

SPECIAL OPPORTUNITIES FUND, INC.
Form DEF 14A
August 10, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x
Filed by a party other than the Registrant o

Check the appropriate box:

- o Preliminary Proxy Statement
- o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Under §240.14a-12

Special Opportunities Fund, Inc.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the
Registrant)

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- x No fee required.
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(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Special Opportunities Fund, Inc.
615 East Michigan Street
Milwaukee, WI 53202
(New York Stock Exchange Trading Symbol: SPE)

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD SEPTEMBER 16, 2010

Important Notice regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to Be Held on September 16, 2010: The Notice of Annual Meeting of Stockholders and Proxy Statement are available on the Internet at http://specialopportunitiesfundinc.com/investor_reports.html.

To the stockholders:

Notice is hereby given that an annual meeting (the "Meeting") of stockholders (herein referred to as "stockholders") of Special Opportunities Fund, Inc., a Maryland corporation (the "Fund"), will be held on September 16, 2010 at 2:00 PM, Eastern time, at the offices of Blank Rome LLP, 405 Lexington Avenue, New York, NY 10174, for the following purposes:

- (1) To elect six directors to serve until the annual meeting of stockholders in 2011 and until their successors are elected and qualify or until they resign or are otherwise removed; and
- (2) To transact such other business as may properly come before the Meeting or any adjournment or postponement thereof.

You are entitled to vote at the Meeting and any adjournment or postponement thereof if you owned shares of the Fund's common stock at the close of business on July 30, 2010. If you attend the Meeting, you may vote your shares in person. Whether or not you expect to attend the Meeting, please complete, date, sign and return the enclosed proxy card in the enclosed postage paid envelope so that a quorum will be present and a maximum number of shares may be voted. You may change your vote at any time by submitting a later-dated proxy or by voting at the Meeting. You may obtain directions to the offices of Blank Rome LLP by contacting Blank Rome LLP directly at 212-885-5000 or accessing the firm's Web site at <http://www.blankrome.com/index.cfm?contentID=50&itemID=5>.

By order of the Board of Directors,

Phillip Goldstein

Chairman of the Board

August 12, 2010

Your vote is important no matter how many shares you own

Please indicate your voting instructions on the enclosed proxy card, date and sign it, and return it in the postage paid envelope provided. If you sign, date and return the proxy card but give no voting instructions, your shares will be voted "FOR" the nominees for director named in the attached Proxy Statement (i.e., Proposal 1), and, in the proxies' discretion, either "FOR" or "AGAINST" any other business that may properly arise at the Meeting. In order to avoid the additional expense to the Fund of further solicitation, we ask your cooperation in mailing in your enclosed proxy card promptly.

Instructions for signing proxy cards

The following general guidelines for signing proxy cards may be of assistance to you and avoid the time and expense to the Fund in validating your vote if you fail to sign your proxy card properly.

1. Individual accounts: Sign your name exactly as it appears in the registration on the proxy card.
2. Joint accounts: Either party may sign, but the name of the party signing should conform exactly to the name shown in the registration on the proxy card.
3. All other accounts: The capacity of the individual signing the proxy card should be indicated unless it is reflected in the form of registration. For example:

| Registration | Valid signature |
|--|----------------------------------|
| Corporate accounts | |
| (1) ABC Corp. | ABC Corp. John Doe, Treasurer |
| (2) ABC Corp. | John Doe, Treasurer |
| (3) ABC Corp. c/o John Doe, treasurer | John Doe |
| (4) ABC Corp. profit sharing plan | John Doe, Trustee |
| Partnership accounts | |
| (1) The XYZ partnership | Jane B. Smith, Partner |
| (2) Smith and Jones, limited partnership | Jane B. Smith, General Partner |
| Trust accounts | |
| (1) ABC trust account | Jane B. Doe, Trustee |
| (2) Jane B. Doe, trustee u/t/d 12/18/78 | Jane B. Doe |
| Custodial or estate accounts | |
| (1) John B. Smith, Cust. f/b/o John B. Smith, Jr. UGMA/UTMA | John B. Smith |
| (2) Estate of John B. Smith | John B. Smith, Jr., Executor |

Special Opportunities Fund, Inc.
615 East Michigan Street
Milwaukee, WI 53202

PROXY STATEMENT

Introduction

Annual Meeting of Stockholders to be Held on September 16, 2010

This proxy statement (the “Proxy Statement”) is furnished to the stockholders (herein referred to as “stockholders”) of Special Opportunities Fund, Inc. (the “Fund”) in connection with the solicitation by the Fund’s Board of Directors (the “Board”) of proxies to be used at the annual meeting (the “Meeting”) of the stockholders of the Fund to be held on September 16, 2010, at 2:00 PM, Eastern time, at the offices of Blank Rome LLP, 405 Lexington Avenue, New York, NY 10174, or any adjournment or postponement thereof. This Proxy Statement and the related proxy card will first be mailed to stockholders on or about August 12, 2010.

Quorum. The presence, in person or by proxy, of stockholders 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 July 30, 2010) is necessary to constitute a quorum for the transaction of business. In the event that a quorum is not present at the Meeting, or if a quorum is present at the Meeting but sufficient votes to approve any of the proposals are not received, the chairman of the Meeting may adjourn the Meeting, or the persons named as proxies may propose one or more adjournments of the Meeting to permit further solicitation of proxies. If submitted to stockholders, any such adjournment will require the affirmative vote of holders of a majority of those shares represented at the Meeting in person or by proxy (or a majority of votes cast if a quorum is present). A stockholder vote may be taken on one or more of the proposals in this Proxy Statement prior to any such adjournment if sufficient votes have been received and it is otherwise appropriate.

Required Vote for Adoption of Proposals. Proposal 1 (to elect six directors) requires the affirmative vote of a plurality of the votes cast at the Meeting in person or by proxy on such Proposal, provided a quorum is present. All of the outstanding shares of the Fund’s common stock will vote together as a single class. Each full share is entitled to one vote and each fractional share is entitled to a proportionate share of one vote.

A broker non-vote occurs when the broker returns a properly executed proxy for shares held by the broker for a customer but does not vote on a matter because the broker does not have discretionary voting authority and has not received instructions from the beneficial owner. Abstentions and broker non-votes, if any, will be counted as shares present for purposes of determining whether a quorum is present at the Meeting. They will be treated as votes present at the Meeting, but will not be treated as votes cast for or against any proposal. Therefore, abstentions and broker non-votes will have no effect on a proposal which requires a plurality of votes cast for approval (i.e., Proposal 1).

The individuals named as proxies on the enclosed proxy card will vote in accordance with your direction as indicated thereon if your proxy card is received properly executed by you or by your duly appointed agent or attorney-in-fact. If you give no voting instructions, your shares will be voted FOR Proposal 1 and, in the proxies' discretion, either FOR or AGAINST any other business that may properly be presented at the Meeting (e.g., adjourning the Meeting if a stockholder vote is called).

You may revoke any proxy card by giving another proxy or by submitting a written notice of revocation to the Secretary of the Fund, care of U.S. Bancorp Fund Services, LLC, 615 East Michigan Street, Milwaukee, WI 53202. To be effective, your revocation must be received by the Fund prior to the Meeting and must indicate your name and account number. In addition, if you attend the Meeting in person you may, if you wish, vote in person at the Meeting, thereby cancelling any proxy previously given.

As of the record date, July 30, 2010, the Fund had outstanding 6,676,450 shares of common stock.

Stockholders may request, without charge, copies of the Fund's annual report and the most recent semi-annual report preceding such annual report by writing the Fund, c/o the Administrator, 615 East Michigan Street, Milwaukee, WI 53202 or by contacting the Administrator at 1-877-607-0414. These reports are also available on the U.S. Securities and Exchange Commission's (the "SEC") website, www.sec.gov.

Proposal 1. Election of Directors

Proposal 1 relates to the election of six directors of the Fund. The stockholders are being asked to elect Messrs. Chadwick, Dakos, Goldstein, Harris, Hellerman and Walden to the Board, each to serve until the annual meeting of stockholders in 2011 and until his successor is elected and qualifies or until he resigns or is otherwise removed. Each nominee for director was based upon the recommendation of the Fund's Nominating and Corporate Governance Committee.

If you properly execute and return the enclosed proxy card, unless you give contrary instructions on the enclosed proxy card, your shares will be voted FOR the election of all nominees. If any of the nominees should withdraw or otherwise become unavailable for election, your shares will be voted FOR such other nominee or nominees as the present Board may recommend. Each nominee has indicated his willingness to serve if elected. If elected, each nominee will hold office until the annual meeting of stockholders in 2011 and until his successor is elected and qualifies.

The following table sets forth each nominee as well as the current 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 July 30, 2010. Messrs. Chadwick, Harris and Walden are each not considered an "interested person" of the Fund within the meaning of the Investment Company Act of 1940 (the "1940 Act") (each an "Independent Director"). 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 and Chief Financial Officer. Messrs. Dakos and Goldstein are each considered an "interested person" of the Fund within the meaning of the 1940 Act because of their affiliation with Brooklyn Capital Management, LLC (the "Adviser") and their positions as officers of the Fund.

| 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 or Nominee for Director |
|------------------------|--------------------------------|--|---|---|--|
|------------------------|--------------------------------|--|---|---|--|

INTERESTED DIRECTOR NOMINEES

| | | | | | |
|-------------------------|-------------------------------|--------------------|---|---|--|
| Andrew Dakos*** (43) | President as of October 2009. | 1 year; Since 2009 | Principal and Chief Compliance Officer of the Adviser; Principal of the general partner of several private investment partnerships in the Bulldog Investors group of funds. | 1 | Director, Mexico Equity and Income Fund, Inc.; Director, Brantley Capital Corporation. |
|-------------------------|-------------------------------|--------------------|---|---|--|

| | | | | | |
|------------------------------|--|--------------------|--|---|--|
| Phillip Goldstein*** (65) | Chairman and Secretary as of October 2009. | 1 year; Since 2009 | Principal of the Adviser; Principal of the general partner of several private investment partnerships in the Bulldog Investors group of funds. | 1 | Chairman, Mexico Equity and Income Fund, Inc.; Chairman, Brantley Capital Corporation; Director, ASA Ltd. |
| Gerald Hellerman**** (72) | Chief Compliance Officer and Chief Financial Officer as of January 2010. | 1 year; Since 2009 | Managing Director of Hellerman Associates (a financial and corporate consulting firm). | 1 | Director, Mexico Equity and Income Fund, Inc.; Director, Brantley Capital Corporation; Director, MVC Capital, Inc.; Director, Old Mutual Absolute Return and Emerging Managers Fund Complex (consisting of six funds). |

INDEPENDENT DIRECTOR NOMINEES

| 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 or Nominee for Director |
|------------------------|--------------------------------|--|--|---|--|
| James Chadwick (37) | - | 1 year; Since 2009 | Managing Director of Opus Partners, LLC (private equity firm); Managing Director of Harlingwood Equity Partners LP; Managing Partner of Chadwick Capital Management. | 1 | None |
| Ben Hormel Harris | - | 1 year; | | 1 | None |

(40)

Since 2009

Chief Financial Officer
and General Counsel of
NHI II, LLC and NBC
Bancshares, LLC;
Investment Professional
of MVC Capital, Inc.
and The Tokarz Group
Advisers, LLC.

4

| | | | | | |
|---------------------------|---|--------------------------|--|---|--|
| Charles C. Walden (66) | - | 1 year; Since 2009 | President and Owner of Sound Capital Associates, LLC (consulting firm); Chief Investment Officer of Knights of Columbus (fraternal benefit society selling life insurance and annuities). | 1 | Lead Trustee, Third Avenue Funds (fund complex consisting of five funds and one variable series trust). |
|---------------------------|---|--------------------------|--|---|--|

OFFICERS

| 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 or Nominee for Director |
|------------------------------|--|--|--|---|--|
| Andrew Dakos*** (43) | President as of October 2009 | 1 year; Since 2009 | Principal and Chief Compliance Officer of the Adviser; Principal of the general partner of several private investment partnerships in the Bulldog Investors group of funds. | n/a | n/a |
| Rajeev Das (41) | Vice-President and Treasurer as of October 2009 | 1 year; Since 2009 | Managing Member of the general partner of several private investment partnerships in the Bulldog Investors group of funds. | n/a | n/a |
| Phillip Goldstein*** (65) | Chairman and Secretary as of October 2009 | 1 year; Since 2009 | Principal of the Adviser; Principal of the general partner of several private investment partnerships in the Bulldog Investors group of funds. | n/a | n/a |

| | | | | | |
|--|---|-------------------------------|---|----------|---|
| <p>Gerald Hellerman**** (72)</p> | <p>Chief Compliance Officer and Chief Financial Officer as of January 2010.</p> | <p>1 year; Since 2009</p> | <p>Managing Director of Hellerman Associates (a financial and corporate consulting firm).</p> | <p>1</p> | <p>Director, Mexico Equity and Income Fund, Inc.; Director, Brantley Capital Corporation; Director, MVC Capital, Inc.; Director, Old Mutual Absolute Return and Emerging Managers Fund Complex (consisting of six funds).</p> |
|--|---|-------------------------------|---|----------|---|

*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 and Goldstein are each considered an “interested person” of the Fund within the meaning of the 1940 Act because of their affiliation with Brooklyn Capital Management, 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 and Chief Financial Officer.

The Board believes that the significance of each director’s experience, qualifications, attributes or skills is an individual matter (meaning that experience that is important for one director may not have the same value for another) and that these factors are best evaluated at the Board level, with no single director, or particular factor, being indicative of the Board’s effectiveness. The Board determined that each of the directors is qualified to serve as a director of the Fund based on a review of the experience, qualifications, attributes and skills of each director. In reaching this determination, the Board has considered a variety of criteria, including, among other things: character and integrity; ability to review critically, evaluate, question and discuss information provided, to exercise effective business judgment in protecting stockholder interests and to interact effectively with the other directors, the Adviser, other service providers, counsel and the independent registered public accounting firm (“independent auditors”); and willingness and ability to commit the time necessary to perform the duties of a director. Each director’s ability to perform his duties effectively is evidenced by his experience or achievements in the following areas: management or board experience in the investment management industry or companies in other fields, educational background and professional training; and experience as a director of the Fund. Information as of July 30, 2010 indicating the specific experience, skills, attributes and qualifications of each director which led to the Board’s determination that the director should serve in this capacity is provided below.

James Chadwick. Mr. Chadwick has been a director of the Fund since 2009. He has over 10 years of investment management experience, selecting investments, managing risk and managing investment pools of capital. Mr. Chadwick previously worked with a large accounting firm auditing public companies. He has served as a director of three other public companies and has served on certain of their audit, governance, nominating and compensation committees.

AndrewMr. Dakos has been the President and a director of the Fund since 2009. He is also a principal of the Adviser. Dakos. Mr. Dakos has over 10 years of investment management experience and currently manages several private investment partnerships. In addition to the Fund, he is currently a director of a closed-end fund, one private company and a business development company that is undergoing liquidation.

Phillip Mr. Goldstein has been the Chairman of the Board and the Secretary of the Fund since 2009. He is also a Goldstein. principal of the Adviser. Mr. Goldstein has 18 years of investment management experience and currently manages several private investment partnerships. In addition to the Fund, he is currently a director of two closed-end funds, and a business development company that is undergoing liquidation.

Ben Mr. Harris has been a director of the Fund since 2009. He has extensive experience in the management of Hormel private and public entities, highly regulated entities and corporate restructurings. In addition to the Fund, Mr. Harris. Harris is currently a director of two private companies.

Gerald Mr. Hellerman has been a director of the Fund since 2009 and its Chief Compliance Officer and Chief Hellerman. Financial Officer since January 2010. Mr. Hellerman has more the 40 years of financial experience, including serving as a Financial Analyst and Branch Chief at the U.S. Securities and Exchange Commission and as Chief Financial Analyst at the Antitrust Division of the U.S. Department of Justice for 17 years. He has served as a director of a number of public companies, including registered investment companies, and as a financial and corporate consultant since 1993.

Charles Mr. Walden has been a director of the Fund since 2009. He has over 40 years of experience in investments, C. including 30 years experience as a chief investment officer in the life insurance industry. He has served on Walden. the board of directors of mutual funds for 14 years, including the investment committees of a healthcare system and a religious diocese. Mr. Walden is a Chartered Financial Analyst.

Specific details regarding each director's principal occupations during the past five years are included in the table above. The summaries set forth above as to the experience, qualifications, attributes and/or skills of the directors do not constitute holding out the Board or any director as having any special expertise or experience, and do not impose any greater responsibility or liability on any such person or on the Board as a whole than would otherwise be the case.

Litigation Involving Directors. On October 17, 2009 the Massachusetts Secretary of State issued an "obey the law" cease and desist order (the "Order") against Messrs. Goldstein and Dakos and certain other parties (the "Bulldog Parties"), and fined the Bulldog Parties \$25,000, in connection with an alleged violation of Massachusetts law due to the Bulldog Parties making truthful information about certain unregistered investments available on a website and by sending an e-mail containing truthful material about such investments to an individual who requested it. The Bulldog Parties filed an appeal of the Order on November 15, 2007 in the Massachusetts Superior Court which was upheld, and the Bulldog Parties further appealed the Order. The Massachusetts Supreme Judicial Court upheld the Order on July 2, 2010, but held that the Bulldog Parties' claim that the Order violated their First Amendment rights must be decided as part of the Bulldog Parties' appeal of the lawsuit they filed against the Massachusetts Secretary of State (the "Lawsuit"). The Massachusetts Supreme Judicial Court transferred the appeal of the Lawsuit to itself on July 23, 2010 and the case is pending.

Board Composition and Leadership Structure. The Board consists of six individuals, three of whom are interested directors. The Chairman of the Board, Mr. Goldstein, is an interested director and is the Secretary of the Fund and is a principal of the Adviser. The Board does not have a lead independent director.

The Board believes that its structure facilitates the orderly and efficient flow of information to the directors from the Adviser and other service providers with respect to services provided to the Fund, potential conflicts of interest that could arise from these relationships and other risks that the Fund may face. The Board further believes that its structure allows all of the directors to participate in the full range of the Board's oversight responsibilities. The Board believes that the orderly and efficient flow of information and the ability to bring each director's talents to bear in overseeing the Fund's operations is important, in light of the size and complexity of the Fund and the risks that the Fund faces. The Board and its committees review their structure regularly, to help ensure that it remains appropriate as the business and operations of the Fund, and the environment in which the Fund operates, changes.

Currently, the Board has an Audit Committee and a Nominating and Corporate Governance Committee. The responsibilities of each committee and its members are described below.

Board's Role in Risk Oversight of the Fund. The Board oversees risk management for the Fund directly and, as to certain matters, through its committees. The Board exercises its oversight in this regard primarily through requesting and receiving reports from and otherwise working with the Fund's senior officers (including the Fund's President, Chief Compliance Officer and Treasurer), portfolio management and other personnel of the Adviser, the Fund's independent auditors, legal counsel and personnel from the Fund's other service providers. The Board has adopted, on behalf of the Fund, and periodically reviews with the assistance of the Fund's Chief Compliance Officer, policies and procedures designed to address certain risks associated with the Fund's activities. In addition, the Adviser and the Fund's other service providers also have adopted policies, processes and procedures designed to identify, assess and manage certain risks associated with the Fund's activities, and the Board receives reports from service providers with respect to the operation of these policies, processes and procedures as required and/or as the Board deems appropriate.

Compensation of Directors. The Board does not have a standing compensation committee. Currently, each Independent Director receives an annual retainer equal to \$25,000 for serving as a director and attending the quarterly meetings of the Board, paid quarterly in advance, plus \$1,000 for each special Board meeting attended in person (or \$500 if attended by telephone). Each Independent Director is entitled to receive such compensation for any partial quarter for which he serves.

Directors who are “interested persons” of the Fund will not receive any compensation for their services as directors. The Fund does not have a bonus, profit sharing, pension or retirement plan. No other entity affiliated with the Fund pays any compensation to the directors. The table below details the amount of compensation the Fund’s directors received from the Fund during the fiscal nine months December 31, 2009.

| Name of Person/Position | Aggregate Compensation From the Fund | Pension or Retirement Benefits Accrued as Part of Fund Expenses | Estimated Annual Benefits Upon Retirement | Total Compensation from Fund Complex Paid to Directors* |
|--|--------------------------------------|---|---|---|
| Independent Directors | | | | |
| James Chadwick, Independent Director | \$10,288 | None | None | \$10,288 |
| Ben Hormel Harris, Independent Director | \$10,288 | None | None | \$10,288 |
| Charles C. Walden, Independent Director** | \$7,250 | None | None | \$7,250 |
| Interested Directors | | | | |
| Andrew Dakos, Interested Director*** | \$11,647 | None | None | \$11,647 |
| Phillip Goldstein, Interested Director**** | \$11,647 | None | None | \$11,647 |
| Gerald Hellerman, Interested Director***** | \$36,647 | None | None | \$36,647 |

* The Fund Complex is comprised of only the Fund.

** Includes compensation for attendance as an observer at two special meetings held during the fiscal nine months

ended December 31, 2009.

*** Messrs. Dakos and Goldstein are each considered an “interested person” of the Fund within the meaning of the 1940 Act because of their affiliation with the Adviser and their positions as officers of the Fund. These fees were paid prior to each of Messrs. Dakos and Goldstein becoming an “interested person” of the Fund.

**** Includes a one-time fee of \$25,000 for transitional services performed by Mr. Hellerman in connection with the change of control of the Board following the election of Messrs. Dakos, Das (who is not a nominee for director), Goldstein and Hellerman at the Fund’s annual meeting on August 12, 2009. These fees were paid prior to Mr. Hellerman becoming an “interested person” of the Fund.

Management Ownership. To the knowledge of the Fund’s management, as of December 31, 2009, the officers and directors of the Fund beneficially owned, as a group, 1.16% of the shares of the Fund’s common stock. The following table shows the dollar range of shares beneficially owned by each director, director nominee and officer in the Fund as of July 30, 2010:

| Name of Director | Dollar Range of Equity Securities in the Fund | Aggregate Dollar Range of Equity Securities in All Funds Overseen by Director in Family of Investment Companies* |
|-----------------------|---|--|
| Independent Directors | | |
| James Chadwick | None | None |
| Ben Hormel Harris | \$10,001 - \$50,000 | \$10,001 - \$50,000 |
| Charles C. Walden | Over \$100,000 | Over \$100,000 |

| Name of Director | Dollar Range of Equity Securities in the Fund | Aggregate Dollar Range of Equity Securities in All Funds Overseen by Director in Family of Investment Companies* |
|----------------------|---|--|
| Interested Directors | | |
| Andrew Dakos** | None | None |
| Phillip Goldstein** | \$10,001 - \$50,000 | \$10,001 - \$50,000 |
| Gerald Hellerman*** | \$50,001 - \$100,000 | \$50,001 - \$100,000 |

* The Family of Investment Companies is comprised of only the Fund.

** Messrs. Dakos and Goldstein are each considered an “interested person” of the Fund within the meaning of the 1940 Act because of their affiliation with Brooklyn Capital Management, 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 and Chief Financial Officer.

Director Transactions with Fund Affiliates. As of December 31, 2009, neither the Independent Directors nor members of their immediate family owned securities beneficially or of record in the Adviser or any of its affiliates. Furthermore, over the past five years, neither the Independent Directors nor members of their immediate family have had any direct or indirect interest, the value of which exceeds \$120,000, in the Adviser, UBS Global Asset Management (Americas) Inc., the Fund’s previous investment adviser (the “Previous Adviser”), or any affiliate of these entities. In addition, since the beginning of the last two fiscal years, neither the Independent Directors nor members of their immediate family have conducted any transactions (or series of transactions) or maintained any direct or indirect relationship in which the amount involved exceeds \$120,000 and to which the Adviser, the Previous Adviser or any affiliate of any of these entities was a party.

Required Vote. Approval of each nominee requires the affirmative vote of a plurality of the votes cast at the Meeting in person or by proxy on Proposal 1, provided a quorum is present.

THE BOARD OF DIRECTORS, INCLUDING THE INDEPENDENT DIRECTORS,
RECOMMENDS THAT YOU VOTE “FOR” PROPOSAL NO. 1 FOR ELECTION OF
EACH OF THE NOMINEES. ANY SIGNED BUT UNMARKED PROXIES WILL BE SO
VOTED “FOR” THE ELECTION OF EACH OF THE NOMINEES.

Additional Information about the Board

Board Meetings and Committees.

Each present director and director nominee has attended more than 75% of the meetings of the Board held since his respective election as director. Since August 12, 2009 through the end of the fiscal nine months ended December 31, 2009, the Board met eight times.

Audit Committee. The Board has established an Audit Committee that acts pursuant to a written charter (the "Audit Committee Charter") and whose responsibilities are generally: (i) to oversee the accounting and financial reporting processes of the Fund and its internal control over financial reporting and, as the Audit Committee deems appropriate, to inquire into the internal control over financial reporting of certain third-party providers; (ii) to oversee the quality and integrity of the Fund's financial statements and the independent audit thereof; (iii) to oversee, or, as appropriate, assist Board oversight of, the Fund's compliance with legal and regulatory requirements that relate to the Fund's accounting and financial reporting, internal control over financial reporting and independent audits; (iv) to approve prior to appointment the engagement of the Fund's independent auditors and, in connection therewith, to review and evaluate the qualifications, independence and performance of the Fund's independent auditors and the full Board; and (v) to act as liaison between the Fund's independent auditors and the full Board. A copy of the Audit Committee Charter was filed as Exhibit C to the Fund's proxy statement filed with the SEC on November 19, 2009.

Although the Audit Committee is expected to take a detached and questioning approach to the matters that come before it, the review of the Fund's financial statements by the Audit Committee is not an audit, nor does the Audit Committee's review substitute for the responsibilities of the Fund's management for preparing, or the independent auditors for auditing, the financial statements. Members of the Audit Committee are not full-time employees of the Fund and, in serving on the Audit Committee, are not, and do not hold themselves out to be, acting as accountants or auditors. As such, it is not the duty or responsibility of the Audit Committee or its members to conduct "field work" or other types of auditing or accounting reviews. In discharging their duties, the members of the Audit Committee are entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, if prepared or presented by: (1) one or more officers of the Fund whom such director reasonably believes to be reliable and competent in the matters presented; (2) legal counsel, public accountants, or other persons as to matters the director reasonably believes are within the person's professional or expert competence; or (3) a Board committee of which the director is not a member.

The Audit Committee currently consists of Messrs. Chadwick, Harris and Walden. None of the members of the Audit Committee has any relationship to the Fund that may interfere with the exercise of his independence from management of the Fund, and each is independent as defined under the listing standards of the New York Stock Exchange ("NYSE") applicable to closed-end funds. Since August 12, 2009 through the end of the fiscal nine months ended December 31, 2009, the Board's Audit Committee met two times and each member of the Audit Committee has attended 100% of the meetings of the Audit Committee held since his election as director.

Nominating and Corporate Governance Committee. The Board has also established a Nominating and Corporate Governance Committee that acts pursuant to a written charter (the “Nominating and Corporate Governance Committee Charter”). The Nominating and Corporate Governance Committee is responsible for, among other things, identifying and selecting qualified individuals to become Board members and members of Board committees and developing, adopting and periodically monitoring and updating the Fund’s corporate governance principles and policies. A copy of the Nominating and Corporate Governance Committee Charter was filed as Exhibit D to the Fund’s proxy statement filed with the SEC on November 19, 2009.

The Nominating and Corporate Governance Committee currently consists of Messrs. Chadwick, Harris and Walden. None of the members is an “interested person” for purposes of the 1940 Act, and each is independent as defined under listing standards of the NYSE applicable to closed-end funds. The Board’s Nominating and Corporate Governance Committee did not meet from August 12, 2009 through the end of the fiscal year.

In nominating candidates, the Nominating and Corporate Governance Committee believes that no specific qualifications or disqualifications are controlling or paramount, or that specific qualities or skills are necessary for each candidate to possess. In identifying and evaluating nominees for director, the Nominating and Corporate Governance Committee takes into consideration such factors as it deems appropriate. These factors may include: (i) whether or not the person is an “interested person” as defined in the 1940 Act, meets the independence and experience requirements of the NYSE applicable to closed-end funds and is otherwise qualified under applicable laws and regulations to serve as a member of the Board; (ii) whether or not the person has any relationships that might impair his or her independence, such as any business, financial or family relationships with Fund management, the investment advisor and/or sub-advisors of the Fund, Fund service providers or their affiliates; (iii) whether or not the person is willing to serve, and willing and able to commit the time necessary for the performance of the duties of a Board member; (iv) the person’s judgment, skill, diversity and experience with investment companies and other organizations of comparable purpose, complexity and size and subject to similar legal restrictions and oversight; (v) the interplay of the candidate’s experience with the experience of other Board members; and (vi) the extent to which the candidate would be a desirable addition to the Board and any committees thereof.

The Nominating and Corporate Governance Committee will consider nominees recommended by stockholders if a vacancy occurs. In order to recommend a nominee, a stockholder should send a letter to the chairperson of the Nominating and Corporate Governance Committee, care of the Administrator, 615 East Michigan Street, Milwaukee, WI 53202, and indicate on the envelope “Nominating and Corporate Governance Committee.” The stockholder’s letter should state the nominee’s name and should include the nominee’s résumé or curriculum vitae, and must be accompanied by a written consent of the individual to stand for election if nominated by the Board and to serve if elected by stockholders. Stockholders can send other communications to the Board, care of the Administrator, 615 East Michigan Street, Milwaukee, WI 53202.

Information Concerning the Fund's Independent Registered Public Accounting Firm

Tait, Weller & Baker LLP ("Tait, Weller") audited the Fund's financial statements for the fiscal nine months ended December 31, 2009 and has been selected as the Fund's independent registered public accounting firm for the fiscal year ending December 31, 2010.

The Fund's financial statements for the fiscal year ended March 31, 2009, were audited by a firm other than Tait, Weller. Such firm also prepared the Fund's 2009 federal and state annual income tax returns and provided certain non-audit services. The Fund's prior auditing firm had been the Fund's independent registered public accounting firm since the Fund's inception in June 1993.

On September 24, 2009, the Fund's Audit Committee met to consider the selection of a new independent registered public accounting firm for the Fund for the fiscal nine months ended December 31, 2009 because it had been advised by the Fund's prior auditor of its proposed audit fees to conduct the Fund's audit for the fiscal nine months ended December 31, 2009, which fees were substantially higher than the audit fees paid by the Fund to the same auditing firm for prior years' audits. Having conducted a request for proposals, the Audit Committee met with Tait, Weller and, after due consideration, selected Tait, Weller to conduct the audit for the fiscal nine months ended December 31, 2009. The Audit Committee made its determination based on (1) several of its members' previous experience with Tait, Weller as audit committee members of another closed-end fund for which Tait, Weller served as independent auditor and (2) the substantial savings to the Fund represented by the audit fees proposed to be charged by Tait, Weller to conduct the Fund's audit for the fiscal nine months ended December 31, 2009. There were no disagreements with the prior auditing firm. The Fund received a letter dated October 1, 2009 from the prior auditor stating that the client-auditor relationship between the Fund and the prior auditor had ended. The stockholders ratified the selection of Tait, Weller at the special meeting held on December 10, 2009. Tait, Weller has informed the Fund that it has no material direct or indirect financial interest in the Fund.

A representative of Tait, Weller is not expected to be present at the Meeting but will be present by telephone and will have the opportunity to make a statement if he or she so desires. This representative will also be available to respond to appropriate questions. Representatives of the Fund's prior auditor will not be present at the Meeting. A representative of the Fund's prior auditor will not attend the meeting, will not have an opportunity to make a statement and will not be available to respond to questions.

Fees

The fees billed by the Fund's auditors for professional services rendered to the Fund for the fiscal year ended March 31, 2009 and the fiscal nine months ended December 31, 2009 are provided in the table below:

| | Aggregate total for Fiscal Year Ended December 31, 2009 | Aggregate total for Fiscal Year Ended March 31, 2009 |
|-----------------------|--|---|
| Audit Fees | \$38,000 | \$42,000* |
| Audit-Related Fees | \$8,283** | \$8,523* |
| Tax Fees | \$13,305*** | \$10,135* |
| All Other Fees | - | - |

* Aggregate fee billed by the Fund's prior auditor.

** Includes \$2,000 billed by Tait, Weller and \$6,283 billed by the Fund's prior auditor.

*** Includes \$10,000 billed by Tait, Weller and \$3,305 billed by the Fund's prior auditor.

Fees included in the "audit fees" category are those associated with the annual audits of financial statements and services that are normally provided in connection with statutory and regulatory filings.

Fees included in the "audit-related fees category" are those associated with (1) the reading and providing of comments on the 2009 and 2008 semi-annual financial statements, (2) auction preferred shares testing for the Fund's fiscal year ended March 31, 2009 and fiscal nine months ended December 31, 2009 and (3) review of profitability report.

Fees included in the "tax fees" category comprise all services performed by professional staff in the independent auditors' tax division, except those services related to the audits. This category comprises fees for review of tax compliance, tax return preparation and excise tax calculations.

For the fiscal year ended March 31, 2009 and the fiscal nine months ended December 31, 2009, there were no fees billed by the Fund's auditors for other services provided to the Fund. Fees included in the "all other fees" category would consist of services related to internal control reviews, strategy and other consulting, financial information systems design and implementation, consulting on other information systems, and other tax services unrelated to the Fund.

All of the principal accountant's hours spent on auditing the Fund's financial statements were attributed to work performed by full-time permanent employees of the principal accountant.

With respect to Rule 2-01(c)(7)(i)(C) of Regulation S-X, there were no audit-related fees, or tax fees that were approved by the Audit Committee pursuant to the de minimis exception for the fiscal year ended March 31, 2009 and the fiscal nine months ended December 31, 2009 and there were no amounts that were required to be approved by the Audit Committee pursuant to the de minimis exception for the fiscal year ended March 31, 2009 and the fiscal nine months ended December 31, 2009 on behalf of the Fund's service providers that relate directly to the operations and financial reporting of the Fund.

The Audit Committee pre-approved the fees for Tait, Weller for its review of the 2009 semiannual financial statements. There were no other audit-related fees or tax fees required to be approved pursuant to paragraph (c)(7)(ii) of Rule 2-01 of Regulation S-X during the fiscal periods indicated above.

For the fiscal nine months ended December 31, 2009, the aggregate fees billed by Tait, Weller of \$12,000 for non-audit services rendered on behalf of the Fund, the Adviser and any entity controlling, controlled by, or under common control with the Adviser that provides (or provided during the relevant fiscal period) services to the Fund for the fiscal period of the Fund is shown in the table below. For the fiscal nine months ended December 31, 2009 and the fiscal year ended March 31, 2009, the aggregate fees billed by the Fund’s prior auditor of \$1,004,526 and \$2,038,064, respectively, for non-audit services rendered on behalf of the Fund (“covered”), its previous investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser) and any entity controlling, controlled by, or under common control with the Adviser (“non-covered”) that provides (or provided during the relevant fiscal period) services to the Fund for each of the last two fiscal periods of the Fund is shown in the table below:

| | December 31, 2009 | March 31, 2009 |
|----------------------|----------------------|-------------------|
| Fund | \$12,000* | \$18,658** |
| | \$9,588** | |
| Adviser | \$0 | \$0 |
| Fund’s Prior Adviser | \$994,938 | 2,019,406** |

* Aggregate fees billed by Tait, Weller.

** Aggregate fees billed by the Fund’s prior auditor.

The Fund’s previous audit committee was not required to consider whether the provision of non-audit services that were rendered to the Fund’s adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another adviser), and any entity controlling, controlled by, or under common control with the adviser that provides ongoing services to the Fund that were not pre-approved pursuant to paragraph (c)(7)(ii) of Rule 2-01 of Regulation S-X is compatible with maintaining the principal accountant’s independence.

Audit Committee Pre-Approval

The Audit Committee Charter adopted on September 1, 2009 contains the Audit Committee’s pre-approval policies and procedures. Reproduced below is an excerpt from the Audit Committee Charter regarding such policies and procedures:

The Audit Committee shall:

approve prior to appointment the engagement of the auditor to provide other audit services to the Fund or to provide non-audit services to the Fund, its investment adviser or any entity controlling, controlled by, or under common control with the investment adviser (“adviser affiliate”) that provides ongoing services to the Fund, if the engagement relates directly to the operations and financial reporting of the Fund[.]

Audit Committee Report

The Audit Committee has met and held discussions with Tait, Weller, the Fund's independent registered public accountant. The independent registered public accountant represented to the Audit Committee that the Fund's financial statements were prepared in accordance with U.S. generally accepted accounting principles. The Audit Committee (i) reviewed and discussed with management the Fund's audited financial statements for the most recently completed fiscal nine months; (ii) discussed with the Fund's independent registered public accountant, the matters required to be discussed by Statement on Auditing Standards No. 61, as amended; and (iii) obtained from Tait, Weller a formal written statement consistent with the Public Company Accounting Oversight Board regarding Tait Weller's communications with the Audit Committee concerning independence, describing all relationships between Tait, Weller and the Fund that might bear on Tait, Weller's independence and discussed with Tait, Weller any relationships that may impact Tait, Weller's objectivity and independence and satisfied itself as to Tait, Weller's independence.

Based upon the Audit Committee's discussion with Tait, Weller and the Audit Committee's review of the representations of Tait, Weller and the report of Tait, Weller to the Audit Committee, the Audit Committee recommended that the Board include the audited financial statements in the Fund's Annual Report for the fiscal nine months ended December 31, 2009 filed with the SEC.

James Chadwick
Ben Hormel Harris and
Charles C. Walden, Chairman

Other Information

Beneficial Ownership of Shares

As of July 30, 2010, based upon a review of public filings, management did not know of any person who owned beneficially 5% or more of the common stock of the Fund.

Section 16(a) Beneficial Ownership Reporting Compliance

Based solely upon a review of Forms 3 and 4 and amendments thereto furnished to the Fund pursuant to Rule 16a-3(e) under the Securities Exchange Act of 1934 (the “Exchange Act”) during the most recent fiscal year and Forms 5 and amendments thereto furnished to the Fund with respect to its most recent fiscal year, and any written representation referred to in paragraph (b)(1) of Item 405 of Regulation S-K, following is each person who, at any time during the fiscal year, was subject to Section 16 of the Exchange Act with respect to the Fund because of the requirements of Section 30 of the 1940 Act (a “reporting person”) that failed to file on a timely basis, as disclosed in the above forms, reports required by Section 16(a) of the Exchange Act during the most recent fiscal year or prior fiscal years.

| Reporting Person | Number of Late Reports | Number of Transactions Not Reported on a Timely Basis |
|-------------------------|------------------------|---|
| Bulldog Investors | 14 | 13 |
| Phillip Goldstein | 1 | 0 |
| Andrew Dakos | 1 | 0 |
| Rajeev Das | 1 | 0 |
| Ben H. Harris | 1 | 0 |
| Karpus Management, Inc. | 7 | 7 |

Stockholder Proposals

The Meeting is an annual meeting of stockholders. Any stockholder who wishes to submit proposals to be considered at the Fund’s 2011 annual meeting of stockholders should send such proposals to the Secretary of the Fund, care of the Administrator, 615 East Michigan Street, Milwaukee, WI 53202. Stockholder proposals must be received by the Fund no later than the close of business on April 14, 2011 to receive consideration for inclusion in our proxy materials relating to that meeting under Rule 14a-8 of the Exchange Act. Stockholder proposals that are submitted in a timely manner will not necessarily be included in the Fund’s proxy materials. Inclusion of such proposals is subject to limitations under the federal securities laws and informational requirements of the Fund’s Amended and Restated Bylaws, as in effect from time to time.

In order for a stockholder to bring a proposal (other than proposals sought to be included in our proxy statement pursuant to Rule 14a-8 of the Exchange Act) before the 2011 annual meeting, such stockholder must deliver a written notice of such proposal to the Secretary of the Fund, care of the Administrator, 615 East Michigan Street, Milwaukee, WI 53202, no later than the close of business on June 28, 2011.

Stockholders are advised to review our Amended and Restated Bylaws, which contain additional requirements about advance notice of stockholder proposals.

Solicitation of Proxies

Your vote is being solicited by the directors of the Fund. The cost of soliciting these proxies will be borne by the Fund. The Fund reimburses brokerage firms and others for their expenses in forwarding proxy materials to the beneficial owners and soliciting them to execute proxies.

The directors and officers of the Fund may be involved in the solicitation of proxies. The Fund does not reimburse such persons for the solicitation of proxies. The Fund intends to pay all costs associated with the solicitation and the Meeting. The Fund expects that the solicitation will be primarily by mail, but also may include telephone, telecopy, electronic, oral or other means of communication.

Important Notice regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to Be Held on September 16, 2010: The Notice of Annual Meeting of Stockholders and Proxy Statement are available on the Internet at http://specialopportunitiesfundinc.com/investor_reports.html.

Other Business

The Fund's management knows of no business to be presented at the Meeting other than the matters set forth in this Proxy Statement, but should any other matter requiring a vote of stockholders arise, the proxies will vote thereon according to their discretion.

By order of the Board,

Phillip Goldstein

Chairman of the Board

August 12, 2010

It is important that you execute and return your proxy promptly.

APPENDIX

PROXY

SPECIAL OPPORTUNITIES FUND, INC.
 ANNUAL MEETING OF STOCKHOLDERS
 SEPTEMBER 16, 2010

SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF
 SPECIAL OPPORTUNITIES FUND, INC.

The undersigned hereby appoints Andrew Dakos and Phillip Goldstein, and each of them, as proxies of the undersigned, each with the power to appoint his substitute, for the Annual Meeting of Stockholders of Special Opportunities Fund, Inc. (the "Fund") to be held on September 16, 2010, at 2:00 PM Eastern time, at the offices of Blank Rome LLP, 405 Lexington Avenue, New York, NY 10174 (the "Meeting"), to vote, as designated below, all shares of the Fund held by the undersigned at the close of business on July 30, 2010. Capitalized terms used without definition have the meanings given to them in the accompanying Proxy Statement.

Date: _____, 2010

VOTE BY MAIL: COMPLETE, SIGN AND MAIL THIS PROXY CARD

NOTE: Please sign exactly as your name appears on this Proxy. If joint owners, EITHER may sign this Proxy. When signing as attorney, executor, administrator, trustee, guardian or corporate officer, please give your full title.

Signature(s) (Title(s), if applicable)

This proxy will be voted as specified below. If the proxy is executed, but with respect to a particular proposal no specification is made, this proxy will be voted in favor of such proposal and in the discretion of the above-named proxies as to any other matter that may properly come before the Meeting or any adjournment or postponement thereof. Please indicate by filling in the appropriate box below.

| Proposal | | FOR ALL | AGAINST ALL | FOR ALL EXCEPT | ABSTAIN |
|----------|---|-----------------------|-----------------------|-----------------------|-----------------------|
| 1. | To elect the following nominees to hold office until the annual meeting of stockholders in 2011 and until their successors are elected and qualify or until they resign or are otherwise removed: Mr. James Chadwick, Mr. Andrew | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Dakos, Mr. Phillip
Goldstein,
Mr. Ben Harris, Mr.
Gerald
Hellerman, and Mr.
Charles
Walden

To withhold authority to vote, mark "For All Except" and write the name of the Nominee(s)
on the line below:

In their discretion, the
named
proxies may vote upon
any
other matters which may
legally
come before the Meeting,
or any
adjournment or
postponement
thereof.

WE NEED YOUR VOTE BEFORE SEPTEMBER 16, 2010

Your vote is important. If you are unable to attend the Meeting in person, we urge you to complete, sign, date and return this proxy card using the enclosed postage prepaid envelope. Your prompt return of the proxy will help assure a quorum at the Meeting and avoid additional expenses associated with further solicitation. Sending in your proxy will not prevent you from personally voting your shares at the Meeting. You may revoke your proxy before it is voted at the Meeting by submitting to the Secretary of the Fund a written notice of revocation or a subsequently signed proxy card, or by attending the Meeting and voting in person.

Important Notice regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to Be Held on September 16, 2010: The Notice of Annual Meeting of Stockholders and Proxy Statement are available on the Internet at http://specialopportunitiesfundinc.com/investor_reports.html.

THANK YOU FOR YOUR TIME
