,970 |
| Exercise Price: \$12.50 (a) | | |
| Blue Wolf Mongolia Holdings Corporation | | |
| Expiration: July 2016 | 50,273 | 32,175 |
| Exercise Price: \$12.00 (a) | | |
| Cazador Acquisition Corporation, Ltd. | | |
| Expiration: October 2015 | 228,491 | 63,977 |
| Exercise Price: \$7.50 (a) | | |
| China Growth Equity Investment, Ltd. | | |
| Expiration: February 2013 | 52,798 | 23,759 |
| Exercise Price: \$12.00 (a) | | |
| Empeiria Acquisition Corp. (a) | | |
| Expiration: December 2017 | 182,343 | 49,233 |
| Exercise Price: \$11.50 (a) | | |
| FlatWorld Acquisition Corp. (a) | | |
| Expiration: September 2012 | 135,950 | 35,347 |
| Exercise Price: \$11.00 (a) | | |
| Hicks Acquisition Company II, Inc. | | |
| Expiration: July 2017 | 200,000 | 123,999 |
| Exercise Price: \$12.00 (a) | | |
| JWC Acquisition Corporation | | |
| Expiration: November 2015 | 150,000 | 93,000 |
| Exercise Price: \$11.50 (a)(c) | | |
| L&L Acquisition Corporation | | |
| Expiration: November 2015 | 100,000 | 35,000 |
| Exercise Price: \$11.50 (a)(c) | | |
| Lone Oak Acquisition Corporation | | |

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| | | |
|--|-----------|----------------|
| Expiration: March 2016 | 81,430 | 30,129 |
| Exercise Price: \$5.00 (a) | | |
| Nautilus Marine Acquisition Corporation | | |
| Expiration: July 2016 | 127,846 | 31,962 |
| Exercise Price: \$11.50 (a) | | |
| Prime Acquisition Corporation | | |
| Expiration: March 2016 | 51,442 | 18,005 |
| Exercise Price: \$7.50 (a) | | |
| RLJ Acquisition, Inc. | | |
| Expiration: February 2016 | 353,462 | 134,315 |
| Exercise Price: \$12.00 (a) | | |
| SCG Financial Acquisition Corporation | | |
| Expiration: May 2016 | 154,865 | 32,522 |
| Exercise Price: \$11.50 (a) | | |
| Selway Capital Acquisition Corporation | | |
| Expiration: November 2016 | 80,000 | 20,000 |
| Exercise Price: \$0.75 (a)(c) | | |
| Universal Business Payment Solutions Acquisition Corporation | | |
| Expiration: May 2017 | 100,000 | 25,000 |
| Exercise Price: \$6.90 (a) | | |
| Zion Oil & Gas, Inc. | | |
| Expiration: August 2012 | 20,170 | 4,833 |
| Exercise Price: \$3.50 (a) | | |
| Total Warrants (Cost \$964,558) | | 906,726 |
| MONEY MARKET FUNDS - 3.75% | | |
| Fidelity Institutional Government Portfolio - Class I, 0.01% (e) | 2,285,765 | 2,285,765 |
| Fidelity Institutional Tax-Exempt Portfolio - Class I, 0.01% (e) | 2,118,167 | 2,118,167 |
| Total Money Market Funds (Cost \$4,403,932) | | 4,403,932 |
| Total Investments (Cost \$109,794,514) - 100.41% | | 117,998,767 |
| Liabilities in Excess of Other Assets - (0.41)% | | (486,468) |
| TOTAL NET ASSETS - 100.00% | | \$ 117,512,299 |

Percentages are stated as a percent of net assets.

- (a) Non-income producing security.
- (b) The coupon rates shown represent the rates at March 31, 2012.
- (c) Fair valued securities. The total market value of these securities was \$13,175,672, representing 11.21% 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, 2012.
- (f) Illiquid security. The total market value of these securities was \$1,232,866, representing 1.05% of net assets.
- (g) Security currently undergoing a full liquidation with all proceeds paid out to shareholders.
- (h)

Each unit consists of one share of common stock and one warrant.

- (i) Each unit consists of one share of common stock, one half of a non-transferrable warrant and one half of a transferrable warrant.
-

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 into 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 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, 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, 2012 in valuing the Fund's investments:

| | Quoted Prices in Active Markets for Identical Investments (Level 1) | Significant Other Observable Inputs (Level 2) | Unobservable Inputs (Level 3) | Total |
|---|--|---|-------------------------------------|----------------|
| Investment Companies | \$ 68,379,317 | \$ 40,633 | \$ 7,349,500 | \$ 75,769,450 |
| Common Stocks | 4,944,249 | - | - | 4,944,249 |
| Special Purpose Acquisition Vehicles | 11,559,150 | 19,144,277 | - | 30,703,427 |
| Corporate Bonds | - | - | 78,750 | 78,750 |
| Promissory Notes | - | - | 450,000 | 450,000 |
| Structured Premium Finance Notes | - | - | 742,233 | 742,233 |
| Warrants | 208,928 | 697,798 | - | 906,726 |
| Money Market Funds | 4,403,932 | - | - | 4,403,932 |
| Total | \$ 89,495,576 | \$ 19,882,708 | \$ 8,620,483 | \$ 117,998,767 |

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

| | |
|---|---------------|
| Balance as of December 31, 2011 | \$ 15,025,333 |
| Accrued discounts / premiums | - |
| Realized gain (loss) | 1,132,937 |
| Change in unrealized appreciation (depreciation) | (1,022,188) |
| Purchases | 1,193,750 |
| Sales | (7,709,349) |
| Transfers in and / or out of Level 3 | - |
| Balance as of March 31, 2012 | \$ 8,620,483 |

During the period ended March 31, 2012, there were no significant transfers into and out of Levels 1 and 2. Transfers between levels are recognized at the end of the reporting period.

The cost basis of investments for federal income tax purposes at March 31, 2012 was as follows*:

| | |
|-------------------------------|---------------|
| Cost of investments | \$109,836,797 |
| Gross unrealized appreciation | 9,181,928 |
| Gross unrealized depreciation | (1,019,958) |
| Net unrealized appreciation | \$8,161,970 |

*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.

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 24, 2012

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

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

Date May 24, 2012

By (Signature and Title) /s/ Gerald Hellerman
Gerald Hellerman, Chief Financial Officer

Date May 25, 2012
