

Special Opportunities Fund, Inc.  
(SPE)  
Annual Report  
For the year ended  
December 31, 2017



# Special Opportunities Fund, Inc.

February 26, 2018

Dear Fellow Shareholders:

In the second half of 2017, the net asset value (NAV) of the common stock of Special Opportunities Fund increased by 6.29% (after accounting for the year-end cash dividend of \$1.33 per share) to close at \$16.70. For the entire year, the net asset value (NAV) was up by 15.93%. The price of the common stock was \$14.88 at the end of 2017, a discount of 10.90% from the NAV. By comparison, the S&P 500 Index advanced by 11.42% in the second half of the year and 21.83% for the entire year.

As a result of the aforementioned dividend of \$1.33 per share, a holder of convertible preferred stock who elects to convert it to common stock would currently receive 1.4828 shares of common stock in exchange for each share of convertible preferred stock (which equates to a conversion price of \$16.86 per share). The most recent NAV and diluted NAV of the Fund's common stock (assuming all shares of convertible preferred stock are converted to common stock) are provided weekly on its website at [www.specialopportunitiesfundinc.com](http://www.specialopportunitiesfundinc.com).

Here are updates on some of our significant positions.

In July 2017 Emergent Capital (EMGC.PK), which owns a large portfolio of life insurance policies, completed its recapitalization. We participated in the recap and currently own common stock and convertible notes, both of which have increased in value. Emergent recently announced a proposed acquisition of a specialty finance company in exchange for 6.4 million shares of stock. Although complete details of the transaction have not yet been disclosed, we see the effort to diversify Emergent's existing platform as a positive.

In our last letter, we said that we expected shareholders of Stewart Information Services (STC), a provider of title insurance and other services in connection with real estate transactions, to put pressure on the Board to take steps to maximize shareholder value, including pursuing a sale of the company sooner rather than later. On January 26, 2018, Starboard, a well-known activist firm, delivered a letter to Stewart in which it proposed nominating a slate of three director candidates for election to the Board at the annual meeting of stockholders. We are cautiously optimistic that the prospect of a proxy contest will be a catalyst to a sale.

The Fund is part of a group that owns over 8% of the outstanding shares of The Swiss Helvetia Fund (SWZ). At SWZ's annual meeting last year, we elected two of SWZ's five directors. The shares currently trade at a discount of about 10% to net asset value (NAV). We believe that shareholder support for a liquidity event at or close to NAV has increased since last year and by the end of this quarter we will decide whether to take further action to achieve that goal.

# Special Opportunities Fund, Inc.

Several large shareholders have publicly called for a sale of Hill International (HIL), another of our large holdings. We agree with them. As Barron's reported a few months ago:

With its clean balance sheet, Hill is trading at revenue and EBITDA multiples substantially below its peers. However, as the company demonstrates improved profitability, this valuation gap should close. It has been reported that the company hired a banker to explore strategic alternatives, but any sale of the company is unlikely until it completes its financial restatement. An acquisition price at one-times sales for Hill would equate to an \$8-to-\$9 price per share.

We have a good relationship with senior management of Hill and intend to advocate for a sale of the company sooner rather than later.

As we said in our last letter, dividends on our 7.625% Series A Cumulative Redeemable Preferred Stock of Brookfield DTLA Fund Office Trust Investor Inc. (DTLA-) have been in arrears for several years. The sum of the face value of the preferred and accrued dividends is about \$40 per share, well above the stock's current price of about \$26 because of uncertainty about if (and when) the accrued dividends will be paid. On December 11, 2017, we took a step toward enhancing the value of our investment when Andy Dakos and I were elected as directors to represent the interests of the preferred stockholders. We are looking forward to engaging with our fellow directors and management at the next board meeting in late March.

We have continued to opportunistically acquire shares of several closed-end funds managed by Aberdeen at discounts to their NAVs. The proposed merger of these funds is progressing and once completed, we expect a significant self-tender offer for shares of the surviving fund at 99% of NAV in the second quarter of 2018. In addition, the surviving fund will implement additional measures to mitigate any possible widening of the discount in the future.

Our investment in New York REIT (NYRT) which is liquidating its portfolio of New York real estate, has been disappointing thus far. However, after paying distributions of \$5.07, it has been significantly de-risked. The current share price is about \$2.00 and management's most recent estimate (adjusted for distributions paid) is that at least \$2.86 per share will be distributed over time. We think that disparity is largely due to the likelihood that the shares will stop trading by the end of this year and it may take several years to complete the liquidation process. From this point on, NYRT should produce a very good rate of return.

We lost a proxy contest for Putnam High Income Securities Fund (PCF) in April 2017. Since then, we have increased our position and our group of investors

# Special Opportunities Fund, Inc.

affiliated with Bulldog Investors (which includes the Fund) now owns about 15% of the outstanding shares. We recently gave notice of our intent to conduct a proxy contest to gain control of the board and to cause PCF to launch a significant self-tender offer at or close to NAV.

We have continued to build a position in Delaware Enhanced Global Dividend and Income Fund (DEX) whose stock is currently trading at about an 8% discount from NAV. Stockholders that are value oriented like us hold large positions in DEX. To avoid a proxy contest, we think management may well opt take measures to address the discount before the annual meeting.

In August 2016 Winthrop Realty Trust's shares were converted into non-transferable liquidating trust units. Winthrop's largest asset is its interest in a retail/hotel construction project in the tourist-heavy Times Square area of Manhattan which is expected to be completed and sold shortly, followed by a large cash distribution. The property is home to the recently opened NFL Experience Times Square, jointly produced by the NFL and Cirque du Soleil that, according to NFL Commissioner Roger Goodell, "create[s] a captivating and authentic football experience that enables fans to step into the locker room and onto the field of an NFL stadium." Online reviews have been very positive. We continue to believe that this investment will provide a rate of return that more than compensates for its lack of liquidity.

We remind you that the Fund has a policy of seeking instructions from time to time from stockholders with regard to the voting of proxies for certain closed-end funds whose shares the Fund owns. The specific closed-end funds for which the Fund seeks proxy voting instructions from stockholders are available on the Fund's website and we urge you to check it from time to time if you would like to provide such instructions. You may also email us at [proxyinstructions@bulldoginvestors.com](mailto:proxyinstructions@bulldoginvestors.com) if you would like to receive an email notification when the Fund seeks proxy voting instructions for a closed-end fund whose shares it owns.

Sincerely yours,



Phillip Goldstein  
Chairman

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# Special Opportunities Fund, Inc.

## Performance at a glance (unaudited)

### Average annual total returns for common stock for the periods ended 12/31/2017

Net asset value returns	1 year	5 years	Since 1/25/10	10 years*
Special Opportunities Fund, Inc.	15.93%	7.94%	8.72%	7.68%

### Market price returns

Special Opportunities Fund, Inc.	18.71%	9.09%	8.71%	8.34%
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### Index returns

S&P 500® Index	21.83%	15.79%	14.28%	8.50%
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### Share price as of 12/31/17

Net asset value	\$16.70
Market price	\$14.88

**Past performance does not predict future performance. The return and value of an investment will fluctuate so that an investor's share, when sold, may be worth more or less than their original cost. The Fund's common stock net asset value ("NAV") return assumes, for illustration only, that dividends and other distributions, if any, were reinvested at the NAV on payable dates for dividends and other distributions payable through December 31, 2009 and reinvested at the NAV on the ex-dividend date for dividends and other distributions payable after December 31, 2009. The Fund's common stock market price returns assume that all dividends and other distributions, if any, were reinvested at prices obtained under the Fund's Dividend Reinvestment Plan (which was terminated on January 1, 2010) for dividends and other distributions payable through December 31, 2009 and reinvested at the lower of the NAV or the closing market price on the ex-dividend date for dividends and other distributions payable after December 31, 2009. NAV and market price returns for the period of less than one year have not been annualized. Returns do not reflect the deduction of taxes that a shareholder could pay on Fund dividends and other distributions, if any, or the sale of Fund shares.**

\* The Fund's investment objective and investment adviser have changed. See Note 1 of the Notes to financial statements for more information about the change in investment objective and see Note 2 of the Notes to financial statements for more information about the change in investment adviser. On January 25, 2010, the Fund began investing using its new investment objective, therefore, performance prior to that date is not relevant.

The S&P 500® Index is a capital weighted, unmanaged index that represents the aggregate market value of the common equity of 500 stocks primarily traded on the New York Stock Exchange.

# Special Opportunities Fund, Inc.

## Portfolio composition as of 12/31/2017<sup>(1)</sup> (Unaudited)

	Value	Percent
Investment Companies	\$103,496,294	72.91%
Common Stocks	59,264,980	41.75
Preferred Stocks	10,980,115	7.74
Money Market Funds	8,447,637	5.95
Corporate Notes	6,186,000	4.36
Liquidating Trusts	3,045,599	2.15
Convertible Notes	2,209,971	1.55
Senior Secured Notes	1,600,000	1.13
Warrants	508,763	0.36
Rights	319,495	0.22
Corporate Bonds	15,000	0.01
<b>Total Investments</b>	<b>\$196,073,854</b>	<b>138.13%</b>
Other Assets in Excess of Liabilities	1,471,992	1.04
Preferred Stock	(55,599,400)	(39.17)
<b>Total Net Assets</b>	<b>\$141,946,446</b>	<b>100.00%</b>

<sup>(1)</sup> As a percentage of net assets.



# Special Opportunities Fund, Inc.

## Portfolio of investments—December 31, 2017

	Shares	Value
<b>INVESTMENT COMPANIES—72.91%</b>		
<b>Closed-End Funds—69.98%</b>		
Aberdeen Chile Fund, Inc.	270,819	\$ 2,418,414
Aberdeen Emerging Markets Smaller Co. Opportunities Fund, Inc.	52,511	763,510
Aberdeen Greater China Fund, Inc.	138,369	1,724,092
Aberdeen Indonesia Fund, Inc.	124,140	948,430
Aberdeen Israel Fund, Inc.	114,992	2,199,797
Aberdeen Japan Equity Fund, Inc.	237,740	2,143,820
Aberdeen Latin America Equity Fund, Inc.	47,501	1,269,227
Aberdeen Singapore Fund, Inc.	174,593	2,168,445
Adams Diversified Equity Fund, Inc.	236,589	3,555,933
Alliance California Municipal Income Fund, Inc.	35,471	482,051
Alpine Global Premier Properties Fund	123,487	832,302
Alternative Asset Opps PCC Ltd. (a)(c)(f)(g)(h)	48,436	327
Asia Pacific Fund, Inc.	15,851	228,491
Asia Tigers Fund, Inc.	64,010	791,804
BlackRock New York Municipal Income Quality Trust	22,638	297,916
Boulder Growth & Income Fund, Inc.	423,000	4,691,070
British Empire Trust PLC (g)	9,873	96,576
Central Securities Corp.	233,873	6,408,120
China Fund, Inc.	291,673	6,314,720
Delaware Enhanced Global Dividend & Income Fund	316,580	3,840,115
Delaware Investments Dividend & Income Fund, Inc.	80,628	865,138
Deutsche High Income Opportunities Fund, Inc.	269,657	4,050,248
Deutsche Multi-Market Income Trust	357,688	3,165,539
Deutsche Strategic Income Trust	90,574	1,126,731
Dividend and Income Fund	14,878	199,812
Franklin Universal Trust	214,422	1,537,406
Gabelli Equity Trust, Inc.	61,961	383,539
Gabelli Global Small and Mid Cap Value Trust (a)	11,855	151,033
General American Investors Co., Inc.	46,245	1,590,828
Herzfeld Caribbean Basin Fund, Inc.	45,996	328,871
Invesco Pennsylvania Value Municipal Income Trust	62,566	760,177
Japan Smaller Capitalization Fund, Inc.	320,472	3,784,774
Juridica Investments Ltd. (g)(h)	495,258	69,375
Lazard Global Total Return and Income Fund, Inc.	80,671	1,452,078
Lazard World Dividend & Income Fund, Inc.	104,261	1,212,555

The accompanying notes are an integral part of these financial statements.

# Special Opportunities Fund, Inc.

## Portfolio of investments—December 31, 2017

	Shares	Value
<b>INVESTMENT COMPANIES—(continued)</b>		
<b>Closed-End Funds—(continued)</b>		
Liberty All Star Equity Fund	237,108	\$ 1,493,780
MFS Charter Income Trust	2,693	22,837
Morgan Stanley Asia Pacific Fund, Inc.	186,237	3,426,761
Morgan Stanley East Europe Fund Escrow (a)	97,901	0
Nuveen Connecticut Quality Municipal Income Fund	138,775	1,654,198
Putnam High Income Securities Fund	397,476	3,585,234
Royce Value Trust, Inc.	37,200	601,524
Source Capital, Inc.	73,365	2,990,357
Taiwan Fund, Inc.	135,029	2,818,055
The New Ireland Fund, Inc.	77,459	970,561
The Swiss Helvetia Fund, Inc.	731,399	9,332,651
The Thai Fund, Inc.	214,165	2,304,415
Tri-Continental Corp.	263,420	7,096,535
Turkish Investment Fund, Inc. (c)(f)(h)	129,831	1,187,551
		99,337,723
<b>Business Development Companies—2.93%</b>		
Equus Total Return, Inc. (a)	106,919	256,606
Great Elm Capital Corp.	139,007	1,367,829
MVC Capital, Inc.	239,975	2,534,136
		4,158,571
<b>Total Investment Companies (Cost \$90,288,513)</b>		<b>103,496,294</b>
<b>PREFERRED STOCKS—7.74%</b>		
<b>Real Estate Investment Trusts—7.74%</b>		
Brookfield DTLA Fund Office Trust Investor, Inc.—Series A, 7.625%	170,778	4,918,406
Preferred Apartment Communities, Inc., 6.000% (c)(f)	6,083	6,061,709
<b>Total Preferred Stocks (Cost \$10,103,922)</b>		<b>10,980,115</b>
<b>COMMON STOCKS—41.75%</b>		
<b>Consumer Finance—0.70%</b>		
Emergent Capital, Inc. (a)	2,479,753	991,901
<b>Health Care Equipment &amp; Supplies—0.00%</b>		
Xtant Medical Holdings, Inc. (a)	99	57

The accompanying notes are an integral part of these financial statements.

# Special Opportunities Fund, Inc.

## Portfolio of investments—December 31, 2017

	Shares	Value
<b>COMMON STOCKS—(continued)</b>		
<b>Hotels, Restaurants &amp; Leisure—2.98%</b>		
Tropicana Entertainment, Inc. (a)	74,709	\$ 4,226,288
<b>Independent Power and Renewable Electricity Producers—0.04%</b>		
VivoPower International PLC (a)(g)	18,304	52,166
<b>Insurance—6.76%</b>		
Stewart Information Services Corp.	226,908	9,598,209
<b>Professional Services—4.00%</b>		
Hill International, Inc. (a)	1,041,818	5,677,908
<b>Real Estate Investment Trusts—4.80%</b>		
New York REIT, Inc. (a)(h)	1,734,956	6,818,377
<b>Real Estate Management &amp; Development—0.06%</b>		
Trinity Place Holdings, Inc. (a)	13,152	91,406
	Shares/Units	
<b>Special Purpose Acquisition Vehicle—22.41% (a)</b>		
Andina Acquisition Corp. II (g)	67,789	698,227
Atlantic Acquisition Corp.	168,274	1,659,182
Avista Healthcare Public Acquisition Corp. (g)	121,090	1,201,213
Barington/Hilco Acquisition Corp.	15,611	162,511
Big Rock Partners Acquisition Corp. Units	111,602	1,142,224
Bison Capital Acquisition Corp. Units (g)	100,000	1,027,000
Black Ridge Acquisition Corp.	15,000	144,900
Black Ridge Acquisition Corp. Units	161,445	1,636,729
CM Seven Star Acquisition Corp. (g)	250,000	2,412,500
Constellation Alpha Capital Corp. (g)	50,000	486,000
Constellation Alpha Capital Corp. Units (g)	25,001	253,010
Draper Oakwood Technology Acquisition, Inc. Units	113,791	1,194,806
FlatWorld Acquisition Corporation (g)	105,702	8,456
Forum Merger Corp.	157,228	1,569,136
GigCapital, Inc. Units	77,400	774,000
Hunter Maritime Acquisition Corp. (g)	92,442	902,234
Hunter Maritime Acquisition Corp. Units (g)	1	10
I-AM Capital Acquisition Co.	113,791	1,120,841
Industrea Acquisition Corp. Units	273,098	2,747,366
KBL Merger Corp. IV Units	275,000	2,794,000
Leisure Acquisition Corp. Units	21,289	210,761

The accompanying notes are an integral part of these financial statements.

# Special Opportunities Fund, Inc.

## Portfolio of investments—December 31, 2017

	Shares/Units	Value
<b>COMMON STOCKS—(continued)</b>		
<b>Special Purpose Acquisition Vehicle—(continued)</b>		
M I Acquisitions, Inc.	188,817	\$ 1,924,045
M III Acquisition Corp.	154,436	1,531,851
Modern Media Acquisition Corp.	106,604	1,046,851
Origo Acquisition Corp. (g)(i)	177,841	1,892,228
Pensare Acquisition Corp.	122,745	1,185,717
Pensare Acquisition Corp. Units	1	10
Stellar Acquisition III, Inc. (g)	204,002	2,082,860
		31,808,668
<b>Total Common Stocks (Cost \$59,297,733)</b>		<b>59,264,980</b>
	<b>Shares</b>	
<b>LIQUIDATING TRUSTS—2.15% (a)(c)(f)(h)</b>		
BlackRock Defined Opportunity Credit Trust	27,356	410
Crossroads Liquidating Trust	292,681	187,316
JP Morgan China Region Fund, Inc.	192,486	960,609
Winthrop Realty Trust	295,985	1,897,264
<b>Total Liquidating Trusts (Cost \$3,385,054)</b>		<b>3,045,599</b>
	<b>Principal Amount</b>	
<b>CONVERTIBLE NOTES—1.55% (b)</b>		
Emergent Capital, Inc.		
5.000%, 02/15/2023	\$3,206,898	1,936,165
Wheeler Real Estate Investment Trust(c)(f)		
9.000%, 12/15/2018	273,806	273,806
<b>Total Convertible Notes (Cost \$3,302,677)</b>		<b>2,209,971</b>
<b>CORPORATE BONDS—0.01%</b>		
Washington Mutual, Inc. (b)(c)(d)(f)		
0.000%, 03/17/2014	3,000,000	15,000
<b>Total Corporate Bonds (Cost \$0)</b>		<b>15,000</b>
<b>CORPORATE NOTES—4.36% (b)</b>		
Great Elm Capital Corp.		
6.500%, 09/18/2022	40,000	1,018,000
MVC Capital, Inc.		
6.250%, 11/30/2022	200,000	5,168,000
<b>Total Corporate Notes (\$6,000,000)</b>		<b>6,186,000</b>

The accompanying notes are an integral part of these financial statements.

# Special Opportunities Fund, Inc.

## Portfolio of investments—December 31, 2017

	Principal Amount	Value
<b>SENIOR SECURED NOTES—1.13% (b)(c)(f)</b>		
Emergent Capital, Inc.		
8.500%, 07/15/2021	1,600,000	\$ 1,600,000
<b>Total Senior Secured Notes (Cost \$1,600,000)</b>		<b>1,600,000</b>
	Shares	
<b>WARRANTS—0.36% (a)</b>		
Avista Healthcare Public Acquisition Corp.		
Expiration: December 2021		
Exercise Price: \$11.50 (g)	121,090	33,917
Barington/Hilco Acquisition Corp.		
Expiration: February 2018		
Exercise Price: \$12.50	15,611	1,093
Borqs Technologies, Inc.		
Expiration: August 2022		
Exercise Price: \$12.00 (g)	104,449	18,279
China Lending Corp.		
Expiration: July 2021		
Exercise Price: \$12.00 (g)	79,818	2,794
CM Seven Star Acquisition Corp.		
Expiration: November 2018		
Exercise Price: \$11.50 (g)	125,000	36,250
COPsync, Inc.		
Expiration: October 2020		
Exercise Price: \$3.125	10,794	5
Electrum Special Acquisition Corp.		
Expiration: June 2021		
Exercise Price: \$11.50 (g)	46,800	18,954
Emergent Capital, Inc.		
Expiration: October 2019		
Exercise Price: \$10.75 (c)(f)	8	0
Expiration: July 2025		
Exercise Price: \$0.20 (c)(f)	640,000	0
Forum Merger Corp.		
Expiration: May 2022		
Exercise Price: \$11.50	78,614	53,457
Hemisphere Media Group, Inc.		
Expiration: April 2018		
Exercise Price: \$12.00	39,430	5,126

The accompanying notes are an integral part of these financial statements.

# Special Opportunities Fund, Inc.

## Portfolio of investments—December 31, 2017

	Shares	Value
<b>WARRANTS—(continued)</b>		
Hunter Maritime Acquisition Corp. Expiration: October 2021 Exercise Price: \$11.50 (g)	46,221	\$ 13,913
I-AM Capital Acquisition Co. Expiration: October 2022 Exercise Price: \$11.50	113,791	37,551
M I Acquisitions, Inc. Expiration: November 2020 Exercise Price: \$11.50	188,817	66,086
M III Acquisition Corp. Expiration: August 2021 Exercise Price: \$11.50	131,580	103,948
Modern Media Acquisition Corp. Expiration: June 2022 Exercise Price: \$11.50	54,093	29,751
NextDecade Corp. Expiration: July 2022 Exercise Price: \$11.50	3,262	1,957
Origo Acquisition Corp. Expiration: December 2021 Exercise Price: \$11.50 (g)	23,814	11,831
Pensare Acquisition Corp. Expiration: August 2022 Exercise Price: \$11.50	19,254	10,590
Stellar Acquisition III, Inc. Expiration: March 2022 Exercise Price: \$11.50 (g)	204,002	63,261
Wheeler Real Estate Investment Trust, Inc. Expiration: December 2018 Exercise Price: \$4.75 (c)(f)	10,526	0
<b>Total Warrants (Cost \$453,679)</b>		<b>508,763</b>
<b>RIGHTS—0.22% (a)</b>		
Atlantic Acquisition Corp.	68,274	30,041
CM Seven Star Acquisition Corp. (g)	250,000	80,000
Dividend and Income Fund	14,878	0
Forum Merger Corp.	157,228	103,770
I-AM Capital Acquisition Co.	113,791	34,137
Modern Media Acquisition Corp.	103,859	40,505

The accompanying notes are an integral part of these financial statements.

# Special Opportunities Fund, Inc.

## Portfolio of investments—December 31, 2017

	Shares	Value
<b>RIGHTS—(continued)</b>		
Origo Acquisition Corp. (g)	23,814	\$ 11,788
Pensare Acquisition Corp.	38,508	19,254
<b>Total Rights (Cost \$260,987)</b>		<b>319,495</b>
<b>MONEY MARKET FUNDS—5.95%</b>		
Fidelity Institutional Government Portfolio—Class I, 1.140% (e)	4,236,331	4,236,331
STIT-Treasury Portfolio—Institutional Class, 1.160% (e)	4,211,306	4,211,306
<b>Total Money Market Funds (Cost \$8,447,637)</b>		<b>8,447,637</b>
Total Investments (Cost \$183,140,202)—138.13%		196,073,854
Other Assets in Excess of Liabilities—1.04%		1,471,992
Preferred Stock—(39.17)%		(55,599,400)
<b>TOTAL NET ASSETS—100.00%</b>		<b>\$141,946,446</b>

Percentages are stated as a percent of net assets.

- (a) Non-income producing security.
- (b) The coupon rate shown represents the rate at December 31, 2017.
- (c) Fair valued securities. The total market value of these securities was \$12,183,992, representing 8.58% of net assets. Value determined using significant unobservable inputs.
- (d) Default or other conditions exist and security is not presently accruing income.
- (e) The rate shown represents the 7-day yield at December 31, 2017.
- (f) Illiquid securities. The total market value of these securities was \$12,183,992, representing 8.58% of net assets.
- (g) Foreign-issued security.
- (h) Security currently undergoing a full liquidation with all proceeds paid out to shareholders.
- (i) Affiliated security.

The accompanying notes are an integral part of these financial statements.

# Special Opportunities Fund, Inc.

## Statement of assets and liabilities—December 31, 2017

### Assets:

Investments, at value:	
Non-affiliated companies (Cost \$181,244,441)	\$194,181,626
Affiliated companies (Cost \$1,895,761)	1,892,228
Foreign currencies (Cost \$872,513)	871,870
Dividends and interest receivable	1,064,658
Receivable for investments sold	21,244
Other assets	35,282
Total assets	198,066,908

### Liabilities:

Preferred dividends accrued not yet declared	53,314
Payable for investments purchased	146,530
Advisory fees payable	172,014
Administration fees payable	21,444
Chief Compliance Officer fees payable	11,556
Director fees payable	14,830
Fund accounting fees payable	8,022
Custody fees payable	7,493
Transfer Agent fees payable	1,259
Accrued expenses and other liabilities	84,600
Total liabilities	521,062

### Preferred Stock:

3.50% Convertible Preferred Stock—\$0.001 par value, \$25 liquidation value per share; 2,223,976 shares outstanding	
Total preferred stock	55,599,400
Net assets applicable to common shareholders	\$141,946,446

### Net assets applicable to common shareholders:

Common stock—\$0.001 par value per common share; 199,995,800 shares authorized; 8,500,968 shares issued and outstanding, 14,343,863 shares held in treasury	\$349,592,177
Cost of shares held in treasury	(220,518,502)
Accumulated undistributed net investment income	358,800
Accumulated net realized loss from investment activities	(419,049)
Net unrealized appreciation (depreciation) on:	
Investments	12,933,652
Foreign currency translations	(632)
Net assets applicable to common shareholders	\$141,946,446
Net asset value per common share (\$141,946,446 applicable to 8,500,968 common shares outstanding)	\$16.70

The accompanying notes are an integral part of these financial statements.



# Special Opportunities Fund, Inc.

## Statement of operations

	For the year ended December 31, 2017
<b>Investment income:</b>	
Dividends	\$ 5,832,929
Interest	398,384
Total investment income	6,231,313
<b>Expenses:</b>	
Investment advisory fees	1,982,345
Directors' fees and expenses	165,216
Administration fees and expenses	114,211
Legal fees and expenses	75,755
Compliance fees and expenses	52,271
Audit fees	51,500
Insurance fees	51,135
Stock exchange listing fees	46,230
Accounting fees and expenses	45,960
Custody fees and expenses	42,914
Reports and notices to shareholders	35,225
Transfer agency fees and expenses	20,590
Other expenses	51,135
Net expenses	2,734,487
Net investment income	3,496,826
<b>Net realized and unrealized gains (losses) from investment activities:</b>	
Net realized gain (loss) from:	
Investments in securities of:	
Non-affiliated companies	6,456,192
Affiliated companies	175
Foreign currency translations	(35,059)
Distributions received from investment companies	1,618,653
Net realized gain	8,039,961
Change in net unrealized appreciation (depreciation) on:	
Investments in securities of:	
Non-affiliated companies	11,416,850
Affiliated companies	(3,533)
Foreign currency translations	(632)
Net realized and unrealized gains from investment activities	19,452,646
Increase in net assets resulting from operations	22,949,472
Distributions to preferred stockholders	(1,945,979)
Net increase in net assets applicable to common shareholders resulting from operations	\$21,003,493

The accompanying notes are an integral part of these financial statements.

# Special Opportunities Fund, Inc.

## Statement of cash flows

For the year ended  
December 31, 2017

### Cash flows from operating activities:

Net increase in net assets applicable to common shareholders	\$ 22,949,472
Adjustments to reconcile net increase in net assets applicable to common shareholders resulting from operations to net cash provided by operating activities:	
Purchases of investments	(116,277,989)
Proceeds from sales of investments	100,120,762
Net purchases and sales of short-term investments	19,800,645
Return of capital distributions received from underlying investments	6,570,705
Amortization and accretion of premium and discount	(21,791)
Increase in dividends and interest receivable	(700,451)
Decrease in receivable for investments sold	26,031
Decrease in other assets	2,524
Decrease in payable for investments purchased	(643,211)
Increase in payable to Adviser	11,430
Decrease in accrued expenses and other liabilities	(9,321)
Net distributions received from investment companies	1,618,653
Net realized gains from investments and foreign currency translations	(8,039,961)
Net foreign currency translation	247,994
Net change in unrealized appreciation of investments	(11,413,317)
Net cash provided by operating activities	14,242,175

### Cash flows from financing activities:

Distributions paid to common shareholders	(11,306,287)
Distributions paid to preferred shareholders	(1,945,979)
Repurchase of common stock	(118,039)
Net cash used in financing activities	(13,370,305)
Net change in cash	\$ 871,870

### Cash:

Beginning of year	—
End of year	\$ 871,870

The accompanying notes are an integral part of these financial statements.

# Special Opportunities Fund, Inc.

## Statements of changes in net assets applicable to common shareholders

	For the year ended December 31, 2017	For the year ended December 31, 2016
<b>From operations:</b>		
Net investment income	\$ 3,496,826	\$ 5,352,314
Net realized gain (loss) from:		
Investments in securities of:		
Non-affiliated companies	6,456,192	(1,598,738)
Affiliated companies	175	—
Foreign currency translations	(35,059)	—
Distributions received from investment companies	1,618,653	4,624,828
Net change in unrealized appreciation (depreciation) on:		
Investments in securities of:		
Non-affiliated companies	11,416,850	2,743,597
Affiliated companies	(3,533)	—
Foreign currency translations	(632)	—
Net increase in net assets resulting from operations	22,949,472	11,122,001
<b>Distributions paid to preferred shareholders:</b>		
Net investment income	(872,444)	(500,199)
Net realized gains from investment activities	(1,073,535)	(174,739)
Total dividends and distributions paid to preferred shareholders	(1,945,979)	(674,938)
Net increase in net assets applicable to common shareholders resulting from operations	21,003,493	10,447,063
<b>Distributions paid to common shareholders:</b>		
Net investment income	(2,773,728)	(4,939,527)
Net realized gains from investment activities	(8,532,559)	(1,952,399)
Total dividends and distributions paid to common shareholders	(11,306,287)	(6,891,926)
<b>Capital Stock Transactions (Note 5)</b>		
Repurchase of common stock through tender offer	—	(17,951,500)
Repurchase of common stock	(118,039)	(4,661,968)
Total capital stock transactions	(118,039)	(22,613,468)
Net increase (decrease) in net assets applicable to common shareholders	9,579,167	(19,058,331)
<b>Net assets applicable to common shareholders:</b>		
Beginning of year	132,367,279	151,425,610
End of year	\$141,946,446	\$132,367,279
Accumulated undistributed net investment income	\$ 358,800	\$ 174,485

The accompanying notes are an integral part of these financial statements.

# Special Opportunities Fund, Inc.

## Financial highlights

Selected data for a share of common stock outstanding throughout each year is presented below:

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### Net asset value, beginning of year

Net investment income<sup>(1)</sup>

Net realized and unrealized gains (losses) from investment activities

### Total from investment operations

#### Common share equivalent of dividends paid to preferred shareholders from:

Net investment income

Net realized gains from investment activities

### Net increase in net assets attributable to common stockholders resulting from operations

#### Dividends and distributions paid to common shareholders from:

Net investment income

Net realized gains from investment activities

Total dividends and distributions paid to common shareholders

Anti-Dilutive effect of Common Share Repurchase

Dilutive effect of conversions of preferred shares to common shares

Dilutive effect of reinvestment of distributions by common shareholders

### Net asset value, end of year

### Market value, end of year

### Total net asset value return<sup>(2)</sup>

### Total market price return<sup>(3)</sup>

### Ratio to average net assets attributable to common shares:

Total expenses, net of fee waivers by investment advisor and administrator including interest and dividends on short positions<sup>(4)</sup>

Total expenses, before fee waivers by investment advisor and administrator including interest and dividends on short positions<sup>(4)</sup>

Total expenses, net of fee waivers by investment advisor and administrator excluding interest expense and dividends on short positions<sup>(5)(7)</sup>

Ratio to net investment income to average net assets before waiver<sup>(1)</sup>

Ratio to net investment income to average net assets after waiver<sup>(1)</sup>

### Supplemental data:

Net assets applicable to common shareholders, end of year (000's)

Liquidation value of preferred stock (000's)

Portfolio turnover

### Preferred Stock:

Total Shares Outstanding

Asset coverage per share of preferred shares, end of year

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# Special Opportunities Fund, Inc.

## Financial highlights (continued)

For the year ended December 31,				
2017	2016	2015	2014	2013
\$15.56	\$15.11	\$16.94	\$18.70	\$17.22
0.44	0.63	0.41	0.22	0.92
2.26	0.64	(1.09)	1.02	3.00
2.70	1.27	(0.68)	1.24	3.92
(0.10)	(0.06)	—	—	(0.16)
(0.13)	(0.02)	—	—	—
2.47	1.19	(0.68)	1.24	3.76
(0.33)	(0.58)	(0.35)	(0.19)	(1.10)
(1.00)	(0.23)	(0.84)	(1.29)	(1.11)
(1.33)	(0.81)	(1.19)	(1.48)	(2.21)
0.00 <sup>(6)</sup>	0.07	0.08	—	—
—	—	—	(1.44)	0.00 <sup>(6)</sup>
—	—	(0.04)	(0.08)	(0.07)
\$16.70	\$15.56	\$15.11	\$16.94	\$18.70
\$14.88	\$13.65	\$13.20	\$15.37	\$17.45
15.93%	8.45%	(3.47)%	(1.01)%	21.98%
18.71%	9.51%	(6.13)%	(3.59)%	31.27%
1.92%	1.75%	1.50%	1.42%	2.66% <sup>(8)</sup>
1.92%	1.75%	1.50%	1.51%	2.66% <sup>(8)</sup>
1.92%	1.75%	1.50%	1.40%	1.83%
2.45%	3.61%	2.40%	1.18%	5.66%
2.45%	3.61%	2.40%	1.27%	5.66%
\$ 141,946	\$ 132,367	\$151,426	\$172,203	\$132,074
\$ 55,599	\$ 55,599	N/A	N/A	\$ 37,424
59%	49%	48%	59%	58%
2,223,976	2,223,976	N/A	N/A	748,486
\$ 89	\$ 85	N/A	N/A	\$ 226

# Special Opportunities Fund, Inc.

## Financial highlights (continued)

- <sup>(1)</sup> Recognition of investment income by the Fund is affected by the timing and declaration of dividends by the underlying investment companies in which the Fund invests.
- <sup>(2)</sup> Total net asset value return is calculated assuming a \$10,000 purchase of common stock at the current net asset value on the first day of each period reported and a sale at the current net asset value on the last day of each period reported, and assuming reinvestment of dividends and other distributions at the net asset value on the ex-dividend date. Total investment return based on net asset value is hypothetical as investors can not purchase or sell Fund shares at net asset value but only at market prices. Returns do not reflect the deduction of taxes that a shareholder could pay on Fund dividends and other distributions, if any, or the sale of Fund shares.
- <sup>(3)</sup> Total market price return is calculated assuming a \$10,000 purchase of common stock at the current market price on the first day of each period reported and a sale at the current market price on the last day of each period reported, and assuming reinvestment of dividends and other distributions to common shareholders at the lower of the NAV or the closing market price on the ex-dividend date. Total investment return does not reflect brokerage commissions and has not been annualized for the period of less than one year. Returns do not reflect the deduction of taxes that a shareholder could pay on Fund dividends and other distributions, if any, or the sale of Fund shares.
- <sup>(4)</sup> Does not include expenses of the investment companies in which the Fund invests.
- <sup>(5)</sup> Does not include expenses of the investment companies in which the Fund invests, interest expenses, or dividends on short positions.
- <sup>(6)</sup> Less than 0.5 cents per share.
- <sup>(7)</sup> Expense ratios net of fee waivers by investment advisor and administrator excluding interest expense and dividends on short positions based on total average net assets including liquidation value of preferred stock were 1.38%, 1.56%, N/A, N/A, and 1.43% for the years ended December 31, 2017, 2016, 2015, 2014, and 2013, respectively.
- <sup>(8)</sup> The ratio of expenses to average net assets includes preferred distribution expense. The before waiver and expense reimbursement and after waiver and expense reimbursement ratios excluding preferred distribution expense were 1.83% and 1.83%, respectively.

The accompanying notes are an integral part of these financial statements.

# Special Opportunities Fund, Inc.

## Notes to financial statements

### Note 1

#### **Organization and significant accounting policies**

Special Opportunities Fund, Inc. (formerly, Insured Municipal Income Fund Inc.) (the "Fund") was incorporated in Maryland on February 18, 1993, and is registered with the United States Securities and Exchange Commission ("SEC") under the Investment Company Act of 1940, as amended, as a closed-end diversified management investment company. Effective December 21, 2009, the Fund changed its name to the Special Opportunities Fund, Inc. and changed its investment objective to total return. There can be no assurance that the Fund's investment objective will be achieved. The Fund's previous investment objective was to achieve a high level of current income that was exempt from federal income tax, consistent with the preservation of capital.

The Fund is an investment company and accordingly follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (FASB) Accounting Standard Codification Topic 946 "Financial Services—Investment Companies".

In the normal course of business, the Fund may enter into contracts that contain a variety of representations or that provide indemnification for certain liabilities. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred. However, the Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

The preparation of financial statements in accordance with Accounting Principles Generally Accepted in the United States of America requires the Fund's management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The following is a summary of significant accounting policies:

**Valuation of investments**—The Fund calculates its net asset value based on the current market value for its portfolio securities. The Fund 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

# Special Opportunities Fund, Inc.

## Notes to financial statements

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. If cost does not represent current market value the securities will be priced at fair value as determined in good faith by or under the direction of the Fund's Board.

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,



# Special Opportunities Fund, Inc.

## Notes to financial statements

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 significant unobservable inputs used in the fair value measurement of the Fund's Level 3 investments are listed in the table on page 27. Significant changes in any of these inputs in isolation may result in a change in 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 positions 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.

In addition to special meetings, the Valuation Committee meets prior to each regular quarterly Board meeting. At each quarterly meeting, the Adviser delivers a written report (the "Quarterly Report") regarding any recommendations of fair valuation during the past quarter, including fair valuations which have not changed. The Valuation Committee reviews the Quarterly Report, discusses the valuation of the fair valued securities with appropriate levels of representatives from the Adviser's management, and approves the valuation of fair valued securities.

The Valuation Committee also reviews other interim reports as necessary.

The following is a summary of the fair valuations according to the inputs used as of December 31, 2017 in valuing the Fund's investments:

# Special Opportunities Fund, Inc.

## Notes to financial statements

	Quoted Prices in Active Markets for Identical Investments (Level 1)*	Significant Other Observable Inputs (Level 2)*	Unobservable Inputs (Level 3)**	Total
Investment Companies	\$102,308,416	\$ —	\$ 1,187,878	\$103,496,294
Preferred Stocks				
Real Estate Investment Trusts	4,918,406	—	6,061,709	10,980,115
Common Stocks				
Consumer Finance	991,901	—	—	991,901
Health Care Equipment & Supplies	57	—	—	57
Hotels, Restaurants & Leisure	4,226,288	—	—	4,226,288
Independent Power & Renewable Electricity Producers	—	52,166	—	52,166
Insurance	9,598,209	—	—	9,598,209
Professional Services	5,677,908	—	—	5,677,908
Real Estate Investment Trusts	6,818,377	—	—	6,818,377
Real Estate Management & Development	91,406	—	—	91,406
Special Purpose Acquisition Vehicles	20,453,439	11,355,229	—	31,808,668
Liquidating Trusts	—	—	3,045,599	3,045,599
Convertible Notes	—	1,936,165	273,806	2,209,971
Corporate Bonds	—	—	15,000	15,000
Corporate Notes	—	6,186,000	—	6,186,000
Senior Secured Notes	—	—	1,600,000	1,600,000
Warrants	438,785	69,978	0	508,763
Rights	289,454	30,041	—	319,495
Money Market Funds	8,447,637	—	—	8,447,637
<b>Total</b>	<b>\$164,260,283</b>	<b>\$19,629,579</b>	<b>\$12,183,992</b>	<b>\$196,073,854</b>

\* 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.

# Special Opportunities Fund, Inc.

## Notes to financial statements

Transfers between Level 1 and Level 2 securities as of December 31, 2017 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 December 31, 2017 are summarized in the table below:

### Transfers into Level 1

Common Stock	
Special Purpose Acquisition Vehicle	\$ 698,227

### Transfers out of Level 1

Common Stock	
Independent Power & Renewable Electricity Producers	(52,166)
Special Purpose Acquisition Vehicle	(170,977)
Warrants	(3,892)
Net transfers in and/or out of Level 1	\$ 471,192

### Transfers into Level 2

Common Stock	
Independent Power & Renewable Electricity Producers	\$ 52,166
Special Purpose Acquisition Vehicle	170,977
Warrants	3,892

### Transfers out of Level 2

Common Stock	
Special Purpose Acquisition Vehicle	(698,227)
Net transfers in and/or out of Level 2	\$(471,192)

The fair value of derivative instruments as reported within the Schedule of Investments as of December 31, 2017:

<b>Derivatives not accounted for as hedging instruments</b>	<b>Statement of Assets &amp; Liabilities Location</b>	<b>Value</b>
Equity Contracts—Warrants	Investments, at value	\$508,763

# Special Opportunities Fund, Inc.

## Notes to financial statements

The effect of derivative instruments on the Statement of Operations for the year ended December 31, 2017:

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 on Investments	\$106,005

Derivatives not accounted for as hedging instruments	Change in Unrealized Appreciation on Derivatives Recognized in Income	
	Statement of Operations Location	Total
Equity Contracts—Warrants	Net change in unrealized appreciation of investments	\$6,188

The average monthly share amount of warrants during the year was 1,256,557. The average monthly market value of warrants during the year was \$343,942.

### 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 12/31/2016	Acquisitions	Dispositions	Transfers into Level 3/ Corporate Actions	Realized Gain (Loss)	Change in unrealized appreciation (depreciation)	Balance as of 12/31/2017
Closed End Funds	\$ 31,339	\$ 1,319,977	\$ (45,134)	\$ (31,960)	\$ 3,886	\$ (90,500)	\$ 1,187,878
Auction Rate Preferred Securities	348,000	7,718,750	(8,930,125)	—	873,875	(10,500)	—
Commodity Partnerships	11,736,382	—	(11,736,382)	—	(1,126,211)	1,126,211	—
Preferred Stocks	5,976,547	—	—	—	—	85,162	6,061,709
Liquidating Trusts	1,957,500	342,128	—	1,582,029	—	(836,058)	3,045,599
Convertible Notes	280,000	—	(6,194)	—	—	—	273,806
Corporate Bonds	22,500	—	—	—	—	(7,500)	15,000
Senior Secured Notes	500,000	1,600,000	(525,000)	—	25,000	—	1,600,000
Warrants	0	0	—	—	—	0	0
	\$20,852,268	\$10,980,855	\$(21,242,835)	\$1,550,339	\$ (223,450)	\$ 266,815	\$12,183,992

# Special Opportunities Fund, Inc.

## Notes to financial statements

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 December 31, 2017:

	Fair Value December 31, 2017	Valuation Methodologies	Unobservable Input <sup>(1)</sup>	Impact to Valuation from an increase in Input <sup>(2)</sup>
Closed End Funds	\$1,187,878	Market Assessment and Company- Specific Information	Liquidation Value	Increase
Preferred Stocks	6,061,709	Cost	Market Assessments/ Financial Assessments	Increase
Liquidating Trusts	3,045,599	Last Traded Price	Financial Assessments/ Company Announcements	Increase
Convertible Notes	273,806	Cost	Terms of the Note/ Financial Assessments/ Company Announcements	Increase
Corporate Bonds	15,000	Market Transactions Approach	Single Broker Quote	Increase
Senior Secured Notes	1,600,000	Cost	Terms of the Note/ Financial Assessments/ Company Announcements	Increase
Warrants	0	Market Transactions Approach	Discount to Market Price for Share Restrictions	Decrease

<sup>(1)</sup> In determining certain 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.

<sup>(2)</sup> 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.

**Short sales**—The Fund is authorized to make short sales. Short sales are transactions where a fund sells securities it does not own in anticipation of a decline in the value of the securities.

Short sales carry risks of loss if the price of the security sold short increases after the sale. In this situation, when a fund replaces the borrowed security by buying the security in the securities market, the fund may pay more for the security than it has received from the purchaser in the short sale. The fund may, however, profit from a change in the value of the security sold short, if the price decreased.

# Special Opportunities Fund, Inc.

## Notes to financial statement

As collateral for its short positions, the Fund is required under the 1940 Act to maintain segregated assets consisting of cash, cash equivalents, or liquid securities. The amount of segregated assets are required to be adjusted daily to the extent additional collateral is required based on the change in fair value of the securities sold short.

The Fund did not engage in short sales during the year ended December 31, 2017.

**Investment transactions and investment income**—Investment transactions are recorded on the trade date. Realized gains and losses from investment transactions are calculated using the identified cost method. Dividend income is recorded on the ex-dividend date. Interest income is recorded on an accrual basis. Discounts are accreted and premiums are amortized using the effective yield method as adjustments to interest income and the identified cost of investments.

**Dividends and distributions**—Dividends to Common Stockholders from net investment income and distributions of net realized capital gains, if any, will be declared and paid at least annually. Dividends and distributions to common shareholders are recorded on the ex-dividend date. The amount of dividends from net investment income and distributions from net realized capital gains was determined in accordance with federal income tax regulations, which may differ from U.S. generally accepted accounting principles. These “book/tax” differences are either considered temporary or permanent in nature. To the extent these differences are permanent in nature, such amounts are reclassified within the capital accounts based on their federal tax-basis treatment; temporary differences do not require reclassification.

Holders of Convertible Preferred Stock receive calendar quarterly dividends at the rate of 3.50% of the Subscription Price per year. Dividends on the Convertible Preferred Stock are fully cumulative, and accumulate without interest from the date of original issuance of the Convertible Preferred Stock.

### Note 2

#### Related party transactions

Bulldog Investors, LLC serves as the Fund’s Investment Adviser (the “Investment Adviser”) under the terms of the Investment Advisory Agreement effective October 10, 2009. Effective May 7, 2013 Brooklyn Capital Management, LLC changed its name to Bulldog Investors, LLC. In accordance with the investment advisory agreement, the Fund is obligated to pay the Investment Adviser a monthly investment advisory fee at an annual rate of 1.00% of the Fund’s average weekly total assets.

Effective January 1, 2018, the Fund pays each of its directors who is not a director, officer or employee of the Investment Adviser, the Administrator or any

# Special Opportunities Fund, Inc.

## Notes to financial statements

affiliate thereof an annual fee of \$40,000, paid pro rata, quarterly plus \$1,000 for each special in-person meeting (or \$500 if attended by telephone) of the board of directors. As additional annual compensation, the Audit Committee Chairman and Valuation Committee Chairman will receive \$5,000, and the Corporate Governance Committee Chairman will receive \$3,000. For serving the Fund as Chief Compliance Officer, in addition to the aforementioned Directors' fees, Mr. Hellerman receives annual compensation in the amount of \$50,000. In addition, the Fund reimburses the directors and Chief Compliance Officer ("CCO") for travel and out-of-pocket expenses incurred in connection with Board of Directors' meetings and CCO due diligence requirements.

U.S. Bancorp Fund Services, LLC ("USBFS"), an indirect wholly-owned subsidiary of U.S. Bancorp, serves as the Fund's Administrator and, in that capacity, performs various administrative services for the Fund. USBFS also serves as the Fund's Fund Accountant (the "Fund Accountant"). U.S. Bank, N.A. serves as the Fund's custodian (the "Custodian"). The Custodian is an affiliate of the Administrator. The Administrator prepares various federal and state regulatory filings, reports and returns for the Fund; prepares reports and materials to be supplied to the directors, monitors the activities of the Fund's Custodian and Fund Accountant; coordinates the preparation and payment of the Fund's expenses and reviews the Fund's expense accruals. American Stock Transfer & Trust Company, LLC serves as the Fund's Transfer Agent.

### **Note 3**

#### **Convertible Preferred Stock**

At December 31, 2017, 2,223,976 shares of 3.50% Convertible Preferred Stock were outstanding. The holders of Convertible Preferred Stock may convert their shares to common stock on a quarterly basis at a conversion rate equivalent to the current conversion price of \$16.86 per share of common stock (which is a current ratio of 1.4828 shares of common stock for each share of Convertible Preferred Stock held). The conversion price (and resulting conversion ratio) will be adjusted for any distributions made to or on behalf of common stockholders. Following any such conversion, shares of common stock shall be issued as soon as reasonably practicable following the next quarterly dividend payment date. Until the mandatory redemption date of the Convertible Preferred Stock, August 19, 2021, at any time following the second anniversary of the expiration date of the Convertible Preferred Stock rights offering, the Board may, in its sole discretion, redeem all or any part of the then outstanding shares of Convertible Preferred Stock at \$25.00 per share. Under such circumstances, the Fund shall provide no less than 30 days' notice to the holders of Convertible Preferred Stock that, unless such shares have been converted by a certain date, the shares will be redeemed. If, at any time from and after the date of issuance of the Convertible Preferred Stock, the market price of the common stock is equal to or greater than \$18.96

# Special Opportunities Fund, Inc.

## Notes to financial statements

per share (as adjusted for dividends or other distributions made to or on behalf of holders of the common stock), the Board may, in its sole discretion, require the holders of the Convertible Preferred Stock to convert all or any part of their shares into shares of common stock at a conversion rate equivalent to the current conversion price of \$16.86 per share of common stock (which is a current ratio of 1.4828 shares of common stock for each share of Convertible Preferred Stock held), subject to adjustment upon the occurrence of certain events.

The conversion price (and resulting conversion ratio) will be adjusted for any dividends or other distributions made to or on behalf of common stockholders. Notice of such mandatory conversion shall be provided by the Fund in accordance with its Articles of Incorporation. In connection with all conversions shareholders of Convertible Preferred Stock would receive payment for all declared and unpaid dividends on the shares of Convertible Preferred Stock held to the date of conversion, but after conversion would no longer be entitled to the dividends, liquidation preference or other rights attributable to holders of the Convertible Preferred Stock. The Convertible Preferred Stock is classified outside of the permanent equity (net assets applicable to Common Stockholders) in the accompanying financial statements in accordance with accounting for redeemable equity instruments, what requires preferred securities that are redeemable for cash or other assets to be classified outside of permanent equity to the extent that the redemption is at a fixed or determinable price and at the option of the holder or up occurrence of an event that is not solely within the control of the issuer. The Fund is required to meet certain asset coverage tests with respect to the Convertible Preferred Stock as required by the 1940 Act. In addition, pursuant to the Rating Agency Guidelines established by Moody's, the Fund is required to maintain a certain discounted asset coverage. If the Fund fails to meet these requirements and does not correct such failure, the Fund may be required to redeem, in part or in full, the Convertible Preferred Stock at a redemption price of \$25.00 per share, plus an amount equal to the accumulated and unpaid dividends, whether or not declared on such shares, in order to meet these requirements. Additionally, failure to meet the foregoing asset coverage requirements could restrict the Fund's ability to pay dividends to Common Stockholders and could lead to sales of portfolio securities at inopportune times. The Fund has met these requirements since issuing the Convertible Preferred Stock.

### **Note 4**

#### **Purchases and sales of securities**

For the year ended December 31, 2017, aggregate purchases and sales of portfolio securities, excluding short-term securities, were \$116,277,989 and \$100,120,762, respectively. The Fund did not purchase or sell U.S. government securities during the year ended December 31, 2017.



# Special Opportunities Fund, Inc.

## Notes to financial statements

### **Note 5**

#### **Capital share transactions**

During the year ended December 31, 2017, the Fund purchased 7,582 shares of its capital stock in the open market at a cost of \$118,039. The weighted average discount of these purchases comparing the average purchase price to net asset value at the close of the New York Stock Exchange was 10.44%.

During the year ended December 31, 2016, the Fund purchased 362,902 shares of its capital stock in the open market at a cost of \$4,661,968. The weighted average discount of these purchases comparing the average purchase price to net asset value at the close of the New York Stock Exchange was 13.50%.

The Fund announced on September 21, 2016 that it was offering to purchase up to 1.15 million common shares of the Fund at 97% of the net asset value (NAV) per common share with the right to purchase up to an additional 2% of the outstanding shares. The offer expired October 21, 2016 and because the number of shares tendered exceeded the amount offered to be purchased the proration was 17.98%.

During the year ended December 31, 2015, the Fund issued 261,013 shares for the reinvestment of distributions. During the same period the Fund purchased 405,015 shares of its capital stock in the open market at a cost of \$5,921,562. The weighted average discount of these purchases comparing the average purchase price to net asset value at the close of the New York Stock Exchange was 12.63%.

### **Note 6**

#### **Federal tax status**

The Fund has elected to be taxed as a "regulated investment company" and intends to distribute substantially all taxable income to its shareholders and otherwise comply with the provisions of the Internal Revenue Code applicable to regulated investment companies. Therefore, no provision for federal income taxes or excise taxes has been made.

In order to avoid imposition of the excise tax applicable to regulated investment companies, the Fund intends to declare each year as dividends in each calendar year at least 98.0% of its net investment income (earned during the calendar year) and 98.2% of its net realized capital gains (earned during the twelve months ended October 31) plus undistributed amounts, if any, from prior years.

# Special Opportunities Fund, Inc.

## Notes to financial statements

The tax character of distributions paid to shareholders during the fiscal years ended December 31, 2017 and December 31, 2016 were as follows:

	For the year ended December 31, 2017	For the year ended December 31, 2016
<b>Distributions paid to common shareholders from:</b>		
Ordinary income	\$ 5,068,989	\$ 4,939,527
Long-term capital gains	6,237,298	1,952,399
Total distributions paid	\$ 11,306,287	\$ 6,891,926
	For the year ended December 31, 2017	For the year ended December 31, 2016 <sup>(1)</sup>
<b>Distributions paid to preferred shareholders from:</b>		
Ordinary income	\$ 872,444	\$ 446,885
Long-term capital gains	1,073,535	174,739
Total distributions paid	\$ 1,945,979	\$ 621,624

<sup>(1)</sup> The difference between book and tax distributions is due to accrued, but not yet paid distributions to preferred shareholders.

The Fund designated as long-term capital gain dividends, pursuant to Internal Revenue Code Section 852(b)(3), the amount necessary to reduce the earnings and profits for the Fund related to net capital gains to zero for the year ended December 31, 2017.

The following information is presented on an income tax basis as of December 31, 2017:

Tax cost of investments	\$184,449,245
Unrealized appreciation	23,367,788
Unrealized depreciation	(10,871,309)
Net unrealized appreciation	12,496,479
Undistributed ordinary income	719,718
Undistributed long-term gains	—
Total distributable earnings	719,718
Other accumulated/gains losses and other temporary differences	(343,426)
Total accumulated gains	\$ 12,872,771

To reflect reclassifications arising from permanent “book/tax” differences for the year ended December 31, 2017, the Fund’s accumulated undistributed net investment income was increased by \$333,662 and the accumulated net realized loss from investment activities was increased by \$333,662. The permanent differences are primarily attributed to passive foreign investment companies, foreign currency gain and short-term capital gain dividend reclassifications.

# Special Opportunities Fund, Inc.

## Notes to financial statements

Net capital losses incurred after October 31, and within the taxable year are deemed to arise on the first business day of the Fund's next taxable year. At December 31, 2017, the Fund deferred, on a tax basis, post October losses of \$291,794.

At December 31, 2017, the Fund did not have capital loss carryforwards.

The Fund recognizes the tax benefits of uncertain tax positions only where the position is "more likely than not" to be sustained assuming examination by tax authorities. Management has analyzed the Fund's tax positions, and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for open tax years (2014-2016), or expected to be taken in the Fund's 2017 tax returns. The Fund identifies its major tax jurisdictions as U.S. Federal and the State of Maryland; however the Fund is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next twelve months.

### Note 7

#### Transactions with affiliates

The following issuer is affiliated with the Fund; that is, the Fund held 5% or more of the outstanding Voting shares during the period December 31, 2016 through December 31, 2017. As defined in Section (2)(a)(3) of the Investment Company Act of 1940, such issuers are:

Issuer Name	Share Balance at Dec. 31, 2016	Additions	Reductions	Share Balance at Dec. 31, 2017	Realized Gain	Change in Unrealized Appreciation (Depreciation)	Dividend Income	Value at Dec. 31, 2017	Acquisition Cost
Origo Acquisition Corp.*	0	178,763	(922)	177,841	\$175	\$(3,533)	\$ —	\$1,892,228	\$1,895,761

\* Origo Acquisition Corp. is a Special Purpose Acquisition Company (SPAC). A SPAC is publicly-traded buyout company that raises money in order to pursue the acquisition of an existing company.

# Special Opportunities Fund, Inc.

## Notes to financial statements

### **Note 8**

#### **Additional information**

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940 that the Fund may purchase, from time to time, shares of its common stock in the open market.

Fund directors and officers and advisory persons to the Fund, including insiders and employees of the Fund and of the Fund's investment adviser, may purchase or sell Fund securities from time to time, subject to the restrictions set forth in the Fund's Code of Ethics, as amended, a copy of which is available on the Fund's website. Please see the corporate governance section of the Fund's website at [www.specialopportunitiesfundinc.com](http://www.specialopportunitiesfundinc.com).

The Fund may seek proxy voting instructions from shareholders regarding certain underlying closed-end funds held by the Fund. Please see the proxy voting instructions section on the Fund's website at [www.specialopportunitiesfundinc.com](http://www.specialopportunitiesfundinc.com) for further information.

# Special Opportunities Fund, Inc.

## Report of independent registered public accounting firm

### To the Board of Directors and Shareholders of Special Opportunities Fund, Inc.

#### Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities of Special Opportunities Fund, Inc., including the portfolio of investments, as of December 31, 2017, the related statement of operations and cash flows for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and financial highlights for each of the five years in the period then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of Special Opportunities Fund, Inc. as of December 31, 2017, the results of its operations and cash flows for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

These financial statements are the responsibility of the Fund’s management. Our responsibility is to express an opinion on the Fund’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We have served as the Fund’s auditor since 2009.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Fund’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2017 by correspondence with the custodian and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

**TAIT, WELLER & BAKER LLP**

**Philadelphia, Pennsylvania  
February 26, 2018**

# Special Opportunities Fund, Inc.

## General information (unaudited)

### The Fund

Special Opportunities Fund, Inc. (the "Fund") is a diversified, closed-end management investment company whose common shares trade on the New York Stock Exchange ("NYSE"). The Fund's NYSE trading symbol is "SPE." On April 21, 2010 the Fund's symbol changed from "PIF" to "SPE." Comparative net asset value and market price information about the Fund is available weekly in various publications.

### Annual meeting of shareholders held on December 7, 2017

The Fund held an annual meeting of shareholders on December 7, 2017 to vote on the following matters:

(1) (a) To elect four Directors to the Fund's Board of Directors, to be elected by the holders of the Fund's common stock and preferred stock, voting together as a single class, to serve until the Fund's Annual Meeting of Stockholders in 2018 and until their successors have been duly elected and qualified; and

(b) To elect two Directors to the Fund's Board of Directors, to be elected by the holders of the Fund's preferred stock, voting as a separate class, to serve until the Fund's Annual Meeting of Stockholders in 2018 and until their successors have been duly elected and qualified.

### Proxy results – Common Stock

The presence, in person or by proxy, of shareholders entitled to cast a majority of the votes entitled to be cast at the Meeting (i.e., the presence of a majority of the shares outstanding on the record date of October 18, 2017) was necessary to constitute a quorum for the transaction of business. At the Meeting, the holders of approximately 87.30% of the common stock outstanding as of the record date were represented in person or by proxy (7,427,670 votes), thus constituting a quorum for the matters to be voted upon by all shareholders at the Meeting.

The actual voting results for the agenda items were as follows:

#### Proposal to elect Ben Harris as a director:

FOR	% of Quorum	% of O/S	WITHHELD
7,357,270	99.05%	86.47%	70,400

#### Proposal to elect Andrew Dakos as a director:

FOR	% of Quorum	% of O/S	WITHHELD
6,681,603	89.96%	78.53%	746,067

#### Proposal to elect Gerald Hellerman as a director:

FOR	% of Quorum	% of O/S	WITHHELD
6,673,885	89.85%	78.44%	753,785

# Special Opportunities Fund, Inc.

## General information (unaudited)

### Proposal to elect Charles C. Walden as a director:

FOR	% of Quorum	% of O/S	WITHHELD
7,357,270	99.05%	86.47%	70,400

### Proxy results – Preferred Stock

The presence, in person or by proxy, of shareholders entitled to cast a majority of the votes entitled to be cast at the Meeting (i.e., the presence of a majority of the shares outstanding on the record date of October 18, 2017) was necessary to constitute a quorum for the transaction of business. At the Meeting, the holders of approximately 97.26% of the preferred stock outstanding as of the record date were represented in person or by proxy (2,163,023 votes), thus constituting a quorum for the matters to be voted upon by all shareholders at the Meeting.

The actual voting results for the agenda items were as follows:

### Proposal to elect Phillip Goldstein as a director:

FOR	% of Quorum	% of O/S	WITHHELD
1,868,061	86.36%	84.00%	294,962

### Proposal to elect Marc Lunder as a director:

FOR	% of Quorum	% of O/S	WITHHELD
2,090,937	96.67%	94.02%	72,086

O/S – outstanding shares

# Special Opportunities Fund, Inc.

## General information (unaudited)

### **Tax information**

The Fund designated 18.93% of its ordinary income distribution for the year ended December 31, 2017, as qualified dividend income under the Jobs and Growth Tax Relief Reconciliation Act of 2003.

For the year ended December 31, 2017, 11.33% of dividends paid from net ordinary income qualified for the dividends received deduction available to corporate shareholders.

The Fund designated 37.51% of taxable ordinary income distributions designated as short-term capital gain distributions under Internal Revenue Section 871 (k)(2)(C).

### **Quarterly Form N-Q portfolio schedule**

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the SEC's Web site at <http://www.sec.gov>. The Fund's Forms N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling 1-800-SEC-0330. Additionally, you may obtain copies of Forms N-Q from the Fund upon request by calling 1-877-607-0414.

### **Proxy voting policies, procedures and record**

You may obtain a description of the Fund's (1) proxy voting policies, (2) proxy voting procedures and (3) information regarding how the Fund voted any proxies related to portfolio securities during the most recent 12-month period ended June 30 for which an SEC filing has been made, without charge, upon request by contacting the Fund directly at 1-877-607-0414, or on the EDGAR Database on the SEC's Web site (<http://www.sec.gov>).



# Special Opportunities Fund, Inc.

## Supplemental information (unaudited)

The following table sets forth the directors and officers of the Fund, his name, address, age, position with the Fund, term of office and length of service with the Fund, principal occupation or employment during the past five years and other directorships held at December 31, 2017.

Name, Address and Age*	Position(s) Held with the Fund	Term of Office and Length of Time Served	Principal Occupation During the Past Five Years	Number of Portfolios in Fund Complex Overseen by Director**	Other Directorships held by Director
<b>INTERESTED DIRECTORS</b>					
Andrew Dakos*** (51)	President as of October 2009.	1 year; Since 2009	Member of the Adviser since 2009; Chief Compliance Officer of the Adviser from 2009-2012; Principal of the general partner of several private investment partnerships in the Bulldog Investors group of private funds.	1	Director, Emergent Capital, Inc. (f/k/a Imperial Holdings, Inc.); Director, Crossroads Capital, Inc. (f/k/a BDCA Venture, Inc.).
Phillip Goldstein*** (73)	Chairman and Secretary as of October 2009.	1 year; Since 2009	Member of the Adviser since 2009; Principal of the general partner of several private investment partnerships in the Bulldog Investors group of private funds.	1	Chairman, Mexico Equity and Income Fund, Inc.; Director, MVC Capital, Inc.; Director, Emergent Capital, Inc. (f/k/a Imperial Holdings, Inc.); Director, Crossroads Capital, Inc. (f/k/a BDCA Venture, Inc.).

# Special Opportunities Fund, Inc.

## Supplemental information (unaudited)

Name, Address and Age*	Position(s) Held with the Fund	Term of Office and Length of Time Served	Principal Occupation During the Past Five Years	Number of Portfolios in Fund Complex Overseen by Director**	Other Directorships held by Director
<b>INDEPENDENT DIRECTORS</b>					
Gerald Hellerman**** (80)	Chief Compliance Officer as of January 2010.	1 year; Since 2009	Managing Director of Hellerman Associates (a financial and corporate consulting firm) since 1993 (which terminated activities as of December, 31, 2013).	1	Director, Mexico Equity and Income Fund, Inc.; Director, MVC Capital, Inc.; Director, Emergent Capital, Inc. (f/k/a Imperial Holdings, Inc.); Director, Crossroads Capital, Inc. (f/k/a BDCA Venture, Inc.); Trustee, Fiera Capital Series Trust; Director, Ironsides Partners Opportunity Offshore Fund Ltd. (until 2016); Director, Brantley Capital Corporation (until 2013).
Marc Lunder (54)	—	1 year; Effective January 1, 2015	Managing Member of Lunder Capital LLC.	1	None
Ben Harris (49)	—	1 year; Since 2009	Principal and Director of NHI II, LLC and NBC Bancshares, LLC. Chief Executive Officer of Crossroads Capital, Inc.	1	None
Charles C. Walden (73)	—	1 year; Since 2009	President and Owner of Sound Capital Associates, LLC (consulting firm).	1	Independent Chairman, Third Avenue Funds (fund complex consisting of five funds and one variable series trust).

# Special Opportunities Fund, Inc.

## Supplemental information (unaudited)

Name, Address and Age*	Position(s) Held with the Fund	Term of Office and Length of Time Served	Principal Occupation During the Past Five Years	Number of Portfolios in Fund Complex Overseen by Director**	Other Directorships held by Director
<b>OFFICERS</b>					
Andrew Dakos*** (51)	President as of October 2009.	1 year; Since 2009	Member of the Adviser since 2009; Chief Compliance Officer of the Adviser from 2009-2012; Principal of the general partner of several private investment partnerships in the Bulldog Investors group of private funds.	n/a	n/a
Rajeev Das*** (49)	Vice-President as of October 2009.	1 year; Since 2009	Principal of the Adviser.	n/a	n/a
Phillip Goldstein*** (73)	Chairman and Secretary as of October 2009.	1 year; Since 2009	Member of the Adviser since 2009; Principal of the general partner of several private investment partnerships in the Bulldog Investors group of funds.	n/a	n/a
Gerald Hellerman**** (80)	Chief Compliance Officer as of January 2010.	1 year; Since 2009	Managing Director of Hellerman Associates (a financial and corporate consulting firm) since 1993 (which terminated activities as of December, 31, 2013).	n/a	n/a

# Special Opportunities Fund, Inc.

## Supplemental information (unaudited)

<b>Name, Address and Age*</b>	<b>Position(s) Held with the Fund</b>	<b>Term of Office and Length of Time Served</b>	<b>Principal Occupation During the Past Five Years</b>	<b>Number of Portfolios in Fund Complex Overseen by Director**</b>	<b>Other Directorships held by Director</b>
Thomas Antonucci*** (47)	Chief Financial Officer and Treasurer as of January 2014.	1 year; Since 2014	Director of Operations of the Adviser.	n/a	n/a

\* The address for all directors and officers is c/o Special Opportunities Fund, Inc., 615 East Michigan Street, Milwaukee, WI 53202.

\*\* The Fund Complex is comprised of only the Fund.

\*\*\* Messrs. Dakos, Goldstein, Das, and Antonucci are each considered an "interested person" of the Fund within the meaning of the 1940 Act because of their affiliation with Bulldog Investors, LLC, the Adviser, and their positions as officers of the Fund.

\*\*\*\* Mr. Hellerman is considered an "interested person" of the Fund within the meaning of the 1940 Act because he serves as the Fund's Chief Compliance Officer. Mr. Hellerman is not affiliated with Bulldog Investors, LLC.

# Special Opportunities Fund, Inc.

## Board approval of investment advisory agreement (unaudited)

At its in-person meeting held on September 14, 2017, the Board of Directors (the "Board") of Special Opportunities Fund, Inc. (the "Fund") met to consider the renewal of the Investment Advisory Agreement (the "Advisory Agreement") between the Fund and Bulldog Investors, LLC (the "Adviser"). The Independent Directors (as defined below) and Mr. Gerald Hellerman held a telephonic executive session on September 8, 2017 (the "September 8, 2017 Meeting") to review materials related to the renewal of the Advisory Agreement. The Board received and discussed a memorandum from the Fund's independent legal counsel regarding the duties and responsibilities of the Board and the Independent Directors under the Investment Company Act of 1940, as amended (the "1940 Act"), in reviewing advisory contracts. Based on their evaluation of the information provided, the Directors, by a unanimous vote (including a separate vote of the Directors who are not "interested persons," as that term is defined in the 1940 Act, as amended (the "Independent Directors")), approved the continuation of the Advisory Agreement for an additional one-year term.

In considering the renewal of the Advisory Agreement and reaching their conclusions, the Independent Directors reviewed and analyzed various factors that they determined were relevant, including (a) the nature, extent, and quality of the services to be provided by the Adviser; (b) the investment performance of the Fund and the Adviser; (c) the cost of the services to be provided and the profits to be realized by the Adviser from its relationship with the Fund; and (d) the extent to which economies of scale (if any) would be realized as the Fund grows. The Independent Directors evaluated each of these factors based on their own direct experience with the Adviser and in consultation with their independent counsel. No one factor was determinative in the Board's decision to approve the continuance of the Advisory Agreement. Greater detail regarding the Independent Directors' consideration of the factors that led to their decision to approve the continuance of the Advisory Agreement is set forth below.

The materials which had been prepared by the Adviser in response to a questionnaire (known as a "15(c) questionnaire") provided to the Adviser by Fund counsel with respect to certain matters that counsel believed relevant to the annual continuation of the Advisory Agreement under Section 15 of the 1940 Act, distributed to the Directors and reviewed by the Independent Directors and Mr. Hellerman at the September 8, 2017 Meeting included, among other things, information regarding: (a) the Adviser's financial soundness; (b) information on the cost to the Adviser of advising the Fund and the Adviser's profitability in connection with such advisory services; (c) the experience and responsibilities of key personnel at the Adviser; (d) the risk management policies and procedures adopted by the Adviser; (e) the investment performance of the Fund as compared to peer and/or comparable funds; (f) the Adviser's policy with respect to selection of broker-dealers and allocation of portfolio transactions; (g) fees of the Fund as compared to peer and/or comparable funds; (h) the profitability to the Adviser derived from its

# Special Opportunities Fund, Inc.

## Board approval of investment advisory agreement (unaudited)

relationship to the Fund; (i) the Adviser's compliance program and chief compliance officer; (j) the Adviser's policy with respect to proxy voting; (k) affiliates and possible conflicts; and (l) other material factors affecting the Adviser.

The Independent Directors reviewed the Adviser's financial information and discussed the profitability of the Adviser as it relates to advising the Fund. The Independent Directors considered both the direct and indirect benefits to the Adviser from advising the Fund. These considerations were based on material requested by the Directors specifically for the meeting, as well as the in-person presentations made by the Adviser over the course of the year. On the request of the Independent Directors, the Adviser affirmed that it would make funds available, if needed, to support its engagement with the Fund and believes in the sustainability of the Fund. After further discussion, the Independent Directors concluded that the Adviser's profit from advising the Fund currently was not excessive and that the Adviser had adequate financial strength to support the services to the Fund.

The Independent Directors assessed the overall quality of services provided to the Fund. The Independent Directors then considered the Adviser's specific responsibilities in all aspects of day-to-day management of the Fund, as well as the qualifications, experience and responsibilities of the portfolio manager and other key personnel at the Adviser involved in the day-to-day activities of the Fund. The Independent Directors noted the unique investment strategy of the Fund and the knowledge and expertise required by the Adviser's personnel. The Independent Directors also considered the operational strength of the Adviser. The Independent Directors noted any services that extended beyond portfolio management, and considered the favorable history, reputation, qualification and background of the Adviser, as well as the qualifications of its personnel and financial condition. The Independent Directors concluded that the Adviser had sufficient quality and depth of personnel, resources, investment methods and compliance policies and procedure necessary to performing its duties under the Advisory Agreement and that the nature, overall quality, and extent of the management services were satisfactory and reliable.

The Independent Directors reviewed the personnel responsible for providing services to the Fund and concluded, based on their experience and interaction with the Adviser, that the Adviser (a) was able to retain quality personnel, (b) exhibited a high level of diligence and attention to detail in carrying out its responsibilities under the Advisory Agreement, (c) was very responsive to the requests of the Independent Directors, (d) had consistently kept the Independent Directors apprised of developments related to the Fund and the industry in general and (e) continued to demonstrate the ability to grow the Fund.

# Special Opportunities Fund, Inc.

## Board approval of investment advisory agreement (unaudited)

The Independent Directors discussed the performance of the Fund for the year-to-date, one-year, three-year, and five-year periods ended June 30, 2017. In assessing the quality of the portfolio management services delivered by the Adviser, the Independent Directors also compared the short-term and long-term performance of the Fund on both an absolute basis and in comparison to a peer group of allocation closed-end funds constructed by data provided by Morningstar, Inc. (the "Morningstar Peer Group") and assembled by USBFS independently from the Adviser. The Independent Directors noted that the Board reviews the investment performance of the Fund at each quarterly meeting over the course of the year. After considering all of the information, the Independent Directors concluded that the Adviser has obtained reasonable returns for the Fund while minimizing risk. Although past performance is not a guarantee or indication of future results, the Independent Directors determined that the Fund and its shareholders were likely to benefit from the Adviser's continued management.

The Independent Directors then turned to a more focused review of the cost of services and the structure of the Adviser's fees. The Independent Directors reviewed information prepared by USBFS comparing the Fund's contractual advisory fees with a peer group of funds, and comparing the Fund's overall expense ratio to the expense ratios of the Morningstar Peer Group. The Independent Directors noted that the contractual investment advisory fee for the Fund was near the 0.91% Morningstar Peer Group average. The Independent Directors further noted that the then current expense ratio of 1.94% for the Fund was higher than the peer group average of 1.64%. It was noted that the Fund is unique in its industry due to its activist investment strategy and true comparisons are difficult. The Independent Directors concluded that the Fund's expenses and management fees paid to the Adviser were fair and reasonable in light of the experience and commitment of the Adviser as well as the comparative performance, expense and management fee information.

The Independent Directors then discussed in greater detail, with the assistance of the Fund's Chief Compliance Officer (the "CCO"), the Adviser's handling of compliance matters. The CCO reported to the Independent Directors on the effectiveness of the Adviser's compliance program. The CCO noted that the Adviser had provided certifications that: (a) it had adopted a Code of Ethics conforming to applicable regulatory requirements; and (b) it had adopted procedures reasonably necessary to prevent its access persons from violating its own Code of Ethics, to which the CCO offered his own certification that the Code of Ethics is compliant with applicable regulations. The Independent Directors also discussed the Adviser's business continuity plan. After reviewing the Adviser's compliance policies and procedures with respect to the Fund, based on the assurances and information provided to them by the CCO, the Independent Directors concluded that the Adviser's policies and procedures were satisfactory.

# Special Opportunities Fund, Inc.

## Board approval of investment advisory agreement (unaudited)

After due consideration of the written and oral presentations, the Independent Directors concluded that the nature and scope of the advisory services provided was reasonable and appropriate in relation to the advisory fee and in relation to peer comparisons, that the level of services to be provided by the Adviser were expected to be maintained and that the quality of service was expected to be high.

Based on the factors discussed above, the Board approved the continuance of the Advisory Agreement between the Fund and Adviser on September 14, 2017.



# Special Opportunities Fund, Inc.

## New York Stock Exchange certifications (unaudited)

On January 3, 2018, the Fund submitted an annual certification to the New York Stock Exchange (“NYSE”) in which the Fund’s president certified that he was not aware, as of the date of the certification, of any violation by the Fund of the NYSE’s Corporate Governance listing standards. In addition, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and related SEC rules, the Fund’s president and treasurer have made quarterly certifications, included in the filing with the SEC on Forms N-CSR and N-Q, relating to, among other things, the Fund’s disclosure controls and procedures and internal control over financial reporting.

# Special Opportunities Fund, Inc.

## Privacy policy notice

The following is a description of the Fund's policies regarding disclosure of nonpublic personal information that you provide to the Fund or that the Fund collects from other sources. In the event that you hold shares of the Fund through a broker-dealer or other financial intermediary, the privacy policy of the financial intermediary would govern how your nonpublic personal information would be shared with unaffiliated third parties.

**CATEGORIES OF INFORMATION THE FUND COLLECTS.** The Fund collects the following nonpublic personal information about you:

1. Information from the Consumer: this category includes information the Fund receives from you on or in applications or other forms, correspondence, or conversations (such as your name, address, phone number, social security number, assets, income and date of birth); and
2. Information about the Consumer's transactions: this category includes information about your transactions with the Fund, its affiliates, or others (such as your account number and balance, payment history, parties to transactions, cost basis information, and other financial information).

**CATEGORIES OF INFORMATION THE FUND DISCLOSES.** The Fund does not disclose any nonpublic personal information about their current or former shareholders to unaffiliated third parties, except as required or permitted by law. The Fund is permitted by law to disclose all of the information it collects, as described above, to its service providers (such as the Custodian, administrator and transfer agent) to process your transactions and otherwise provide services to you.

**CONFIDENTIALITY AND SECURITY.** The Fund restricts access to your nonpublic personal information to those persons who require such information to provide products or services to you. The Fund maintains physical, electronic and procedural safeguards that comply with federal standards to guard your nonpublic personal information.

**This privacy policy notice is not a part of the shareholder report.**

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**Administrator and Fund Accountant**

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Custody Operations  
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