

LINCOLN NATIONAL SPECIAL OPPORTUNITIES FUND INC
Form N-CSR
March 10, 2003

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT
INVESTMENT COMPANIES

Investment Company Act file number: 811-03291

LINCOLN NATIONAL SPECIAL OPPORTUNITIES FUND, INC.
(Exact name of registrant as specified in charter)

1300 South Clinton Street
Fort Wayne, Indiana 46802
(Address of principal executive offices) (Zip code)

Elizabeth Frederick, Esq.
Lincoln National Life Insurance Company
1300 South Clinton Street
Fort Wayne, Indiana 46802
(Name and address of agent for service)

Copies of all communications to:
Jeffrey S. Puretz, Esq.
Dechert LLP
1775 Eye Street, N.W.
Washington, D.C. 20006

Registrant's telephone number, including area code: (260) 455-2000

Date of fiscal year end: December 31, 2002

Date of reporting period: January 1, 2002 through December 31, 2002

SPECIAL OPPORTUNITIES FUND

[DELAWARE INVESTMENTS LOGO]

Lincoln National
Special Opportunities Fund, Inc.
Annual Report
December 31, 2002

LINCOLN NATIONAL SPECIAL OPPORTUNITIES FUND, INC.

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COMMENTARY
STATEMENT OF NET ASSETS

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LINCOLN NATIONAL
SPECIAL OPPORTUNITIES FUND, INC.
ANNUAL PORTFOLIO COMMENTARY
For the year ended December 31, 2002

Managed by:

[DELAWARE INVESTMENTS LOGO]

The Lincoln National Special Opportunities Fund had a return of -11.8% for the year ended December 31, 2002, while its style specific benchmark, the Russell MidCap Value Index*, returned -9.7% and the broader market index, the S&P MidCap 400 Index**, returned -14.5%.

For 2002, the markets declined for the third year in a row -- the first series of three consecutive years of decline in over 50 years. The Fund's performance lagged the performance of the Russell Mid-Cap Value Index* for the year. The underperformance can be attributed in part to stock selection in media and healthcare stocks. This underperformance was partially offset by stock selection in the utility and finance sectors.

Although U.S. equity markets performed strongly in the fourth quarter of 2002, much of the strength was in lower quality stocks that had, with hindsight, been oversold. We expect the current high level of volatility in stock prices to continue until investors are convinced that a sustained economic recovery has begun and corporate earnings concerns ease. However, the Federal Reserve's recent 50 basis point reduction in short-term interest rates, to levels not seen in 40 years, and improved prospects for further tax cuts, due to the Republican Party's victory in the mid-term Congressional elections, should both be interpreted positively by the equity markets. The hope is that this combination of fiscal and monetary easing will help stimulate increased economic activity in the U.S. in 2003. So, looking forward, we maintain a positive long-term view on both the economy and equity markets and thus remain committed to our process -- blending quantitative screening, fundamental research and portfolio risk control. At year end, the Fund held moderately overweight positions in the finance, healthcare and defense sectors relative to its benchmark, the Russell MidCap Value Index*.

J. Paul Dokas

Growth of \$10,000 invested 1/1/93 through 12/31/02

(CHART)

This chart illustrates, hypothetically, that \$10,000 was invested in the Special Opportunities Fund on 1/1/93. As the chart shows, by December 31, 2002, the value of the investment at net asset value, with any dividends and distributions reinvested, would have grown to \$24,631. For comparison, look at how the S&P MidCap 400 Index and the Russell MidCap Value Index did over the same period. The same \$10,000 investment would have grown to \$30,945 and \$28,537, respectively. Past performance is not indicative of future performance. Remember, an investor cannot invest directly in an index.

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| | |
|--|-------------------|
| Average annual return on investment | Ended 12/31/02 |
| ----- | |
| One Year | -11.75% |
| ----- | |
| Five Years | + 1.31% |
| ----- | |
| Ten Years | + 9.43% |
| ----- | |

* Russell MidCap Value Index - Measures the performance of those Russell MidCap companies with lower price-to-book ratios and lower forecasted growth values.

** The S&P MidCap 400 Index is the Standard & Poor's Composite Index of 400 stocks, a widely recognized unmanaged index of common stock prices of mid-sized companies.

Special Opportunities Fund 1

LINCOLN NATIONAL
SPECIAL OPPORTUNITIES FUND, INC.

STATEMENT OF NET ASSETS
December 31, 2002

| | Number of Shares | Market Value |
|--|---------------------|-----------------|
| COMMON STOCK - 99.56% | | |
| ----- | | |
| AEROSPACE & DEFENSE - 0.83% | | |
| ----- | | |
| Goodrich | 104,000 | \$ 1,905,280 |
| Northrop Grumman | 18,001 | 1,746,069 |
| ----- | | |
| | | 3,651,349 |
| AUTOMOBILES & AUTOMOTIVE PARTS - 3.08% | | |
| ----- | | |
| Autoliv | 51,000 | 1,067,430 |
| + Autonation | 180,000 | 2,260,800 |
| BorgWarner | 35,000 | 1,764,700 |
| Dana | 147,800 | 1,738,128 |
| Delphi | 343,200 | 2,762,760 |
| Genuine Parts | 29,500 | 908,600 |
| + Lear | 54,500 | 1,813,760 |
| Magna International Class A | 22,000 | 1,235,300 |
| ----- | | |
| | | 13,551,478 |
| BANKING & FINANCE - 15.24% | | |
| ----- | | |
| A.G. Edwards | 58,400 | 1,924,864 |
| + Affiliated Managers Group | 18,500 | 930,550 |
| AmSouth Bancorporation | 183,000 | 3,513,600 |
| Associated Banc-Corp | 79,000 | 2,681,260 |
| Astoria Financial | 60,000 | 1,629,000 |
| Bancorpsouth | 57,500 | 1,116,650 |

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| | | |
|-----------------------------|---------|-----------|
| Banknorth | 124,000 | 2,802,400 |
| Bear Stearns | 62,400 | 3,706,560 |
| Brascan | 59,000 | 1,209,500 |
| Capital One Financial | 34,000 | 1,010,480 |
| Charter One Financial | 113,400 | 3,257,982 |
| Colonial BancGroup | 146,000 | 1,741,780 |
| Compass Bancshares | 83,000 | 2,595,410 |
| Countrywide Financial | 60,000 | 3,099,000 |
| Cullen Frost Bankers | 52,500 | 1,716,750 |
| First Merit | 49,500 | 1,072,170 |
| First Tennessee National | 70,000 | 2,515,800 |
| Golden West Financial | 6,500 | 466,765 |
| Greenpoint Financial | 60,000 | 2,710,800 |
| Hibernia Class A | 117,800 | 2,266,472 |
| Hudson United Bancorp | 49,000 | 1,523,900 |
| M & T Bank | 16,300 | 1,293,405 |
| Marshall & Ilsley | 123,000 | 3,367,740 |
| National Commerce Financial | 117,500 | 2,802,375 |
| Popular | 56,500 | 1,909,700 |
| Regions Financial | 62,000 | 2,068,320 |
| SouthTrust | 89,000 | 2,211,650 |
| Sovereign Bancorp | 118,000 | 1,657,900 |
| TCF Financial | 36,000 | 1,572,840 |
| Union BanCal | 47,500 | 1,865,325 |
| Union Planters | 116,000 | 3,264,240 |
| Washington Federal | 28,000 | 695,800 |
| Zions Bancorporation | 22,000 | 865,678 |

67,066,666

BUILDINGS & MATERIALS - 2.22%

| | | |
|---------------------------|---------|-----------|
| Centex | 43,500 | 2,183,700 |
| D.R. Horton | 104,000 | 1,804,400 |
| KB Home | 26,000 | 1,114,100 |
| Martin Marietta Materials | 65,000 | 1,992,900 |
| + Toll Brothers | 76,000 | 1,535,200 |
| York International | 44,500 | 1,137,865 |

9,768,165

| BUSINESS SERVICES - 1.04% | Number of Shares | Market Value |
|---------------------------|---------------------|-----------------|
|---------------------------|---------------------|-----------------|

| | | |
|---------------------|---------|--------------|
| Fluor | 57,000 | \$ 1,596,000 |
| + Republic Services | 141,000 | 2,958,180 |

4,554,180

CABLE, MEDIA & PUBLISHING - 2.67%

| | | |
|----------------------------|--------|-----------|
| Belo | 74,500 | 1,588,340 |
| + Borders Group | 54,000 | 869,400 |
| + COX Radio Class A | 28,500 | 650,085 |
| + Hearst-Argyle Television | 50,500 | 1,217,555 |
| Knight-Ridder | 52,000 | 3,289,000 |
| New York Times | 35,000 | 1,600,550 |
| RR Donnelley & Sons | 73,500 | 1,600,095 |
| + Scholastic | 26,000 | 934,700 |

11,749,725

CHEMICALS - 3.73%

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| | | |
|--|---------|------------|
| Eastman Chemical | 19,000 | 698,630 |
| Englehard | 113,000 | 2,525,550 |
| Lubrizol | 69,000 | 2,104,500 |
| PPG Industries | 36,000 | 1,805,400 |
| Praxair | 68,500 | 3,957,245 |
| Rohm & Haas | 30,000 | 974,400 |
| RPM International | 119,300 | 1,822,904 |
| Sigma-Aldrich | 51,500 | 2,508,050 |
| | | 16,396,679 |
| ----- | | |
| COMPUTERS & TECHNOLOGY - 4.12% | | |
| ----- | | |
| + Apple Computer | 77,000 | 1,103,410 |
| Autodesk | 104,000 | 1,487,200 |
| + Cadence Design Systems | 80,000 | 943,200 |
| + Ceridian | 48,000 | 692,160 |
| + Citrix Systems | 40,000 | 492,800 |
| Computer Associates International | 84,400 | 1,139,400 |
| + Computer Sciences | 88,000 | 3,031,600 |
| + Dun & Bradstreet | 39,500 | 1,362,355 |
| + Emulex | 52,000 | 964,600 |
| + Ingram Micro Class A | 92,000 | 1,136,200 |
| ITT Industries | 16,000 | 971,040 |
| + Lexmark International | 23,200 | 1,403,600 |
| Pitney Bowes | 28,000 | 914,480 |
| + Storage Technology | 77,500 | 1,660,050 |
| + Xerox | 101,000 | 813,050 |
| | | 18,115,145 |
| ----- | | |
| CONSUMER PRODUCTS - 2.50% | | |
| ----- | | |
| Black & Decker | 22,000 | 943,580 |
| Fortune Brands | 72,000 | 3,348,720 |
| Newell Rubbermaid | 129,500 | 3,927,735 |
| Whirlpool | 53,000 | 2,767,660 |
| | | 10,987,695 |
| ----- | | |
| ELECTRONICS & ELECTRICAL EQUIPMENT - 5.52% | | |
| ----- | | |
| + Broadcom Class A | 60,000 | 903,600 |
| + Energizer Holdings | 68,000 | 1,897,200 |
| + Fairchild Semiconductor Class A | 53,500 | 572,985 |
| + General Motors Class H | 42,000 | 449,400 |
| + International Rectifier | 42,000 | 775,320 |
| + Jabil Circuit | 50,200 | 899,584 |
| Johnson Controls | 43,500 | 3,487,395 |
| + National Semiconductor | 61,000 | 915,610 |
| + Novellus Systems | 38,000 | 1,067,040 |
| Pittston Brink's Group | 77,000 | 1,422,960 |
| + SPX | 47,000 | 1,760,150 |
| Symbol Technologies | 94,000 | 772,680 |
| Teleflex | 32,000 | 1,372,480 |
| Textron | 85,000 | 3,654,150 |
| + Thermo Electron | 121,500 | 2,444,580 |

Special Opportunities Fund 2

ELECTRONICS & ELECTRICAL

Number

Market

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| EQUIPMENT (CONT'D) | of Shares | Value |
|--------------------------------------|-----------|--------------|
| + Varco International | 78,500 | \$ 1,365,900 |
| + Vishay Intertechnology | 47,000 | 525,460 |
| | | 24,286,494 |
| ENERGY - 6.94% | | |
| Amerada Hess | 27,200 | 1,497,360 |
| Apache | 69,500 | 3,960,805 |
| Burlington Resources | 44,100 | 1,880,865 |
| Devon Energy | 78,500 | 3,603,150 |
| ENSCO International | 50,400 | 1,484,280 |
| EOG Resources | 46,000 | 1,836,320 |
| Equitable Resources | 64,500 | 2,260,080 |
| Kerr-McGee | 71,000 | 3,145,300 |
| Marathon Oil | 127,500 | 2,714,475 |
| Questar | 49,000 | 1,363,180 |
| Tidewater | 48,000 | 1,492,800 |
| Unocal | 108,000 | 3,302,640 |
| Valero Energy | 54,500 | 2,013,230 |
| | | 30,554,485 |
| FOOD, BEVERAGE & TOBACCO - 3.51% | | |
| Adolph Coors Class B | 28,500 | 1,745,625 |
| Archer-Daniels-Midland | 298,000 | 3,695,200 |
| Hershey Foods | 34,500 | 2,326,680 |
| Interstate Bakeries | 60,000 | 915,000 |
| RJ Reynolds Tobacco Holdings | 60,000 | 2,526,600 |
| Sensient Technologies | 53,000 | 1,190,910 |
| Supervalu | 83,500 | 1,378,585 |
| + Yum! Brands | 68,000 | 1,646,960 |
| | | 15,425,560 |
| HEALTHCARE & PHARMACEUTICALS - 4.45% | | |
| Aetna | 28,000 | 1,151,360 |
| AmerisourceBergen Class A | 21,000 | 1,140,510 |
| Becton Dickinson | 110,000 | 3,375,900 |
| + Health Net | 87,500 | 2,310,000 |
| + Henry Schein | 29,500 | 1,327,500 |
| Hillenbrand Industries | 44,000 | 2,125,640 |
| + Humana | 107,000 | 1,070,000 |
| McKesson | 50,100 | 1,354,203 |
| Omnicare | 56,500 | 1,346,395 |
| + Priority Healthcare | 42,500 | 986,000 |
| + Quintiles Transnational | 91,000 | 1,101,100 |
| + Steris | 41,000 | 994,250 |
| + Triad Hospitals | 43,500 | 1,297,605 |
| | | 19,580,463 |
| INDUSTRIAL MACHINERY - 1.72% | | |
| Dover | 40,000 | 1,166,400 |
| Ingersoll-Rand Class A | 38,000 | 1,636,280 |
| Pentair | 47,000 | 1,623,850 |
| Rockwell Automation | 122,000 | 2,526,620 |
| + Zebra Technologies Class A | 10,500 | 601,650 |
| | | 7,554,800 |

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INSURANCE - 8.38%

| | | |
|----------------------------------|--------|-----------|
| American Financial | 70,500 | 1,626,435 |
| AON | 45,000 | 850,050 |
| Berkley | 21,000 | 831,810 |
| Cincinnati Financial | 36,000 | 1,351,800 |
| Everest Re | 18,500 | 1,023,050 |
| Fidelity National Financial | 73,500 | 2,413,005 |
| Jefferson-Pilot | 33,500 | 1,276,685 |
| John Hancock Financial Services | 35,000 | 976,500 |
| Loews | 38,000 | 1,689,480 |
| MBIA | 88,000 | 3,859,680 |
| MGIC Investment | 43,500 | 1,796,550 |
| Old Republic International | 99,000 | 2,772,000 |
| Phoenix | 95,000 | 722,000 |
| + Platinum Underwriters Holdings | 37,500 | 988,125 |
| PMI | 66,000 | 1,982,640 |
| Progressive | 24,000 | 1,191,120 |

| INSURANCE (CONT'D) | Number of Shares | Market Value |
|------------------------------|---------------------|-----------------|
| Protective Life | 71,500 | \$ 1,967,680 |
| Reinsurance Group of America | 16,500 | 446,820 |
| Saint Paul | 55,500 | 1,889,775 |
| Stancorp Financial Group | 22,500 | 1,099,125 |
| Torchmark | 76,500 | 2,794,545 |
| Transatlantic Holdings | 8,200 | 546,940 |
| UnumProvident | 158,500 | 2,780,090 |
| | | 36,875,905 |

LEISURE, LODGING &
ENTERTAINMENT - 2.86%

| | | |
|-------------------------------------|--------|------------|
| Eastman Kodak | 92,000 | 3,223,680 |
| Marriott International Class A | 81,300 | 2,672,331 |
| Mattel | 64,000 | 1,225,600 |
| + MGM MIRAGE | 55,000 | 1,813,350 |
| + Park Place Entertainment | 73,000 | 613,200 |
| Starwood Hotels & Resorts Worldwide | 58,000 | 1,376,920 |
| Viad | 75,000 | 1,676,250 |
| | | 12,601,331 |

METALS & MINING - 1.03%

| | | |
|---------------------|---------|-----------|
| Precision Castparts | 68,500 | 1,661,125 |
| United States Steel | 128,000 | 1,679,360 |
| Vulcan Materials | 31,600 | 1,185,000 |
| | | 4,525,485 |

PACKAGING & CONTAINERS - 1.60%

| | | |
|-----------------|---------|-----------|
| Ball | 8,500 | 435,115 |
| Bemis | 35,000 | 1,737,050 |
| + Pactiv | 110,500 | 2,415,530 |
| Sonoco Products | 107,000 | 2,453,510 |
| | | 7,041,205 |

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PAPER & FOREST PRODUCTS - 1.07%

| | | |
|-----------------|--------|-----------|
| Boise Cascade | 62,000 | 1,563,640 |
| Georgia-Pacific | 55,000 | 888,800 |
| MeadWestvaco | 39,000 | 963,690 |
| Temple-Inland | 29,000 | 1,299,490 |
| | | 4,715,620 |

REAL ESTATE - 6.32%

| | | |
|--------------------------------|---------|------------|
| AMB Property | 84,000 | 2,298,240 |
| Archstone-Smith Trust | 103,500 | 2,436,390 |
| Boston Properties | 30,000 | 1,105,800 |
| Duke Realty | 105,000 | 2,672,250 |
| Equity Office Properties Trust | 46,000 | 1,149,080 |
| Equity Residential Properties | 161,000 | 3,957,380 |
| Highwoods Properties | 83,500 | 1,845,350 |
| + Host Marriott | 122,000 | 1,079,700 |
| Kimco Realty | 53,000 | 1,623,920 |
| Mack-Cali Realty | 63,200 | 1,914,960 |
| New Plan Excel Realty Trust | 75,000 | 1,431,750 |
| Prologis | 100,000 | 2,515,000 |
| Public Storage | 60,500 | 1,954,755 |
| Simon Property | 55,000 | 1,873,850 |
| | | 27,858,425 |

RETAIL - 4.16%

| | | |
|-------------------------------|---------|------------|
| Blockbuster Class A | 32,000 | 392,000 |
| + Brinker International | 48,000 | 1,548,000 |
| Circuit City Stores | 90,000 | 667,800 |
| + Federated Department Stores | 117,000 | 3,364,920 |
| Ikon Office Solutions | 213,000 | 1,522,950 |
| J.C. Penney | 102,000 | 2,347,020 |
| May Department Stores | 58,000 | 1,332,840 |
| Nordstrom | 68,000 | 1,289,960 |
| + Office Depot | 91,000 | 1,343,160 |
| Pier 1 Imports | 49,000 | 927,570 |
| + Saks | 165,000 | 1,937,100 |
| Winn-Dixie Stores | 105,500 | 1,612,040 |
| | | 18,285,360 |

Special Opportunities Fund 3

| | Number of Shares | Market Value |
|---------------------------------------|---------------------|-----------------|
| TELECOMMUNICATIONS - 2.12% | | |
| + Andrew | 158,000 | \$ 1,624,240 |
| CenturyTel | 96,500 | 2,835,170 |
| Harris | 59,000 | 1,551,700 |
| + JDS Uniphase | 480,000 | 1,185,600 |
| Scientific-Atlanta | 143,000 | 1,695,980 |
| + Tellabs | 61,000 | 443,470 |
| | | 9,336,160 |
| TEXTILES, APPAREL & FURNITURE - 0.99% | | |
| + Jones Apparel | 27,500 | 974,600 |

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| | | |
|------------------------|--------|-----------|
| + Skechers USA Class A | 95,000 | 806,550 |
| VF | 72,000 | 2,595,600 |

4,376,750

TRANSPORTATION & SHIPPING - 1.49%

| | | |
|---------------------|---------|-----------|
| Alexander & Baldwin | 20,500 | 528,695 |
| CSX | 135,500 | 3,836,005 |
| Norfolk Southern | 108,800 | 2,174,912 |

6,539,612

UTILITIES - 11.97%

| | | |
|---------------------------|---------|-----------|
| Ameren | 45,500 | 1,891,435 |
| Cinergy | 70,500 | 2,377,260 |
| Consolidated Edison | 75,500 | 3,232,910 |
| DTE Energy | 96,800 | 4,491,520 |
| + Edison International | 217,000 | 2,571,450 |
| Energy East | 116,000 | 2,562,440 |
| Entergy | 119,500 | 5,448,005 |
| FirstEnergy | 150,000 | 4,945,500 |
| Great Plains Energy | 69,500 | 1,590,160 |
| KeySpan | 99,500 | 3,506,380 |
| NiSource | 61,400 | 1,228,000 |
| Pepco Holdings | 57,000 | 1,105,230 |
| + PG&E | 191,500 | 2,661,850 |
| PPL | 77,000 | 2,670,360 |
| Public Service Enterprise | 135,000 | 4,333,500 |
| Sempra Energy | 125,000 | 2,956,250 |
| TECO Energy | 85,500 | 1,322,685 |
| Wisconsin Energy | 101,000 | 2,545,200 |
| Xcel Energy | 113,000 | 1,243,000 |

52,683,135

TOTAL COMMON STOCK

(Cost \$442,777,304)

438,081,872

| COMMERCIAL PAPER - 0.26% | Principal Amount | Market Value |
|--------------------------|------------------|--------------|
| UBS Finance 1.20% 1/2/03 | \$1,130,000 | \$ 1,129,962 |

TOTAL COMMERCIAL PAPER

(Cost \$1,129,962)

1,129,962

TOTAL MARKET VALUE OF SECURITIES - 99.82%

(Cost \$443,907,266)

439,211,834

Receivables and Other Assets Net of

Liabilities - 0.18%

772,581

NET ASSETS - 100.00%

(Equivalent to \$22.471 per share based on

19,579,863 shares issued and

outstanding)

\$439,984,415

COMPONENTS OF NET ASSETS AT DECEMBER 31, 2002:

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| | |
|---|---------------|
| Common stock, par value \$0.01 per share, 50,000,000 authorized shares | \$466,420,024 |
| Undistributed net investment income | 1,711,951 |
| Accumulated net realized loss on investments | (23,452,128) |
| Net unrealized depreciation of investments | (4,695,432) |
| ----- | |
| TOTAL NET ASSETS | \$439,984,415 |
| ----- | |

+ Non-income producing security for the year ended December 31, 2002.

See accompanying notes to financial statements.

Special Opportunities Fund 4

LINCOLN NATIONAL SPECIAL OPPORTUNITIES FUND, INC.

STATEMENT OF OPERATIONS
Year ended December 31, 2002

| | |
|--|---------------|
| INVESTMENT INCOME: | |
| Dividends | \$ 10,888,773 |
| ----- | |
| Interest | 34,821 |
| ----- | |
| TOTAL INVESTMENT INCOME | 10,923,594 |
| ----- | |
| EXPENSES: | |
| Management fees | 2,090,889 |
| ----- | |
| Accounting and administration fees | 218,878 |
| ----- | |
| Printing and postage | 128,408 |
| ----- | |
| Professional fees | 42,695 |
| ----- | |
| Custody fees | 24,203 |
| ----- | |
| Directors' fees | 4,200 |
| ----- | |
| Other | 13,233 |
| ----- | |
| | 2,522,506 |
| ----- | |
| Less fees waived | (92,455) |
| ----- | |
| Less expenses paid indirectly | (2,346) |
| ----- | |
| TOTAL EXPENSES | 2,427,705 |
| ----- | |
| NET INVESTMENT INCOME | 8,495,889 |
| ----- | |
| NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS: | |
| ----- | |
| Net realized loss on investments | (22,338,083) |
| ----- | |

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| | |
|---|----------------|
| Net change in unrealized appreciation/depreciation of investments | (50,415,703) |
| NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS | (72,753,786) |
| NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS | \$(64,257,897) |

STATEMENTS OF CHANGES IN NET ASSETS

| | Year ended 12/31/2002 | Year ended 12/31/2001 |
|---|--------------------------|--------------------------|
| Changes from operations: | | |
| Net investment income | \$ 8,495,889 | \$ 8,942,534 |
| Net realized gain (loss) on investments | (22,338,083) | 20,001,395 |
| Net change in unrealized appreciation/depreciation of investments | (50,415,703) | (18,926,319) |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | (64,257,897) | 10,017,610 |
| Dividends and distributions to shareholders from: | | |
| Net investment income | (7,102,162) | (7,567,654) |
| Net realized gain on investments | (2,512,598) | -- |
| TOTAL DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS | (9,614,760) | (7,567,654) |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM CAPITAL SHARE TRANSACTIONS | (26,013,097) | 1,133,219 |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | (99,885,754) | 3,583,175 |
| Net assets, at beginning of period | 539,870,169 | 536,286,994 |
| NET ASSETS, AT END OF PERIOD | \$439,984,415 | \$539,870,169 |

See accompanying notes to financial statements.

Special Opportunities Fund 5

LINCOLN NATIONAL SPECIAL OPPORTUNITIES FUND, INC.

FINANCIAL HIGHLIGHTS

(Selected data for each capital share outstanding throughout the year)

| | Year ended December 31, | | | | |
|--|-------------------------|------|------|------|------|
| | 2002 | 2001 | 2000 | 1999 | 1998 |

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| | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|
| Net asset value, beginning of year | \$ 26.006 | \$ 25.846 | \$ 28.225 | \$ 33.416 | \$ 35.056 |
| Income from investment operations: | | | | | |
| Net investment income(1) | 0.418 | 0.431 | 0.536 | 0.482 | 0.470 |
| Net realized and unrealized gain (loss) on investments | (3.467) | 0.098 | 3.153 | (1.779) | 1.795 |
| ----- | ----- | ----- | ----- | ----- | ----- |
| Total from investment operations | (3.049) | 0.529 | 3.689 | (1.297) | 2.265 |
| ----- | ----- | ----- | ----- | ----- | ----- |
| Less dividends and distributions from: | | | | | |
| Net investment income | (0.365) | (0.369) | (0.494) | (0.373) | (0.862) |
| Net realized gain on investments | (0.121) | -- | (5.574) | (3.521) | (3.043) |
| ----- | ----- | ----- | ----- | ----- | ----- |
| Total dividends and distributions | (0.486) | (0.369) | (6.068) | (3.894) | (3.905) |
| ----- | ----- | ----- | ----- | ----- | ----- |
| Net asset value, end of period | \$ 22.471 | \$ 26.006 | \$ 25.846 | \$ 28.225 | \$ 33.416 |
| ----- | ----- | ----- | ----- | ----- | ----- |
| | | | | | |
| Total return(2) | (11.75%) | 2.16% | 16.04% | (4.48%) | 6.79% |
| Ratios and supplemental data: | | | | | |
| Net assets, end of period (000 omitted) | \$439,984 | \$539,870 | \$536,287 | \$665,642 | \$917,796 |
| Ratio of expenses to average net assets | 0.47% | 0.48% | 0.49% | 0.44% | 0.42% |
| Ratio of expenses to average net assets prior to fees waived and expenses paid indirectly | 0.49% | 0.48% | 0.49% | 0.44% | 0.42% |
| Ratio of net investment income to average net assets | 1.67% | 1.65% | 2.15% | 1.46% | 1.44% |
| Ratio of net investment income to average net assets prior to fees waived and expenses paid indirectly | 1.65% | 1.65% | 2.15% | 1.46% | 1.44% |
| Portfolio turnover | 55% | 73% | 75% | 96% | 76% |

(1) The average shares outstanding method has been applied for per share information for the years ended December 31, 2002, 2001 and 2000.

(2) Total return percentages in this table are calculated on the basis prescribed by the Securities and Exchange Commission.

See accompanying notes to financial statements.

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LINCOLN NATIONAL SPECIAL OPPORTUNITIES FUND, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

THE FUND: Lincoln National Special Opportunities Fund, Inc. (the "Fund") is registered as an open-end, diversified management investment company under the Investment Company Act of 1940, as amended. The Fund's shares are sold only to The Lincoln National Life Insurance Company and Lincoln Life & Annuity Company of New York (the "Companies") for allocation to their variable annuity products and variable universal life products.

The Fund's investment objective is to maximize long-term capital appreciation.

1. SIGNIFICANT ACCOUNTING POLICIES

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The following accounting policies are in accordance with accounting principles generally accepted in the United States and are consistently followed by the Fund.

SECURITY VALUATION: All equity securities are valued at the last quoted sales price as of the time of the regular close of the New York Stock Exchange (NYSE) on the valuation date. If on a particular day an equity security does not trade, then the mean between the bid and asked prices will normally be used. Short-term debt securities having less than 60 days to maturity are valued at amortized cost, which approximates market value. Other securities and assets for which market quotations are not readily available are valued at fair value as determined in good faith under the direction of the Fund's Board of Directors. In determining whether market quotations are readily available or fair valuation will be used, various factors will be taken into consideration, such as market closures, or with respect to foreign securities, aftermarket trading or significant events after local market trading (e.g. government actions or pronouncements, trading volume or volatility on markets, exchanges among dealers, or news events).

FEDERAL INCOME TAXES: The Fund intends to continue to qualify for federal income tax purposes as a regulated investment company and make the requisite distributions to shareholders. Accordingly, no provision for federal income taxes has been made in the financial statements.

USE OF ESTIMATES: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

OTHER: Security transactions are accounted for on the date the securities are purchased or sold (trade date). Costs used in calculating realized gains and losses on the sale of investment securities are those of the specific securities sold. Dividend income is recorded on the ex-dividend date and interest income is recorded on the accrual basis. The Fund declares and distributes dividends from net investment income, if any, semi-annually. Distributions from net realized gains, if any, are declared and distributed annually.

The Fund receives earnings credits from its custodian when positive cash balances are maintained, which are used to offset custody fees. The earnings credits for the year ended December 31, 2002, were approximately \$2,346. The expense paid under the above arrangement is included under custodial fees on the Statement of Operations with the expense offset shown as "expenses paid indirectly".

2. MANAGEMENT FEES AND OTHER TRANSACTIONS WITH AFFILIATES

Effective May 1, 2002, Delaware Management Company (DMC) is responsible for overall management of the Fund's investment portfolio and provides certain administrative services to the Fund. DMC is a series of Delaware Management Business Trust (DMBT), a multi-series business trust registered with the Securities and Exchange Commission as an investment adviser. DMBT is an indirect wholly-owned subsidiary of Lincoln National Corporation (LNC). For its services, DMC receives a management fee at an annual rate of 0.48% of the first \$200 million of the average daily net assets of the Fund, 0.40% of the next \$200 million, and 0.30% of the average daily net assets of the Fund in excess of \$400 million.

Prior to May 1, 2002, Vantage Investment Advisers (VIA), an affiliate of DMC, served as the investment manager to the Fund under identical terms.

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Special Opportunities Fund 7

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

During the year ended December 31, 2002, DMC and VIA contractually waived a portion of their management fees in the amount of \$92,455. Effective January 1, 2003, this waiver was discontinued in connection with stockholder approval of the amended Management Agreement as discussed below on December 9, 2002.

If the aggregate annual expenses of the Fund, including the management fee, but excluding taxes, interest, brokerage commissions relating to the purchase or sale of portfolio securities and extraordinary non-recurring expenses, exceed 1.50% of the average daily net assets of the Fund, DMC has agreed to reimburse the Fund in the amount of such excess. No reimbursement was due for the year ended December 31, 2002.

Delaware Service Company, Inc. (DSC), an affiliate of DMC, provides accounting services and other administration support to the Fund. For these services, the Fund pays DSC a monthly fee based on average net assets, subject to certain minimums.

At December 31, 2002, the Fund had payables to affiliates as follows:

| | |
|--|-----------|
| Management Fees Payable to DMC | \$153,844 |
| Accounting and Administration Fees Payable to DSC | 32,186 |

On December 9, 2002, stockholders of the Fund approved an amended Management Agreement between the Fund and DMC that is effective January 1, 2003. The Fund will incur additional fees and expenses under the new agreement because certain expenses relating to the administration of the Fund's affairs and the maintenance of the Fund's books and records will be paid by the Fund rather than the investment adviser.

In connection with the amended Management Agreement, the Board of Directors of the Fund approved an Administration Agreement with Lincoln National Life Insurance Company (Lincoln Life), an affiliate of DMC, dated January 1, 2003. Pursuant to the Administration Agreement, Lincoln Life will provide various administrative services necessary for the operation of the Fund. For these services, the Fund will pay Lincoln Life an annual fee of \$15,000 plus the cost of certain support services, such as legal and corporate secretary services.

Certain officers and directors of the Fund are also officers or directors of the Companies and receive no compensation from the Fund. The compensation of unaffiliated directors of the Fund is borne by the Fund.

3. INVESTMENTS

For the year ended December 31, 2002, the Fund made purchases of \$282,312,202 and sales of \$310,468,114 of investment securities other than short-term investments. At December 31, 2002, the cost of investments for federal income tax purposes was \$444,316,490. At December 31, 2002, net unrealized depreciation was \$5,104,656, of which \$37,299,379 related to unrealized appreciation of investments and \$42,404,035 related to unrealized depreciation of investments.

4. DIVIDEND AND DISTRIBUTION INFORMATION

Income and long-term capital gain distributions are determined in accordance with federal income tax regulations, which may differ from accounting principles

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generally accepted in the United States. Ordinary income includes dividends from net investment income and distributions from short-term capital gains. The tax character of dividends and distributions paid during the years ended December 31, 2002 and 2001 were as follows:

| | Year ended 12/31/02 | Year ended 12/31/01 |
|------------------------|------------------------|------------------------|
| | ----- | ----- |
| Ordinary income | \$7,102,162 | \$7,567,654 |
| Long-term capital gain | 2,512,598 | -- |
| | ----- | ----- |
| Total | \$9,614,760 | \$7,567,654 |
| | ===== | ===== |

In addition, the Fund declared an ordinary income consent dividend of \$1,056,656 for the year ended December 31, 2001. Such amount has been deemed paid and contributed to the Fund as additional paid-in capital.

Special Opportunities Fund 8

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

As of December 31, 2002, the components of net assets on a tax basis were as follows:

| | |
|--|---------------|
| Shares of beneficial interest | \$466,420,024 |
| Undistributed ordinary income | 1,711,951 |
| Capital loss carryforwards | (22,074,286) |
| Post-October losses | (968,618) |
| Unrealized depreciation of investments | (5,104,656) |
| | ----- |
| Net assets | \$439,984,415 |
| | ===== |

For federal income tax purposes, capital loss carryforwards may be carried forward and applied against future capital gains. Such capital loss carryforwards expire as follows: \$22,074,286 expires in 2010.

Post-October losses represent losses realized on investment transactions from November 1, 2002 through December 31, 2002, that, in accordance with federal income tax regulations, the Fund has elected to defer and treat as having arisen in the following fiscal year.

5. CAPITAL SHARES

Transactions in capital shares were as follows:

| Capital Shares Sold | | Shares Issued Upon Reinvestment of Dividends and Distributions | | Capital Shares Redeemed | |
|---------------------|--------|--|--------|-------------------------|--------|
| Shares | Amount | Shares | Amount | Shares | Amount |
| ----- | | ----- | | ----- | |
| | | | | | |

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| | | | | | | |
|-------------------------------|-----------|--------------|---------|-------------|-------------|-------|
| Year ended December 31, 2002: | 1,204,035 | \$32,376,305 | 420,406 | \$9,614,760 | (2,804,338) | \$ (6 |
| Year ended December 31, 2001: | 1,340,283 | \$34,495,032 | 314,284 | \$7,567,654 | (1,644,323) | \$ (4 |

Net Increase (Decrease)
Resulting From Capital
Share Transactions

| | Shares | Amount |
|-------------------------------|-------------|-----------------|
| Year ended December 31, 2002: | (1,179,897) | \$ (26,013,097) |
| Year ended December 31, 2001: | 10,244 | \$ 1,133,219 |

6. LINE OF CREDIT

The Fund, along with certain other Lincoln National Mutual Funds (the "Participants"), participates in a \$50,000,000 Credit Agreement to be used for temporary or emergency purposes as an additional source of liquidity to fund redemptions of investor shares. The Participants are charged an annual commitment fee, which is allocated among the Participants in accordance with the agreement. Effective January 1, 2003, the Fund may borrow up to 33 1/3% of its total assets (including the amount borrowed). The Fund had no amount outstanding at December 31, 2002, or at any time during the year.

7. TAX INFORMATION (UNAUDITED)

For the fiscal year ended December 31, 2002, the Fund designates distributions paid during the year as follows:

| (A) | (B) | Total | (C) |
|---|-------------------------------------|------------------------------|----------------------------|
| Long-Term Capital Gains Distributions | Ordinary Income Distributions | Distributions (Tax Basis) | Qualifying(1) Dividends |
| 26% | 74% | 100% | 100% |

Items (A) and (B) are based on a percentage of the Fund's total distributions.

Item (C) is based on a percentage of ordinary income of the Fund.

(1) Qualifying dividends represent dividends which qualify for the corporate dividends received deduction.

Special Opportunities Fund 9

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. PROXY RESULTS (UNAUDITED)

Lincoln National Special Opportunities Fund, Inc., shareholders voted on the following proposals at the special meeting of shareholders on December 9, 2002, or as adjourned. The resulting votes are presented below.

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| | Outstanding Shares | Total Voted |
|---|-----------------------|----------------|
| <hr/> | | |
| 1. To elect five Directors of the Fund to hold office until their respective successors have been duly elected and qualified or until their earlier resignation or removal. | | |
| John B. Borsch, Jr. | 20,082,672 | 20,082,672 |
| Kelly D Clevenger | 20,082,672 | 20,082,672 |
| Nancy L. Frisby | 20,082,672 | 20,082,672 |
| Barbara S. Kowalczyk | 20,082,672 | 20,082,672 |
| Kenneth G. Stella | 20,082,672 | 20,082,672 |
| | Outstanding Shares | Total Voted |
| <hr/> | | |
| 2. To approve a reorganization to change Fund from a Maryland corporation to a series of a Delaware business trust. | 20,082,672 | 20,082,672 |
| 3. To approve a proposal that would permit the Fund to enter into or materially change sub-advisory agreements with sub-advisers without obtaining stockholder approval. | 20,082,672 | 20,082,672 |
| 4. To approve a new investment management agreement between the Fund and their current investment adviser, Delaware Management Company, a series of Delaware Management Business Trust. | 20,082,672 | 20,082,672 |
| 5. To approve the amendment of certain Fundamental Investment Restrictions. | | |
| 5A) Amendment to Fundamental Restrictions on Concentration of Investments in the Same Industry. | 20,082,672 | 20,082,672 |
| 5B) Amendment to Fundamental Restrictions on Borrowing Money and Issuing Senior Securities. | 20,082,672 | 20,082,672 |
| 5C) Amendment to Fundamental Restrictions on Underwriting. | 20,082,672 | 20,082,672 |
| 5D) Amendment to Fundamental Restrictions on Investments in Real Estate. | 20,082,672 | 20,082,672 |
| 5E) Amendment to Fundamental Restrictions on Investments in Commodities or Commodity Issues. | 20,082,672 | 20,082,672 |
| 5F) Amendment to Fundamental Restrictions on Lending. | 20,082,672 | 20,082,672 |
| 5G) Amendment to Fundamental Restrictions on Diversification. | 20,082,672 | 20,082,672 |
| 6. To approve the elimination of certain Fundamental Investment Restrictions. | | |
| 6A) Elimination of Fundamental Restrictions on Investments in Other Investment Companies. | 20,082,672 | 20,082,672 |
| 6B) Elimination of Fundamental Restrictions on Selling Securities Short. | 20,082,672 | 20,082,672 |
| 6C) Elimination of Fundamental Restrictions on Margin Transactions. | 20,082,672 | 20,082,672 |
| 6D) Elimination of Fundamental Restrictions on Pledging Fund Assets. | 20,082,672 | 20,082,672 |
| 6E) Elimination of Fundamental Restrictions on Illiquid and Restricted Securities. | 20,082,672 | 20,082,672 |
| 6F) Elimination of Fundamental Restrictions on Purchase of Put and Call Options. | 20,082,672 | 20,082,672 |
| 6G) Elimination of Fundamental Restrictions on Investments in Companies for the Purpose of Acquiring Control. | 20,082,672 | 20,082,672 |

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LINCOLN NATIONAL SPECIAL OPPORTUNITIES FUND, INC.
 REPORT OF INDEPENDENT AUDITORS
 TO THE SHAREHOLDERS AND BOARD OF DIRECTORS
 LINCOLN NATIONAL SPECIAL OPPORTUNITIES FUND, INC.

We have audited the accompanying statement of net assets of Lincoln National Special Opportunities Fund, Inc. (the "Fund") as of December 31, 2002, and the related statement of operations for the year then ended, the statements of changes in 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. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. Our procedures included confirmation of securities owned as of December 31, 2002, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Lincoln National Special Opportunities Fund, Inc. at December 31, 2002, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and its financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States.

[ERNST & YOUNG LLP]

Philadelphia, Pennsylvania
 February 7, 2003

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OFFICER/DIRECTOR INFORMATION

| Name, address and date of birth | Position(s) held with the funds | Term of office and length of time served | Principal occupation(s) during the past five years |
|--|----------------------------------|--|--|
| Kelly D. Clevenger(1) 1300 S. Clinton Street Fort Wayne, IN 46802 DOB: 07/25/52 | Chairman, President and Director | Chairman since August 1995; President and Director since November 1994 | Vice President, The Lincoln National Life Insurance Company. Vice President, Lincoln Retirement Services Company, LLC; Second Vice President, Lincoln Life & Annuity Company of New York |

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| | | | |
|--|---|--|--|
| Barbara S. Kowalczyk Centre Square, West Tower 1500 Market St., Suite 3900 Philadelphia, PA 19102 DOB: 04/07/51 | Director | Director since November 1993 | Senior Vice President, Corporate Planning and Development, Lincoln National Corporation (insurance holding company); Senior Vice President, Lincoln National Management Corporation |
| John B. Borsch, Jr. 1300 S. Clinton Street Fort Wayne, IN 46802 DOB: 06/09/33 | Director | Director since December 1981 | Retired; formerly Associate Vice President, Investments, Northwestern University |
| Nancy L. Frisby 1300 S. Clinton Street Fort Wayne, IN 46802 DOB: 11/10/41 | Director | Director since April 1992 | Vice President and Chief Financial Officer, DeSoto Memorial Hospital; formerly Chief Financial Officer, Bascom Palmer Eye Institute, University of Miami School of Medicine; formerly Vice President and Chief Financial Officer, St. Joseph Medical Center, Inc. |
| Kenneth G. Stella 1300 S. Clinton Street Fort Wayne, IN 46802 DOB: 08/20/43 | Director | Director since February 1998 | President, Indiana Hospital & Health Association |
| Frederick J. Crawford(1) Centre Square, West Tower, 1500 Market Street, Suite 3900 Philadelphia, PA 19102 DOB: 08/03/63 | Vice President and Treasurer | Vice President and Treasurer since January 2001 | Vice President and Treasurer, Lincoln National Corporation; formerly President and Market Manager, Greater Cincinnati Region, Bank One, N.A. |
| Cynthia A. Rose(1) 1300 S. Clinton Street Fort Wayne, IN 46802 DOB: 04/24/54 | Secretary | Secretary since February 1995 | Secretary and Assistant Vice President, The Lincoln National Life Insurance Company; formerly Assistant Secretary, Lincoln National Corporation |
| William P. Flory, Jr.(1) 1300 S. Clinton Street Fort Wayne, IN 46802 DOB: 09/02/61 | Assistant Vice President and Chief Accounting Officer | Chief Accounting Officer since May 2002 | Assistant Vice President, The Lincoln National Life Insurance Company; formerly Vice President, MetLife Investors; formerly Assistant Vice President, MetLife Investors; formerly Accounting Manager, Transamerica Life Companies |
| Steven M. Kluever(1) | Second Vice | Second Vice | Second Vice President, |

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| | | | |
|---|-----------|---|--|
| 1300 S. Clinton Street Fort Wayne, IN 46802 DOB: 08/04/62 | President | President since August 1999; Assistant Vice President since August 1997 | The Lincoln National Life Insurance Company; Second Vice President, Lincoln Life & Annuity Company of New York |
|---|-----------|---|--|

| | |
|---|--|
| Name, address and date of birth ----- | Other directorships held by Director ----- |
|---|--|

| | |
|--|--|
| Kelly D. Clevenger(1) 1300 S. Clinton Street Fort Wayne, IN 46802 DOB: 07/25/52 | Lincoln Retirement Services Company, LLC |
| Barbara S. Kowalczyk Centre Square, West Tower 1500 Market St., Suite 3900 Philadelphia, PA 19102 DOB: 04/07/51 | Lincoln National Management Corporation; The Lincoln National Life Insurance Company; Lincoln Financial Group Foundation, Inc.; Lincoln Life & Annuity Company of New York; Lincoln National (UK) PLC (financial services company) |
| John B. Borsch, Jr. 1300 S. Clinton Street Fort Wayne, IN 46802 DOB: 06/09/33 | N/A |
| Nancy L. Frisby 1300 S. Clinton Street Fort Wayne, IN 46802 DOB: 11/10/41 | N/A |
| Kenneth G. Stella 1300 S. Clinton Street Fort Wayne, IN 46802 DOB: 08/20/43 | First National Bank & Trust |
| Frederick J. Crawford(1) Centre Square, West Tower, 1500 Market Street, Suite 3900 Philadelphia, PA 19102 DOB: 08/03/63 | N/A |
| Cynthia A. Rose(1) 1300 S. Clinton Street Fort Wayne, IN 46802 DOB: 04/24/54 | N/A |
| William P. Flory, Jr.(1) 1300 S. Clinton Street Fort Wayne, IN 46802 DOB: 09/02/61 | N/A |
| Steven M. Kluever(1) 1300 S. Clinton Street Fort Wayne, IN 46802 DOB: 08/04/62 | N/A |

 Additional information on the officers and directors can be found in the
 Statement of Additional Information ("SAI") to the Fund's prospectus. To obtain

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a free copy of the SAI, write: Lincoln National Life Insurance Company, P.O. Box 2340, Fort Wayne, Indiana 46801, or call 1-800-4LINCOLN (454-6265). The SAI is also available on the SEC's web site (<http://www.sec.gov>).

- (1) All of the executive officers are "interested persons" of the Fund, as that term is defined by Section 2(a)(19) of the 1940 Act, by reason of their being officers of the Fund.
- (2) The officers and directors are re-elected annually. The officers and directors hold their position with the Fund until retirement or resignation. The Bylaws of the Funds do not specify a term of office.

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SIGNATURES

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

LINCOLN NATIONAL SPECIAL OPPORTUNITIES FUND, INC. (Registrant)

By /s/ Kelly D. Clevenger

Kelly D. Clevenger
President
(Signature and Title)

Date March 7, 2003

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

By /s/ Kelly D. Clevenger

Kelly D. Clevenger
Chairman, President and Director
(Signature and Title)

Date March 7, 2003

By /s/ William P. Flory, Jr.

William P. Flory, Jr.
Assistant Vice President and Chief Accounting Officer
(Signature and Title)

Date March 7, 2003

