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Small Cap Premium & Dividend Income Fund, Inc.
Form N-CSR
March 07, 2008

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

FORM N-CSR

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: P.O. Box 9011
Princeton, NJ 08543-9011

Name and address of agent for service: Mitchell M. Cox, Chief Executive Officer,
Small Cap Premium & Dividend Income Fund Inc., 4 World Financial Center, 6th
Floor, New York, New York 10080.

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

Date of fiscal year end: 12/31/2007

Date of reporting period: 01/01/2007 - 12/31/2007

Item 1 - Report to Stockholders

Small Cap Premium &
Dividend Income Fund Inc.

Annual Report
December 31, 2007

[LOGO] IQ INVESTMENT
ADVISORS

BLACKROCK

Small Cap Premium & Dividend Income Fund Inc.

Portfolio Information as of December 31, 2007

Ten Largest Holdings	Percent of Net Assets
Hologic, Inc.	0.6%
CF Industries Holdings, Inc.	0.4
Exterran Holdings, Inc.	0.4
Terra Industries, Inc.	0.3
Priceline.com, Inc.	0.3
Flir Systems, Inc.	0.3
Equinix, Inc.	0.3
Chipotle Mexican Grill, Inc. Class B	0.2
Inverness Medical Innovations, Inc.	0.2
Bucyrus International, Inc.	0.2

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Five Largest Industries	Percent of Net Assets
Computer Services Software & Systems	5.5%
Real Estate Investment Trusts (REITs)	5.0
Banks: Outside New York City	4.8
Services: Commercial	3.0
Drugs & Pharmaceuticals	3.0

Sector Representation	Percent of Long-Term Investments
Financial Services	20.4%
Consumer Discretionary	17.1
Technology	14.2
Health Care	13.9
Materials & Processing	10.0
Producer Durables	7.6
Other Energy	6.0
Utilities	4.4
Auto & Transportation	3.5
Consumer Staples	2.3
Other	0.4
Integrated Oils	0.2

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.

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A Summary From Your Fund's Portfolio Managers

We are pleased to provide you with this shareholder report for Small Cap Premium & Dividend Income Fund Inc. While the Fund is advised by IQ Investment Advisors LLC, the following is provided by BlackRock Investment Management, LLC, the Fund's subadviser.

The investment objectives of Small Cap Premium & Dividend Income Fund Inc. (the "Fund") are to provide shareholders 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(R) 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.

For the annual period ended December 31, 2007, the Fund had a total investment return as set forth in the table below, based on the change per share in net

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asset value of \$18.80 to \$17.19. For the same period, the Fund's unmanaged reference index, the Russell 2000 Index, had a total return as shown below. All of the Fund and index information presented includes the reinvestment of any dividends or distributions. Distribution information may be found in the Notes to Financial Statements, Note 5.

Period	Fund*	Russell 2000 Index**	Difference
Fiscal year ended December 31, 2007	2.63%	(1.57%)	4.20%
Since inception (July 29, 2005)	18.26%	16.01%	2.25%

* Fund performance information is net of expenses.

** The reference index has no expenses associated with performance.

For more detail with regard to the Fund's total investment return based on a change in the per share market value of the Fund's Common Stock (as measured by the trading price of the Fund's shares on the New York Stock Exchange), please refer to the Financial Highlights section of this report.

As a closed-end fund, the Fund's shares may trade in the secondary market at a premium or discount to the Fund's net asset value. As a result, total investment returns based on changes in the market value of the Fund's Common Stock can vary significantly from total investment returns based on changes in the Fund's net asset value.

Jonathan A. Clark
Portfolio Manager

Debra L. Jelilian
Portfolio Manager

Jeffrey L. Russo, CFA
Portfolio Manager

January 15, 2008

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

SMALL CAP PREMIUM & DIVIDEND INCOME FUND INC. DECEMBER 31, 2007 3

Summary Schedule of Investments as of December 31, 2007 (in U.S. dollars)

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 shareholders. 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>.

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Industry	Shares Held	Common Stocks
Advertising Agencies		Other Securities
Aerospace		Other Securities
Agriculture, Fishing & Ranching		Other Securities
Air Transport		Other Securities
Aluminum		Other Securities
Auto Parts: After Market		Other Securities
Auto Parts: Original Equipment		Other Securities
Auto, Trucks & Parts		Other Securities
Banks: New York City		Other Securities
Banks: Outside New York City		Other Securities
Beverage: Brewers (Wineries)		Other Securities
Beverage: Soft Drinks		Other Securities
Biotechnology Research & Production	5,900 9,500	Alexion Pharmaceuticals, Inc. (a) OSI Pharmaceuticals, Inc. (a) Other Securities
Building Materials		Other Securities
Building: Cement		Other Securities
Building: Heating & Plumbing		Other Securities
Building: Miscellaneous		Other Securities
Building: Roofing & Wallboard		Other Securities
Cable Television Services		Other Securities
Casinos & Gambling	8,700	Bally Technologies, Inc. (a) Other Securities
Chemicals	8,900 19,300	CF Industries Holdings, Inc. Hercules, Inc. Other Securities
Coal		Other Securities
Commercial Information Services		Other Securities

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Communications & Media		Other Securities
Communications Technology	23,500	Foundry Networks, Inc. (a) Other Securities
Computer Services Software & Systems	12,600	Ansys, Inc. (a)
	5,800	Equinix, Inc. (a)
	6,600	Micros Systems, Inc. (a)
	23,500	Nuance Communications, Inc. (a)
	26,140	SAIC, Inc. (a)
	14,700	Sybase, Inc. (a)
		Other Securities

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Summary Schedule of Investments (continued) (in U.S. dollars)

Industry	Shares Held	Common Stocks
Computer Technology		Other Securities
Construction		Other Securities
Consumer Electronics		Other Securities
Consumer Products		Other Securities
Containers & Packaging: Metals & Glass	11,200	AptarGroup, Inc. Other Securities
Containers & Packaging: Paper & Plastic		Other Securities
Copper		Other Securities
Cosmetics		Other Securities
Diversified Financial Services		Other Securities
Diversified Materials & Processing	15,400	Hexcel Corp. (a) Other Securities
Drug & Grocery Store Chains		Other Securities
Drugs & Pharmaceuticals	15,600 13,000	BioMarin Pharmaceuticals, Inc. (a) MGI Pharma, Inc. (a)

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	8,920	Onyx Pharmaceuticals, Inc. (a)
	12,600	Perrigo Co.
		Other Securities

Education Services	9,800	DeVry, Inc.
	2,400	Strayer Education, Inc.
		Other Securities

Electrical & Electronics		Other Securities

Electrical Equipment & Components	4,500	Genlyte Group, Inc. (a)
		Other Securities

Electrical: Household Appliance		Other Securities

Electronics	21,600	Flir Systems, Inc. (a)
		Other Securities

Electronics: Instruments, Gauges & Meters	4,890	Itron, Inc. (a)
		Other Securities

Electronics: Medical Systems	19,480	Hologic, Inc. (a)
	8,707	Illumina, Inc. (a)
		Other Securities

Electronics: Semi-Conductors/ Components		Other Securities

Electronics: Technology		Other Securities

Energy Miscellaneous		Other Securities

Engineering & Contracting Services		Other Securities

Entertainment		Other Securities

Fertilizers	15,000	Terra Industries, Inc. (a)

Finance Companies		Other Securities

Finance: Small Loan		Other Securities

Financial Data Processing Services & Systems		Other Securities

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Summary Schedule of Investments (continued) (in U.S. dollars)

Industry	Shares Held	Common Stocks
Financial Information Services		Other Securities
Financial Miscellaneous	10,600	Sotheby's Holdings, Inc. Class A Other Securities
Foods		Other Securities
Forest Products		Other Securities
Forms & Bulk Printing Services		Other Securities
Funeral Parlors & Cemeteries		Other Securities
Glass		Other Securities
Gold	75,700	Coeur d'Alene Mines Corp. (a) Other Securities
Health Care Facilities		Other Securities
Health Care Management Services		Other Securities
Health Care Services		Other Securities
Homebuilding		Other Securities
Hotel/Motel		Other Securities
Household Furnishings		Other Securities
Identification Control & Filter Devices		Other Securities
Industrial Products		Other Securities
Insurance: Life		Other Securities
Insurance: Multi-Line		Other Securities
Insurance: Property-Casualty	14,200	Aspen Insurance Holdings Ltd. Other Securities
Investment Management Companies	13,700	Waddell & Reed Financial, Inc. Class Other Securities

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Jewelry, Watches & Gemstones		Other Securities
Leisure Time		Other Securities
Machine Tools		Other Securities
Machinery & Engineering		Other Securities
Machinery: Agricultural		Other Securities
Machinery: Construction & Handling		Other Securities
Machinery: Engines		Other Securities
Machinery: Industrial/Specialty		Other Securities
Machinery: Oil Well Equipment & Services	9,707	Exterran Holdings, Inc. (a) Other Securities
Machinery: Specialty	5,850	Bucyrus International, Inc. Other Securities
Manufactured Housing		Other Securities
Manufacturing		Other Securities
Medical & Dental Instruments & Supplies	11,150 10,620 4,400	Immucor, Inc. (a) Inverness Medical Innovations, Inc. (a) Ventana Medical Systems, Inc. (a) Other Securities

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Summary Schedule of Investments (continued) (in U.S. dollars)

Industry	Shares Held	Common Stocks
Medical Services		Other Securities
Metal Fabricating		Other Securities
Metals & Minerals Miscellaneous		Other Securities
Milling: Fruit & Grain Processing		Other Securities
Miscellaneous Business & Consumer Discretionary		Other Securities

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Miscellaneous Consumer Staples		Other Securities
Miscellaneous Health Care		Other Securities
Miscellaneous Materials & Commodities		Other Securities
Miscellaneous Materials & Processing		Other Securities
Miscellaneous Producer Durables		Other Securities
Miscellaneous Technology		Other Securities
Multi-Sector Companies		Other Securities
Office Furniture & Business Equipment		Other Securities
Offshore Drilling	4,400	Atwood Oceanics, Inc. (a) Other Securities
Oil: Crude Producers	26,550 6,500	PetroHawk Energy Corp. (a) Whiting Petroleum Corp. (a) Other Securities
Oil: Integrated Domestic		Other Securities
Oil: Integrated International		Other Securities
Paints & Coatings		Other Securities
Paper		Other Securities
Photography		Other Securities
Plastics		Other Securities
Pollution Control & Environmental Services		Other Securities
Power Transmission Equipment		Other Securities
Printing & Copying Services		Other Securities
Production Technology Equipment		Other Securities
Publishing: Miscellaneous		Other Securities
Publishing: Newspapers		Other Securities
Radio & TV Broadcasters		Other Securities
Railroad Equipment		Other Securities
Railroads		Other Securities
Real Estate		Other Securities

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Real Estate Investment Trusts (REITs)	5,200	Alexandria Real Estate Equities, Inc.
	10,300	Anthracite Capital, Inc. (b)
	14,000	Nationwide Health Properties, Inc.
	16,600	Realty Income Corp.
		Other Securities

Recreational Vehicles & Boats Other Securities

Rental & Leasing Services: Other Securities

Commercial
Rental & Leasing Services: Consumer Other Securities

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Summary Schedule of Investments (continued) (in U.S. dollars)

	Shares Held	
Industry		Common Stocks
Restaurants	5,200	Chipotle Mexican Grill, Inc. Class B Other Securities
Retail	6,000	Priceline.com, Inc. (a) Other Securities
Savings & Loan		Other Securities
Scientific Equipment & Suppliers		Other Securities
Securities Brokerage & Services		Other Securities
Services: Commercial	7,400	FTI Consulting, Inc. (a) Other Securities
Shipping		Other Securities
Shoes		Other Securities
Steel		Other Securities
Sugar		Other Securities
Telecommunications Equipment	14,300	Polycom, Inc. (a) Other Securities

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Textile Products		Other Securities
Textiles Apparel Manufacturers		Other Securities
Tires & Rubber		Other Securities
Tobacco		Other Securities
Toys		Other Securities
Transportation Miscellaneous		Other Securities
Truckers		Other Securities
Utilities: Cable TV & Radio		Other Securities
Utilities: Electrical	6,700 15,800	ITC Holdings Corp. Westar Energy, Inc. Other Securities
Utilities: Gas Distributors		Other Securities
Utilities: Miscellaneous		Other Securities
Utilities: Telecommunications	23,730	Time Warner Telecom, Inc. Class A (a) Other Securities
Utilities: Water		Other Securities
Wholesale & International Trade		Other Securities
Wholesalers	18,200	LKQ Corp. (a) Other Securities
		Total Common Stocks (Cost -- \$201,969,927)

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Summary Schedule of Investments (concluded) (in U.S. dollars)

Shares Held	Investment Companies
1,000	BlackRock Kelso Capital Corp. (b) Other Securities

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		Total Investment Companies (Cost -- \$343,489)
	Face Amount	Short-Term Securities
Time Deposits	\$32,181,442	State Street Bank & Trust Co., 3.25% due 1/02/2008
		Total Short-Term Securities (Cost -- \$32,181,442)
		Total Investments Before Options Writ (Cost -- \$234,494,858*)
	Number of Contracts	Options Written
Call Options Written	750	Russell 2000 Index, expiring January at USD 770
	750	Russell 2000 Index, expiring January at USD 780
		Total Options Written (Premiums Received -- \$3,235,500)
Total Investments, Net of Options Written (Cost -- \$231,259,358)		
Liabilities in Excess of Other Assets		
Net Assets		

* The cost and unrealized appreciation (depreciation) of investments, as of December 31, 2007, as computed for federal income tax purposes, were as follows:

Aggregate cost	\$ 237,617,800
Gross unrealized appreciation	\$ 4,448,732
Gross unrealized depreciation	(4,325,908)
Net unrealized appreciation	\$ 122,824

- (a) Non-income producing security.
- (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:

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Affiliate	Purchase Cost	Sales Cost	Realized Gain	Dividend Income
Anthracite Capital, Inc. BlackRock Kelso Capital Corp.	\$ 6,075 \$15,419	\$6,012 --	\$304 --	\$11,690 --

- o 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. Industries are shown as a percent of net assets. These industry classifications are unaudited.
- o "Other Securities" represent issues that are not identified as the 50 largest holdings of the Fund and issues not exceeding 1% of net assets. Some securities or a portion thereof, in this category are held as collateral in connection with open financial futures contracts.
- o Financial futures contracts purchased as of December 31, 2007 were as follows:

Number of Contracts	Issue	Expiration Date	Face Value	Unrealized Appreciation
75	Russell 2000 Index	March 2008	\$28,884,339	\$73,161

See Notes to Financial Statements.

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Statement of Assets, Liabilities and Capital

As of December 31, 2007

Assets

Investments in unaffiliated securities, at value (identified cost -- \$234,358,977) .	
Investments in affiliated securities, at value (identified cost -- \$135,881)	
Cash	
Receivables:	
Securities sold	
Options written	
Dividends	
Interest	
Total assets	

Liabilities

Options written, at value (premiums received -- \$3,235,500)	
Payables:	

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Dividends and distributions to shareholders
 Securities purchased
 Options written
 Investment adviser
 Variation margin

Accrued expenses

Total liabilities

=====
 Net Assets

Net assets

=====
 Capital

Common Stock, par value \$.001 per share, 100,000,000 shares authorized
 Paid-in capital in excess of par
 Undistributed investment income -- net
 Accumulated realized capital losses -- net
 Unrealized appreciation -- net

Total accumulated losses -- net

Total capital -- Equivalent to \$17.19 per share based on 13,644,510 shares
 of Common Stock outstanding (market price -- \$15.74)

See Notes to Financial Statements.

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Statement of Operations

For the Year Ended December 31, 2007

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 Investment Income

Dividends (including \$11,690 from affiliates and net of \$806 foreign
 withholding tax)
 Interest

Total income

=====
 Expenses

Investment advisory fees
 Accounting services
 Professional fees
 Directors' fees and expenses
 Transfer agent fees
 Repurchase offer
 Listing fees
 Other

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Total expenses before reimbursement
 Reimbursement of expenses
 Total expenses after reimbursement
 Investment income -- net

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

Realized gain (loss) on:
 Investments (including \$304 from affiliates) -- net
 Financial futures contracts -- net
 Options written -- net
 Change in unrealized appreciation/depreciation on:
 Investments -- net
 Financial futures contracts -- net
 Options written -- net
 Total realized and unrealized gain -- net
 Net Increase in Net Assets Resulting from Operations

See Notes to Financial Statements.

SMALL CAP PREMIUM & DIVIDEND INCOME FUND INC. DECEMBER 31, 2007 11

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets:
 =====

Operations

Investment income -- net
 Realized gain -- net
 Unrealized appreciation/depreciation -- net
 Net increase in net assets resulting from operations

=====
 Dividends & Distributions to Shareholders

Investment income -- net
 Realized gain -- net
 Tax return of capital
 Net decrease in net assets resulting from dividends and distributions
 to shareholders

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Common Stock Transactions

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Adjustment of offering costs resulting from the issuance of Common Stock .....
Net redemption of Common Stock resulting from a repurchase offer
  (includes $3,451 and $45,013 of repurchase fees, respectively) .....
Value of shares issued to Common Stock shareholders in reinvestment of
  dividends and distributions .....

Net increase (decrease) in net assets resulting from Common Stock transactions .....
=====

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Net Assets

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-----
Total decrease in net assets .....
Beginning of year .....

End of year* .....

  * Undistributed investment income -- net .....
=====

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See Notes to Financial Statements.

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Financial Highlights

The following per share data and ratios have been derived from information provided in the financial statements. For the Year
December

2007

Per Share Operating Performance

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Net asset value, beginning of period ..... $    18.80
-----
Investment income -- net*** ..... .09
Realized and unrealized gain (loss) -- net ..... .29++
-----
Total from investment operations ..... .38
-----
Less dividends and distributions:
  Investment income -- net ..... (.08)
  Realized gain -- net ..... (1.59)
  Tax return of capital ..... (.33)
-----
Total dividends and distributions ..... (2.00)
-----
Offering costs and adjustments resulting from
  the issuance of Common Stock ..... .01
-----
Net asset value, end of period ..... $    17.19
=====
Market price per share, end of period ..... $    15.74
=====

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Total Investment Return**

Based on net asset value per share	2.63%
Based on market price per share	(9.36%)

Ratios to Average Net Assets

Expenses	1.05%
Expenses, net of reimbursement	1.03%
Investment income -- net49%

Supplemental Data

Net assets, end of period (in thousands)	\$ 234,552
Portfolio turnover	15%

* Annualized.

** Total investment returns based on market value, which can be significantly greater or lesser than the net asset value, may result in substantially different returns. Total investment returns exclude the effects of sales charges.

*** Based on average shares outstanding.

+ Commencement of operations.

++ Includes repurchase fees, which are less than \$.01 per share.

@ Aggregate total investment return.

See Notes to Financial Statements.

SMALL CAP PREMIUM & DIVIDEND INCOME FUND INC.

DECEMBER 31, 2007

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Notes to Financial Statements

1. Significant Accounting Policies:

Small Cap Premium & Dividend Income Fund Inc. (the "Fund") is registered under the Investment Company Act of 1940, as amended, as a diversified, closed-end management investment company with a fixed term of existence of approximately five years. The Fund's financial statements are prepared in conformity with U.S. generally accepted accounting principles, which may require the use of management accruals and estimates. Actual results may differ from these estimates. The Fund determines and makes available for publication the net asset value of its Common Stock on a daily basis. The Fund's Common Stock shares are listed on the New York Stock Exchange ("NYSE") under the symbol RCC. The following is a summary of significant accounting policies followed by the Fund.

(a) Valuation of investments -- Equity securities held by the Fund that are traded on stock exchanges or the NASDAQ Global Market are valued at the last sale price or official close price on the exchange, as of the close of business on the day the securities are being valued or, lacking any sales, at the last available bid price for long positions, and at the last available asked price for short positions. In cases where equity securities are traded on more than

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one exchange, the securities are valued on the exchange designated as the primary market by or under the authority of the Board of Directors of the Fund. Long positions traded in the over-the-counter ("OTC") market, NASDAQ Capital Market or Bulletin Board are valued at the last available bid price or yield equivalent obtained from one or more dealers or pricing services approved by the Board of Directors of the Fund. Short positions traded in the OTC market are valued at the last available asked price. Portfolio securities that are traded both in the OTC market and on a stock exchange are valued according to the broadest and most representative market.

Effective September 4, 2007, exchange-traded options are valued at the mean between the last bid and ask prices at the close of the options market in which the options trade and previously were valued at the last sales price. Options traded in the OTC market are valued at the last asked price (options written) or the last bid price (options purchased). Swap agreements are valued based upon quoted fair valuations received daily by the Fund from a pricing service or counterparty. Financial futures contracts and options thereon, which are traded on exchanges, are valued at their last sale price as of the close of such exchanges. Obligations with remaining maturities of 60 days or less are valued at amortized cost unless the investment adviser believes that this method no longer produces fair valuations.

Repurchase agreements are valued at cost plus accrued interest. The Fund employs pricing services to provide certain securities prices for the Fund. Securities and assets for which market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of the Board of Directors of the Fund, including valuations furnished by the pricing services retained by the Fund, which may use a matrix system for valuations. The procedures of a pricing service and its valuations are reviewed by the officers of the Fund under the general supervision of the Fund's Board of Directors. Such valuations and procedures will be reviewed periodically by the Board of Directors of the Fund.

Generally, trading in foreign securities, as well as U.S. government securities, money market instruments and certain fixed income securities, is substantially completed each day at various times prior to the close of business on the NYSE. The values of such securities used in computing the net asset value of the Fund's shares are determined as of such times. Foreign currency exchange rates generally will be determined as of the close of business on the NYSE. Occasionally, events affecting the values of such securities and such exchange rates may occur between the times at which they are determined and the close of business on the NYSE that may not be reflected in the computation of the Fund's net asset value. If events (for example, a company announcement, market volatility or a natural disaster) occur during such periods that are expected to materially affect the value of such securities, those securities may be valued at their fair value as determined in good faith by the Fund's Board of Directors or by the investment adviser using a pricing service and/or procedures approved by the Fund's Board of Directors.

(b) Derivative financial instruments -- The Fund will engage in various portfolio investment strategies both to enhance its returns or as a proxy for a direct investment in securities underlying the Fund's index. Losses may arise due to changes in the value of the contract due to an unfavorable change in the price of the underlying security or index, or if the counterparty does not perform under the contract. The counterparty for certain instruments may pledge cash or securities as collateral.

o Options -- The Fund purchases and writes call options. When the Fund writes an option, an amount equal to the premium received by the Fund is reflected as an asset and an equivalent liability. The amount of the liability is subsequently marked-to-market to reflect the current market value of the option written. When a security is purchased or sold through

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an exercise of an option, the related

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SMALL CAP PREMIUM & DIVIDEND INCOME FUND INC.

DECEMBER 31, 2007

Notes to Financial Statements (continued)

premium paid (or received) is added to (or deducted from) the basis of the security acquired or deducted from (or added to) the proceeds of the security sold. When an option expires (or the Fund enters into a closing transaction), the Fund realizes a gain or loss on the option to the extent of the premiums received or paid (or gain or loss to the extent the cost of the closing transaction exceeds the premium paid or received). Written and purchased options are non-income producing investments.

- o Financial futures contracts -- The Fund may purchase or sell financial futures contracts and options on such financial futures contracts. Financial futures contracts are contracts for delayed delivery of securities at a specific future date and at a specific price or yield. Upon entering into a contract, the Fund deposits, and maintains as collateral, such initial margin as required by the exchange on which the transaction is effected. Pursuant to the contract, the Fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in value of the contract. Such receipts or payments are known as variation margin and are recorded by the Fund as unrealized gains or losses. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

(c) Income taxes -- It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable income to its shareholders. Therefore, no federal income tax provision is required.

(d) Security transactions and investment income -- Security transactions are recorded on the dates the transactions are entered into (the trade dates). Realized gains and losses on security transactions are determined on the identified cost basis. Dividend income is recorded on the ex-dividend dates. Interest income is recognized on the accrual basis.

(e) Dividends and distributions -- Dividends and distributions paid by the Fund are recorded on the ex-dividend dates. Portions of the distributions paid by the Fund during the years ended December 31, 2007 and December 31, 2006 were characterized as a tax return of capital.

(f) Offering expenses -- Direct expenses relating to the public offering of the Fund's Common Stock were charged to capital at the time of issuance of the shares. Any adjustments to estimates of offering costs were recorded to capital.

(g) Recent accounting pronouncements -- Effective June 29, 2007, the Fund implemented Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes -- an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 prescribes the minimum recognition threshold a tax position must meet in connection with accounting for uncertainties in income tax positions taken or expected to be taken by an entity, including investment companies, before being measured and recognized in the financial statements. Management has evaluated the application of FIN 48 to the Fund, and has determined that the adoption of FIN 48 does not have a material impact on the Fund's financial statements. The Fund files U.S. and various state tax returns. No income tax returns are currently under examination. All tax years of the Fund are open at this time.

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In September 2006, Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("FAS 157"), was issued and is effective for fiscal years beginning after November 15, 2007. FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The impact on the Fund's financial statement disclosures, if any, is currently being assessed.

In addition, in February 2007, Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("FAS 159"), was issued and is effective for fiscal years beginning after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of FAS 157. FAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. FAS 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. The impact on the Fund's financial statement disclosures, if any, is currently being assessed.

(h) Reclassification -- U.S. generally accepted accounting principles require that certain components of net assets be adjusted to reflect permanent differences between financial and tax reporting. Accordingly, during the current year, \$39,108 has been reclassified between paid-in capital in excess of par and accumulated distributions in excess of net investment income as a result of a permanent difference attributable to non-deductible expenses. This reclassification has no effect on net assets or net asset values per share.

SMALL CAP PREMIUM & DIVIDEND INCOME FUND INC.

DECEMBER 31, 2007

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Notes to Financial Statements (continued)

2. Investment Advisory Agreement and Transactions with Affiliates:

The Fund has entered into an Investment Advisory and Management Agreement with IQ Investment Advisors LLC ("IQ"), an indirect subsidiary of Merrill Lynch & Co., Inc. ("ML & Co."). IQ is responsible for the investment advisory, management and administrative services to the Fund. In addition, IQ provides the necessary personnel, facilities, equipment and certain other services necessary to the operations of the Fund. For such services, the Fund pays a monthly fee at an annual rate equal to .90% of the average daily value of the Fund's net assets plus borrowings for leverage and other investment purposes. In addition, IQ has entered into a Subadvisory Agreement with BlackRock Investment Management, LLC (the "Subadviser"), an indirect, wholly owned subsidiary of BlackRock, Inc. ("BlackRock"), pursuant to which the Subadviser provides certain investment advisory services to IQ with respect to the Fund. For such services, IQ pays the Subadviser a monthly fee at an annual rate of .39% of the average daily value of the Fund's net assets plus borrowings for leverage and other investment purposes. There is no increase in the aggregate fees paid by the Fund for these services.

IQ has entered into an Administration Agreement with Princeton Administrators, LLC (the "Administrator"). The Administration Agreement provides that IQ pays the Administrator a fee from its investment advisory fee at an annual rate equal to .12% of the average daily value of the Fund's net assets plus borrowings for leverage and other investment purposes for the performance of administrative and other services necessary for the operation of the Fund. There is no increase in the aggregate fees paid by the Fund for these services. The Administrator is an indirect subsidiary of BlackRock. ML & Co. is a principal owner of BlackRock.

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Merrill Lynch, Pierce, Fenner & Smith Incorporated, an affiliate of IQ, received \$3,872 in commissions on the execution of portfolio security transactions for the Fund for the year ended December 31, 2007.

Certain officers of the Fund are officers and/or directors of IQ, ML & Co., BlackRock or its affiliates.

3. Investments:

Purchases and sales of investments, excluding short-term securities, for the year ended December 31, 2007 were \$34,485,542 and \$58,931,921, respectively.

Transactions in options written for the year ended December 31, 2007 were as follows:

	Number of Contracts	Premiums Received
Outstanding call options written, at beginning of year	1,650	\$ 2,422,350
Options written	23,290	38,925,940
Options expired	(5,925)	(8,552,214)
Options closed	(17,515)	(29,560,576)
Outstanding call options written, at end of year	1,500	\$ 3,235,500

4. Common Stock Transactions:

The Fund is authorized to issue 100,000,000 shares of stock, par value \$.001 per share, all of which were initially classified as Common Stock. The Board of Directors is authorized, however, to classify and reclassify any unissued shares of Common Stock without approval of the holders of Common Stock.

Shares issued and outstanding during the year ended December 31, 2007 increased by 82,012 as a result of dividend and distribution reinvestments and decreased by 49,300 as a result of a repurchase offer. Shares issued and outstanding during the year ended December 31, 2006 increased by 107,871 as a result of dividend reinvestments and decreased by 4,501,309 as a result of a repurchase offer.

Subject to the approval of the Board of Directors, the Fund will make offers to repurchase its shares at annual (approximately 12-month) intervals. The shares tendered in the repurchase offer will be subject to a repurchase fee retained by the Fund to compensate the Fund for expenses directly related to the repurchase offer.

With regard to repurchase fees, IQ will reimburse the Fund for the cost of expenses paid in excess of 2% of the value of the shares that are repurchased.

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Notes to Financial Statements (concluded)

5. Distributions to Shareholders:

The tax character of distributions paid during the years ended December 31, 2007

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and December 31, 2006 was as follows:

	12/31/2007	12/31/2006
Distributions paid from:		
Ordinary income	\$18,128,392	\$24,149,954
Long-term capital gains	4,626,661	5,729,370
Tax return of capital	4,501,255	1,629,839
Total distributions	\$27,256,308	\$31,509,163

As of December 31, 2007 the components of accumulated losses on a tax basis were as follows:

Undistributed ordinary income -- net	--
Undistributed long-term capital gains -- net	--
Total undistributed earnings -- net	--
Capital loss carryforward	--
Unrealized losses -- net	\$(10,974,157)*
Total accumulated losses -- net	\$(10,974,157)

* The difference between book-basis and tax-basis net unrealized losses is attributable primarily to the tax deferral of losses on straddles, the realization for tax purposes of unrealized gains (losses) on certain financial futures contracts and options, the deferral of post-October capital losses for tax purposes, the realization for tax purposes of unrealized gains (losses) on certain securities that are part of a straddle and other book/tax temporary differences.

SMALL CAP PREMIUM & DIVIDEND INCOME FUND INC. DECEMBER 31, 2007 17

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Small Cap Premium & Dividend Income Fund Inc.:

We have audited the accompanying statement of assets, liabilities and capital, including the summary schedule of investments, of Small Cap Premium & Dividend Income Fund Inc. as of December 31, 2007, 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 respective periods presented. 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 the standards of the Public Company Accounting Oversight Board (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. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of

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expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2007, by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. 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 Small Cap Premium & Dividend Income Fund Inc. as of December 31, 2007, 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 respective periods presented, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP
Princeton, NJ
February 29, 2008

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Fundamental Periodic Repurchase Policy

The Board of Directors approved a fundamental policy whereby the Fund would adopt an "interval fund" structure pursuant to Rule 23c-3 under the Investment Company Act of 1940, as amended (the "1940 Act"). As an interval fund, the Fund will make annual repurchase offers at net asset value (less repurchase fee not to exceed 2%) to all Fund shareholders. The percentage of outstanding shares that the Fund can repurchase in each offer will be established by the Fund's Board of Directors shortly before the commencement of each offer, and will be between 5% and 25% of the Fund's then outstanding shares.

The Fund has adopted the following fundamental policy regarding periodic repurchases:

- a) The Fund will make offers to repurchase its shares at annual (approximately 12-month) intervals pursuant to Rule 23c-3 under the 1940 Act ("Offers"). The Board of Directors may place such conditions and limitations on an Offer, as may be permitted under Rule 23c-3.
- b) The repurchase request deadline for each Offer, by which the Fund must receive repurchase requests submitted by shareholders in response to the most recent Offer, will be on approximately the anniversary of the prior year's repurchase request deadline; and will be the fourteenth day prior to such exercise date; provided, that in the event that such day is not a business day, the repurchase request deadline will be the business day subsequent to the fourteenth day prior to the exercise date of the call spreads and written call options (the "Repurchase Request Deadline").
- c) The maximum number of days between a Repurchase Request Deadline and the next repurchase pricing date will be fourteen days; provided that if the fourteenth day after a Repurchase Request Deadline is not a business day, the repurchase pricing date shall be the next business day (the "Repurchase Pricing Date").
- d) Offers may be suspended or postponed under certain circumstances, as provided for in Rule 23c-3. (For further details, see Note 4 to the Financial

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Statements.)

Under the terms of the Offer for the most recent annual period, the Fund offered to purchase up to 684,690 shares from shareholders at an amount per share equal to the Fund's net asset value per share calculated as of the close of business of the New York Stock Exchange on July 20, 2007, ten business days after Friday, July 6, 2007, the Repurchase Request Deadline. As of July 20, 2007, 49,300 shares, or .36% of the Fund's outstanding shares, were repurchased by the Fund at \$18.82 per share (subject to a repurchase fee of .38% of the net asset value per share), the Fund's net asset value per share was determined as of 4:00 p.m. EST, Friday, July 20, 2007.

Fund Certification

In May 2007, the Fund filed its Chief Executive Officer Certification for the prior year with the New York Stock Exchange pursuant to Section 303A.12(a) of the New York Stock Exchange Corporate Governance Listing Standards.

The Fund's Chief Executive Officer and Chief Financial Officer Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 were filed with the Fund's Form N-CSR and are available on the Securities and Exchange Commission's website at <http://www.sec.gov>.

Important Tax Information

The following information is provided with respect to the taxable ordinary income portion of the distribution paid by Small Cap Premium & Dividend Income Fund Inc. to shareholders of record on June 21, 2007 and December 20, 2007:

Qualified Dividend Income for Individuals13%*
Dividends Qualifying for the Dividends Received Deduction for Corporations12%*
Interest-Related Dividends for Non-U.S. Residents	5.73%**
Short-Term Capital Gain Dividends for Non-U.S. Residents	62.48%**

* The Fund hereby designates the percentage indicated above or the maximum amount allowable by law.

** Represents the portion of the taxable ordinary income dividends eligible for exemption from U.S. withholding tax for nonresident aliens and foreign corporations.

Additionally, the Fund distributed long-term capital gains of \$.169750 per share to shareholders of record on June 21, 2007 and December 20, 2007.

SMALL CAP PREMIUM & DIVIDEND INCOME FUND INC.

DECEMBER 31, 2007

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Automatic Dividend Reinvestment Plan

How the Plan Works -- The Fund offers a Dividend Reinvestment Plan (the "Plan") under which income and capital gains dividends paid by the Fund are automatically reinvested in additional shares of Common Stock of the Fund. The Plan is administered on behalf of the shareholders by The Bank of New York Mellon (the "Plan Agent"). Under the Plan, whenever the Fund declares a dividend, participants in the Plan will receive the equivalent in shares of Common Stock of the Fund. The Plan Agent will acquire the shares for the participant's account either (i) through receipt of additional unissued but

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authorized shares of the Fund ("newly issued shares") or (ii) by purchase of outstanding shares of Common Stock on the open market on the New York Stock Exchange or elsewhere. If, on the dividend payment date, the Fund's net asset value per share is equal to or less than the market price per share plus estimated brokerage commissions (a condition often referred to as a "market premium"), the Plan Agent will invest the dividend amount in newly issued shares. If the Fund's net asset value per share is greater than the market price per share (a condition often referred to as a "market discount"), the Plan Agent will invest the dividend amount by purchasing on the open market additional shares. If the Plan Agent is unable to invest the full dividend amount in open market purchases, or if the market discount shifts to a market premium during the purchase period, the Plan Agent will invest any uninvested portion in newly issued shares. The shares acquired are credited to each shareholder's account. The amount credited is determined by dividing the dollar amount of the dividend by either (i) when the shares are newly issued, the net asset value per share on the date the shares are issued or (ii) when shares are purchased in the open market, the average purchase price per share.

Participation in the Plan -- Participation in the Plan is automatic, that is, a shareholder is automatically enrolled in the Plan when he or she purchases shares of Common Stock of the Fund unless the shareholder specifically elects not to participate in the Plan. Shareholders who elect not to participate will receive all dividend distributions in cash. Shareholders who do not wish to participate in the Plan, must advise the Plan Agent in writing (at the address set forth below) that they elect not to participate in the Plan. Participation in the Plan is completely voluntary and may be terminated or resumed at any time without penalty by writing to the Plan Agent.

Benefits of the Plan -- The Plan provides an easy, convenient way for shareholders to make additional, regular investments in the Fund. The Plan promotes a long-term strategy of investing at a lower cost. All shares acquired pursuant to the Plan receive voting rights. In addition, if the market price plus commissions of the Fund's shares is above the net asset value, participants in the Plan will receive shares of the Fund for less than they could otherwise purchase them and with a cash value greater than the value of any cash distribution they would have received. However, there may not be enough shares available in the market to make distributions in shares at prices below the net asset value. Also, since the Fund does not redeem shares, the price on resale may be more or less than the net asset value.

Plan Fees -- There are no enrollment fees or brokerage fees for participating in the Plan. The Plan Agent's service fees for handling the reinvestment of distributions are paid for by the Fund. However, brokerage commissions may be incurred when the Fund purchases shares on the open market and shareholders will pay a pro rata share of any such commissions.

Tax Implications -- The automatic reinvestment of dividends and distributions will not relieve participants of any federal, state or local income tax that may be payable (or required to be withheld) on such dividends. Therefore, income and capital gains may still be realized even though shareholders do not receive cash. Participation in the Plan generally will not affect the tax-exempt status of exempt interest dividends paid by the Fund. If, when the Fund's shares are trading at a market premium, the Fund issues shares pursuant to the Plan that have a greater fair market value than the amount of cash reinvested, it is possible that all or a portion of the discount from the market value (which may not exceed 5% of the fair market value of the Fund's shares) could be viewed as a taxable distribution. If the discount is viewed as a taxable distribution, it is also possible that the taxable character of this discount would be allocable to all the shareholders, including shareholders who do not participate in the Plan. Thus, shareholders who do not participate in the Plan might be required to report as ordinary income a portion of their distributions equal to their allocable share of the discount.

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Contact Information -- All correspondence concerning the Plan, including any questions about the Plan, should be directed to the Plan Agent at BNY Mellon Shareowner Services, P.O. Box 358035, Pittsburgh, PA 15252-8035, Telephone: 877-296-3711.

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Directors and Officers

Name	Address & Age	Position(s) Held with Fund	Length of Time Served**	Principal Occupation(s) During Past 5 Years
Non-Interested Directors*				
Paul Glasserman	P.O. Box 9095 Princeton, NJ 08543-9095 Age: 45	Director & Chairman of the Audit Committee	2005 to present	Professor, Columbia University Business School since 1991; Senior Vice Dean since July 2004.
Steven W. Kohlhagen	P.O. Box 9095 Princeton, NJ 08543-9095 Age: 60	Director & Chairman of Nominating & Corporate Governance Committee	2005 to present	Retired since August 2002; Managing Director, Wachovia National Bank and its predecessors (1992 - 2002).
William J. Rainer	P.O. Box 9095 Princeton, NJ 08543-9095 Age: 61	Director & Chairman of the Board	2005 to present	Retired since November 2004; Chairman and Chief Executive Officer, OneChicago, LLC, a designated contract market (2001 - 2004); Chairman, U.S. Commodity Futures Trading Commission (1999 - 2001).
Laura S. Unger	P.O. Box 9095 Princeton, NJ 08543-9095 Age: 46	Director	2007 to present	Independent Consultant; Commissioner of the Securities and Exchange Commission (1997 - 2002), including Acting Chairperson of the SEC from February to August 2001; Regulatory Expert for CNBC (2002 - 2003).

* Each of the Non-Interested Directors is a member of the Audit Committee and the Governance Committee.

** Each Director will serve for a term of one year and until his successor is elected, death, resignation or removal as provided in the Fund's Bylaws, charter or by s

SMALL CAP PREMIUM & DIVIDEND INCOME FUND INC. DECEMBER 31, 2007 21

Directors and Officers (concluded)

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Name	Address & Age	Position(s) Held with Fund	Length of Time Served	Principal Occupation(s) During Past 5 Years
Fund Officers*				
Mitchell M. Cox	P.O. Box 9011 Princeton, NJ 08543-9011 Age: 42	President	2005 to present	IQ Investment Advisors LLC, President since 2007; Director, Head of Global Investments & Insurance Alternative Investments since 2008; MLPF&S, Manager of Global Wealth Products Group since 2007; Head of Global Wealth Origination (2003 - 2007); MLPF&S, FAM Distributor since 2006; IQ Financial Products LLC, Director since 2006.
Justin C. Ferri	P.O. Box 9011 Princeton, NJ 08543-9011 Age: 32	Vice President	2005 to present	IQ Investment Advisors LLC, Vice President since 2007; Director, Structured and Alternative Solutions in 2007; Structured and Alternative Solutions in 2007; Market Investments & Origination (2005 - 2007); Private Client Market Investments & Origination in 2007; Head of Global Private Client Rampart Equity Division since 2007; Vice President, Co-Head Global Private Client Solutions (2002 - 2004); mPower Advisors LLC, Vice President (1999 - 2002).
Donald C. Burke	P.O. Box 9011 Princeton, NJ 08543-9011 Age: 47	Vice President and Secretary	2005 to present	IQ Investment Advisors LLC, Secretary and Treasurer since 2006; BlackRock, Inc., Managing Director since 2006; Manager, L.P. ("MLIM") and Fund Asset Management since 2006; MLIM and FAM, First Vice President (1999 - 2006); Princeton Services, Inc., Senior Vice President (2006).
James E. Hillman	P.O. Box 9011 Princeton, NJ 08543-9011 Age: 50	Vice President and Treasurer	2007 to present	IQ Investment Advisors LLC, Treasurer since 2007; Structured and Alternative Solutions since 2007; Structured and Alternative Solutions in 2007; Management Market Investments & Origination (Solutions) since 2007; Account Advisors LLC, Vice President and Treasurer since 2007; Director, Citigroup Alternative Investments Team since 2006; Director, Korea Equity Inc. Fund in 2006 to September 2006; Managing Director, The Bank of America since 2006.
Catherine A. Johnston	P.O. Box 9011 Princeton, NJ 08543-9011 Age: 53	Chief Compliance Officer	2007 to present	IQ Investment Advisors LLC, Chief Compliance Officer since 2007; Lynch & Co., Inc., Director, Corporate Compliance since 2007; BlackRock, Inc., Director (2006 - 2007); MLIM, Vice President (1998 - 2003).
Martin G. Byrne	P.O. Box 9011 Princeton, NJ 08543-9011 Age: 45	Chief Legal Officer	2006 to present	IQ Investment Advisors LLC, Chief Legal Officer since 2006; Co., Inc., Office of General Counsel, Managing Director since 2006; President (2002 - 2006), Director (2000 - 2002); Chief Legal Officer since November 2006; FAMD, Director since 2006.
Jay M. Fife	P.O. Box 9011 Princeton, NJ 08543-9011 Age: 37	Vice President	2005 to present	IQ Investment Advisors LLC, Vice President (2007 - present); Managing Director since 2007; BlackRock, Inc., Vice President (2000 - 2006); MLPF&S, Director (2000) and Vice President (2000 - 2006).
Colleen R. Rusch	P.O. Box 9011 Princeton, NJ 08543-9011 Age: 40	Vice President and Assistant Secretary	2005 to present	IQ Investment Advisors LLC, Chief Administrative Officer since 2007; Vice President since 2005; MLPF&S, Director of Structured and Alternative Solutions since 2007; MLPF&S, Director, Global Wealth Investments & Origination (2005 - 2007); MLIM, Director since July 2005; Vice President of MLIM (1998 - 2004).

* Officers of the Fund serve at the pleasure of the Board of Directors.

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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

NYSE Symbol

RCC

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Availability of Quarterly Schedule of Investments

The Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission ("SEC") for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the SEC's website at <http://www.sec.gov>. The Fund's Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

Electronic Delivery

The Fund offers electronic delivery of communications to its shareholders. In order to receive this service, you must register your account and provide us with e-mail information. To sign up for this service, simply access this website at <http://www.icsdelivery.com/live> and follow the instructions.

When you visit this site, you will obtain a personal identification number (PIN). You will need this PIN should you wish to update your e-mail address, choose to discontinue this service and/or make any other changes to the service. This service is not available for certain retirement accounts at this time.

Contact Information

For more information regarding the Fund, please visit www.IQIAFunds.com or contact us at 1-877-449-4742.

SMALL CAP PREMIUM & DIVIDEND INCOME FUND INC. DECEMBER 31, 2007 23

[LOGO]
IQ
INVESTMENT
ADVISORS

www.IQIAFunds.com

Small Cap Premium & Dividend Income Fund Inc. seeks to provide shareholders with a high level of income, with a secondary goal of capital appreciation.

This report, including the financial information herein, is transmitted to

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shareholders of Small Cap Premium & Dividend Income Fund Inc. for their information. It is not a prospectus. Past performance results shown in this report should not be considered a representation of future performance. Statements and other information herein are as dated and are subject to change.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available without charge at www.IQIAFunds.com/proxyvoting.asp; or upon request by calling toll-free 1-877-449-4742 or through the Securities and Exchange Commission's website at <http://www.sec.gov>. Information about how the Fund voted proxies relating to securities held in the Fund's portfolio during the most recent 12-month period ended June 30 is available (1) at www.IQIAFunds.com/proxyvoting.asp; and (2) on the Securities and Exchange Commission's website at <http://www.sec.gov>.

Small Cap Premium & Dividend Income Fund Inc.
P.O. Box 9011
Princeton, NJ 08543-9011

#IQRCC -- 12/07

Item 2 - Code of Ethics - The registrant (or the "Fund") has adopted a code of ethics, as of the end of the period covered by this report, that applies to the registrant's principal executive officer, principal financial officer and principal accounting officer, or persons performing similar functions. During the period covered by this report, there have been no amendments to or waivers granted under the code of ethics. A copy of the code of ethics is available without charge upon request by calling toll-free 1-877-449-4742.

Item 3 - Audit Committee Financial Expert - The registrant's board of directors has determined that (i) the registrant has the following audit committee financial experts serving on its audit committee and (ii) each audit committee financial expert is independent: (1) Alan R. Batkin (resigned as of February 22, 2007) and (2) Steven W. Kohlhagen.

Under applicable securities laws, a person determined to be an audit committee financial expert will not be deemed an "expert" for any purpose, including without limitation for the purposes of Section 11 of the Securities Act of 1933, as a result of being designated or identified as an audit committee financial expert. The designation or identification as an audit committee financial expert does not impose on such person any duties, obligations, or liabilities greater than the duties, obligations, and liabilities imposed on such person as a member of the audit committee and board of directors in the absence of such designation or identification.

Item 4 - Principal Accountant Fees and Services

Registrant Name	(a) Audit Fees		(b) Audit-Related Fees(1)		(c) Tax Fees(2)	
	Current Fiscal Year End	Previous Fiscal Year End	Current Fiscal Year End	Previous Fiscal Year End	Current Fiscal Year End	Previous Fiscal Year End
Small Cap Premium						

Small Cap Premium

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& Dividend Income Fund Inc.	\$33,000	\$33,000	\$0	\$0	\$8,500	\$19
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- 1 The nature of the services include assurance and related services reasonably related to the performance of the audit of financial statements not included in Audit Fees.
- 2 The nature of the services include tax compliance, tax advice and tax planning.

(e) (1) Audit Committee Pre-Approval Policies and Procedures:

The registrant's audit committee (the "Committee") has adopted policies and procedures with regard to the pre-approval of services. Audit, audit-related and tax compliance services provided to the registrant on an annual basis require specific pre-approval by the Committee. The Committee also must approve other non-audit services provided to the registrant and those non-audit services provided to the registrant's affiliated service providers that relate directly to the operations and the financial reporting of the registrant. Certain of these non-audit services that the Committee believes are a) consistent with the SEC's auditor independence rules and b) routine and recurring services that will not impair the independence of the independent accountants may be approved by the Committee without consideration on a specific case-by-case basis ("general pre-approval"). However, such services will only be deemed pre-approved provided that any individual project does not exceed \$5,000 attributable to the registrant or \$50,000 for all of the registrants the Committee oversees. Any proposed services exceeding the pre-approved cost levels will require specific pre-approval by the Committee, as will any other services not subject to general pre-approval (e.g., unanticipated but permissible services). The Committee is informed of each service approved subject to general pre-approval at the next regularly scheduled in-person board meeting.

(e) (2) None of the services described in each of Items 4(b) through (d) were approved by the audit committee pursuant to paragraph (c) (7) (i) (C) of Rule 2-01 of Regulation S-X.

(f) Not Applicable

(g) Affiliates' Aggregate Non-Audit Fees:

Registrant Name	Current Fiscal Year End	Previous Fiscal Year End
Small Cap Premium & Dividend Income Fund Inc.	\$2,102,500	\$1,980,000

(h) The registrant's audit committee has considered and determined that the provision of non-audit services that were rendered to the registrant's investment adviser (not including any non-affiliated sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by the registrant's investment adviser), and any entity controlling, controlled by, or under common control with the investment adviser that provides ongoing services

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to the registrant that were not pre-approved pursuant to paragraph (c) (7) (ii) of Rule 2-01 of Regulation S-X is compatible with maintaining the principal accountant's independence.

Regulation S-X Rule 2-01(c) (7) (ii) - \$0, 0%

Item 5 - Audit Committee of Listed Registrants - The following individuals are members of the registrant's separately-designated standing audit committee established in accordance with Section 3(a) (58) (A) of the Exchange Act (15 U.S.C. 78c(a) (58) (A)):

Alan R. Batkin (resigned as of February 22, 2007)
 Steven W. Kohlhagen
 Paul Glasserman
 William J. Rainer
 Laura S. Unger (effective September 12, 2007)

Item 6 - Schedule of Investments - attached hereto.

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007

(in U.S. dollars)

Industry	Shares Held	Common Stocks

Advertising Agencies - 0.4%	2,700	DG FastChannel, Inc. (a)
	2,800	Greenfield Online, Inc. (a)
	5,100	inVentiv Health, Inc. (a)
	4,000	Marchex, Inc. Class B
	6,800	National CineMedia, Inc.
	7,800	Valassis Communications, Inc. (a)
	16,230	ValueClick, Inc. (a)

Aerospace - 0.7%	800	AeroVironment, Inc. (a)
	2,100	Argon ST, Inc. (a)
	7,200	Curtiss-Wright Corp.
	4,200	Heico Corp.
	2,500	Ladish Co., Inc. (a)
	1,500	MTC Technologies, Inc. (a)
	6,300	Moog, Inc. Class A (a)
	9,600	Orbital Sciences Corp. (a)
	5,700	Teledyne Technologies, Inc. (a)
	1,500	TransDigm Group, Inc. (a)

Agriculture, Fishing & Ranching - 0.1%	600	Alico, Inc.
	2,300	The Andersons, Inc.
	1,400	Cadiz, Inc. (a)

Air Transport - 0.7%	6,300	AAR Corp. (a) (c)
	9,600	ABX Holdings, Inc. (a)
	14,900	AirTran Holdings, Inc. (a)

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6,500	Alaska Air Group, Inc. (a)
500	Allegiant Travel Co. (a)
2,300	Atlas Air Worldwide Holdings, Inc. (a)
3,400	Bristow Group, Inc. (a)
8,600	ExpressJet Holdings, Inc. (a)
28,700	JetBlue Airways Corp. (a)
3,400	Midwest Air Group, Inc. (a)
2,500	PHI, Inc. (a)
2,300	Pinnacle Airlines Corp. (a)
5,700	Republic Airways Holdings, Inc. (a)
9,800	SkyWest, Inc.

Aluminum - 0.2%

4,710	Century Aluminum Co. (a)
2,300	Kaiser Aluminum Corp.

Auto Parts: After Market - 0.1%

3,600	Aftermarket Technology Corp. (a)
3,500	Commercial Vehicle Group, Inc. (a)
1,600	Standard Motor Products, Inc.
3,100	Superior Industries International, Inc.

Auto Parts: Original
Equipment - 0.5%

6,600	American Axle & Manufacturing Holdings, Inc.
3,000	Amerigon Inc. (a)
11,500	ArvinMeritor, Inc.
16,300	Hayes Lemmerz International, Inc. (a)
12,370	Lear Corp. (a)
2,550	Noble International Ltd.
1,300	Sauer-Danfoss, Inc.
1,300	Stoneridge, Inc. (a)
7,500	Tenneco, Inc. (a)
21,100	Visteon Corp. (a)

Small Cap Premium & Dividend Income Fund Inc.
Schedule of Investments as of December 31, 2007

(in U.S. dollars)

Industry	Shares	
	Held	Common Stocks

Auto, Trucks & Parts - 0.1%

3,300	Accuride Corp. (a)
10,400	Force Protection, Inc. (a)
1,500	Miller Industries, Inc. (a)
5,200	Modine Manufacturing Co.
4,500	Spartan Motors, Inc.
5,200	Wabash National Corp.

Banks: New York City - 0.1%

4,700	Beneficial Mutual Bancorp, Inc. (a)
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4,800 Signature Bank (a)

Banks: Outside New York City	2,100	1st Source Corp.
- 4.8%	700	Abington Bancorp, Inc.
	2,600	Alabama National Bancorp.
	3,800	Amcore Financial, Inc.
	2,800	AmericanWest Bancorp
	2,200	Ameris Bancorp
	1,200	Bancfirst Corp.
	3,700	Banco Latinoamericano de Exportaciones, SA 'E'
	2,000	The Bancorp, Inc. (a)
	2,000	Bank of the Ozarks, Inc.
	3,800	BankFinancial Corp.
	2,100	Banner Corp.
	6,200	Boston Private Financial Holdings, Inc.
	10,842	CVB Financial Corp.
	2,100	Capital City Bank Group, Inc.
	1,600	Capital Corp. of the West
	2,300	Capitol Bancorp Ltd.
	4,400	Cascade Bancorp
	8,300	Cathay General Bancorp
	9,000	Centennial Bank Holdings, Inc. (a)
	2,100	Center Financial Corp.
	5,000	Central Pacific Financial Corp.
	4,000	Chemical Financial Corp.
	7,500	Chittenden Corp.
	12,100	Citizens Banking Corp.
	3,100	City Holding Co.
	2,100	CityBank
	800	Clifton Savings Bancorp, Inc.
	2,600	CoBiz Financial, Inc.
	2,700	Columbia Banking System, Inc.
	1,700	Community Bancorp (a)
	4,900	Community Bank System, Inc.
	2,600	Community Trust Bancorp, Inc.
	6,300	Corus Bankshares, Inc.
	1,700	Enterprise Financial Services Corp.
	13,700	First BanCorp
	1,600	First Bancorp
	3,600	First Busey Corp.
	5,500	First Charter Corp.
	12,000	First Commonwealth Financial Corp.
	3,929	First Community Bancorp, Inc.
	1,600	First Community Bancshares, Inc.
	5,400	First Financial Bancorp
	3,400	First Financial Bankshares, Inc.
	2,500	First Financial Corp.
	3,000	First Merchants Corp.
	7,800	First Midwest Bancorp, Inc.
	1,400	First Regional Bancorp (a)

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007

(in U.S. dollars)

Shares

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Industry	Held	Common Stocks
<hr style="border-top: 1px dashed black;"/>		
	1,350	First South Bancorp, Inc.
	3,300	First State Bancorp.
	13,000	FirstMerit Corp.
	4,100	Franklin Bank Corp. (a)
	6,350	Frontier Financial Corp.
	8,550	Glacier Bancorp, Inc.
	1,400	Greene County Bancshares, Inc.
	4,400	Hancock Holding Co.
	6,800	Hanmi Financial Corp.
	5,103	Harleysville National Corp.
	2,100	Heartland Financial USA, Inc.
	1,900	Heritage Commerce Corp.
	1,391	Home Bancshares, Inc.
	2,600	Independent Bank Corp./MA
	4,005	Independent Bank Corp./MI
	3,400	Integra Bank Corp.
	8,326	International Bancshares Corp.
	8,300	Investors Bancorp, Inc. (a)
	3,600	Irwin Financial Corp.
	2,866	Lakeland Bancorp, Inc.
	2,000	Lakeland Financial Corp.
	5,477	MB Financial, Inc.
	2,477	Macatawa Bank Corp.
	3,080	MainSource Financial Group, Inc.
	2,900	Midwest Banc Holdings, Inc.
	5,500	NBT Bancorp, Inc.
	3,700	Nara Bancorp, Inc.
	7,951	National Penn Bancshares, Inc.
	2,200	Northfield Bancorp, Inc. (a)
	11,400	Old National Bancorp
	2,253	Old Second Bancorp, Inc.
	2,100	Omega Financial Corp.
	3,700	Oriental Financial Group
	7,900	Pacific Capital Bancorp
	2,000	Park National Corp.
	1,700	Peoples Bancorp, Inc.
	2,700	Pinnacle Financial Partners, Inc. (a)
	2,800	Piper Jaffray Cos. (a)
	1,450	Preferred Bank
	3,100	PrivateBancorp, Inc.
	5,800	Prosperity Bancshares, Inc.
	5,700	Provident Bankshares Corp.
	2,850	Renasant Corp.
	1,511	Republic Bancorp, Inc. Class A
	100	Royal Bancshares of Pennsylvania Class A
	4,000	S&T Bancorp, Inc.
	1,260	SCBT Financial Corp.
	5,500	SVB Financial Group (a)
	1,785	SY Bancorp, Inc.
	2,600	Sandy Spring Bancorp, Inc.
	200	Santander BanCorp
	2,400	Seacoast Banking Corp. of Florida
	2,500	Security Bank Corp.
	800	Sierra Bancorp
	2,300	Simmons First National Corp. Class A
	11,200	The South Financial Group, Inc.
	1,782	Southside Bancshares, Inc.
	2,500	Southwest Bancorp, Inc.

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Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007

(in U.S. dollars)

Industry	Shares Held	Common Stocks
<hr/>		
	12,100	Sterling Bancshares, Inc.
	4,500	Sterling Financial Corp.
	1,800	Suffolk Bancorp
	2,390	Sun Bancorp, Inc. (a)
	4,800	Superior Bancorp (a)
	13,174	Susquehanna Bancshares, Inc.
	900	Taylor Capital Group, Inc.
	4,100	Texas Capital Bancshares, Inc. (a)
	1,290	Tompkins Trustco, Inc.
	2,300	Trico Bancshares
	13,100	TrustCo Bank Corp. NY
	8,200	Trustmark Corp.
	16,300	UCBH Holdings, Inc.
	4,800	UMB Financial Corp.
	9,888	Umpqua Holdings Corp.
	2,150	Union Bankshares Corp.
	6,500	United Bankshares, Inc.
	6,000	United Community Banks, Inc.
	700	United Security Bancshares
	2,000	Univest Corp. of Pennsylvania
	2,970	Virginia Commerce Bancorp (a)
	2,300	Washington Trust Bancorp, Inc.
	3,900	WesBanco, Inc.
	2,600	West Coast Bancorp
	5,100	Westamerica Bancorp.
	2,300	Western Alliance Bancorp (a)
	2,700	Wilshire Bancorp, Inc.
	3,500	Wintrust Financial Corp.
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Beverage: Brewers (Wineries) - 0.0%	1,600	Boston Beer Co., Inc. Class A (a)
<hr/>		
Beverage: Soft Drinks - 0.1%	800	Coca-Cola Bottling Co. Consolidated
	600	Farmer Bros. Co.
	2,700	Green Mountain Coffee Roasters, Inc. (a)
	5,100	Jones Soda Co. (a)
	1,680	National Beverage Corp.
	2,400	Peet's Coffee & Tea, Inc. (a)
<hr/>		
Biotechnology Research & Production - 2.5%	2,790	AMAG Pharmaceuticals, Inc. (a)
	5,600	Acadia Pharmaceuticals, Inc. (a)(c)
	4,300	Acorda Therapeutics, Inc. (a)
	4,400	Albany Molecular Research, Inc. (a)
	5,900	Alexion Pharmaceuticals, Inc. (a)
	7,800	Allos Therapeutics, Inc. (a)
	5,900	Alnylam Pharmaceuticals, Inc. (a)

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2,200	Altus Pharmaceuticals, Inc. (a)
7,900	American Oriental Bioengineering, Inc. (a)
1,000	Amicus Therapeutics, Inc. (a)
12,700	Applera Corp. - Celera Genomics Group (a)
12,000	Arena Pharmaceuticals, Inc. (a)
12,700	Ariad Pharmaceuticals, Inc. (a)
5,000	Arqule, Inc. (a)
6,900	Array Biopharma, Inc. (a)
4,200	ArthroCare Corp. (a)
500	Biodel, Inc. (a)
4,300	Bionovo, Inc. (a)
11,900	Cell Genesys, Inc. (a)
9,300	Cubist Pharmaceuticals, Inc. (a)(c)
6,400	Cypress Bioscience, Inc. (a)

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007

(in U.S. dollars)

Industry	Shares Held	Common Stocks

	4,100	Cytokinetics, Inc. (a)
	16,700	Discovery Laboratories, Inc. (a)
	17,200	Encysive Pharmaceuticals, Inc. (a)
	7,600	Enzon Pharmaceuticals, Inc. (a)
	15,900	Exelixis, Inc. (a)
	15,200	GenVec, Inc. (a)
	1,800	Genomic Health, Inc. (a)
	11,900	Geron Corp. (a)
	9,300	Halozyme Therapeutics, Inc. (a)
	21,900	Human Genome Sciences, Inc. (a)
	4,100	Idenix Pharmaceuticals, Inc. (a)
	12,400	Immunomedics, Inc. (a)
	14,200	Incyte Corp. (a)
	2,900	Integra LifeSciences Holdings Corp. (a)
	4,600	InterMune, Inc. (a)
	2,200	Kendle International, Inc. (a)
	2,200	Kensey Nash Corp. (a)
	7,100	Keryx Biopharmaceuticals, Inc. (a)
	4,900	Kosan Biosciences, Inc. (a)
	8,500	MannKind Corp. (a)
	4,900	Martek Biosciences Corp. (a)
	4,000	Maxygen, Inc. (a)
	3,900	Medivation, Inc.
	2,000	Metabolix, Inc. (a)
	3,800	Momenta Pharmaceuticals, Inc. (a)
	6,900	Myriad Genetics, Inc. (a)
	9,900	Nabi Biopharmaceuticals (a)
	600	Nanosphere, Inc. (a)
	5,200	Nastech Pharmaceutical Co., Inc. (a)
	6,600	Neurocrine Biosciences, Inc. (a)
	3,000	Neurogen Corp. (a)
	2,500	Novacea, Inc. (a)
	9,500	OSI Pharmaceuticals, Inc. (a)
	2,400	Omrix Biopharmaceuticals, Inc. (a)
	700	Orexigen Therapeutics, Inc. (a)

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2,800	Osiris Therapeutics, Inc. (a)
2,800	PharmaNet Development Group, Inc. (a)
5,200	Poniard Pharmaceuticals, Inc. (a)
3,900	Progenics Pharmaceuticals, Inc. (a)
1,860	Protalix BioTherapeutics, Inc. (a)
3,800	Regeneration Technologies, Inc. (a)
4,500	Rigel Pharmaceuticals, Inc. (a)
8,204	Savient Pharmaceuticals, Inc. (a)
7,100	Seattle Genetics, Inc. (a)
300	Sucampo Pharmaceuticals, Inc. Class A (a)
1,200	Synta Pharmaceuticals Corp. (a)
9,200	Telik, Inc. (a)
4,300	Tercica, Inc. (a)
5,100	Vanda Pharmaceuticals, Inc. (a)
11,400	ViroPharma, Inc. (a)
19,000	XOMA Ltd. (a)
6,300	ZymoGenetics, Inc. (a)

Building Materials - 0.5%	1,500	Ameron International Corp.
	1,900	BlueLinx Holdings, Inc.
	4,600	Building Material Holding Corp.
	3,000	LSI Industries, Inc.
	3,300	NCI Building Systems, Inc. (a)

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007 (in U.S. dollars)

Industry	Shares Held	Common Stocks
	200	PGT, Inc. (a)
	6,000	Simpson Manufacturing Co., Inc.
	4,390	Texas Industries, Inc.
	2,100	Trex Co., Inc. (a)
	3,700	Watsco, Inc.
	3,800	Zoltek Cos., Inc. (a)
<hr/>		
Building: Cement - 0.0%	5,500	U.S. Concrete, Inc. (a)
<hr/>		
Building: Heating & Plumbing - 0.1%	1,800	Aaon, Inc. (c)
	4,500	Interline Brands, Inc. (a)
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Building: Miscellaneous - 0.2%	2,500	Builders FirstSource, Inc. (a)
	7,100	Comfort Systems USA, Inc.
	3,000	Drew Industries, Inc. (a)
	5,600	Goodman Global, Inc. (a)
	5,100	Griffon Corp. (a)

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Building: Roofing & Wallboard - 0.0%	7,700	Beacon Roofing Supply, Inc. (a)
<hr/>		
Cable Television Services - 0.1%	71,400	Charter Communications, Inc. Class A (a)
	4,100	Crown Media Holdings, Inc. Class A (a)
	15,900	TiVo, Inc. (a)
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Casinos & Gambling - 0.6%	4,300	Ameristar Casinos, Inc.
	8,700	Bally Technologies, Inc. (a)
	1,300	Churchill Downs, Inc.
	2,550	Dover Downs Gaming & Entertainment, Inc.
	2,600	Isle of Capri Casinos, Inc. (a)
	3,500	Lakes Entertainment, Inc. (a)
	4,000	MTR Gaming Group, Inc. (a)
	8,500	Magna Entertainment Corp. Class A (a)
	1,600	Monarch Casino & Resort, Inc. (a)
	4,600	Multimedia Games, Inc. (a)
	9,740	Pinnacle Entertainment, Inc. (a)
	1,700	Riviera Holdings Corp. (a)
	5,700	Shuffle Master, Inc. (a)
	5,100	Trump Entertainment Resorts, Inc. (a)
	6,550	WMS Industries, Inc. (a)
<hr/>		
Chemicals - 1.8%	3,000	American Vanguard Corp.
	3,800	Arch Chemicals, Inc.
	2,900	Balchem Corp.
	8,900	CF Industries Holdings, Inc.
	3,500	Cabot Microelectronics Corp. (a)
	5,900	Calgon Carbon Corp. (a)
	4,700	Cambrex Corp.
	3,000	EnerSys (a)
	6,100	Energy Conversion Devices, Inc. (a)
	11,100	Exide Technologies (a)
	5,600	Georgia Gulf Corp.
	19,300	Hercules, Inc.
	2,700	Innophos Holdings, Inc.
	4,000	Innospec, Inc.
	2,800	LSB Industries, Inc. (a)
	2,800	Landec Corp. (a)
	3,600	Medis Technologies Ltd. (a)
	1,300	NL Industries, Inc.
	2,100	NewMarket Corp.

Small Cap Premium & Dividend Income Fund Inc.
Schedule of Investments as of December 31, 2007

(in U.S. dollars)

Industry	Shares Held	Common Stocks
	2,500	Nuco2, Inc. (a)
	4,600	OM Group, Inc. (a)
	15,100	PolyOne Corp. (a)

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1,900 Polypore International, Inc. (a)
 5,700 Rockwood Holdings, Inc. (a)
 4,800 Schulman A, Inc.
 5,800 Senomyx, Inc. (a)
 4,000 ShengdaTech, Inc. (a)
 1,000 Stepan Co.
 5,000 Tronox, Inc. Class A
 2,300 Tronox, Inc. Class B
 8,400 UAP Holding Corp.
 11,500 W.R. Grace & Co. (a)
 3,750 Zep, Inc. (a)

Coal - 0.2%
 10,200 Alpha Natural Resources, Inc. (a)
 19,800 International Coal Group, Inc. (a)
 1,500 US BioEnergy Corp. (a)

Commercial Information
 Services - 0.1%
 4,300 Arbitron, Inc.
 900 HSW International, Inc. (a)
 5,300 infoUSA, Inc.
 4,300 LECG Corp. (a)
 3,800 LoopNet, Inc. (a)

Communications & Media - 0.1%
 11,300 Entravision Communications Corp. Class A (a)
 40,800 Gemstar-TV Guide International, Inc. (a)
 3,600 Knology, Inc. (a)

Communications Technology - 2.4%
 63,300 3Com Corp. (a)
 2,900 Acme Packet, Inc. (a)
 9,500 Adtran, Inc.
 3,000 Anaren, Inc. (a)
 5,000 Anixter International, Inc. (a) (c)
 800 Aruba Networks, Inc. (a)
 9,000 Atheros Communications, Inc. (a)
 28,800 Avanex Corp. (a)
 8,180 Avocent Corp. (a)
 1,800 Bel Fuse, Inc.
 1,000 BigBand Networks, Inc. (a)
 3,000 Black Box Corp.
 600 CPI International, Inc. (a)
 6,500 CSG Systems International, Inc. (a)
 3,100 Cbeyond Communications, Inc. (a)
 8,200 Cogent Communications Group, Inc. (a) (c)
 2,800 Comtech Group, Inc. (a)
 3,500 Comtech Telecommunications Corp. (a)
 4,100 Digi International, Inc. (a)
 5,400 Ditech Networks, Inc. (a)
 2,400 EMS Technologies, Inc. (a)
 5,100 Echelon Corp. (a)
 20,500 Extreme Networks, Inc. (a)
 39,900 Finisar Corp. (a)
 23,500 Foundry Networks, Inc. (a)
 2,600 GeoEye, Inc. (a)
 14,200 Harmonic, Inc. (a)
 4,100 Harris Stratex Networks, Inc. Class A (a)

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Small Cap Premium & Dividend Income Fund Inc.
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(in U.S. dollars)

Industry	Shares Held	Common Stocks
<hr/>		
	800	Hughes Communications, Inc. (a)
	2,100	Infinera Corp. (a)
	7,600	InterDigital, Inc. (a)
	6,700	InterVoice, Inc. (a)
	7,100	Ixia (a)
	8,000	j2 Global Communications, Inc. (a)
	1,900	Loral Space & Communications Ltd. (a)
	5,600	NETGEAR, Inc. (a)
	3,400	Network Equipment Technologies, Inc. (a)
	3,400	Nextwave Wireless, Inc. (a)
	5,600	Novatel Wireless, Inc. (a)
	3,428	Oplink Communications, Inc. (a)
	2,900	Optium Corp. (a)
	3,800	SeaChange International, Inc. (a)
	7,750	Secure Computing Corp. (a)
	900	Shoretel, Inc. (a)
	42,900	Sonus Networks, Inc. (a)
	3,900	Standard Microsystems Corp. (a)
	1,700	Starent Networks Corp. (a)
	2,600	Switch and Data Facilities Co., Inc. (a)
	29,700	Sycamore Networks, Inc. (a)
	4,100	Syniverse Holdings, Inc. (a)
	30,800	TIBCO Software, Inc. (a)
	10,100	Tekelec (a)
	7,800	Terremark Worldwide, Inc. (a)
	17,300	UTStarcom, Inc. (a)
	3,900	Viasat, Inc. (a)
	6,700	Vonage Holdings Corp. (a)
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Computer Services Software & Systems - 5.5%	600	3PAR, Inc. (a)
	6,000	ACI Worldwide, Inc. (a)(c)
	9,900	Actuate Corp. (a)
	4,600	American Reprographics Co. (a)
	2,800	Ansoft Corp. (a)
	12,600	Ansys, Inc. (a)
	13,000	Ariba, Inc. (a)
	20,800	Art Technology Group, Inc. (a)
	4,400	AsiaInfo Holdings, Inc. (a)
	13,740	Aspen Technology, Inc. (a)
	34,000	BearingPoint, Inc. (a)
	7,200	Blackbaud, Inc.
	4,800	Blackboard, Inc. (a)
	600	BladeLogic, Inc. (a)
	5,000	Blue Coat Systems, Inc. (a)
	13,600	Borland Software Corp. (a)
	3,500	Bottomline Technologies, Inc. (a)
	5,000	CACI International, Inc. Class A (a)

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8,100	CMGI, Inc. (a)
2,900	COMSYS IT Partners, Inc. (a)
5,360	Chordiant Software, Inc. (a)
9,500	Ciber, Inc. (a)
1,200	ComScore, Inc. (a)
6,200	Commvault Systems, Inc. (a)
500	Compellent Technologies, Inc. (a)
700	Comverge, Inc. (a)
6,600	Concur Technologies, Inc. (a)
800	Constant Contact, Inc. (a)
5,400	DealerTrack Holdings, Inc. (a)

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 Schedule of Investments as of December 31, 2007

(in U.S. dollars)

Industry	Shares Held	Common Stocks

	800	Delrek, Inc. (a)
	6,700	Digital River, Inc. (a)
	3,200	DivX, Inc. (a)
	1,700	Double-Take Software, Inc. (a)
	4,400	EPIQ Systems, Inc. (a)
	9,200	Electronics for Imaging, Inc. (a)
	9,600	Epicor Software Corp. (a)
	5,800	Equinix, Inc. (a)
	11,200	Gartner, Inc. Class A (a)
	2,300	i2 Technologies, Inc. (a)
	2,600	iGate Corp. (a)
	2,600	Imergent, Inc.
	14,600	Informatica Corp. (a)
	3,700	Information Services Group, Inc. (a)
	1,621	Integral Systems, Inc.
	1,800	Interactive Intelligence, Inc. (a)
	6,300	Internet Capital Group, Inc. (a)
	7,500	Interwoven, Inc. (a)
	4,500	JDA Software Group, Inc. (a)
	4,400	Kenexa Corp. (a)
	1,700	Keynote Systems, Inc. (a)
	20,900	Lawson Software, Inc. (a)
	2,000	Limelight Networks, Inc. (a)
	9,800	Lionbridge Technologies, Inc. (a)
	7,800	LivePerson, Inc. (a)
	6,200	MSC.Software Corp. (a)
	8,600	Macrovision Corp. (a)
	6,100	Magma Design Automation, Inc. (a)
	4,500	Manhattan Associates, Inc. (a)
	3,100	Mantech International Corp. Class A (a)
	13,900	Mentor Graphics Corp. (a)
	2,500	Mercadolibre, Inc. (a)
	3,700	Mercury Computer Systems, Inc. (a)
	1,600	MicroStrategy, Inc. Class A (a)
	6,600	Micros Systems, Inc. (a)
	1,200	Monotype Imaging Holdings, Inc. (a)
	5,200	Ness Technologies, Inc. (a)
	1,100	Netezza Corp. (a)

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23,500	Nuance Communications, Inc. (a)
5,400	Omniture, Inc. (a)
23,600	On2 Technologies, Inc. (a)
9,700	OpenTV Corp. (a)
13,500	Openwave Systems, Inc.
3,500	PDF Solutions, Inc. (a)
800	PROS Holdings, Inc. (a)
6,100	Packeteer, Inc. (a)
19,020	Parametric Technology Corp. (a)
1,300	Pegasystems, Inc.
6,900	Progress Software Corp. (a)
1,200	QAD, Inc.
11,100	Quest Software, Inc. (a)
16,600	RealNetworks, Inc. (a)
2,700	RightNow Technologies, Inc. (a)
26,140	SAIC, Inc. (a)
4,450	SAVVIS, Inc. (a)
2,100	SI International, Inc. (a)
3,000	SPSS, Inc. (a)
6,700	SRA International, Inc. Class A (a)
5,100	SYKES Enterprises, Inc. (a)

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007

(in U.S. dollars)

Industry	Shares Held	Common Stocks

	2,000	SYNNEX Corp. (a)
	14,200	Sapient Corp. (a)
	4,600	Sigma Designs, Inc. (a)
	5,600	Smith Micro Software, Inc. (a)
	3,800	Solera Holdings, Inc. (a)
	10,500	SonicWALL, Inc. (a)
	200	Sourcefire, Inc. (a)
	14,000	Sourceforge, Inc. (a)
	1,000	Stanley, Inc. (a)
	900	SuccessFactors, Inc. (a)
	14,700	Sybase, Inc. (a)
	2,800	Synchronoss Technologies, Inc. (a)
	1,800	Syntel, Inc.
	2,700	Taleo Corp. Class A (a)
	700	TechTarget, Inc. (a)
	7,400	The TriZetto Group, Inc. (a)
	6,900	Tyler Technologies, Inc. (a)
	4,200	Ultimate Software Group, Inc. (a)
	800	Unica Corp. (a)
	4,500	VASCO Data Security International, Inc. (a)
	4,900	Vignette Corp. (a)
	200	Virtusa Corp. (a)
	3,700	Visual Sciences, Inc. (a)
	7,600	Websense, Inc. (a)
	12,700	Wind River Systems, Inc. (a)
	8,100	Zoran Corp. (a)

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Computer Technology - 0.8%	19,500	Adaptec, Inc. (a)
	6,200	Advanced Analogic Technologies, Inc. (a)
	6,600	Cray, Inc. (a)
	1,100	Data Domain, Inc. (a)
	13,800	Emulex Corp. (a)
	5,900	FalconStor Software, Inc. (a)
	3,800	Hutchinson Technology, Inc. (a)
	5,700	Imation Corp.
	5,400	Immersion Corp. (a)
	9,300	Intermec, Inc. (a)
	300	Isilon Systems, Inc. (a)
	15,500	Palm, Inc.
	14,100	Perot Systems Corp. Class A (a)
	31,900	Quantum Corp. (a)
	4,900	Rackable Systems, Inc. (a)
	4,400	Radiant Systems, Inc. (a)
	3,700	Radisys Corp. (a)
	2,000	Rimage Corp. (a)
	6,000	STEC, Inc. (a)
	19,700	Safeguard Scientifics, Inc. (a)
	600	Silicon Graphics, Inc. (a)
	3,600	Stratasys, Inc. (a)
	3,900	Synaptics, Inc. (a)
	10,000	Trident Microsystems, Inc. (a)

Construction - 0.3%	2,163	Brookfield Homes Corp.
	10,300	EMCOR Group, Inc. (a)
	5,800	Granite Construction, Inc.
	2,800	Great Lakes Dredge & Dock Corp.

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007 (in U.S. dollars)

	Shares	
Industry	Held	Common Stocks

	4,100	Perini Corp. (a)
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Consumer Electronics - 0.8%	24,600	CNET Networks, Inc. (a)
	3,000	DTS, Inc. (a)
	20,100	EarthLink, Inc. (a)
	100	Glu Mobile, Inc. (a)
	5,500	InfoSpace, Inc.
	7,010	Internap Network Services Corp. (a)
	8,200	Ipass, Inc. (a)
	3,100	LoJack Corp. (a)
	6,300	Midway Games, Inc. (a)
	6,400	NIC, Inc.
	7,600	NetFlix, Inc. (a)
	300	Protection One, Inc. (a)
	4,500	Sohu.com, Inc. (a)

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	10,300	THQ, Inc. (a)
	11,100	Take-Two Interactive Software, Inc. (a)
	10,900	United Online, Inc.
	2,300	Universal Electronics, Inc. (a)
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Consumer Products - 0.5%	8,300	American Greetings Corp. Class A
	4,400	Blyth, Inc.
	1,300	CSS Industries, Inc.
	2,700	Citi Trends, Inc. (a)
	2,700	Mannatech, Inc.
	5,100	Matthews International Corp. Class A
	5,000	Nautilus, Inc.
	3,400	RC2 Corp. (a)
	6,100	Smith & Wesson Holding Corp. (a)
	6,400	Spectrum Brands, Inc. (a)
	10,100	Tupperware Corp.
	1,600	USANA Health Sciences, Inc. (a)
<hr style="border-top: 1px dashed #000;"/>		
Containers & Packaging: Metals & Glass - 0.5%	11,200	AptarGroup, Inc.
	5,200	Greif, Inc.
	6,200	Mobile Mini, Inc. (a)
	4,000	Silgan Holdings, Inc.
<hr style="border-top: 1px dashed #000;"/>		
Containers & Packaging: Paper & Plastic - 0.1%	1,000	AEP Industries, Inc. (a)
	11,200	Graphic Packaging Corp. (a)
	4,700	Myers Industries, Inc.
<hr style="border-top: 1px dashed #000;"/>		
Copper - 0.1%	6,200	Mueller Industries, Inc.
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Cosmetics - 0.2%	4,400	Elizabeth Arden, Inc. (a)
	4,600	Helen of Troy Ltd. (a)
	1,000	Inter Parfums, Inc.
	8,700	Nu Skin Enterprises, Inc. Class A
	31,991	Revlon, Inc. Class A (a)
	1,600	Ulta Salon Cosmetics & Fragrance, Inc. (a)
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Diversified Financial Services - 0.6%	100	ACA Capital Holdings, Inc. (a)
	7,800	Aldabra 2 Acquisition Corp. (a)
	800	Clayton Holdings, Inc. (a)
	1,100	Duff & Phelps Corp. (a)
	7,500	Euronet Worldwide, Inc. (a)
	1,800	Evercore Partners, Inc. Class A

Small Cap Premium & Dividend Income Fund Inc.
Schedule of Investments as of December 31, 2007

(in U.S. dollars)

Shares

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Industry	Held	Common Stocks
	1,350	FCStone Group, Inc. (a)
	9,800	F.N.B. Corp.
	3,000	Greenhill & Co., Inc.
	8,400	Heckmann Corp. (a)
	7,600	Hicks Acquisition Co. I, Inc. (a)
	3,100	Huron Consulting Group, Inc. (a)
	6,100	Interactive Brokers Group, Inc. Class A (a)
	4,800	Marathon Acquisition Corp. (a)
	5,400	NRDC Acquisition Corp. (a)
	1,200	Oritani Financial Corp. (a)
	6,500	Triplecrown Acquisition Corp. (a)

Diversified Materials & Processing - 0.8%	6,700	Acuity Brands, Inc.
	7,100	Barnes Group, Inc.
	7,900	Brady Corp.
	8,300	Clarcor, Inc.
	15,400	Hexcel Corp. (a)
	2,600	Koppers Holdings, Inc.
	12,000	Olin Corp.
	5,100	Tredegar Corp.
	1,100	Valhi, Inc.

Drug & Grocery Store Chains - 0.6%	100	Arden Group, Inc. Class A
	8,500	Casey's General Stores, Inc.
	4,107	The Great Atlantic & Pacific Tea Co., Inc. (a)
	2,100	Ingles Markets, Inc. Class A
	5,300	Longs Drug Stores Corp.
	2,400	Nash Finch Co.
	6,800	Ruddick Corp.
	3,500	Spartan Stores, Inc.
	400	Village Super Market, Inc. Class A
	2,000	Weis Markets, Inc.
	5,000	Winn-Dixie Stores, Inc. (a)

Drugs & Pharmaceuticals - 3.0%	5,500	Adams Respiratory Therapeutics, Inc. (a)
	400	Affymax, Inc. (a)
	7,800	Akorn, Inc. (a)
	2,400	Alexza Pharmaceuticals, Inc. (a)
	15,700	Alkermes, Inc. (a)
	6,500	Alpharma, Inc. Class A (a)
	4,700	Auxilium Pharmaceuticals, Inc. (a)
	5,600	Beijing Med-Pharm Corp. (a)
	3,100	Bentley Pharmaceuticals, Inc. (a)
	700	BioForm Medical, Inc. (a)
	15,600	BioMarin Pharmaceuticals, Inc. (a)
	2,100	Bradley Pharmaceuticals, Inc. (a)
	9,700	CV Therapeutics, Inc. (a)
	2,000	Cadence Pharmaceuticals, Inc. (a)
	1,200	Caraco Pharmaceutical Laboratories Ltd. (a)
	2,900	Chattem, Inc. (a)
	13,000	CytRx Corp. (a)
	13,600	Dendreon Corp. (a)
	10,800	Durect Corp. (a)

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100	Emergent Biosolutions, Inc. (a)
4,800	Enzo Biochem, Inc. (a)
2,200	GTx, Inc. (a)
11,000	Indevus Pharmaceuticals, Inc. (a)
13,400	Isis Pharmaceuticals, Inc. (a)
8,600	Javelin Pharmaceuticals, Inc. (a)

Small Cap Premium & Dividend Income Fund Inc.

Schedule of Investments as of December 31, 2007

(in U.S. dollars)

Industry	Shares Held	Common Stocks
<hr style="border-top: 1px dashed black;"/>		
	1,400	Jazz Pharmaceuticals, Inc. (a)
	5,800	K-V Pharmaceutical Co. Class A (a)
	12,300	Ligand Pharmaceuticals, Inc. Class B
	500	MAP Pharmaceuticals, Inc. (a)
	13,000	MGI Pharma, Inc. (a)
	20,500	Medarex, Inc. (a)
	8,400	Medicines Co. (a)
	8,500	Medicis Pharmaceutical Corp. Class A
	14,900	Nektar Therapeutics (a)
	4,200	Noven Pharmaceuticals, Inc. (a)
	500	Obagi Medical Products, Inc. (a)
	8,920	Onyx Pharmaceuticals, Inc. (a)
	6,200	Pain Therapeutics, Inc. (a)
	5,700	Par Pharmaceutical Cos., Inc. (a)
	4,800	Penwest Pharmaceuticals Co. (a)
	12,600	Perrigo Co.
	4,200	Pharmion Corp. (a)
	4,300	Pozen, Inc. (a)
	4,700	Quidel Corp. (a)
	9,900	Regeneron Pharmaceuticals, Inc. (a)
	8,200	Salix Pharmaceuticals Ltd. (a)
	11,200	Santarus, Inc. (a)
	5,500	Sciele Pharma, Inc. (a)
	1,500	Sirtris Pharmaceuticals, Inc. (a)
	2,900	Somaxon Pharmaceuticals, Inc. (a)
	8,700	SuperGen, Inc. (a)
	700	Trubion Pharmaceuticals, Inc. (a)
	3,400	United Therapeutics Corp. (a)
	15,500	Valeant Pharmaceuticals International (a)
	8,000	Vivus, Inc. (a)
	3,300	Xenoport, Inc. (a)
<hr style="border-top: 1px dashed black;"/>		
Education Services - 0.6%	600	American Public Education, Inc. (a)
	4,300	Bright Horizons Family Solutions, Inc. (a)
	1,600	Capella Education Co. (a)
	14,500	Corinthian Colleges, Inc. (a)(c)
	9,800	DeVry, Inc.
	100	Lincoln Educational Services Corp. (a)
	1,200	Renaissance Learning, Inc.
	2,400	Strayer Education, Inc.
	3,800	Universal Technical Institute, Inc. (a)

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Electrical & Electronics - 0.3%	11,300	Benchmark Electronics, Inc. (a)
	1,700	Coleman Cable, Inc. (a)
	2,600	OSI Systems, Inc. (a)
	7,500	Plexus Corp. (a)
	7,300	TTM Technologies, Inc. (a)
	4,000	Universal Display Corp. (a)

Electrical Equipment & Components - 1.0%	3,300	A.O. Smith Corp.
	1,600	AZZ Inc. (a)
	6,200	American Superconductor Corp. (a)
	7,470	Baldor Electric Co.
	5,800	CTS Corp.
	4,000	Cohu, Inc.
	3,100	Franklin Electric Co., Inc.
	4,500	Genlyte Group, Inc. (a)
	3,900	Littelfuse, Inc. (a)

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007

(in U.S. dollars)

Industry	Shares Held	Common Stocks
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	7,600	MKS Instruments, Inc. (a)
	1,300	Powell Industries, Inc. (a)
	12,200	Power-One, Inc. (a)
	4,300	Sonic Solutions, Inc. (a)
	10,500	Taser International, Inc. (a)
	6,600	Technitrol, Inc.
	2,500	Triumph Group, Inc.

Electrical: Household Appliance - 0.0%	800	National Presto Industries, Inc.
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Electronics - 0.7%	4,000	Agilysys, Inc.
	7,300	Arrowhead Research Corp. (a)
	6,700	Avid Technology, Inc. (a)
	5,200	Daktronics, Inc.
	21,600	Flir Systems, Inc. (a)
	3,900	II-VI, Inc. (a)
	22,300	MRV Communications, Inc. (a)
	6,400	Methode Electronics, Inc.
	1,400	Multi-Fineline Electronix, Inc. (a)
	3,500	Park Electrochemical Corp.
	9,400	Semtech Corp. (a)
	2,100	Supertex, Inc. (a)

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Electronics: Instruments,	2,400	Faro Technologies, Inc. (a)
Gauges & Meters - 0.3%	4,890	Itron, Inc. (a)
	2,700	Measurement Specialties, Inc. (a)
	700	OYO Geospace Corp. (a)
	2,700	Zygo Corp. (a)

Electronics: Medical Systems	2,100	Accuray, Inc. (a)
- 1.6%	10,600	Affymetrix, Inc. (a) (c)
	2,000	Analogic Corp.
	2,700	Aspect Medical Systems, Inc. (a)
	9,800	Bruker BioSciences Corp. (a)
	1,600	Cynosure, Inc. Class A (a)
	2,300	Datascope Corp.
	7,000	eResearch Technology, Inc. (a)
	3,600	Greatbatch, Inc. (a)
	4,300	Haemonetics Corp. (a)
	19,480	Hologic, Inc. (a)
	8,707	Illumina, Inc. (a)
	5,600	Luminex Corp. (a)
	2,000	Masimo Corp. (a)
	9,700	Minrad International, Inc. (a)
	4,000	Natus Medical, Inc. (a)
	3,300	NxStage Medical, Inc. (a)
	2,800	Quality Systems, Inc.
	2,900	Sirona Dental Systems, Inc. (a)
	1,500	Tomotherapy, Inc. (a)
	2,300	Visicu, Inc. (a)
	3,400	Zoll Medical Corp. (a)

Electronics: Semi-Conductors/	9,700	AMIS Holdings, Inc. (a)
Components - 1.9%	4,500	Actel Corp. (a)
	17,000	Amkor Technology, Inc. (a)
	9,600	Anadigics, Inc. (a)
	11,675	Applied Micro Circuits Corp. (a)

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007 (in U.S. dollars)

Industry	Shares Held	Common Stocks
	700	AuthenTec, Inc. (a)
	700	Cavium Networks, Inc. (a)
	14,400	Cirrus Logic, Inc. (a)
	79,800	Conexant Systems, Inc. (a)
	5,300	DSP Group, Inc. (a)
	4,800	Diodes, Inc. (a)
	5,900	Exar Corp. (a)
	2,300	Excel Technology, Inc. (a)
	7,800	Formfactor, Inc. (a)
	6,200	Genesis Microchip, Inc. (a)
	2,400	Hittite Microwave Corp. (a)

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1,100	IPG Photonics Corp. (a)
4,200	IXYS Corp. (a)
19,900	Lattice Semiconductor Corp. (a)
7,100	MIPS Technologies, Inc. (a)
9,000	Micrel, Inc.
12,400	Microsemi Corp. (a)
8,700	Microtune, Inc. (a)
3,600	Monolithic Power Systems, Inc. (a)
2,800	Netlogic Microsystems, Inc. (a)
37,900	ON Semiconductor Corp. (a)
8,300	Omnivision Technologies, Inc. (a)
4,400	PLX Technology, Inc. (a)
32,900	PMC-Sierra, Inc. (a)
4,200	Pericom Semiconductor Corp. (a)
41,037	RF Micro Devices, Inc. (a)
700	Rubicon Technology, Inc. (a)
9,800	SiRF Technology Holdings, Inc. (a)
14,300	Silicon Image, Inc. (a)
15,400	Silicon Storage Technology, Inc. (a)
24,800	Skyworks Solutions, Inc. (a)
13,000	Spansion LLC Class A (a)
11,800	Syntax-Brilliant Corp. (a)
3,100	Techwell, Inc. (a)
7,800	Tessera Technologies, Inc. (a)
23,700	TriQuint Semiconductor, Inc. (a)
3,300	Volterra Semiconductor Corp. (a)

Electronics: Technology - 0.5%	2,300	3D Systems Corp. (a)
	4,600	Acacia Research - Acacia Technologies (a)(c)
	1,500	American Science & Engineering, Inc.
	6,700	Checkpoint Systems, Inc. (a)
	7,100	Cogent, Inc. (a)
	2,500	Cubic Corp.
	1,300	Eagle Test Systems, Inc. (a)
	3,300	Gerber Scientific, Inc. (a)
	12,600	ION Geophysical Corp. (a)
	2,100	Innovative Solutions & Support, Inc. (a)
	5,200	Ionatron, Inc. (a)
	13,500	Kemet Corp. (a)
	4,200	ScanSource, Inc. (a)
	7,300	Smart Modular Technologies WWH, Inc. (a)
	500	Super Micro Computer, Inc. (a)

Energy Miscellaneous - 0.7%	2,100	Alon USA Energy, Inc.
	600	Approach Resources, Inc. (a)
	4,930	Aventine Renewable Energy Holdings, Inc. (a)
	2,800	CVR Energy, Inc. (a)

Small Cap Premium & Dividend Income Fund Inc.
Schedule of Investments as of December 31, 2007 (in U.S. dollars)

Industry Shares Held Common Stocks

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	2,100	Clean Energy Fuels Corp. (a)
	3,200	Concho Resources, Inc. (a)
	5,600	Crosstex Energy, Inc.
	1,400	Dawson Geophysical Co. (a)
	500	EnerNOC, Inc. (a)
	12,500	Evergreen Energy, Inc. (a)
	14,100	Evergreen Solar, Inc. (a)
	10,800	FuelCell Energy, Inc. (a)
	1,267	GeoMet, Inc. (a)
	820	MarkWest Hydrocarbon, Inc.
	4,500	Matrix Service Co. (a)
	2,400	Nova Biosource Fuels, Inc. (a)
	2,100	Ormat Technologies, Inc.
	5,600	Pacific Ethanol, Inc. (a)
	6,300	Penn Virginia Corp.
	30,200	Rentech, Inc. (a)
	5,300	Verenium Corp. (a)
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Engineering & Contracting Services - 0.3%	6,800	Aecom Technology Corp. (a) (c)
	2,500	Clean Harbors, Inc. (a)
	6,600	Dycom Industries, Inc. (a)
	3,300	ENGlobal Corp. (a)
	2,100	Integrated Electrical Services, Inc. (a)
	2,500	Layne Christensen Co. (a)
	1,300	Michael Baker Corp. (a)
	1	URS Corp. (a)
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Entertainment - 0.3%	2,200	Carmike Cinemas, Inc.
	3,800	Cinemark Holdings, Inc.
	6,700	Gaylord Entertainment Co. (a)
	12,100	Live Nation, Inc. (a)
	3,600	Lodgenet Entertainment Corp. (a)
	2,300	Speedway Motorsports, Inc.
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Fertilizers - 0.3%	15,000	Terra Industries, Inc. (a)
<hr/>		
Finance Companies - 0.1%	2,100	Asta Funding, Inc.
	878	Credit Acceptance Corp. (a)
	3,300	MVC Capital, Inc.
	1,800	NewStar Financial, Inc. (a)
	3,100	World Acceptance Corp. (a)
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Finance: Small Loan - 0.1%	10,900	Advance America, Cash Advance Centers, Inc.
	2,300	Dollar Financial Corp. (a)
	3,400	Encore Capital Group, Inc. (a)
	2,200	Nelnet, Inc. Class A
	400	QC Holdings, Inc.
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Financial Data Processing Services & Systems - 0.7%	3,000	Advent Software, Inc. (a) (c)
	860	Cass Information Systems, Inc.

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3,300	CompuCredit Corp. (a)
10,441	CyberSource Corp. (a)
8,700	Deluxe Corp.
4,100	eSpeed, Inc. Class A (a)
3,300	ExlService Holdings, Inc. (a)
2,400	Heartland Payment Systems, Inc.
9,400	Hypercom Corp. (a)
12,800	Jack Henry & Associates, Inc.
5,200	Online Resources Corp. (a)

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007

(in U.S. dollars)

Industry	Shares Held	Common Stocks
	4,200	TNS, Inc.
	5,300	TradeStation Group, Inc. (a)
	6,500	Wright Express Corp. (a)
Financial Information Services - 0.3%	1,600	Bankrate, Inc. (a)
	8,780	INVESTools, Inc. (a)
	5,900	Interactive Data Corp.
	2,000	Morningstar, Inc. (a)
	17,500	Move, Inc. (a)
	9,500	S1 Corp. (a)
	3,400	TheStreet.com, Inc.
Financial Miscellaneous - 0.6%	5,700	Advanta Corp. Class B
	2,800	Asset Acceptance Capital Corp.
	4,800	Cash America International, Inc.
	1,900	Federal Agricultural Mortgage Corp. Class B
	4,700	Financial Federal Corp.
	4,600	First Cash Financial Services, Inc. (a)
	6,000	Global Cash Access, Inc. (a)
	2,700	LandAmerica Financial Group, Inc.
	2,700	Portfolio Recovery Associates, Inc.
	1,500	RAM Holdings Ltd. (a)
	3,000	Sanders Morris Harris Group, Inc.
	10,600	Sotheby's Holdings, Inc. Class A
	3,260	Sterling Bancorp
	2,500	Stewart Information Services Corp.
	2,200	Stifel Financial Corp. (a)
	1,700	Triad Guaranty, Inc. (a)
	1,000	WSFS Financial Corp.
	800	Wauwatosa Holdings, Inc. (a)
Foods - 1.0%	600	American Dairy, Inc. (a)
	2,300	Cal-Maine Foods, Inc.
	6,300	Chiquita Brands International, Inc. (a)

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12,600	Flowers Foods, Inc.
4,600	Fresh Del Monte Produce, Inc. (a)
6,000	Hain Celestial Group, Inc. (a)
2,300	J&J Snack Foods Corp.
5,100	Lance, Inc.
2,000	M&F Worldwide Corp. (a)
700	Maui Land & Pineapple Co., Inc. (a)
5,700	Performance Food Group Co. (a)
6,100	Pilgrim's Pride Corp.
4,300	Ralcorp Holdings, Inc. (a)
3,000	Sanderson Farms, Inc.
60	Seaboard Corp.
7,900	Sensient Technologies Corp.
500	Synutra International, Inc. (a)
5,843	Tootsie Roll Industries, Inc.
5,100	TreeHouse Foods, Inc. (a)

Forest Products - 0.1%	1,800	Deltic Timber Corp.
	2,700	Universal Forest Products, Inc.

Forms & Bulk Printing	4,200	Ennis, Inc.
Services - 0.1%	3,300	Innerworkings, Inc. (a)

Small Cap Premium & Dividend Income Fund Inc.
Schedule of Investments as of December 31, 2007 (in U.S. dollars)

Industry	Shares	
	Held	Common Stocks
	2,900	The Standard Register Co.
Funeral Parlors & Cemeteries - 0.1%	16,400	Stewart Enterprises, Inc. Class A
Glass - 0.0%	4,900	Apogee Enterprises, Inc.
Gold - 0.2%	75,700	Coeur d'Alene Mines Corp. (a)
	3,900	Royal Gold, Inc.
	10,400	US Gold Corp. (a)
Health Care Facilities - 0.5%	8,600	Assisted Living Concepts, Inc. (a)
	4,300	Capital Senior Living Corp. (a)
	1,600	Emeritus Corp. (a)
	100	The Ensign Group, Inc.
	4,280	Kindred Healthcare, Inc. (a)
	3,400	LCA-Vision, Inc.
	1,400	MedCath Corp. (a)
	1,100	National Healthcare Corp.

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8,800	Psychiatric Solutions, Inc. (a)
2,100	Radiation Therapy Services, Inc. (a)
4,000	Res-Care, Inc. (a)
4,200	Skilled Healthcare Group, Inc. Class A (a)
7,300	Sun Healthcare Group, Inc. (a)
7,200	Sunrise Senior Living, Inc. (a)

Health Care Management Services - 0.8%	8,200	AMERIGROUP Corp. (a)
	8,500	Allscripts Healthcare Solutions, Inc. (a)
	1,300	American Dental Partners, Inc. (a)
	5,200	Amsurg Corp. (a)
	900	athenahealth, Inc. (a)
	7,000	Centene Corp. (a)
	1,600	Computer Programs & Systems, Inc.
	1,550	Corvel Corp. (a)
	7,400	Eclipsys Corp. (a)
	3,100	HMS Holdings Corp. (a)
	4,800	HealthExtras, Inc. (a)
	7,200	HealthSpring, Inc. (a)
	2,100	Molina Healthcare, Inc. (a)
	5,100	Omnicell, Inc. (a)
	6,200	Phase Forward, Inc. (a)
	2,500	Vital Images, Inc. (a)

Health Care Services - 0.7%	5,100	Alliance Imaging, Inc. (a)
	4,033	Amedisys, Inc. (a)
	7,000	Apria Healthcare Group, Inc. (a)
	1,800	Bio-Reference Labs, Inc. (a)
	1,200	Emergency Medical Services Corp. (a)
	4,700	Gentiva Health Services, Inc. (a)
	13,000	HealthSouth Corp. (a)
	7,200	Healthcare Services Group, Inc.
	5,700	Healthways, Inc. (a)
	6,800	Hythiam, Inc. (a)
	2,200	LHC Group, Inc. (a)
	3,700	Matria Healthcare, Inc. (a)
	3,000	Nighthawk Radiology Holdings, Inc. (a)
	6,100	Odyssey HealthCare, Inc. (a)
	3,686	PharMerica Corp. (a)
	300	Virtual Radiologic Corp. (a)

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007 (in U.S. dollars)

Industry	Shares Held	Common Stocks
Homebuilding - 0.1%	5,800	Beazer Homes USA, Inc.
	5,000	Hovnanian Enterprises, Inc. Class A (a)

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	1,900	M/I Homes, Inc.
	4,000	Meritage Homes Corp. (a)
	9,400	Standard-Pacific Corp.
	4,900	WCI Communities, Inc. (a)

Hotel/Motel - 0.1%	3,100	Lodgian, Inc. (a)
	3,400	Marcus Corp.
	3,200	Morgans Hotel Group Co. (a)

Household Furnishings - 0.4%	2,100	American Woodmark Corp.
	4,200	Ethan Allen Interiors, Inc.
	7,000	Furniture Brands International, Inc.
	3,100	Haverty Furniture Cos., Inc.
	1,000	hhgregg, Inc. (a)
	1,700	Hooker Furniture Corp.
	8,400	La-Z-Boy, Inc.
	1,800	Libbey, Inc.
	2,000	Lifetime Brands, Inc.
	6,200	Sealy Corp.
	8,600	Select Comfort Corp. (a)
	11,714	Tempur-Pedic International, Inc.

Identification Control & Filter Devices - 0.6%	5,800	Advanced Energy Industries, Inc. (a)
	8,400	Asyst Technologies, Inc. (a)
	2,300	Badger Meter, Inc.
	4,200	ESCO Technologies, Inc. (a)
	2,019	The Gorman-Rupp Co.
	9,998	L-1 Identity Solutions, Inc. (a)
	4,500	Mine Safety Appliances Co.
	2,300	Robbins & Myers, Inc.
	2,100	Sun Hydraulics, Inc.
	5,300	Veeco Instruments, Inc. (a)
	3,200	Vicor Corp.
	4,900	Watts Water Technologies, Inc. Class A
	4,500	X-Rite, Inc. (a)

Industrial Products - 0.0%	2,700	TAL International Group, Inc.

Insurance: Life - 0.4%	9,800	American Equity Investment Life Holding Co.
	4,700	Citizens, Inc. (a)
	7,250	Delphi Financial Group, Inc. Class A
	500	Kansas City Life Insurance Co.
	400	National Western Life Insurance Co. Class A
	17,300	The Phoenix Cos., Inc.
	3,500	Presidential Life Corp.
	7,800	Scottish Re Group Ltd. (a)
	7,400	Universal American Financial Corp. (a)

Insurance: Multi-Line - 1.1%	5,300	Alfa Corp.
	12,400	Assured Guaranty Ltd.
	2,100	CNA Surety Corp. (a)
	300	CastlePoint Holdings, Ltd.

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5,200	Crawford & Co. Class B
1,000	EMC Insurance Group, Inc.
2,000	eHealth, Inc. (a)
2,300	FBL Financial Group, Inc. Class A
1,400	Flagstone Reinsurance Holdings Ltd.

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007

(in U.S. dollars)

Industry	Shares Held	Common Stocks
<hr style="border-top: 1px dashed black;"/>		
	200	Hallmark Financial Services, Inc. (a)
	5,900	Hilb Rogal & Hobbs Co.
	7,500	Horace Mann Educators Corp.
	300	Independence Holding Co.
	9,900	Max Capital Group Ltd.
	4,300	Meadowbrook Insurance Group, Inc. (a)
	16,900	Montpelier Re Holdings Ltd.
	2,100	Pico Holdings, Inc. (a)
	9,300	Platinum Underwriters Holdings Ltd.
	6,200	Primus Guaranty Ltd. (a)
	3,700	Security Capital Assurance Ltd.
	2,100	Validus Holdings Ltd. (a)
	6,050	Zenith National Insurance Corp.
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Insurance: Property-Casualty - 1.6%	3,500	AmTrust Financial Services, Inc.
	1,700	American Physicians Capital, Inc.
	3,700	Amerisafe, Inc. (a) (c)
	4,466	Argo Group International Holdings Ltd. (a)
	14,200	Aspen Insurance Holdings Ltd.
	1,700	Baldwin & Lyons, Inc. Class B
	8,100	Commerce Group, Inc.
	1,200	Darwin Professional Underwriters, Inc. (a)
	1,600	Donegal Group, Inc. Class A
	7,910	Employers Holdings, Inc.
	1,000	Enstar Group Ltd. (a)
	1,700	FPIC Insurance Group, Inc. (a)
	2,800	First Acceptance Corp. (a)
	2,400	First Mercury Financial Corp. (a)
	11,000	Fremont General Corp.
	1,200	Greenlight Capital Re Ltd. (a)
	2,400	Harleysville Group, Inc.
	9,600	IPC Holdings, Ltd.
	2,300	Infinity Property & Casualty Corp.
	1,600	The Midland Co.
	900	NYMAGIC, Inc.
	1,200	National Interstate Corp.
	2,100	Navigators Group, Inc. (a)
	4,200	Odyssey Re Holdings Corp.
	6,200	PMA Capital Corp. Class A (a)
	5,500	ProAssurance Corp. (a)
	3,400	RLI Corp.
	2,500	Safety Insurance Group, Inc.

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4,100		SeaBright Insurance Holdings, Inc. (a)
9,300		Selective Insurance Group, Inc.
2,300		State Auto Financial Corp.
3,500		Tower Group, Inc.
3,400		United America Indemnity, Ltd. (a)
3,600		United Fire & Casualty Co.

Investment Management Companies - 0.9%	7,800 2,100 19,776 10,432 3,700 400 2,500 3,300	Alternative Asset Management Acquisition Corp. (a) Ampal-American Israel Corp. Class A (a) Apollo Investment Corp. Ares Capital Corp. Calamos Asset Management, Inc. Class A Capital Southwest Corp. Cohen & Steers, Inc. Cowen Group, Inc. (a)
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Small Cap Premium & Dividend Income Fund Inc.
Schedule of Investments as of December 31, 2007

(in U.S. dollars)

Industry	Shares Held	Common Stocks
<hr/>		
	2,000	Epoch Holding Corp.
	4,100	FBR Capital Markets Corp. (a)
	1,000	GAMCO Investors, Inc. Class A
	2,200	Kohlberg Capital Corp.
	10,000	MCG Capital Corp.
	3,100	NGP Capital Resources Co.
	6,100	National Financial Partners Corp.
	5,900	NexCen Brands, Inc. (a)
	300	Pzena Investment Management, Inc. Class A
	3,400	TICC Capital Corp.
	2,300	U.S. Global Investors, Inc.
	2,100	W.P. Stewart & Co. Ltd.
	13,700	Waddell & Reed Financial, Inc. Class A
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Jewelry, Watches & Gemstones - 0.2%	1,200 7,000 2,800	FGX International Holdings Ltd. (a) Fossil, Inc. (a) Movado Group, Inc.
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Leisure Time - 0.4%	10,500 4,700 5,100 5,400 11,500 1,300 2,800 1,800 5,100 2,500	Callaway Golf Co. Great Wolf Resorts, Inc. (a) Life Time Fitness, Inc. (a) Premier Exhibitions, Inc. (a) Six Flags, Inc. (a) Steinway Musical Instruments, Inc. Sturm Ruger & Co., Inc. (a) Town Sports International Holdings, Inc. (a) Vail Resorts, Inc. (a) West Marine, Inc. (a)

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Machine Tools - 0.0%	1,100	Hurco Companies, Inc. (a)
Machinery & Engineering - 0.1%	7,250	Applied Industrial Technologies, Inc.
Machinery: Agricultural - 0.1%	1,650	Gehl Co. (a)
	1,700	Lindsay Manufacturing Co.
Machinery: Construction & Handling - 0.1%	3,700	ASV, Inc. (a)
	3,000	Astec Industries, Inc. (a)
	900	NACCO Industries, Inc. Class A
Machinery: Engines - 0.1%	8,000	Briggs & Stratton Corp.
	4,900	Raser Technologies, Inc. (a)
Machinery: Industrial/Specialty - 0.7%	8,800	Actuant Corp. Class A
	1,200	Altra Holdings, Inc. (a)
	1,900	Chart Industries, Inc. (a)
	3,100	Columbus McKinnon Corp. (a)
	3,500	EnPro Industries, Inc. (a)
	2,200	Hardinge, Inc.
	2,400	Kadant, Inc. (a)
	2,200	Middleby Corp. (a)
	5,200	Nordson Corp.
	2,800	Tecumseh Products Co. Class A (a)
	2,700	Tennant Co.
	900	Twin Disc, Inc.
	4,900	Woodward Governor Co.
Machinery: Oil Well Equipment & Services - 1.5%	4,500	Allis-Chalmers Energy, Inc. (a)
	6,000	Basic Energy Services, Inc. (a)(c)

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007

(in U.S. dollars)

Industry	Shares Held	Common Stocks
	3,250	CARBO Ceramics, Inc.
	6,013	Cal Dive International, Inc. (a)
	6,300	Complete Production Services, Inc. (a)
	4,100	Dril-Quip, Inc. (a)
	9,707	Exterran Holdings, Inc. (a)
	3,100	Flotek Industries, Inc. (a)
	2,100	Gulf Island Fabrication, Inc.
	3,700	Hornbeck Offshore Services, Inc. (a)

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2,400	Lufkin Industries, Inc.
2,800	NATCO Group, Inc. Class A (a)
15,600	Newpark Resources, Inc. (a)
7,900	Oil States International, Inc. (a)
18,900	Parker Drilling Co. (a)
5,625	RPC, Inc.
7,600	Sulphco, Inc.
800	Superior Offshore International, Inc. (a)
2,200	Superior Well Services, Inc. (a)
800	T-3 Energy Services, Inc. (a)
1,900	Trico Marine Services, Inc. (a)
1,900	Union Drilling, Inc. (a)
4,900	W-H Energy Services, Inc. (a)
5,700	Willbros Group, Inc. (a)

Machinery: Specialty - 0.3%

5,850	Bucyrus International, Inc.
1,900	Cascade Corp.
5,100	Flow International Corp. (a)
3,600	Semitool, Inc. (a)
3,600	TurboChef Technologies, Inc. (a)

Manufactured Housing - 0.1%

12,500	Champion Enterprises, Inc. (a)
1,600	Palm Harbor Homes, Inc. (a)
1,200	Skyline Corp.

Manufacturing - 0.1%

7,900	Federal Signal Corp.
2,200	Standex International Corp.

Medical & Dental Instruments
& Supplies - 2.8%

3,500	Abaxis, Inc. (a)
4,700	Abiomed, Inc. (a)
9,700	Align Technology, Inc. (a)
12,100	American Medical Systems Holdings, Inc. (a)(c)
3,800	AngioDynamics, Inc. (a)
3,000	Bio-Rad Laboratories, Inc. Class A (a)
2,200	BioMimetic Therapeutics, Inc. (a)
4,600	CONMED Corp. (a)
1,300	Cantel Medical Corp. (a)
9,100	Cepheid, Inc. (a)
4,300	Conceptus, Inc. (a)
3,100	CryoLife, Inc. (a)
2,500	Cutera, Inc. (a)
3,800	Cyberonics, Inc. (a)
7,746	ev3, Inc. (a)
1,400	Hansen Medical, Inc. (a)
3,300	I-Flow Corp. (a)
2,400	ICU Medical, Inc. (a)
11,150	Immucor, Inc. (a)
900	Insulet Corp. (a)
4,200	Invacare Corp.
10,620	Inverness Medical Innovations, Inc. (a)

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Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007

(in U.S. dollars)

Industry	Shares Held	Common Stocks
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	1,500	Landauer, Inc.
	5,200	LifeCell Corp. (a)
	1,900	Medical Action Industries, Inc. (a)
	5,100	Mentor Corp.
	5,975	Meridian Bioscience, Inc.
	4,500	Merit Medical Systems, Inc. (a)
	2,800	Micrus Endovascular Corp. (a)
	2,300	Northstar Neuroscience, Inc. (a)
	5,800	NuVasive, Inc. (a)
	8,100	OraSure Technologies, Inc. (a)
	2,500	Orthofix International NV (a)
	6,500	Owens & Minor, Inc.
	10,800	PSS World Medical, Inc. (a)
	3,100	Palomar Medical Technologies, Inc. (a)
	5,300	Sonic Innovations, Inc. (a)
	2,900	SonoSite, Inc. (a)
	5,600	Spectranetic Corp. (a)
	4,100	Stereotaxis, Inc. (a)
	10,500	Steris Corp.
	2,600	SurModics, Inc. (a)
	5,700	Symmetry Medical, Inc. (a)
	8,700	Thoratec Corp. (a)
	600	Transl, Inc (a)
	4,400	Ventana Medical Systems, Inc. (a)
	1,500	Vital Signs, Inc.
	4,000	Volcano Corp. (a)
	5,300	West Pharmaceutical Services, Inc.
	5,300	Wright Medical Group, Inc. (a)
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Medical Services - 0.3%	1,900	Air Methods Corp. (a)
	700	Genoptix, Inc. (a)
	6,300	Magellan Health Services, Inc. (a)
	4,600	Parexel International Corp. (a)
	3,000	RehabCare Group, Inc. (a)
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Metal Fabricating - 0.9%	1,100	Ampco-Pittsburgh Corp.
	2,700	CIRCOR International, Inc.
	2,000	Dynamic Materials Corp.
	4,100	Encore Wire Corp.
	1,700	Haynes International, Inc. (a)
	2,800	Insteel Industries, Inc.
	4,600	Kaydon Corp.
	1,800	L.B. Foster Co. Class A (a)
	18,480	Mueller Water Products, Inc. Series A
	1,100	Northwest Pipe Co. (a)
	5,900	Quanex Corp.
	3,600	RBC Bearings, Inc. (a)
	3,800	RTI International Metals, Inc. (a)
	3,300	Superior Essex, Inc. (a)

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1,500 Trimas Corp. (a)
3,000 Valmont Industries, Inc.

Metals & Minerals 1,900 A.M. Castle & Co.
Miscellaneous - 0.7% 3,900 AMCOL International Corp.
9,400 Apex Silver Mines Ltd. (a)
3,300 Brush Engineered Materials, Inc. (a)
5,200 Compass Minerals International, Inc.

Small Cap Premium & Dividend Income Fund Inc.
Schedule of Investments as of December 31, 2007 (in U.S. dollars)

Industry	Shares Held	Common Stocks
	8,400	General Moly, Inc. (a)
	17,100	GrafTech International Ltd. (a)
	19,200	Hecla Mining Co. (a)
	1,300	Horsehead Holding Corp. (a)
	2,900	Minerals Technologies, Inc.
	6,800	Stillwater Mining Co. (a)
	8,900	Uranium Resources, Inc. (a)
Milling: Fruit & Grain Processing - 0.0%	1,700	MGP Ingredients, Inc.
Miscellaneous Business & Consumer Discretionary - 0.0%	1,600	Core-Mark Holdings Co., Inc. (a)
Miscellaneous Consumer Staples - 0.0%	3,200	Reddy Ice Holdings, Inc.
Miscellaneous Health Care - 0.0%	1,300	Animal Health International, Inc. (a)
Miscellaneous Materials & Commodities - 0.2%	4,400	Ceradyne, Inc. (a)
	5,900	Symyx Technologies Inc. (a)
	2,900	WD-40 Co.
Miscellaneous Materials & Processing - 0.2%	4,800	Insituform Technologies, Inc. Class A (a)
	4,100	Metal Management, Inc.
	2,900	Rogers Corp. (a)
	16,400	USEC, Inc. (a)
	1,800	Xerium Technologies, Inc.
Miscellaneous Producer Durables - 0.1%	6,700	Blount International, Inc. (a)
	1,200	Park-Ohio Holdings Corp. (a)

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Miscellaneous Technology - 0.2%		1,800	Dice Holdings, Inc. (a)
		4,900	IHS, Inc. Class A (a)
		2,000	iRobot Corp. (a)
		2,300	Vocus, Inc. (a)
Multi-Sector Companies - 0.4%		4,100	Compass Diversified Holdings
		9,100	GenCorp, Inc. (a)
		1,400	GenTek Inc. (a)
		4,200	Kaman Corp. Class A
		3,900	Lancaster Colony Corp.
		2,600	Raven Industries, Inc.
		8,100	Walter Industries, Inc.
Office Furniture & Business Equipment - 0.3%		8,064	ACCO Brands Corp. (a)
		10,500	Herman Miller, Inc.
		4,300	Kimball International, Inc. Class B
		7,300	Knoll, Inc.
Offshore Drilling - 0.3%		4,400	Atwood Oceanics, Inc. (a)
		2,300	Bois d'Arc Energy, Inc. (a)
		13,300	Hercules Offshore, Inc. (a)
Oil: Crude Producers - 2.5%		554	APCO Argentina, Inc.
		4,100	ATP Oil & Gas Corp. (a)
		5,100	Arena Resources, Inc. (a)
		3,800	Atlas America, Inc.
		8,900	BPZ Resources, Inc. (a)
		6,200	Berry Petroleum Co. Class A
		5,000	Bill Barrett Corp. (a)

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007

(in U.S. dollars)

		Shares	
Industry		Held	Common Stocks
		7,400	Brigham Exploration Co. (a)
		4,900	Bronco Drilling Co., Inc. (a)
		3,600	Callon Petroleum Co. (a)
		4,100	Carrizo Oil & Gas, Inc. (a)
		900	Clayton Williams Energy, Inc. (a)
		7,200	Comstock Resources, Inc. (a)
		2,300	Contango Oil & Gas Co. (a)
		1,400	Delek US Holdings, Inc.
		9,200	EXCO Resources, Inc. (a)
		5,800	Edge Petroleum Corp. (a)

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	8,600	Encore Acquisition Co. (a)
	2,600	Energy Infrastructure Acquisition Corp. (a)
	5,285	Energy Partners Ltd. (a)
	7,200	FX Energy, Inc. (a)
	6,900	GeoGlobal Resources, Inc. (a)
	1,500	Geokinetics, Inc. (a)
	2,700	Goodrich Petroleum Corp. (a)
	29,700	Grey Wolf, Inc. (a)
	3,100	Gulfport Energy Corp. (a)
	6,400	Harvest Natural Resources, Inc. (a)
	13,500	Mariner Energy, Inc. (a)
	7,600	McMoRan Exploration Co. (a)
	15,200	Meridian Resource Corp. (a)
	2,939	NTR Acquisition Co. (a)
	20,700	Oilsands Quest, Inc. (a)
	6,100	Parallel Petroleum Corp. (a)
	26,550	PetroHawk Energy Corp. (a)
	2,600	Petroleum Development Corp. (a)
	7,200	Petroquest Energy, Inc. (a)
	8,100	Pioneer Drilling Co. (a)
	2,100	Resource America, Inc. Class A
	1,500	Rex Energy Corp. (a)
	8,300	Rosetta Resources, Inc. (a)
	4,300	Stone Energy Corp. (a)
	4,900	Swift Energy Co. (a)
	5,200	TXCO Resources, Inc. (a)
	3,400	Toreador Resources Corp. (a)
	1,800	Venoco, Inc. (a)
	6,190	VeraSun Energy Corp. (a)
	9,400	Warren Resources, Inc. (a)
	6,500	Whiting Petroleum Corp. (a)
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Oil: Integrated Domestic - 0.1%	11,100	Delta Petroleum Corp. (a)
	1,800	GMX Resources Inc. (a)
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Oil: Integrated International - 0.0%	10,100	Vaalco Energy, Inc. (a)
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Paints & Coatings - 0.2%	7,500	Ferro Corp.
	9,500	H.B. Fuller Co.
	400	Kronos Worldwide, Inc.
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Paper - 0.4%	8,752	AbitibiBowater, Inc.
	4,700	Albany International Corp. Class A
	5,900	Buckeye Technologies, Inc. (a)
	3,100	Chesapeake Corp.
	4,800	Mercer International, Inc.-Sbi (a)
	850	Multi-Color Corp.
	2,400	Neenah Paper, Inc.

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007

(in U.S. dollars)

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Industry	Shares Held	Common Stocks
	7,300	P.H. Glatfelter Co.
	5,600	Rock-Tenn Co. Class A
	7,200	Wausau Paper Corp.

Photography - 0.0%	600	CPI Corp.

Plastics - 0.0%	5,200	Spartech Corp.

Pollution Control & Environmental Services - 0.2%	2,600	American Ecology Corp.
	12,000	Darling International, Inc. (a)
	4,400	EnergySolutions, Inc. (a)
	2,400	Fuel Tech, Inc. (a)
	6,400	Headwaters, Inc. (a)
	2,600	Team, Inc. (a)

Power Transmission Equipment - 0.1%	5,200	Regal-Beloit Corp.

Printing & Copying Services - 0.2%	5,100	Bowne & Co., Inc.
	9,200	Cenveo, Inc. (a)
	2,400	Schawk, Inc.
	7,100	VistaPrint Ltd. (a)

Production Technology Equipment - 1.1%	5,600	ATMI, Inc. (a)
	16,500	Axcelis Technologies, Inc. (a)
	11,983	Brooks Automation, Inc. (a)
	7,600	Cognex Corp.
	16,500	Credence Systems Corp. (a)
	5,200	Cymer, Inc. (a)
	3,200	Dionex Corp. (a)
	5,100	Electro Scientific Industries, Inc. (a)
	19,795	Entegris, Inc. (a)
	4,500	Esterline Technologies Corp. (a)
	5,900	FEI Co. (a)
	3,700	Intevac, Inc. (a)
	9,900	Kulicke & Soffa Industries, Inc. (a)
	10,700	LTX Corp. (a)
	3,100	MTS Systems Corp.
	9,200	Mattson Technology, Inc. (a)
	6,800	Photronics, Inc. (a)
	5,200	Rofin-Sinar Technologies, Inc. (a)
	4,313	Rudolph Technologies, Inc. (a)
	3,900	Ultra Clean Holdings, Inc. (a)
	4,200	Ultratech, Inc. (a)

Publishing: Miscellaneous - 0.2%	1,500	Consolidated Graphics, Inc. (a)
	1,700	Courier Corp.
	2,780	GateHouse Media, Inc.

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4,400		Martha Stewart Living Omnimedia, Inc. Class A (a)
3,700		Playboy Enterprises, Inc. Class B (a)
7,150		Primedia, Inc.
4,600		Scholastic Corp. (a)

Publishing: Newspapers - 0.2%	13,700	Belo Corp. Class A
	1,500	Dolan Media Co. (a)
	7,500	Journal Communications, Inc. Class A
	7,400	Lee Enterprises, Inc.
	3,000	Media General, Inc. Class A
	13,000	Sun-Times Media Group, Inc. (a)

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007 (in U.S. dollars)

Industry	Shares Held	Common Stocks
<hr style="border-top: 1px dashed black;"/>		
Radio & TV Broadcasters - 0.3%	6,800	CKX, Inc. (a)
	32,850	Citadel Broadcasting Corp.
	4,900	Cox Radio, Inc. Class A (a)
	5,200	Cumulus Media, Inc. Class A (a)
	6,700	Emmis Communications Corp. Class A (a)
	5,300	Entercom Communications Corp.
	1,000	Fisher Communications, Inc. (a)
	6,800	Gray Television, Inc.
	4,400	Lin TV Corp. Class A (a)
	1,600	Nexstar Broadcasting Group, Inc. Class A (a)
	12,500	Radio One, Inc. Class D (a)
	1,500	Salem Communications Corp. Class A
	8,000	Sinclair Broadcast Group, Inc. Class A
	7,400	Spanish Broadcasting System, Inc. Class A (a)
	11,600	Westwood One, Inc.
	3,600	World Wrestling Entertainment, Inc.
<hr style="border-top: 1px dashed black;"/>		
Railroad Equipment - 0.2%	1,300	American Railcar Industries, Inc.
	2,000	Freightcar America, Inc.
	2,600	Greenbrier Cos., Inc.
	7,900	Westinghouse Air Brake Technologies Corp.
<hr style="border-top: 1px dashed black;"/>		
Railroads - 0.0%	4,550	Genesee & Wyoming, Inc. Class A (a)
<hr style="border-top: 1px dashed black;"/>		
Real Estate - 0.3%	300	AMREP Corp.
	1,000	Avatar Holdings, Inc. (a)
	3,500	Bluegreen Corp. (a)
	4,700	Chimera Investment Corp.
	1,000	Consolidated-Tomoka Land Co.

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2,800	Getty Realty Corp.
6,400	Glimcher Realty Trust
3,600	Gramercy Capital Corp.
8,400	Healthcare Realty Trust, Inc.
5,900	Hersha Hospitality Trust
9,300	Highwoods Properties, Inc.
5,400	Home Properties, Inc.
13,400	IMPAC Mortgage Holdings, Inc.
9,500	Inland Real Estate Corp.
8,200	Investors Real Estate Trust
4,200	JER Investors Trust, Inc.
4,100	Kite Realty Group Trust
3,900	LTC Properties, Inc.
6,800	LaSalle Hotel Properties
9,930	Lexington Corporate Properties Trust
7,600	Luminent Mortgage Capital, Inc.
18,300	MFA Mortgage Investments, Inc.
6,200	Maguire Properties, Inc.
8,100	Medical Properties Trust, Inc.
7,420	Meruelo Maddux Properties, Inc. (a)
4,100	Mid-America Apartment Communities, Inc.
2,100	Mission West Properties, Inc.
3,800	National Health Investors, Inc.
11,000	National Retail Properties, Inc.
14,000	Nationwide Health Properties, Inc.
7,300	Newcastle Investment Corp.
8,900	NorthStar Realty Finance Corp.
100	Novastar Financial, Inc. (a)
10,900	Omega Healthcare Investors, Inc.
2,600	PS Business Parks, Inc.
2,500	Parkway Properties, Inc.
5,300	Pennsylvania Real Estate Investment Trust
6,700	Post Properties, Inc.
6,339	Potlatch Corp.
10,840	RAIT Investment Trust
3,000	Ramco-Gershenson Properties Trust
16,600	Realty Income Corp.
3,700	Redwood Trust, Inc.
1,800	Saul Centers, Inc.
13,700	Senior Housing Properties Trust

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007

(in U.S. dollars)

Industry	Shares Held	Common Stocks

	3,200	Sovran Self Storage, Inc.
	12,100	Strategic Hotel Capital, Inc.
	3,100	Sun Communities, Inc.
	10,200	Sunstone Hotel Investors, Inc.
	5,300	Tanger Factory Outlet Centers, Inc.
	7,500	U-Store-It Trust
	1,900	Universal Health Realty Income Trust
	3,400	Urstadt Biddle Properties, Inc. Class A
	7,400	Washington Real Estate Investment Trust

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6,200 Winthrop Realty Trust, Inc.

Recreational Vehicles & Boats	2,300	Arctic Cat, Inc.
- 0.2%	10,900	Fleetwood Enterprises, Inc. (a)
	1,600	Marine Products Corp.
	4,800	Monaco Coach Corp.
	5,800	Polaris Industries, Inc.
	4,800	Winnebago Industries, Inc.

Rental & Leasing Services:	2,800	Electro Rent Corp.
Commercial - 0.1%	2,400	H&E Equipment Services, Inc. (a)
	3,900	McGrath RentCorp

Rental & Leasing Services:	7,500	Aaron Rents, Inc.
Consumer - 0.2%		
	1,700	Amerco, Inc. (a)
	3,800	Dollar Thrifty Automotive Group, Inc. (a)
	2,700	RSC Holdings, Inc. (a)
	11,400	Rent-A-Center, Inc. (a)

Restaurants - 1.2%		
	4,500	AFC Enterprises, Inc. (a)
	2,400	BJ's Restaurants, Inc. (a)
	1,200	Benihana, Inc. Class A (a)
	4,900	Bob Evans Farms, Inc.
	2,600	Buffalo Wild Wings, Inc. (a)
	4,058	CBRL Group, Inc.
	4,100	CEC Entertainment, Inc. (a)
	10,000	CKE Restaurants, Inc.
	5,250	California Pizza Kitchen, Inc. (a)
	2,500	Carrols Restaurant Group, Inc. (a)
	5,200	Chipotle Mexican Grill, Inc. Class B (a)
	16,900	Denny's Corp. (a)
	6,700	Domino's Pizza, Inc.
	2,500	IHOP Corp.
	10,100	Jack in the Box, Inc. (a)
	6,400	Jamba, Inc. (a)
	10,500	Krispy Kreme Doughnuts, Inc. (a)
	2,500	Landry's Restaurants, Inc.
	1,800	McCormick & Schmick's Seafood Restaurants, Inc. (a)
	700	Morton's Restaurant Group, Inc. (a)
	4,100	O'Charleys, Inc.
	4,200	P.F. Chang's China Bistro, Inc. (a)
	3,900	Papa John's International, Inc. (a)
	2,300	Red Robin Gourmet Burgers, Inc. (a)
	8,800	Ruby Tuesday, Inc.
	3,000	Ruth's Chris Steak House, Inc. (a)
	9,770	Sonic Corp. (a)
	4,600	The Steak n Shake Co. (a)

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007

(in U.S. dollars)

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Industry	Shares Held	Common Stocks
	8,600	Texas Roadhouse, Inc. Class A (a)
	10,200	Triarc Cos.
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Retail - 2.7%	4,800	1-800-FLOWERS.COM, Inc. Class A (a)
	7,500	99 Cents Only Stores (a)
	3,200	A.C. Moore Arts & Crafts, Inc. (a)
	3,400	Asbury Automotive Group, Inc.
	11,000	Aeropostale, Inc. (a)
	4,100	bebe Stores, Inc.
	4,000	Big 5 Sporting Goods Corp.
	30,900	Blockbuster, Inc. Class A (a)
	2,300	Blue Nile, Inc. (a)
	1,300	The Bon-Ton Stores, Inc.
	3,100	Books-A-Million, Inc.
	9,300	Borders Group, Inc.
	7,125	Brown Shoe Co., Inc.
	2,300	The Buckle, Inc.
	2,500	Build-A-Bear Workshop, Inc. (a)
	7,200	CSK Auto Corp. (a)
	5,600	Cabela's, Inc. Class A (a)
	2,600	Cache, Inc. (a)
	6,700	Casual Male Retail Group, Inc.
	5,300	The Cato Corp. Class A
	11,369	Central Garden & Pet Co. Class A (a)
	4,100	Charlotte Russe Holding, Inc. (a)
	17,400	Charming Shoppes, Inc. (a)
	3,300	The Children's Place Retail Stores, Inc. (a)
	5,800	Christopher & Banks Corp.
	10,000	Collective Brands, Inc. (a)
	1,500	Conn's, Inc. (a)
	7,600	Dress Barn, Inc. (a)
	3,800	Eddie Bauer Holdings, Inc. (a)
	6,300	Ezcorp, Inc. (a)
	2,300	FTD Group, Inc.
	6,500	Fred's, Inc.
	3,600	GSI Commerce, Inc. (a)
	2,800	Gaiam, Inc. (a)
	500	Gander Mountain Co. (a)
	3,800	Genesco, Inc. (a)
	3,900	Group 1 Automotive, Inc.
	4,900	Gymboree Corp. (a)
	5,550	Hibbett Sports, Inc. (a)
	7,800	Hot Topic, Inc. (a)
	8,100	Insight Enterprises, Inc. (a)
	4,000	Jo-Ann Stores, Inc. (a)
	3,125	Jos. A. Bank Clothiers, Inc. (a)
	979	Lawson Products, Inc.
	2,600	Lithia Motors, Inc. Class A
	2,600	MarineMax, Inc. (a)
	8,400	Men's Wearhouse, Inc.
	3,500	New York & Co. (a)
	2,800	Overstock.com, Inc. (a)
	900	PC Connection, Inc. (a)

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10,600	Pacific Sunwear of California, Inc. (a)
3,700	The Pantry, Inc. (a)
7,100	The Pep Boys - Manny, Moe & Jack
4,100	PetMed Express, Inc. (a)
14,400	Pier 1 Imports, Inc. (a)

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007

(in U.S. dollars)

Industry	Shares Held	Common Stocks

	1,900	PriceSmart, Inc.
	6,000	Priceline.com, Inc. (a)
	3,500	Retail Ventures, Inc. (a)
	5,400	Rush Enterprises, Inc. Class A (a)
	2,700	Russ Berrie & Co., Inc. (a)
	14,000	Sally Beauty Co., Inc. (a)
	3,700	School Specialty, Inc. (a)
	2,100	Shutterfly, Inc. (a)
	5,000	Sonic Automotive, Inc.
	7,050	Stage Stores, Inc.
	3,300	Stamps.com, Inc.
	4,400	Stein Mart, Inc.
	500	Syms Corp.
	1,300	Systemax, Inc.
	3,700	The Talbots, Inc.
	4,900	Tuesday Morning Corp.
	3,700	Tween Brands, Inc. (a)
	7,000	United Natural Foods, Inc. (a)
	5,100	ValueVision Media, Inc. Class A (a)
	2,200	Volcom, Inc. (a)
	12,600	The Wet Seal, Inc. Class A (a)
	6,500	Zale Corp. (a)
	3,100	Zumiez, Inc. (a)

Savings & Loan - 1.0%	3,400	Anchor Bancorp Wisconsin, Inc.
	9,900	Bank Mutual Corp.
	8,100	BankAtlantic Bancorp, Inc. Class A
	5,200	BankUnited Financial Corp. Class A
	1,400	Berkshire Hills Bancorp, Inc.
	10,200	Brookline Bancorp, Inc.
	4,400	Dime Community Bancshares, Inc.
	3,100	Downey Financial Corp.
	2,300	First Financial Holdings, Inc.
	2,225	First Indiana Corp.
	15,300	First Niagara Financial Group, Inc.
	2,300	First Place Financial Corp.
	2,400	FirstFed Financial Corp. (a)
	7,100	Flagstar Bancorp, Inc.
	3,400	Flushing Financial Corp.
	1,700	Great Southern Bancorp, Inc.
	1,950	Horizon Financial Corp.
	1,900	IBERIABANK Corp.

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1,300	Imperial Capital Bancorp, Inc.
4,500	KNBT Bancorp, Inc.
3,500	Kearny Financial Corp.
200	NASB Financial, Inc.
18,500	NewAlliance Bancshares, Inc.
3,000	Northwest Bancorp, Inc.
5,800	Ocwen Financial Corp. (a)
3,600	PFF Bancorp, Inc.
10,700	Provident Financial Services, Inc.
6,900	Provident New York Bancorp
1,400	Rockville Financial, Inc.
900	Roma Financial Corp.
8,460	Sterling Financial Corp.
3,200	TierOne Corp.
4,400	United Community Financial Corp.
1,300	ViewPoint Financial Group

Small Cap Premium & Dividend Income Fund Inc.
Schedule of Investments as of December 31, 2007

(in U.S. dollars)

Industry	Shares Held	Common Stocks
<hr/>		
	18,600	W Holding Co., Inc.
	1,700	Westfield Financial, Inc.
<hr/>		
Scientific Equipment & Suppliers - 0.2%	6,400	Newport Corp. (a)
	4,900	Varian, Inc. (a)
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Securities Brokerage & Services - 0.5%	8,600	Centerline Holding Co.
	2,500	GFI Group, Inc. (a)
	4,300	KBW, Inc. (a)
	15,600	Knight Capital Group, Inc. Class A (a)
	8,700	LaBranche & Co., Inc. (a)
	12,300	Ladenburg Thalmann Financial Services, Inc. (a)
	5,100	MarketAxess Holdings, Inc. (a)
	6,700	optionsXpress Holdings, Inc.
	1,800	Penson Worldwide, Inc. (a)
	4,200	SWS Group, Inc.
	2,821	Thomas Weisel Partners Group, Inc. (a)
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Services: Commercial - 3.0%	7,200	ABM Industries, Inc.
	5,600	AMN Healthcare Services, Inc. (a)
	3,800	Administaff, Inc.
	3,100	The Advisory Board Co. (a)
	3,000	Ambassadors Group, Inc.
	2,000	Ambassadors International, Inc.
	700	Barrett Business Services, Inc.
	7,700	CBIZ, Inc. (a)
	2,200	CDI Corp.

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2,000	CRA International, Inc. (a)
3,700	Casella Waste Systems, Inc. (a)
3,900	Chemed Corp.
3,100	CoStar Group, Inc. (a)
4,800	Coinstar, Inc. (a)
1,700	Cornell Cos., Inc. (a)
5,600	Cross Country Healthcare, Inc. (a)
4,600	Diamond Management & Technology Consultants, Inc.
4,100	DynCorp. International, Inc. (a)
2,800	Exponent, Inc. (a)
7,400	FTI Consulting, Inc. (a)
1,300	First Advantage Corp. Class A (a)
2,400	Forrester Research, Inc. (a)
3,600	G&K Services, Inc. Class A
8,200	The Geo Group, Inc. (a)
4,600	Gevity HR, Inc.
2,680	Global Sources Ltd. (a)
8,800	Harris Interactive, Inc. (a)
3,100	Heidrick & Struggles International, Inc.
5,900	Home Solutions of America, Inc. (a)
4,100	Hudson Highland Group, Inc. (a)
1,300	ICT Group, Inc. (a)
15,100	IKON Office Solutions, Inc.
4,900	Jackson Hewitt Tax Service, Inc.
3,800	Kelly Services, Inc. Class A
5,100	Kforce, Inc. (a)
4,900	The Knot, Inc. (a)
7,200	Korn/Ferry International (a)
1,700	Liquidity Services, Inc. (a)
2,700	MAXIMUS, Inc.
16,600	MPS Group, Inc. (a)

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007

(in U.S. dollars)

Industry	Shares Held	Common Stocks
	2,700	Midas, Inc. (a)
	3,000	Monro Muffler, Inc.
	7,900	Navigant Consulting, Inc. (a)
	7,000	Net 1 UEPS Technologies, Inc. (a)
	5,300	On Assignment, Inc. (a)
	4,600	Orbitz Worldwide, Inc. (a)
	8,700	PHH Corp. (a)
	4,300	People Support, Inc. (a)
	4,300	Perficient, Inc. (a)
	1,600	Pre-Paid Legal Services, Inc. (a)
	2,100	The Providence Service Corp. (a)
	7,200	Regis Corp.
	8,400	Resources Connection, Inc.
	7,400	Rollins, Inc.
	8,100	Source Interlink Cos., Inc. (a)
	10,000	Spherion Corp. (a)
	600	Standard Parking Corp. (a)
	2,300	Steiner Leisure Ltd. (a)

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6,300	TeleTech Holdings, Inc. (a)
9,800	Tetra Tech, Inc. (a)
600	Travelzoo, Inc. (a)
7,500	TrueBlue, Inc. (a)
2,000	Unifirst Corp.
3,400	Viad Corp.
2,250	Volt Information Sciences, Inc. (a)
11,100	Waste Connections, Inc. (a)
700	Waste Industries USA, Inc.
3,133	Waste Services, Inc. (a)
6,900	Watson Wyatt Worldwide, Inc.
4,600	World Fuel Services Corp.

Shipping - 0.6%

8,500	American Commercial Lines, Inc. (a)
1,600	Arlington Tankers Ltd
2,500	Double Hull Tankers, Inc.
7,100	Eagle Bulk Shipping, Inc.
3,100	Genco Shipping & Trading Ltd.
4,200	General Maritime Corp.
6,000	Golar LNG Ltd.
3,900	Gulfmark Offshore, Inc. (a)
5,000	Horizon Lines, Inc. Class A
2,300	Knightsbridge Tankers Ltd.
4,500	Nordic American Tanker Shipping Ltd.
5,400	Ship Finance International Ltd.
600	TBS International Ltd. (a)

Shoes - 0.5%

2,600	DSW, Inc. Class A (a)
2,000	Deckers Outdoor Corp. (a)
6,800	The Finish Line, Inc. Class A
1,000	Heelys, Inc. (a)
8,300	Iconix Brand Group, Inc. (a)
4,200	K-Swiss, Inc. Class A
1,600	Kenneth Cole Productions, Inc. Class A
1,500	Shoe Carnival, Inc. (a)
3,200	Skechers U.S.A., Inc. Class A (a)
3,300	Steven Madden Ltd. (a)
7,600	Timberland Co. Class A (a)
800	Weyco Group, Inc.

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007

(in U.S. dollars)

Industry	Shares	
	Held	Common Stocks

8,800	Wolverine World Wide, Inc.
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Steel - 0.3%

958	Claymont Steel, Inc. (a)
1,500	Esmark, Inc. (a)

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4,100	Gibraltar Industries, Inc.
1,400	Olympic Steel, Inc.
3,500	Schnitzer Steel Industries, Inc. Class A
1,300	Universal Stainless & Alloy Products, Inc. (a)
11,200	Worthington Industries, Inc.

Sugar - 0.0%	1,900	Imperial Sugar Co. New Shares
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Telecommunications Equipment	100	Airvana, Inc. (a)
- 0.6%	24,544	Arris Group, Inc. (a)
	2,800	Audiovox Corp. Class A (a)
	7,300	Belden, Inc.
	6,900	Mastec, Inc. (a)
	2,100	OpNext, Inc. (a)
	7,800	Plantronics, Inc.
	14,300	Polycom, Inc. (a)
	20,500	Powerwave Technologies, Inc. (a)
	200	Preformed Line Products Co.
	8,000	Symmetricom, Inc. (a)

Textile Products - 0.1%	8,900	Interface, Inc. Class A
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Textiles Apparel	8,800	Carter's, Inc. (a)
Manufacturers - 0.7%	1,400	Cherokee, Inc.
	2,200	Columbia Sportswear Co.
	1,600	G-III Apparel Group, Ltd. (a)
	6,070	J. Crew Group, Inc. (a)
	4,200	Kellwood Co.
	2,200	Lululemon Athletica, Inc. (a)
	3,000	Maidenform Brands, Inc. (a)
	2,500	Oxford Industries, Inc.
	1,950	Perry Ellis International, Inc. (a)
	20,100	Quiksilver, Inc. (a)
	2,600	True Religion Apparel, Inc. (a)
	3,900	Under Armour, Inc. Class A (a)
	7,500	The Warnaco Group, Inc. (a)

Tires & Rubber - 0.1%	10,000	Cooper Tire & Rubber Co.
	3,600	Titan International, Inc.

Tobacco - 0.2%	15,700	Alliance One International, Inc. (a)
	2,500	Schweitzer-Mauduit International, Inc.
	4,400	Universal Corp.
	5,519	Vector Group Ltd.

Toys - 0.2%	4,700	Jakks Pacific, Inc. (a)
	5,600	Leapfrog Enterprises, Inc. (a)
	8,300	Marvel Entertainment, Inc. (a)

Transportation Miscellaneous	4,000	Celadon Group, Inc. (a)
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- 0.2%	1,400	Dynamex, Inc. (a)
	6,300	HUB Group, Inc. Class A (a)
	7,900	Odyssey Marine Exploration, Inc. (a)
	6,000	Pacer International, Inc.

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007

(in U.S. dollars)

Industry	Shares Held	Common Stocks
	600	Textainer Group Holdings Ltd.
	2,500	Ultrapetrol Bahamas Ltd. (a)
Truckers - 0.4%	3,100	Arkansas Best Corp.
	5,100	Forward Air Corp.
	10,100	Heartland Express, Inc.
	9,350	Knight Transportation, Inc.
	2,500	Marten Transport Ltd. (a)
	4,850	Old Dominion Freight Line, Inc. (a)
	100	Patriot Transportation Holding, Inc. (a)
	2,600	Saia, Inc. (a)
	1,000	Universal Truckload Services, Inc. (a)
	7,400	Werner Enterprises, Inc.
Utilities: Cable TV & Radio - 0.0%	8,800	Mediacom Communications Corp. Class A (a)
Utilities: Electrical - 1.5%	4,100	Allete, Inc.
	8,500	Avista Corp.
	6,100	Black Hills Corp.
	2,600	CH Energy Group, Inc.
	1,300	Central Vermont Public Service Corp.
	9,600	Cleco Corp.
	7,800	El Paso Electric Co. (a)
	5,300	The Empire District Electric Co.
	6,700	IDACORP, Inc.
	6,700	ITC Holdings Corp.
	3,500	MGE Energy, Inc.
	5,400	NorthWestern Corp.
	4,800	Otter Tail Corp.
	11,800	PNM Resources, Inc.
	2,800	Pike Electric Corp. (a)
	4,700	Portland General Electric Co.
	4,333	UIL Holdings Corp.
	5,700	Unisource Energy Corp.
	15,800	Westar Energy, Inc.
Utilities: Gas Distributors - 0.8%	1,200	EnergySouth, Inc.
	3,500	The Laclede Group, Inc.

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4,600	New Jersey Resources Corp.
7,000	Nicor, Inc.
4,500	Northwest Natural Gas Co.
12,100	Piedmont Natural Gas Co.
5,000	South Jersey Industries, Inc.
6,900	Southwest Gas Corp.
7,500	WGL Holdings, Inc.

Utilities: Miscellaneous - 0.1% 61,000 Aquila, Inc. (a)

Utilities: Telecommunications	7,400	Alaska Communications Systems Group, Inc.
- 1.2%	1,200	Atlantic Tele-Network, Inc.
	4,800	Centennial Communications Corp. (a)
	42,200	Cincinnati Bell, Inc. (a)
	3,200	Consolidated Communications Holdings, Inc.
	5,300	FairPoint Communications, Inc.
	20,010	FiberTower Corp. (a)
	8,700	General Communication, Inc. Class A (a)
	6,000	Global Crossing Ltd. (a)
	2,100	Globalstar, Inc. (a)
	2,600	Golden Telecom, Inc. (a)(b)

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007 (in U.S. dollars)

Industry	Shares Held	Common Stocks
	18,600	ICO Global Communications Holdings Ltd. (a)
	8,100	IDT Corp. Class B
	2,800	iPCS, Inc.
	3,900	Ibasis, Inc.
	5,100	Iowa Telecommunications Services, Inc.
	4,100	NTELOS Holdings Corp.
	700	Neutral Tandem, Inc. (a)
	3,400	North Pittsburgh Systems, Inc.
	3,300	ORBCOMM, Inc. (a)
	11,470	PAETEC Holding Corp. (a)
	10,500	Premiere Global Services, Inc. (a)
	4,800	RCN Corp.
	1,800	Rural Cellular Corp. Class A (a)
	3,600	Shenandoah Telecom Co.
	2,400	SureWest Communications
	23,730	Time Warner Telecom, Inc. Class A (a)
	4,300	USA Mobility, Inc.
	3,600	Virgin Mobile USA, Inc. (a)

Utilities: Water - 0.2%	3,000	American States Water Co.
	3,100	California Water Service Group
	1,900	Consolidated Water Co., Inc.
	2,500	SJW Corp.
	3,965	Southwest Water Co.

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Wholesale & International Trade - 0.1%	5,800	Central European Distribution Corp. (a)
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Wholesalers - 0.3%	8,230	Brightpoint, Inc. (a)
	2,200	Houston Wire & Cable Co.
	18,200	LKQ Corp. (a)
	1,400	MWI Veterinary Supply, Inc. (a)
	5,500	Prestige Brands Holdings, Inc. (a)
	3,800	United Stationers, Inc. (a)

Total Common Stocks (Cost - \$201,969,927) - 87.5%

Investment Companies

1,000	BlackRock Kelso Capital Corp. (e)
2,300	Gladstone Capital Corp.
5,500	Hercules Technology Growth Capital, Inc.
1,100	Kayne Anderson Energy Development Co.
4,400	Patriot Capital Funding, Inc.
3,800	Pennantpark Investment Corp.
3,000	Prospect Capital Corp.

Total Investment Companies (Cost - \$343,489) - 0.1%

Rights

Chemicals - 0.0%	360	Medis Technologies Ltd. (a) (d)
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Total Rights (Cost - \$0) - 0.0%

Face Amount	Short-Term Securities
----------------	-----------------------

Time Deposits - 13.7%	\$ 32,181,442	State Street Bank & Trust Co., 3.25% due 1/02/2008
-----------------------	---------------	--

Total Short-Term Securities (Cost - \$32,181,442) - 13.7%
--

Total Investments Before Options Written (Cost - \$234,494,858*) - 101.3%
--

Small Cap Premium & Dividend Income Fund Inc.
Schedule of Investments as of December 31, 2007

(in U.S. dollars)

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	Number of Contracts	Options Written
Call Options Written	750	Russell 2000 Index, expiring January 2008 at USD 770
	750	Russell 2000 Index, expiring January 2008 at USD 780

Total Options Written (Premiums Received - \$3,235,500) - (0.8%)		

Total Investments, Net of Options Written (Cost - \$231,259,358) - 100.5%		

Liabilities in Excess of Other Assets - (0.5%)		

Net Assets - 100.0%		

* The cost and unrealized appreciation (depreciation) of investments, as of December 31, 2007, as computed for federal income tax purposes, were as follows:

Aggregate cost	\$ 237,617,800
	=====
Gross unrealized appreciation	\$ 4,448,732
Gross unrealized depreciation	(4,325,908)

Net unrealized appreciation	\$ 122,824
	=====

- (a) Non-income producing security.
- (b) Depositary receipts.
- (c) All or a portion of security held as collateral in connection with open financial futures contracts.
- (d) The rights may be exercised until January 7, 2008.
- (e) 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 Gain	Dividend Income
Anthracite Capital, Inc.	\$ 6,075	\$ 6,012	\$ 304	\$ 11,690
BlackRock Kelso Capital Corp.	\$ 15,419	--	--	--

- o 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. Industries are shown as a percent of net assets. These industry classifications are unaudited.
- o Financial futures contracts purchased as of December 31, 2007 were as follows:

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Number of Contracts	Issue	Expiration Date	Face Value	Unrealized Appreciation
75	Russell 2000 Index	March 2008	\$ 28,884,339	\$ 73,161

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON DETAILED SCHEDULE OF INVESTMENTS

To the Shareholders and Board of Directors of
Small Cap Premium & Dividend Income Fund Inc:

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the financial statements of Small Cap Premium & Dividend Income Fund Inc. (the "Fund") as of December 31, 2007, and for the year then ended and have issued our report thereon dated February 29, 2008 which report and financial statements are included in Item 1 of this Certified Shareholder Report on Form N-CSR. Our audit also included the Fund's schedule of investments in securities (the "Schedule") as of December 31, 2007 appearing in Item 6 of this Form N-CSR. This Schedule is the responsibility of the Fund's management. Our responsibility is to express an opinion based on our audit. In our opinion, the Schedule referred to above, when considered in relation to the basic financial statements taken as a whole of the Fund referred to above, presents fairly, in all material respects, the information set forth therein.

Deloitte & Touche LLP

Princeton, New Jersey
February 29, 2008

Item 7 - Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies - The registrant has delegated the voting of proxies relating to its voting securities to its investment sub-adviser, BlackRock Advisors, LLC (the "Sub-Adviser" or "BlackRock"). The Proxy Voting Policies and Procedures of the Sub-Adviser (the "Proxy Voting Policies") are attached as an Exhibit hereto.

Item 8 - Portfolio Managers of Closed-End Management Investment Companies - as of December 31, 2007.

(a) (1) Small Cap Premium & Dividend Income Fund Inc. is managed by Jonathan A. Clark, Managing Director at BlackRock and Debra L. Jelilian, Director at BlackRock. Each is a member of BlackRock's Quantitative Investments team. Mr. Clark and Ms. Jelilian are jointly responsible for the day-to-day management of the Fund's portfolio and the selection of its investments. Mr. Clark and Ms. Jelilian have been the Fund's portfolio managers since 2005.

Mr. Clark joined BlackRock in 2006. Mr. Clark was a Director at BlackRock from 2006 to 2007. Prior to joining BlackRock, he was a Director of Merrill Lynch Investment Managers, L.P. ("MLIM") from

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1999 to 2006. At MLIM, he was a member of the Quantitative Investments team, responsible for managing arbitrage and derivative strategies for enhanced and structured portfolios. He also managed a commodities futures portfolio, and was a member of the Quantitative Investment Committee.

Ms. Jelilian joined BlackRock in 2006. Prior to joining BlackRock, she was a Director at MLIM from 1999 to 2006. At MLIM, she was a member of the Quantitative Investments team, responsible for the management of MLIM's equity index portfolios and leading MLIM's transition management efforts in the Americas. She was also a member of the Quantitative Investment Committee.

(a) (2) As of December 31, 2007:

(ii) Number of Other Accounts Managed and Assets by Account Type				
(i) Name of Portfolio Manager	Other Registered Investment Companies	Other Pooled Investment Vehicles	Other Accounts	Other Registered Investment Companies
Jonathan A. Clark	9	5	0	0
	\$3,200,240,495	\$1,243,653,307	\$0	\$0
Debra L. Jelilian	25	18	22	0
	\$24,550,722,411	\$10,597,337,547	\$35,513,726,340	\$0

(iv) Potential Material Conflicts of Interest

BlackRock has built a professional working environment, firm-wide compliance culture and compliance procedures and systems designed to protect against potential incentives that may favor one account over another. BlackRock has adopted policies and procedures that address the allocation of investment opportunities, execution of portfolio transactions, personal trading by employees and other potential conflicts of interest that are designed to ensure that all client accounts are treated equitably over time. Nevertheless, BlackRock furnishes investment management and advisory services to numerous

clients in addition to the Fund, and BlackRock may, consistent with applicable law, make investment recommendations to other clients or accounts (including accounts which are hedge funds or have performance or higher fees paid to BlackRock, or in which portfolio managers have a personal interest in the receipt of such fees), which may be the same as or different from those made to the Fund. In addition, BlackRock, its affiliates and any officer, director, stockholder or employee may or may not have an interest in the

securities whose purchase and sale BlackRock recommends to the Fund. BlackRock, or any of its affiliates, or any officer, director, stockholder, employee or any member of their families may take different actions than those recommended to the Fund by BlackRock with respect to the same securities. Moreover, BlackRock may refrain from rendering any advice or services concerning securities of companies of which any of BlackRock's (or its affiliates') officers, directors or employees are directors or officers, or companies as to which BlackRock or any of its affiliates or the officers, directors and employees of any of them has any substantial economic interest or possesses material non-public information. Each portfolio manager also may manage accounts whose investment strategies may at times be opposed to the strategy utilized for the Fund. In this connection, it should be noted that Ms. Jelilian currently manages certain accounts that are subject to performance fees. In addition, certain portfolio managers may assist in managing certain hedge funds and may be entitled to receive a portion of any incentive fees earned on such funds and a portion of such incentive fees may be voluntarily or involuntarily deferred. Additional portfolio managers may in the future manage other such accounts or funds and may be entitled to receive incentive fees.

As a fiduciary, BlackRock owes a duty of loyalty to its clients and must treat each client fairly. When BlackRock purchases or sells securities for more than one account, the trades must be allocated in a manner consistent with its fiduciary duties. BlackRock attempts to allocate investments in a fair and equitable manner among client accounts, with no account receiving preferential treatment. To this end, BlackRock has adopted a policy that is intended to ensure that investment opportunities are allocated fairly and equitably among client accounts over time. This policy also seeks to achieve reasonable efficiency in client transactions and provide BlackRock with sufficient flexibility to allocate investments in a manner that is consistent with the particular investment discipline and client base.

(a) (3) As of December 31, 2007:

Portfolio Manager Compensation Overview

BlackRock's financial arrangements with its portfolio managers, its competitive compensation and its career path emphasis at all levels reflect the value senior management places on key resources. Compensation may include a variety of components and may vary from year to year based on a number of factors. The principal components of compensation include a base salary, a performance-based discretionary bonus, participation in various benefits programs and one or more of the incentive compensation programs established by BlackRock such as its Long-Term Retention and Incentive Plan.

Base compensation. Generally, portfolio managers receive base compensation based on their seniority and/or their position with the firm. Senior portfolio managers who perform additional management functions within the portfolio management group or within BlackRock may receive additional compensation for serving in these other capacities.

Discretionary Incentive Compensation

Discretionary incentive compensation is a function of several

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components: the performance of BlackRock, Inc., the performance of the portfolio manager's group within BlackRock, the investment performance, including risk-adjusted returns, of the firm's assets under management or supervision by that portfolio manager relative to predetermined benchmarks, and the individual's seniority, role within the portfolio management team, teamwork and contribution to the overall performance of these portfolios and BlackRock. In most cases, including for the portfolio managers of the Fund, these benchmarks are the same as the benchmark or benchmarks against which the performance of the Fund or other accounts managed by the portfolio managers are measured. BlackRock's Chief Investment Officers determine the benchmarks against which to compare the performance of funds and other accounts managed by each portfolio manager and the period of time over which performance is evaluated. With respect to the portfolio managers, such benchmarks for the Fund include the following:

Portfolio Manager	Benchmarks Applicable to Each Manager
Jonathan A. Clark	A combination of market-based indices (e.g., The S&P 500(R) Index, MSCI World Index), certain customized indices and certain fund industry peer groups.
Debra L. Jelilian	A combination of market-based indices (e.g., The S&P 500(R) Index), certain customized indices and certain fund industry peer groups.

BlackRock's Chief Investment Officers make a subjective determination with respect to the portfolio manager's compensation based on the performance of the funds and other accounts managed by each portfolio manager relative to the various benchmarks noted above. Performance is measured on both a pre-tax basis over various time periods including 1, 3 and 5-year periods, as applicable.

Distribution of Discretionary Incentive Compensation

Discretionary incentive compensation is distributed to portfolio managers in a combination of cash and BlackRock, Inc. restricted stock units which vest ratably over a number of years. The BlackRock, Inc. restricted stock units, if properly vested, will be settled in BlackRock, Inc. common stock. Typically, the cash bonus, when combined with base salary, represents more than 60% of total compensation for the portfolio managers. Paying a portion of annual bonuses in stock puts compensation earned by a portfolio manager for a given year "at risk" based on the Company's ability to sustain and improve its performance over future periods.

Other compensation benefits. In addition to base compensation and discretionary incentive compensation, portfolio managers may be eligible to receive or participate in one or more of the following:

Long-Term Retention and Incentive Plan ("LTIP") --The LTIP is a long-term incentive plan that seeks to reward certain key employees. Beginning in 2006, awards are granted under the LTIP in the form of BlackRock, Inc. restricted stock units that, if properly vested and subject to the attainment of certain performance goals, will be settled in BlackRock, Inc. common stock. Mr. Clark and Ms. Jelilian have each received awards under the LTIP.

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Deferred Compensation Program --A portion of the compensation paid to each portfolio manager may be voluntarily deferred by the portfolio manager into an account that tracks the performance of certain of the firm's investment products. Each portfolio manager is permitted to allocate his deferred amounts among various options, including to certain of the firm's hedge funds and other unregistered products. Every portfolio manager is eligible to participate in the deferred compensation program.

Incentive Savings Plans -- BlackRock, Inc. has created a variety of incentive savings plans in which BlackRock employees are eligible to participate, including a 401(k) plan, the BlackRock Retirement Savings Plan (RSP) and the BlackRock Employee Stock Purchase Plan (ESPP). The employer contribution components of the RSP include a company match equal to 50% of the first 6% of eligible pay contributed to the plan capped at \$4,000 per year, and a company retirement contribution equal to 3% of eligible compensation, plus an additional contribution of 2% for any year in which BlackRock has positive net operating income. The RSP offers a range of investment options, including registered investment companies managed by the firm. Company contributions follow the investment direction set by participants for their own contributions or absent, employee investment direction, are invested into a balanced portfolio. The ESPP allows for investment in BlackRock common stock at a 5% discount on the fair market value of the stock on the purchase date. Annual participation in the ESPP is limited to the purchase of 1,000 shares or a dollar value of \$25,000. Each portfolio manager is eligible to participate in these plans.

(a) (4) Beneficial Ownership of Securities. As of December 31, 2007, neither Mr. Clark nor Ms. Jelilian beneficially owned any stock issued by the Fund.

Item 9 - Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers -

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as of Publicly Announced Plans or Programs
July 1-31, 2007	49,300	\$18.82 (1)	49,300 (2)
August 1-31, 2007			
September 1-30, 2007			
October 1-31, 2007			
November 1-30, 2007			
December 1-31, 2007			
Total:	49,300	\$18.82 (1)	49,300 (2)

- (1) Subject to a repurchase fee of up to 0.38% of the net asset value per share.
- (2) On May 29, 2007, the repurchase offer was announced to repurchase up to 5% of outstanding shares. The expiration date of the offer was July 6, 2007. The registrant may conduct annual repurchases for between 5% and 25% of its outstanding shares pursuant to Rule 23c-3 under the Investment Company Act of 1940, as amended.

Item 10 - Submission of Matters to a Vote of Security Holders - The registrant's Nominating and Corporate Governance Committee will consider nominees to the Board recommended by shareholders when a vacancy becomes available. Shareholders who wish to recommend a nominee should send nominations which include biographical information and set forth the qualifications of the proposed nominee to the registrant's Secretary. There have been no material changes to these procedures.

Item 11 - Controls and Procedures

11(a) - The registrant's principal executive and principal financial officers or persons performing similar functions have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act")) are effective as of a date within 90 days of the filing of this report based on the evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act and Rule 13a-15(b) under the Securities and Exchange Act of 1934, as amended.

11(b) - There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the second fiscal quarter of the period covered by this report that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 12 - Exhibits attached hereto

12(a) (1) - Code of Ethics - See Item 2

12(a) (2) - Certifications - Attached hereto

12(a) (3) - Not Applicable

12(b) - Certifications - Attached hereto

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.

Small Cap Premium & Dividend Income Fund Inc.

By: /s/ Mitchell M. Cox

Mitchell M. Cox

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Chief Executive Officer (principal executive officer) of
Small Cap Premium & Dividend Income Fund Inc.

Date: February 20, 2008

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/ Mitchell M. Cox

Mitchell M. Cox
Chief Executive Officer (principal executive officer) of
Small Cap Premium & Dividend Income Fund Inc.

Date: February 20, 2008

By: /s/ James E. Hillman

James E. Hillman
Chief Financial Officer (principal financial officer) of
Small Cap Premium & Dividend Income Fund Inc.

Date: February 20, 2008