

Edgar Filing: Small Cap Premium & Dividend Income Fund, Inc. - Form N-CSRS

Small Cap Premium & Dividend Income Fund, Inc.  
Form N-CSRS  
September 03, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM N-CSRS**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-21746

Name of Fund: Small Cap Premium & Dividend Income Fund Inc. (RCC)

Fund Address: 2 World Financial Center, 7<sup>th</sup> Floor, New York, New York 10281.

Name and address of agent for service: Justin C. Ferri, Chief Executive Officer, Small Cap Premium & Dividend Income Fund Inc., 2 World Financial Center, 7th Floor, New York, New York 10281.

Registrant's telephone number, including area code: (877) 449-4742

Date of fiscal year end: December 31, 2009

Date of reporting period: June 30, 2009

Item 1 – Report to Stockholders



**Small Cap Premium &  
Dividend Income Fund Inc.**

**Semi-Annual Report**

(Unaudited)  
June 30, 2009

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## Small Cap Premium & Dividend Income Fund Inc.

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### Directors and Officers

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Paul Glasserman, Director and Chairman of the Board  
 Steven W. Kohlhagen, Director and Chairman of the Audit Committee  
 Laura S. Unger, Director and Chairperson of the Nominating and Corporate Governance Committee  
 William J. Rainer, Director  
 Justin C. Ferri, President  
 James E. Hillman, Vice President and Treasurer  
 Colleen R. Rusch, Vice President and Secretary  
 Michelle H. Rhee, Chief Legal Officer  
 Robert M. Zakem, Chief Compliance Officer  
 Jeff E. McGoey, Vice President

### Custodian

State Street Bank and Trust Company  
 P.O. Box 351  
 Boston, MA 02101

### Transfer Agent

BNY Mellon Shareowner Services  
 480 Washington Boulevard  
 Jersey City, NJ 07310

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### Proxy Results

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During the six-month period ended June 30, 2009, the stockholders of Small Cap Premium & Dividend Income Fund Inc. voted on the following proposal, which was approved at the annual meeting of stockholders on April 24, 2009. A description of the proposal and number of shares voted are as follows:

|   |                     | Shares Voted<br>For | Shares Withheld<br>From Voting |
|---|---------------------|---------------------|--------------------------------|
| To elect the Fund's Board of Directors: | Paul Glasserman     | 9,422,107           | 499,005                        |
|   | Steven W. Kohlhagen | 9,427,391           | 493,721                        |
|   | William J. Rainer   | 9,428,589           | 492,523                        |
|   | Laura S. Unger      | 9,420,599           | 500,513                        |

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Fund Profile as of June 30, 2009 (Unaudited)

**Fund Information**

The investment objectives of Small Cap Premium & Dividend Income Fund Inc. (the Fund) are to provide stockholders with a high level of income, with a secondary goal of capital appreciation. The Fund pursues its investment objectives principally through a two-part strategy. First, the Fund will invest in a statistically selected sample of stocks included in the Russell 2000® Index (the Index) and/or other investments that have economic characteristics similar to the securities that comprise the Index, which may include futures, forward, swap and option contracts based on the Index, as well as other investment funds with a composition similar to that of the Index. Second, the Fund will write (sell) call options on the Index or on exchange-traded funds (ETFs) which seek to track the performance of the Index with respect to some or all of the value of its assets. There can be no assurance that the Fund will achieve its investment objectives.

|  |               |
|--|---------------|
| Symbol on New York Stock Exchange ( NYSE )                   | RCC           |
| Initial Offering Date  | July 29, 2005 |
| Yield on Closing Market Price as of June 30, 2009 (\$9.29)*  | 21.53%        |
| Current Semi-Annual Distribution per share of Common Stock** | \$1.00        |
| Current Annualized Distribution per share of Common Stock**  | \$2.00        |

\* Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price as of June 30, 2009. Past performance does not guarantee future results.

\*\* The distribution is not constant and is subject to change. A substantial portion of the distribution may be deemed a tax return of capital at fiscal year end.

The table below summarizes the changes in the Fund's market price and net asset value for the six-month period:

|                  | 6/30/09 (a) | 12/31/08 | Change (b) | High    | Low    |
|------------------|-------------|----------|------------|---------|--------|
| Market Price (c) | \$9.29      | \$8.67   | 7.15%      | \$11.40 | \$6.35 |
| Net Asset Value  | \$9.06      | \$9.55   | (5.13%)    | \$10.26 | \$7.05 |

(a) For the six-month period, the Common Stock of the Fund had a total investment return of 5.34% based on net asset value per share and 18.98% based on market price per share, assuming reinvestment of dividends. For the same period, the Fund's unmanaged reference index, the Russell 2000® Index, had a total investment return of 2.64%. The reference index has no expenses associated with performance.

(b) Does not include reinvestment of dividends.

(c) Primary Exchange Price, NYSE.

**Portfolio Information**

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| Ten Largest Equity Holdings   | Percent of Net Assets |
|-------------------------------|-----------------------|
| Palm, Inc.                    | 0.3%                  |
| 3Com Corp.                    | 0.3                   |
| Owens & Minor, Inc.           | 0.2                   |
| VistaPrint Ltd.               | 0.2                   |
| Piedmont Natural Gas Co.      | 0.2                   |
| Solera Holdings, Inc.         | 0.2                   |
| Jack Henry & Associates, Inc. | 0.2                   |
| Polycom, Inc.                 | 0.2                   |
| Tetra Tech, Inc.              | 0.2                   |
| Tupperware Corp.              | 0.2                   |

| Five Largest Industries               | Percent of Net Assets |
|---------------------------------------|-----------------------|
| Computer Services Software & Systems  | 6.6%                  |
| Banks: Diversified                    | 5.9                   |
| Real Estate Investment Trusts (REITs) | 5.1                   |
| Biotechnology                         | 4.1                   |
| Diversified Retail                    | 3.8                   |

| Sector Representation             | Percent of Long-Term Investments |
|-----------------------------------|----------------------------------|
| Financial Services                | 20.4%                            |
| Technology                        | 17.4                             |
| Health Care                       | 15.1                             |
| Consumer Discretionary & Services | 14.6                             |
| Producer Durables                 | 14.1                             |
| Materials & Processing            | 6.4                              |
| Utilities                         | 5.0                              |
| Energy                            | 3.9                              |
| Consumer Staples                  | 3.1                              |

For Fund portfolio compliance purposes, the Fund's industry and sector classifications refer to any one or more of the industry and sector sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or as defined by Fund management. This definition may not apply for purposes of this report, which may combine industry and sector sub-classifications for reporting ease.

Russell 2000 is a registered trademark of the Frank Russell Company.

**Summary Schedule of Investments** as of June 30, 2009 (Unaudited)

This summary schedule of investments is presented to help investors focus on the Fund's principal holdings. It includes the Fund's 50 largest holdings and each investment of any issuer that exceeds 1% of the Fund's net assets. Other Securities represent all issues not required to be disclosed under the rules adopted by the Securities and Exchange Commission. In addition, the summary schedule of investments allows the adviser certain efficiencies. As such, any cost savings in report production or printing are passed on to the Fund and, ultimately to Fund stockholders. A complete schedule of investments is available without charge, upon request, by calling 1-877-449-4742 or on the Securities and Exchange Commission's website at <http://www.sec.gov>.

| Industry   | Common Stocks                  | Shares | Value      | Percent of Net Assets |
|--|--------------------------------|--------|------------|-----------------------|
| <b>Advertising Agencies</b>                          | Other Securities               |        | \$ 547,249 | 0.4%                  |
| <b>Aerospace</b>                                     | Other Securities               |        | 1,698,474  | 1.4                   |
| <b>Agriculture, Fishing &amp; Ranching</b>           | Other Securities               |        | 550,777    | 0.5                   |
| <b>Air Transport</b>                                 | Other Securities               |        | 1,019,219  | 0.8                   |
| <b>Alternative Energy</b>                            | Other Securities               |        | 285,521    | 0.2                   |
| <b>Aluminum</b>                                      | Other Securities               |        | 132,535    | 0.1                   |
| <b>Asset Management &amp; Custodian</b>              | Other Securities               |        | 1,023,247  | 0.8                   |
| <b>Auto Parts</b>                                    | Other Securities               |        | 449,980    | 0.4                   |
| <b>Auto Services</b>                                 | Other Securities               |        | 132,723    | 0.1                   |
| <b>Banks: Diversified</b>                            | FirstMerit Corp.               | 12,796 | 217,276    | 0.2                   |
|  | Prosperity Bancshares, Inc.    | 7,200  | 214,776    | 0.2                   |
|  | Westamerica Bancorp.           | 4,600  | 228,206    | 0.2                   |
|  | Other Securities               |        | 6,568,168  | 5.3                   |
|  |                                |        | 7,228,426  | 5.9                   |
| <b>Banks: Savings, Thrift &amp; Mortgage Lending</b> | Other Securities               |        | 1,366,243  | 1.1                   |
| <b>Beverage: Brewers &amp; Distillers</b>            | Other Securities               |        | 41,426     | 0.0                   |
| <b>Beverage: Soft Drinks</b>                         | Other Securities               |        | 178,177    | 0.1                   |
| <b>Biotechnology</b>                                 | Onyx Pharmaceuticals, Inc. (a) | 8,820  | 249,253    | 0.2                   |
|  | Other Securities               |        | 4,742,530  | 3.9                   |
|  |                                |        | 4,991,783  | 4.1                   |
| <b>Building Materials</b>                            | Other Securities               |        | 1,012,878  | 0.8                   |
| <b>Building: Climate Control</b>                     | Other Securities               |        | 172,133    | 0.1                   |

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|  |                              |        |                  |            |
|--|------------------------------|--------|------------------|------------|
| <b>Building: Roofing, Wallboard &amp; Plumbing</b> | Other Securities             |        | 102,666          | 0.1        |
| <b>Cable Television Services</b>                   | Other Securities             |        | 68,280           | 0.1        |
| <b>Casinos &amp; Gambling</b>                      | Bally Technologies, Inc. (a) | 8,500  | 254,320          | 0.2        |
|  | Other Securities             |        | 319,183          | 0.3        |
|  |                              |        | <u>573,503</u>   | <u>0.5</u> |
| <b>Cement</b>                                      | Other Securities             |        | 10,296           | 0.0        |
| <b>Chemicals: Diversified</b>                      | Other Securities             |        | 1,794,992        | 1.5        |
| <b>Coal</b>  | Other Securities             |        | 182,915          | 0.2        |
| <b>Commercial Finance &amp; Mortgage Companies</b> | Other Securities             |        | 106,289          | 0.1        |
| <b>Commercial Services</b>                         | Tetra Tech, Inc. (a)         | 9,400  | 269,310          | 0.2        |
|  | Watson Wyatt Worldwide, Inc. | 6,600  | 247,698          | 0.2        |
|  | Other Securities             |        | 3,398,681        | 2.8        |
|  |                              |        | <u>3,915,689</u> | <u>3.2</u> |
| <b>Commercial Services: Rental &amp; Leasing</b>   | Other Securities             |        | 428,116          | 0.4        |
| <b>Commercial Vehicles &amp; Parts</b>             | Other Securities             |        | 194,845          | 0.2        |
| <b>Communications Technology</b>                   | 3Com Corp. (a)               | 61,200 | 288,252          | 0.3        |
|  | Polycom, Inc. (a)            | 13,300 | 269,591          | 0.2        |
|  | Other Securities             |        | 3,444,682        | 2.8        |
|  |                              |        | <u>4,002,525</u> | <u>3.3</u> |

## Summary Schedule of Investments (continued)

| Industry  | Common Stocks                   | Shares | Value      | Percent of Net Assets |
|---|---------------------------------|--------|------------|-----------------------|
| <b>Computer Services Software &amp; Systems</b> | Digital River, Inc. (a)         | 5,900  | \$ 214,288 | 0.2%                  |
|   | Informatica Corp. (a)           | 13,600 | 233,784    | 0.2                   |
|   | Parametric Technology Corp. (a) | 18,020 | 210,654    | 0.2                   |
|   | Solera Holdings, Inc. (a)       | 10,800 | 274,320    | 0.2                   |
|   | Other Securities                |        | 7,197,824  | 5.8                   |
|   |                                 |        | 8,130,870  | 6.6                   |
| <b>Computer Technology</b>                      | Data Domain, Inc. (a)           | 7,400  | 246,790    | 0.2                   |
|   | Palm, Inc. (a)                  | 21,500 | 356,255    | 0.3                   |
|   | Other Securities                |        | 849,568    | 0.7                   |
|   |                                 |        | 1,452,613  | 1.2                   |
| <b>Construction</b>                             | Other Securities                |        | 678,641    | 0.6                   |
| <b>Consumer Electronics</b>                     | Other Securities                |        | 243,728    | 0.2                   |
| <b>Consumer Lending</b>                         | Other Securities                |        | 645,328    | 0.5                   |
| <b>Consumer Services: Miscellaneous</b>         | Other Securities                |        | 732,253    | 0.6                   |
| <b>Containers &amp; Packaging</b>               | Rock-Tenn Co. Class A           | 6,000  | 228,960    | 0.2                   |
|   | Other Securities                |        | 321,716    | 0.3                   |
|   |                                 |        | 550,676    | 0.5                   |
| <b>Cosmetics</b>                                | Other Securities                |        | 153,883    | 0.1                   |
| <b>Diversified Financial Services</b>           | Other Securities                |        | 586,609    | 0.5                   |
| <b>Diversified Manufacturing Operations</b>     | Other Securities                |        | 267,917    | 0.2                   |
| <b>Diversified Materials &amp; Processing</b>   | Clarcor, Inc.                   | 8,100  | 236,439    | 0.2                   |
|   | Other Securities                |        | 964,264    | 0.8                   |
|   |                                 |        | 1,200,703  | 1.0                   |
| <b>Diversified Media</b>                        | Other Securities                |        | 44,480     | 0.0                   |
| <b>Diversified Retail</b>                       | Tractor Supply Co. (a)          | 5,600  | 231,392    | 0.2                   |
|   | Other Securities                |        | 4,432,740  | 3.6                   |
|   |                                 |        | 4,664,132  | 3.8                   |
| <b>Drug &amp; Grocery Store Chains</b>          | Other Securities                |        | 799,853    | 0.7                   |

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|   |                               |        |           |     |
|---|-------------------------------|--------|-----------|-----|
| <b>Education Services</b>                     | Other Securities              |        | 845,741   | 0.7 |
| <b>Electronic Components</b>                  | Other Securities              |        | 687,952   | 0.6 |
| <b>Electronic Entertainment</b>               | Other Securities              |        | 282,921   | 0.2 |
| <b>Electronics</b>                            | Other Securities              |        | 546,704   | 0.4 |
| <b>Energy Equipment</b>                       | Other Securities              |        | 290,279   | 0.2 |
| <b>Engineering &amp; Contracting Services</b> | Other Securities              |        | 336,054   | 0.3 |
| <b>Entertainment</b>                          | Other Securities              |        | 348,269   | 0.3 |
| <b>Financial Data &amp; Systems</b>           | Jack Henry & Associates, Inc. | 13,095 | 271,721   | 0.2 |
|   | Other Securities              |        | 1,105,808 | 0.9 |
|   |                               |        | 1,377,529 | 1.1 |
| <b>Foods</b>                                  | Other Securities              |        | 1,401,517 | 1.1 |
| <b>Forest Products</b>                        | Other Securities              |        | 162,878   | 0.1 |
| <b>Forms &amp; Bulk Printing Services</b>     | Other Securities              |        | 286,646   | 0.2 |
| <b>Funeral Parlors &amp; Cemeteries</b>       | Other Securities              |        | 210,108   | 0.2 |
| <b>Gas Pipeline</b>                           | Other Securities              |        | 26,208    | 0.0 |
| <b>Glass</b>                                  | Other Securities              |        | 54,120    | 0.0 |
| <b>Gold</b>                                   | Other Securities              |        | 222,156   | 0.2 |
| <b>Health Care Facilities</b>                 | Other Securities              |        | 730,126   | 0.6 |

SMALL CAP PREMIUM & DIVIDEND INCOME FUND INC.

JUNE 30, 2009

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## Summary Schedule of Investments (continued)

| Industry                                  | Common Stocks                       | Shares | Value      | Percent of Net Assets |
|---|-------------------------------------|--------|------------|-----------------------|
| <b>Health Care Management Services</b>    | AMERIGROUP Corp. (a)                | 8,300  | \$ 222,855 | 0.2%                  |
|   | Other Securities                    |        | 984,103    | 0.8                   |
|   |                                     |        | 1,206,958  | 1.0                   |
| <b>Health Care Services</b>               | Quality Systems, Inc.               | 3,700  | 210,752    | 0.2                   |
|   | Other Securities                    |        | 1,975,270  | 1.6                   |
|   |                                     |        | 2,186,022  | 1.8                   |
| <b>Health Care: Miscellaneous</b>         | Other Securities                    |        | 140,545    | 0.1                   |
| <b>Homebuilding</b>                       | Other Securities                    |        | 304,611    | 0.2                   |
| <b>Hotel/Motel</b>                        | Other Securities                    |        | 230,190    | 0.2                   |
| <b>Household Appliances</b>               | Other Securities                    |        | 53,270     | 0.0                   |
| <b>Household Equipment &amp; Products</b> | Tupperware Corp.                    | 9,900  | 257,598    | 0.2                   |
|   | Other Securities                    |        | 131,278    | 0.1                   |
|   |                                     |        | 388,876    | 0.3                   |
| <b>Household Furnishings</b>              | Other Securities                    |        | 360,955    | 0.3                   |
| <b>Insurance: Life</b>                    | Other Securities                    |        | 427,167    | 0.4                   |
| <b>Insurance: Multi-Line</b>              | Platinum Underwriters Holdings Ltd. | 8,000  | 228,720    | 0.2                   |
|   | Other Securities                    |        | 665,922    | 0.5                   |
|   |                                     |        | 894,642    | 0.7                   |
| <b>Insurance: Property-Casualty</b>       | IPC Holdings Ltd.                   | 8,900  | 243,326    | 0.2                   |
|   | ProAssurance Corp. (a)              | 5,200  | 240,292    | 0.2                   |
|   | Other Securities                    |        | 2,157,758  | 1.8                   |
|   |                                     |        | 2,641,376  | 2.2                   |
| <b>Leisure Time</b>                       | Other Securities                    |        | 725,027    | 0.6                   |
| <b>Luxury Items</b>                       | Other Securities                    |        | 235,607    | 0.2                   |
| <b>Machinery &amp; Engineering</b>        | Other Securities                    |        | 132,975    | 0.1                   |
| <b>Machinery: Agricultural</b>            | Other Securities                    |        | 76,300     | 0.1                   |

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|  |                       |       |                  |            |
|--|-----------------------|-------|------------------|------------|
| <b>Machinery: Construction &amp; Handling</b>              | Other Securities      |       | 106,108          | 0.1        |
| <b>Machinery: Engines</b>                                  | Other Securities      |       | 136,436          | 0.1        |
| <b>Machinery: Industrial</b>                               | Other Securities      |       | 1,129,076        | 0.9        |
| <b>Machinery: Specialty</b>                                | Other Securities      |       | 120,734          | 0.1        |
| <b>Manufactured Housing</b>                                | Other Securities      |       | 49,255           | 0.0        |
| <b>Medical &amp; Dental<br/>Instruments &amp; Supplies</b> | NuVasive, Inc. (a)    | 5,700 | 254,220          | 0.2        |
|  | Owens & Minor, Inc.   | 6,500 | 284,830          | 0.2        |
|  | Steris Corp.          | 9,100 | 237,328          | 0.2        |
|  | Other Securities      |       | 2,830,882        | 2.3        |
|  |                       |       | <u>3,607,260</u> | <u>2.9</u> |
| <b>Medical Equipment</b>                                   | Haemonetics Corp. (a) | 4,000 | 228,000          | 0.2        |
|  | Thoratec Corp. (a)    | 8,800 | 235,664          | 0.2        |
|  | Other Securities      |       | 1,773,977        | 1.4        |
|  |                       |       | <u>2,237,641</u> | <u>1.8</u> |
| <b>Medical Services</b>                                    | Other Securities      |       | 388,873          | 0.3        |
| <b>Metal Fabricating</b>                                   | Other Securities      |       | 857,355          | 0.7        |
| <b>Metals &amp; Minerals: Diversified</b>                  | Other Securities      |       | 399,035          | 0.3        |
| <b>Office Supplies &amp; Equipment</b>                     | Other Securities      |       | 513,458          | 0.4        |
| <b>Offshore Drilling &amp; Other Services</b>              | Other Securities      |       | 64,101           | 0.1        |
| <b>Oil Well Equipment &amp; Services</b>                   | Other Securities      |       | 1,568,836        | 1.3        |

## Summary Schedule of Investments (continued)

| Industry                                | Common Stocks                  | Shares | Value        | Percent of Net Assets |
|---|--------------------------------|--------|--------------|-----------------------|
| <b>Oil: Crude Producers</b>             | Other Securities               |        | \$ 2,115,417 | 1.7%                  |
| <b>Oil: Integrated</b>                  | Other Securities               |        | 87,746       | 0.1                   |
| <b>Paints &amp; Coatings</b>            | Other Securities               |        | 182,832      | 0.2                   |
| <b>Paper</b>                            | Other Securities               |        | 396,250      | 0.3                   |
| <b>Personal Care</b>                    | Other Securities               |        | 421,538      | 0.3                   |
| <b>Pharmaceuticals</b>                  | Isis Pharmaceuticals, Inc. (a) | 14,500 | 239,250      | 0.2                   |
|   | Other Securities               |        | 1,911,142    | 1.6                   |
|   |                                |        | 2,150,392    | 1.8                   |
| <b>Photography</b>                      | Other Securities               |        | 137,989      | 0.1                   |
| <b>Plastics</b>                         | Other Securities               |        | 42,274       | 0.0                   |
| <b>Power Transmission Equipment</b>     | Regal-Beloit Corp.             | 5,600  | 222,432      | 0.2                   |
|   | Other Securities               |        | 165,726      | 0.1                   |
|   |                                |        | 388,158      | 0.3                   |
| <b>Precious Metals &amp; Minerals</b>   | Other Securities               |        | 75,458       | 0.1                   |
| <b>Printing &amp; Copying Services</b>  | VistaPrint Ltd. (a)            | 6,600  | 281,490      | 0.2                   |
|   | Other Securities               |        | 32,148       | 0.1                   |
|   |                                |        | 313,638      | 0.3                   |
| <b>Producer Durables: Miscellaneous</b> | Other Securities               |        | 78,434       | 0.1                   |
| <b>Production Technology Equipment</b>  | Other Securities               |        | 1,137,351    | 0.9                   |
| <b>Publishing</b>                       | Other Securities               |        | 185,561      | 0.2                   |
| <b>Radio &amp; TV Broadcasters</b>      | Other Securities               |        | 50,477       | 0.0                   |
| <b>Railroad Equipment</b>               | Other Securities               |        | 73,032       | 0.1                   |
| <b>Railroads</b>                        | Other Securities               |        | 136,527      | 0.1                   |
| <b>Real Estate</b>                      | Other Securities               |        | 206,254      | 0.2                   |

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|   |  |        |           |     |
|---|--|--------|-----------|-----|
| <b>Real Estate Investment Trusts (REITs)</b>        | Anthracite Capital, Inc. (b)           | 9,500  | 5,890     | 0.0 |
|   | Highwoods Properties, Inc.             | 11,200 | 250,544   | 0.2 |
|   | MFA Financial, Inc.                    | 34,700 | 240,124   | 0.2 |
|   | National Retail Properties, Inc.       | 12,400 | 215,140   | 0.2 |
|   | Other Securities                       |        | 5,506,620 | 4.5 |
|   |  |        | 6,218,318 | 5.1 |
| <b>Recreational Vehicles &amp; Boats</b>            | Other Securities                       |        | 284,190   | 0.2 |
| <b>Rental &amp; Leasing Services: Consumer</b>      | Other Securities                       |        | 375,749   | 0.3 |
| <b>Restaurants</b>                                  | Other Securities                       |        | 1,814,791 | 1.5 |
| <b>Scientific Instruments: Control &amp; Filter</b> | Other Securities                       |        | 832,802   | 0.7 |
| <b>Scientific Instruments: Electrical</b>           | GrafTech International Ltd. (a)        | 19,000 | 214,890   | 0.2 |
|   | Other Securities                       |        | 1,059,063 | 0.8 |
|   |  |        | 1,273,953 | 1.0 |
| <b>Scientific Instruments: Gauges &amp; Meters</b>  | Other Securities                       |        | 168,258   | 0.1 |
| <b>Scientific Instruments: Pollution Control</b>    | Other Securities                       |        | 575,492   | 0.5 |
| <b>Securities Brokerage &amp; Services</b>          | Knight Capital Group, Inc. Class A (a) | 14,500 | 247,225   | 0.2 |
|   | Other Securities                       |        | 781,456   | 0.6 |
|   |  |        | 1,028,681 | 0.8 |
| <b>Semiconductors &amp; Components</b>              | Skyworks Solutions, Inc. (a)           | 26,052 | 254,789   | 0.2 |
|   | Other Securities                       |        | 2,845,325 | 2.3 |
|   |  |        | 3,100,114 | 2.5 |
| <b>Shipping</b>                                     | Other Securities                       |        | 816,351   | 0.7 |

SMALL CAP PREMIUM & DIVIDEND INCOME FUND INC.

JUNE 30, 2009

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## Summary Schedule of Investments (continued)

| Industry                                | Common Stocks                 | Shares | Value     | Percent of Net Assets |
|---|-------------------------------|--------|-----------|-----------------------|
| <b>Steel</b>                            | Other Securities              |        | \$ 77,658 | 0.1%                  |
| <b>Sugar</b>                            | Other Securities              |        | 20,587    | 0.0                   |
| <b>Synthetic Fibers &amp; Chemicals</b> | Other Securities              |        | 41,796    | 0.0                   |
| <b>Technology: Miscellaneous</b>        | Other Securities              |        | 377,436   | 0.3                   |
| <b>Telecommunications Equipment</b>     | Arris Group, Inc. (a)         | 19,346 | 235,247   | 0.2                   |
|   | Other Securities              |        | 403,459   | 0.3                   |
|   |                               |        | 638,706   | 0.5                   |
| <b>Textile Products</b>                 | Other Securities              |        | 60,160    | 0.1                   |
| <b>Textiles Apparel &amp; Shoes</b>     | Carter s, Inc. (a)            | 8,800  | 216,568   | 0.2                   |
|   | J. Crew Group, Inc. (a)       | 7,870  | 212,647   | 0.2                   |
|   | The Warnaco Group, Inc. (a)   | 7,100  | 230,040   | 0.2                   |
|   | Other Securities              |        | 1,537,178 | 1.2                   |
|   |                               |        | 2,196,433 | 1.8                   |
| <b>Tobacco</b>                          | Other Securities              |        | 276,118   | 0.2                   |
| <b>Toys</b>                             | Other Securities              |        | 103,623   | 0.1                   |
| <b>Transportation Miscellaneous</b>     | Other Securities              |        | 195,569   | 0.2                   |
| <b>Truckers</b>                         | Other Securities              |        | 907,863   | 0.7                   |
| <b>Utilities: Electrical</b>            | Cleco Corp.                   | 9,500  | 212,990   | 0.2                   |
|   | Portland General Electric Co. | 11,700 | 227,916   | 0.2                   |
|   | Other Securities              |        | 1,770,379 | 1.4                   |
|   |                               |        | 2,211,285 | 1.8                   |
| <b>Utilities: Gas Distributors</b>      | New Jersey Resources Corp.    | 6,600  | 244,464   | 0.2                   |
|   | Nicor, Inc.                   | 7,000  | 242,340   | 0.2                   |
|   | Piedmont Natural Gas Co.      | 11,500 | 277,265   | 0.2                   |
|   | WGL Holdings, Inc.            | 7,800  | 249,756   | 0.2                   |
|   | Other Securities              |        | 675,449   | 0.6                   |
|   |                               |        | 1,689,274 | 1.4                   |
| <b>Utilities: Telecommunications</b>    | Other Securities              |        | 1,489,147 | 1.2                   |

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|  |                  |             |      |
|--|------------------|-------------|------|
| <b>Utilities: Water</b>                            | Other Securities | 428,063     | 0.4  |
| <b>Wholesale &amp; International Trade</b>         | Other Securities | 295,546     | 0.2  |
| <b>Total Common Stocks</b><br>(Cost \$169,295,814) |                  | 117,031,781 | 95.5 |

**Investment Companies**

|   |                                   |       |         |     |
|---|-----------------------------------|-------|---------|-----|
|   | BlackRock Kelso Capital Corp. (b) | 1,800 | 11,214  | 0.0 |
|   | Other Securities                  |       | 173,169 | 0.1 |
| <b>Total Investment Companies</b><br>(Cost \$329,680) |                                   |       | 184,383 | 0.1 |

**Warrants (c)**

|                                     |                  |    |  |     |
|-------------------------------------|------------------|----|--|-----|
| <b>Alternative Energy</b>           | Other Securities | 60 |  | 0.0 |
| <b>Total Warrants</b><br>(Cost \$0) |                  |    |  | 0.0 |

## Summary Schedule of Investments (continued)

| Short-Term Securities   | Maturity Date                                       | Yield                      | Face Amount  | Value          | Percent Net Assets |
|---|---|----------------------------|--------------|----------------|--------------------|
| <b>Time Deposits</b>  |   |                            |              |                |                    |
| State Street Bank & Trust Co.   | 7/01/09   | 0.01%                      | \$ 7,585,945 | \$ 7,585,945   | 6.2%               |
| <b>Total Short-Term Securities<br/>(Cost \$7,585,945)</b>                 |   |                            |              | 7,585,945      | 6.2                |
| <b>Total Investments Before Options Written<br/>(Cost \$177,211,439*)</b> |   |                            |              | 124,802,109    | 101.8              |
| <b>Options Written</b>  |   |                            |              |                |                    |
| <b>Options Written</b>  |   | <b>Number of Contracts</b> |              |                |                    |
| <b>Call Options Written</b>   | Russell 2000 Index, expiring July 2009 at USD 520   | 1,000                      | (725,000)    | (0.6)          |                    |
|   | Russell 2000 Index, expiring August 2009 at USD 530 | 200                        | (251,000)    | (0.2)          |                    |
| <b>Total Options Written<br/>(Premiums Received \$1,739,293)</b>          |   |                            |              | (976,000)      | (0.8)              |
| <b>Total Investments, Net of Options Written (Net Cost \$175,472,146)</b> |   |                            |              | 123,826,109    | 101.0              |
| <b>Liabilities in Excess of Other Assets</b>                              |   |                            |              | (1,277,617)    | (1.0)              |
| <b>Net Assets</b>   |   |                            |              | \$ 122,548,492 | 100.0%             |

\* The cost and unrealized appreciation (depreciation) of investments as of June 30, 2009, as computed for federal income tax purposes, were as follows:

|                               |                |
|-------------------------------|----------------|
| Aggregate cost                | \$ 109,912,067 |
| Gross unrealized appreciation | \$ 17,887,408  |
| Gross unrealized depreciation | (2,997,366)    |
| Net unrealized appreciation   | \$ 14,890,042  |

(a) Non-income producing security.

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- (b) Investments in companies considered to be an affiliate of the Fund, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, were as follows:

| Affiliate                     | Purchase Cost | Sales Cost | Realized Loss | Dividend Income |
|-------------------------------|---------------|------------|---------------|-----------------|
| Anthracite Capital, Inc.      | \$ 608        | \$ 10,821  | \$ (10,002)   |                 |
| BlackRock Kelso Capital Corp. |               |            |               | \$ 576          |

- (c) Warrants entitle the Fund to purchase a predetermined number of shares of common stock and are non-income producing. The purchase price and number of shares are subject to adjustment under certain conditions until the expiration date.

Financial futures contracts purchased as of June 30, 2009 were as follows:

| Number of Contracts | Issue               | Expiration Date | Face Value   | Depreciation |
|---------------------|---------------------|-----------------|--------------|--------------|
| 90                  | E-Mini Russell 2000 | September 2009  | \$ 4,659,534 | \$ (94,734)  |

SMALL CAP PREMIUM & DIVIDEND INCOME FUND INC.

JUNE 30, 2009

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Summary Schedule of Investments (concluded)

For Fund portfolio compliance purposes, the Fund's industry classifications refer to any one or more of the industry sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or as defined by Fund management. This definition may not apply for purposes of this report, which may combine industry sub-classifications for reporting ease.

Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements clarifies the definition of fair value, establishes a framework for measuring fair values and requires additional disclosures about the use of fair value measurements. Various inputs are used in determining the fair value of investments, which are as follows:

Level 1 price quotations in active markets/exchanges for identical securities

Level 2 other observable inputs (including, but not limited to: quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market-corroborated inputs)

Level 3 unobservable inputs based on the best information available in the circumstance, to the extent observable inputs are not available (including the Fund's own assumption used in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. For information about the Fund's policy regarding valuation of investments and other significant accounting policies, please refer to Note 1(a) of the Notes to Financial Statements.

The following table summarizes the inputs used as of June 30, 2009 in determining the fair valuation of the Fund's investments:

| Valuation Inputs | Investments in Securities | Other Financial Instruments |
|------------------|---------------------------|-----------------------------|
|                  | Assets                    | Liabilities                 |
| Level 1          | \$ 117,216,118            | \$ (1,070,734)              |
| Level 2          | 7,585,991                 |                             |
| Level 3          |                           |                             |
| <b>Total</b>     | <b>\$ 124,802,109</b>     | <b>\$ (1,070,734)</b>       |

Other financial instruments are futures and options.

See Notes to Financial Statements.

## Statement of Assets, Liabilities and Capital

As of June 30, 2009 (Unaudited)

**Assets**

|  |    |            |             |
|--|----|------------|-------------|
| Investments in unaffiliated securities, at value (identified cost \$177,090,186) |    | \$         | 124,785,005 |
| Investments in affiliated securities, at value (identified cost \$121,253)       |    |            | 17,104      |
| Receivables:   |    |            |             |
| Securities sold  | \$ | 13,887,255 |             |
| Dividends  |    | 126,335    |             |
| Interest   |    | 2          | 14,013,592  |
|  |    |            | <hr/>       |
| Prepaid expenses   |    |            | 450         |
|  |    |            | <hr/>       |
| Total assets   |    |            | 138,816,151 |
|  |    |            | <hr/>       |

**Liabilities**

|   |  |            |            |
|---|--|------------|------------|
| Options written, at value (premiums received \$1,739,293) |  |            | 976,000    |
| Payables:   |  |            |            |
| Securities purchased                                      |  | 15,109,512 |            |
| Investment advisory fees                                  |  | 96,565     |            |
| Variation margin  |  | 7,200      | 15,213,277 |
|   |  |            | <hr/>      |
| Accrued expenses  |  |            | 78,382     |
|   |  |            | <hr/>      |
| Total liabilities   |  |            | 16,267,659 |
|   |  |            | <hr/>      |

**Net Assets**

|            |  |    |             |
|------------|--|----|-------------|
| Net assets |  | \$ | 122,548,492 |
|            |  |    | <hr/>       |

**Capital**

|  |    |              |              |
|--|----|--------------|--------------|
| Common Stock, par value \$.001 per share, 100,000,000 shares authorized  |    | \$           | 13,528       |
| Paid-in capital in excess of par   |    |              | 217,088,317  |
| Accumulated distributions in excess of investment income net   | \$ | (13,268,247) |              |
| Accumulated realized capital losses net  |    | (29,544,335) |              |
| Unrealized depreciation net  |    | (51,740,771) |              |
|  |    |              | <hr/>        |
| Total accumulated losses net   |    |              | (94,553,353) |
|  |    |              | <hr/>        |
| <b>Total capital</b> Equivalent to \$9.06 per share based on 13,528,336 shares of Common Stock outstanding (market price \$9.29) |    | \$           | 122,548,492  |
|  |    |              | <hr/>        |

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See Notes to Financial Statements.

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SMALL CAP PREMIUM & DIVIDEND INCOME FUND INC.

JUNE 30, 2009

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**Statement of Operations**
**For the Six Months Ended June 30, 2009 (Unaudited)**


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**Investment Income**


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|  |    |         |
|--|----|---------|
| Dividends (including \$576 from affiliates and net of \$261 foreign withholding tax) | \$ | 580,221 |
| Interest   |    | 576     |
|  |    | <hr/>   |
| Total income   |    | 580,797 |
|  |    | <hr/>   |

**Expenses**


---

|                                  |    |           |
|----------------------------------|----|-----------|
| Investment advisory fees         | \$ | 544,201   |
| Professional fees                |    | 41,732    |
| Directors' fees and expenses     |    | 29,540    |
| Accounting services              |    | 26,007    |
| Printing and stockholder reports |    | 20,925    |
| Transfer agent fees              |    | 19,892    |
| Repurchase offer                 |    | 16,291    |
| Listing fees                     |    | 11,394    |
| Insurance expenses               |    | 9,959     |
| Custodian fees                   |    | 8,337     |
| Licensing fees                   |    | 5,199     |
| Other                            |    | 6,162     |
|                                  |    | <hr/>     |
| Total expenses                   |    | 739,639   |
|                                  |    | <hr/>     |
| Investment loss - net            |    | (158,842) |
|                                  |    | <hr/>     |

**Realized & Unrealized Gain (Loss) - Net**


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|   |              |                  |
|---|--------------|------------------|
| Realized gain (loss) on:                                    |              |                  |
| Investments - net (including \$10,002 loss from affiliates) | (15,137,432) |                  |
| Financial futures contracts - net                           | (282,485)    |                  |
| Options written - net                                       | 4,424,455    | (10,995,462)     |
|   | <hr/>        |                  |
| Change in unrealized appreciation/depreciation on:          |              |                  |
| Investments - net   | 18,013,919   |                  |
| Financial futures contracts - net                           | (156,672)    |                  |
| Options written - net                                       | 74,180       | 17,931,427       |
|   | <hr/>        |                  |
| Total realized and unrealized gain - net                    |              | 6,935,965        |
|   |              | <hr/>            |
| <b>Net Increase in Net Assets Resulting from Operations</b> | <b>\$</b>    | <b>6,777,123</b> |
|   |              | <hr/>            |

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See Notes to Financial Statements.

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SMALL CAP PREMIUM & DIVIDEND INCOME FUND INC.

JUNE 30, 2009

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Statements of Changes in Net Assets

| Increase (Decrease) in Net Assets:   | For the Six<br>Months Ended<br>June 30,<br>2009<br>(Unaudited) | For the<br>Year Ended<br>December 31,<br>2008 |
|--|--|---|
| <b>Operations</b>  |  |   |
| Investment income (loss) net   | \$ (158,842)   | \$ 488,414                                    |
| Realized loss net  | (10,995,462)   | (2,301,840)                                   |
| Change in unrealized appreciation/depreciation net   | 17,931,427   | (74,212,875)                                  |
| Net increase (decrease) in net assets resulting from operations  | 6,777,123  | (76,026,301)                                  |
| <b>Dividends &amp; Distributions to Stockholders</b>   |  |   |
| Investment income net  | (13,437,785)   | (926,191)                                     |
| Tax return of capital  |  | (26,156,104)                                  |
| Net decrease in net assets resulting from dividends and distributions to stockholders                                      | (13,437,785)   | (27,082,295)                                  |
| <b>Common Stock Transactions</b>   |  |   |
| Net redemption of Common Stock resulting from a repurchase offer (includes \$62,348 of repurchase fees for the prior year) |  | (3,055,064)                                   |
| Value of shares issued to stockholders in reinvestment of dividends  | 820,394  |   |
| Net increase (decrease) in net assets resulting from Common Stock transactions   | 820,394  | (3,055,064)                                   |
| <b>Net Assets</b>  |  |   |
| Total decrease in net assets   | (5,840,268)  | (106,163,660)                                 |
| Beginning of period  | 128,388,760  | 234,552,420                                   |
| End of period*   | \$ 122,548,492   | \$ 128,388,760                                |
| * Undistributed (accumulated distributions in excess of) investment income net   | \$ (13,268,247)  | \$ 328,380                                    |

A substantial portion of the dividends from net investment income may be deemed a tax return of capital at fiscal year end.

See Notes to Financial Statements.



## Financial Highlights

| The following per share data and ratios have been derived from information provided in the financial statements. | For the Six Months Ended<br>June 30,<br>2009<br>(Unaudited) | For the Year Ended<br>December 31, |                    |                     | For the Period<br>July 29,<br>2005 <sup>(a)</sup> to<br>December 31,<br>2005 |
|--|---|------------------------------------|--------------------|---------------------|--|
|  |   | 2008                               | 2007               | 2006                |  |
| <b>Per Share Operating Performance</b>   |   |                                    |                    |                     |  |
| Net asset value, beginning of period   | \$ 9.55   | \$ 17.19                           | \$ 18.80           | \$ 18.16            | \$ 19.10   |
| Investment income (loss) net <sup>(t)</sup>  | (.01)   | .04                                | .09                | .08                 | .04  |
| Realized and unrealized gain (loss) net  | .52   | (5.68) <sup>(c)</sup>              | .29 <sup>(c)</sup> | 2.56 <sup>(c)</sup> | (.12)  |
| Total from investment operations   | .51   | (5.64)                             | .38                | 2.64                | (.08)  |
| Less dividends and distributions from:   |   |                                    |                    |                     |  |
| Investment income net  | (1.00) <sup>(d)</sup>                                       | (.07)                              | (.08)              | (.23)               | (.03)  |
| Realized gain net  |   |                                    | (1.59)             | (1.67)              |  |
| Tax return of capital  |   | (1.93)                             | (.33)              | (.10)               | (.80)  |
| Total dividends and distributions  | (1.00)  | (2.00)                             | (2.00)             | (2.00)              | (.83)  |
| Offering costs resulting from the issuance of Common Stock   |   |                                    | .01                |                     | (.03)  |
| Net asset value, end of period   | \$ 9.06   | \$ 9.55                            | \$ 17.19           | \$ 18.80            | \$ 18.16   |
| Market price per share, end of period  | \$ 9.29   | \$ 8.67                            | \$ 15.74           | \$ 19.49            | \$ 16.09   |
| <b>Total Investment Return<sup>(e)</sup></b>   |   |                                    |                    |                     |  |
| Based on net asset value per share   | 5.34% <sup>(f)</sup>  | (34.04%)                           | 2.63%              | 15.40%              | (.14%) <sup>(f)</sup>  |
| Based on market price per share  | 18.98% <sup>(f)</sup>                                       | (34.60%)                           | (9.36%)            | 35.03%              | (15.51%) <sup>(f)</sup>  |
| <b>Ratios to Average Net Assets</b>  |   |                                    |                    |                     |  |
| Expenses, net of reimbursement   | 1.22% <sup>(g)</sup>  | 1.12%                              | 1.03%              | 1.09%               | 1.07% <sup>(g)</sup>   |
| Expenses   | 1.22% <sup>(g)</sup>  | 1.12%                              | 1.05%              | 1.09%               | 1.07% <sup>(g)</sup>   |
| Investment income (loss) net   | (.26%) <sup>(g)</sup>                                       | .25%                               | .49%               | .41%                | .56% <sup>(g)</sup>  |

**Supplemental Data**

|  |    |         |            |            |            |    |         |
|--|----|---------|------------|------------|------------|----|---------|
| Net assets, end of period (in thousands) | \$ | 122,548 | \$ 128,389 | \$ 234,552 | \$ 255,853 | \$ | 327,008 |
|--|----|---------|------------|------------|------------|----|---------|

|                    |  |     |     |     |     |  |    |
|--------------------|--|-----|-----|-----|-----|--|----|
| Portfolio turnover |  | 15% | 21% | 15% | 26% |  | 3% |
|--------------------|--|-----|-----|-----|-----|--|----|

- (a) Commencement of operations.
- (b) Based on average shares outstanding.
- (c) Includes repurchase fees, which are less than \$.01 per share.
- (d) A substantial portion of the dividends from net investment income may be deemed a tax return of capital at fiscal year end.
- (e) Total investment returns based on market value, which can be significantly greater or less than the net asset value, may result in substantially different returns. Total investment returns exclude the effects of sales charges.
- (f) Aggregate total investment return.
- (g) Annualized.

See Notes to Financial Statements.