

DELAWARE INVESTMENTS DIVIDEND & INCOME FUND, INC  
Form N-Q  
April 27, 2009

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM N-Q

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF  
REGISTERED MANAGEMENT INVESTMENT COMPANY**

Investment Company Act file number: 811-07460

Exact name of registrant as specified in charter: Delaware Investments<sup>®</sup> Dividend and Income Fund, Inc.

Address of principal executive offices: 2005 Market Street  
Philadelphia, PA 19103

Name and address of agent for service: David F. Connor, Esq.  
2005 Market Street  
Philadelphia, PA 19103

Registrant's telephone number, including area code: (800) 523-1918

Date of fiscal year end: November 30

Date of reporting period: February 28, 2009

**Item 1. Schedule of Investments.**

**Schedule of Investments (Unaudited)**

**Delaware Investments<sup>®</sup> Dividend and Income Fund, Inc.**

February 28, 2009

|   | Number of<br>Shares | Value     |
|---|---------------------|-----------|
| <b>Common Stock</b> <input type="checkbox"/> <b>64.76%</b>          |                     |           |
| <i>Consumer Discretionary</i> <input type="checkbox"/> <b>3.80%</b> |                     |           |
| <input type="checkbox"/> Avado Brands                               | 1,390               | \$ 0      |
| * <input type="checkbox"/> Cablevision Systems                      | 700                 | 9,093     |
| Gap   | 85,600              | 923,624   |
| Mattel  | 71,300              | 844,192   |
| * <input type="checkbox"/> Time Warner Cable Class A                | 7                   | 128       |
|   |                     | 1,777,037 |
| <i>Consumer Staples</i> <input type="checkbox"/> <b>11.46%</b>      |                     |           |
| Archer-Daniels-Midland  | 37,100              | 989,086   |
| CVS Caremark  | 34,400              | 885,456   |
| Heinz (H.J.)  | 27,400              | 895,158   |
| Kimberly-Clark  | 19,300              | 909,223   |
| Kraft Foods Class A   | 37,000              | 842,860   |
| Safeway   | 45,400              | 839,900   |

Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND, INC - Form N-Q

|  |         |           |
|--|---------|-----------|
|  |         | 5,361,683 |
| <i>Diversified REITs</i> □ 0.62%         |         |           |
| Vornado Realty Trust                     | 7,400   | 242,202   |
| *Washington Real Estate Investment Trust | 2,900   | 49,735    |
|  |         | 291,937   |
| <i>Energy</i> □ 5.11%                    |         |           |
| Chevron                                  | 12,600  | 764,946   |
| ConocoPhillips                           | 19,500  | 728,325   |
| Marathon Oil                             | 38,500  | 895,895   |
|  |         | 2,389,166 |
| <i>Financials</i> □ 5.34%                |         |           |
| Allstate                                 | 45,000  | 757,350   |
| Bank of New York Mellon                  | 36,700  | 813,639   |
| □Cardtronics                             | 6,700   | 9,380     |
| Travelers                                | 25,400  | 918,210   |
|  |         | 2,498,579 |
| <i>Health Care</i> □ 13.17%              |         |           |
| Bristol-Myers Squibb                     | 42,200  | 776,902   |
| Cardinal Health                          | 30,500  | 989,725   |
| Johnson & Johnson                        | 17,000  | 850,000   |
| Merck                                    | 34,600  | 837,320   |
| Pfizer                                   | 56,400  | 694,284   |
| Quest Diagnostics                        | 21,300  | 976,179   |
| Wyeth                                    | 25,400  | 1,036,827 |
|  |         | 6,161,237 |
| <i>Health Care REITs</i> □ 1.36%         |         |           |
| *HCP                                     | 8,450   | 154,382   |
| *Health Care REIT                        | 9,060   | 278,775   |
| Ventas                                   | 9,375   | 202,219   |
|  |         | 635,376   |
| <i>Hotel REITs</i> □ 0.33%               |         |           |
| Hersha Hospitality Trust                 | 26,400  | 47,520    |
| *Host Hotels & Resorts                   | 28,700  | 106,190   |
|  |         | 153,710   |
| <i>Industrial REITs</i> □ 0.29%          |         |           |
| AMB Property                             | 9,680   | 115,289   |
| ProLogis                                 | 3,700   | 21,423    |
|  |         | 136,712   |
| <hr/>                                    |         |           |
| <i>Industrials</i> □ 2.10%               |         |           |
| □BWAY Holding                            | 1,840   | 11,555    |
| □Flextronics International               | 4,400   | 9,064     |
| □Foster Wheeler                          | 2       | 30        |
| □Graphic Packaging Holding               | 12,758  | 10,206    |
| Grupo Aeroportuario del Centro Norte ADR | 5,800   | 41,702    |
| Π=□Port Townsend                         | 350     | 4         |
| *Waste Management                        | 33,700  | 909,900   |
|  |         | 982,461   |
| <i>Information Technology</i> □ 7.16%    |         |           |
| Intel                                    | 66,600  | 848,484   |
| International Business Machines          | 11,400  | 1,049,142 |
| Motorola                                 | 207,400 | 730,048   |
| Xerox                                    | 139,100 | 720,538   |
|  |         | 3,348,212 |
| <i>Mall REITs</i> □ 1.12%                |         |           |
| General Growth Properties                | 6       | 4         |
| *Macerich                                | 8,950   | 102,209   |
| Simon Property Group                     | 12,800  | 423,680   |
|  |         | 525,893   |
| <i>Materials</i> □ 1.51%                 |         |           |
| duPont (E.I.) deNemours                  | 37,100  | 695,996   |
| Innophos Holdings                        | 1,050   | 11,151    |

Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND, INC - Form N-Q

|   |         |                   |
|---|---------|-------------------|
|   |         | 707,147           |
| <b>Mortgage REITs</b> □ 0.21%   |         |                   |
| Annaly Capital Management   | 7,000   | 97,300            |
|   |         | 97,300            |
| <b>Multifamily REITs</b> □ 1.37%  |         |                   |
| *Apartment Investment & Management  | 15,368  | 80,221            |
| *BRE Properties   | 4,600   | 87,032            |
| Camden Property Trust   | 6,850   | 128,712           |
| Equity Residential  | 16,600  | 292,159           |
| *Essex Property Trust   | 1,000   | 54,390            |
|   |         | 642,514           |
| <b>Office REITs</b> □ 1.55%   |         |                   |
| *Alexandria Real Estate Equities  | 3,090   | 123,476           |
| BioMed Realty Trust   | 3,900   | 33,267            |
| Boston Properties   | 2,600   | 96,434            |
| *Corporate Office Properties Trust  | 1,600   | 40,000            |
| Highwoods Properties  | 8,600   | 162,454           |
| *Kilroy Realty  | 5,000   | 93,050            |
| Mack-Cali Realty  | 10,250  | 175,070           |
|   |         | 723,751           |
| <b>Office/Industrial REITs</b> □ 0.85%  |         |                   |
| *Digital Realty Trust   | 5,550   | 165,890           |
| Duke Realty   | 8,000   | 55,200            |
| *Liberty Property Trust   | 9,700   | 177,219           |
|   |         | 398,309           |
| <b>Self-Storage REITs</b> □ 0.58%   |         |                   |
| Public Storage  | 4,850   | 269,078           |
|   |         | 269,078           |
| <b>Shopping Center REITs</b> □ 0.62%  |         |                   |
| Developers Diversified Realty   | 1,000   | 2,950             |
| *Kimco Realty   | 22,130  | 195,851           |
| Kite Realty Group Trust   | 16,300  | 56,072            |
| Ramco-Gershenson Properties Trust   | 6,400   | 33,024            |
|   |         | 287,897           |
| <b>Specialty REITs</b> □ 0.70%  |         |                   |
| *Entertainment Properties Trust   | 2,420   | 36,082            |
| *Plum Creek Timber  | 6,885   | 180,594           |
| *Potlatch   | 4,825   | 109,865           |
|   |         | 326,541           |
| <hr/>   |         |                   |
| <b>Telecommunications</b> □ 3.56%   |         |                   |
| AT&T  | 33,200  | 789,164           |
| □Century Communications   | 500,000 | 0                 |
| *Verizon Communications   | 30,700  | 875,871           |
|   |         | 1,665,035         |
| <b>Utilities</b> □ 1.95%  |         |                   |
| Entergy   | 1       | 44                |
| *□Mirant  | 189     | 2,311             |
| *□NRG Energy  | 1,200   | 22,680            |
| Progress Energy   | 25,100  | 889,042           |
|   |         | 914,077           |
| <b>Total Common Stock (cost \$49,928,335)</b>                                       |         | <b>30,293,652</b> |
| <hr/>   |         |                   |
| <b>Convertible Preferred Stock</b> □ 3.66%  |         |                   |
| <b>Banking, Finance &amp; Insurance</b> □ 0.75%                                     |         |                   |
| Aspen Insurance 5.625% exercise price \$29.28, expiration date 12/31/49             | 8,800   | 346,500           |
| Fannie Mae 8.75% exercise price \$32.45, expiration date 5/13/11                    | 3,500   | 2,275             |
|   |         | 348,775           |
| <b>Basic Materials</b> □ 0.24%  |         |                   |
| Freeport-McMoRan Copper & Gold 6.75% exercise price \$73.24, expiration date 5/1/10 | 2,050   | 110,956           |
|   |         | 110,956           |

Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND, INC - Form N-Q

|   |                         |                  |
|---|-------------------------|------------------|
| <b>Cable, Media &amp; Publishing</b> □ 0.24%  |                         |                  |
| #Interpublic Group 144A 5.25% exercise price \$13.66, expiration date 12/31/49                | 360                     | 114,390          |
|   |                         | 114,390          |
| <b>Energy</b> □ 0.77%   |                         |                  |
| *Chesapeake Energy 4.50% exercise price \$44.15, expiration date 12/31/49                     | 3,650                   | 213,069          |
| El Paso Energy Capital Trust I 4.75% exercise price \$41.59, expiration date 3/31/28          | 5,250                   | 147,000          |
|   |                         | 360,069          |
| <b>Health Care &amp; Pharmaceuticals</b> □ 1.17%  |                         |                  |
| Inverness Medical Innovations Series B 3.00% exercise price \$69.32, expiration date 12/31/49 | 800                     | 114,816          |
| Mylan 6.50% exercise price \$17.08, expiration date 11/15/10                                  | 220                     | 178,396          |
| Schering-Plough 6.00% exercise price \$33.69, expiration date 8/13/10                         | 1,500                   | 254,438          |
|   |                         | 547,650          |
| <b>Telecommunications</b> □ 0.49%   |                         |                  |
| Crown Castle International 6.25% exercise price \$36.88, expiration date 8/15/12              | 3,400                   | 148,325          |
| Lucent Technologies Capital Trust I 7.75% exercise price \$24.80, expiration date 3/15/17     | 305                     | 82,426           |
|   |                         | 230,751          |
| <b>Total Convertible Preferred Stock (cost \$2,955,884)</b>                                   |                         | <b>1,712,591</b> |
| <b>Preferred Stock</b> □ 1.86%  |                         |                  |
| <b>Banking, Finance &amp; Insurance</b> □ 0.15%   |                         |                  |
| •JPMorgan Chase 7.90%   | 65,000                  | 44,939           |
| #Preferred Blocker 144A 7.00%   | 153                     | 26,134           |
|   |                         | 71,073           |
| <b>Industrials</b> □ 0.00%  |                         |                  |
| □@=Port Townsend  | 70                      | 0                |
|   |                         | 0                |
| <b>Leisure, Lodging &amp; Entertainment</b> □ 0.40%   |                         |                  |
| Red Lion Hotels Capital Trust 9.50%   | 15,149                  | 185,575          |
|   |                         | 185,575          |
| <b>Real Estate</b> □ 1.31%  |                         |                  |
| Grace Acquisitions I 8.75%  | 34,400                  | 20,640           |
| SL Green Realty 7.625%  | 62,600                  | 594,701          |
|   |                         | 615,341          |
| <b>Total Preferred Stock (cost \$2,976,290)</b>   |                         | <b>871,989</b>   |
|   | <b>Principal Amount</b> |                  |
| <b>Convertible Bonds</b> □ 14.67%   |                         |                  |
| <b>Aerospace &amp; Defense</b> □ 1.00%  |                         |                  |
| #AAR 144A 1.75% exercise price \$29.43, expiration date 2/1/26                                | \$260,000               | 185,900          |
| <hr/>   |                         |                  |
| #L-3 Communications 144A 3.00% exercise price \$101.13, expiration date 8/1/35                | 290,000                 | 283,475          |
|   |                         | 469,375          |
| <b>Banking, Finance &amp; Insurance</b> □ 0.23%   |                         |                  |
| *National City 4.00% exercise price \$482.51 expiration date 2/1/11                           | 120,000                 | 108,450          |
|   |                         | 108,450          |
| <b>Basic Materials</b> □ 0.87%  |                         |                  |
| Rayonier TRS Holdings 3.75% exercise price \$54.82, expiration date 10/15/12                  | 345,000                 | 302,738          |
| #Sino-Forest 144A 5.00% exercise price \$20.29 expiration date 8/1/13                         | 160,000                 | 105,600          |
|   |                         | 408,338          |
| <b>Cable, Media &amp; Publishing</b> □ 0.93%  |                         |                  |
| General Cable 0.875% exercise price \$50.36, expiration date 11/14/13                         | 200,000                 | 131,500          |
| #Playboy Enterprises 144A 3.00% exercise price \$17.02, expiration date 3/15/25               | 600,000                 | 303,000          |
|   |                         | 434,500          |
| <b>Computers &amp; Technology</b> □ 2.28%   |                         |                  |
| #Advanced Micro Devices 144A 6.00% exercise price \$28.08, expiration date 5/1/15             | 450,000                 | 167,063          |
| Euronet Worldwide 3.50% exercise price \$40.48, expiration date 10/15/25                      | 435,000                 | 292,537          |
| Hutchinson Technology 3.25% exercise price \$36.43, expiration date 1/15/26                   | 340,000                 | 89,675           |
| #Intel 144A 2.95% exercise price \$31.53, expiration date 12/15/35                            | 255,000                 | 197,944          |
| Linear Technology 3.125% exercise price \$48.24 expiration date 5/1/27                        | 180,000                 | 169,875          |

Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND, INC - Form N-Q

|   |         |                  |
|---|---------|------------------|
| *SanDisk 1.00% exercise price \$82.36, expiration date 5/15/13                                | 280,000 | 150,850          |
|   |         | 1,067,944        |
| <i>Electronics &amp; Electrical Equipment</i> □ 0.16%   |         |                  |
| Flextronics International 1.00% exercise price \$15.53, expiration date 8/1/10                | 85,000  | 76,925           |
|   |         | 76,925           |
| <i>Energy</i> □ 0.52%   |         |                  |
| Peabody Energy 4.75% exercise price 58.44, expiration date 12/15/41                           | 100,000 | 68,250           |
| Transocean  |         |                  |
| 1.50% exercise price \$168.61, expiration date 12/15/37                                       | 100,000 | 84,625           |
| 1.65% exercise price \$168.61, expiration date 12/15/37                                       | 100,000 | 89,625           |
|   |         | 242,500          |
| <i>Environmental Services</i> □ 0.29%   |         |                  |
| Allied Waste Industries 4.25% exercise price \$45.40, expiration date 4/15/34                 | 145,000 | 135,394          |
|   |         | 135,394          |
| <i>Health Care &amp; Pharmaceuticals</i> □ 3.76%  |         |                  |
| Advanced Medical Optics 3.25% exercise price \$59.61, expiration date 8/1/26                  | 230,000 | 230,000          |
| #Allergan 144A 1.50% exercise price \$63.33, expiration date 4/1/26                           | 415,000 | 398,400          |
| Amgen 0.375% exercise price \$79.48, expiration date 2/1/13                                   | 235,000 | 209,150          |
| #Amgen 144A 0.375% exercise price \$79.48, expiration date 2/1/13                             | 165,000 | 146,850          |
| CV Therapeutics 3.25% exercise price \$27.00, expiration date 8/16/13                         | 20,000  | 17,400           |
| φHologic 2.00% exercise price \$38.59, expiration date 12/15/37                               | 200,000 | 131,000          |
| LifePoint Hospitals 3.50% exercise price \$51.79, expiration date 5/14/14                     | 110,000 | 80,713           |
| •Wyeth 0.965% exercise price \$60.09, expiration date 1/15/24                                 | 550,000 | 546,149          |
|   |         | 1,759,662        |
| <i>Real Estate</i> □ 0.91%  |         |                  |
| #Host Hotels & Resorts 144A 3.25% exercise price \$16.00, expiration date 3/15/24             | 60,000  | 54,750           |
| MeriStar Hospitality 9.50% exercise price 10.18, expiration date 4/1/10                       | 230,000 | 236,095          |
| Vornado Realty Trust 2.85% exercise price \$159.04, expiration date 3/15/27                   | 175,000 | 132,781          |
|   |         | 423,626          |
| <i>Retail</i> □ 0.27%   |         |                  |
| Pantry 3.00% exercise price \$50.10, expiration date 11/15/12                                 | 180,000 | 125,550          |
|   |         | 125,550          |
| <i>Telecommunications</i> □ 2.60%   |         |                  |
| #Alaska Communications System Group 144A 5.75% exercise price \$12.90, expiration date 3/1/13 | 260,000 | 169,975          |
| CommScope 1.00% exercise price \$21.75, expiration date 3/15/24                               | 170,000 | 169,150          |
| #Leap Wireless International 144A 4.50% exercise price \$93.21, expiration date 7/15/14       | 98,000  | 66,640           |
| Level 3 Communications 3.50% exercise price \$5.46, expiration date 6/15/12                   | 165,000 | 67,444           |
| NII Holdings 3.125% exercise price \$118.32, expiration date 6/15/12                          | 485,000 | 324,949          |
| Qwest Communications International 3.50% exercise price \$5.33, expiration date 11/15/25      | 180,000 | 161,775          |
| #Virgin Media 144A 6.50% exercise price \$19.22, expiration date 11/15/16                     | 485,000 | 255,838          |
|   |         | 1,215,771        |
| <hr/>   |         |                  |
| <i>Transportation</i> □ 0.23%   |         |                  |
| Bristow Group 3.00% exercise price \$77.34, expiration date 6/15/38                           | 180,000 | 105,075          |
|   |         | 105,075          |
| <i>Utilities</i> □ 0.62%  |         |                  |
| Dominion Resources 2.125% exercise price \$36.14, expiration date 12/15/23                    | 290,000 | 290,363          |
|   |         | 290,363          |
| <b>Total Convertible Bonds (cost \$9,038,850)</b>   |         | <b>6,863,473</b> |
| <hr/>   |         |                  |
| <b>Corporate Bonds</b> □ 44.89%   |         |                  |
| <i>Basic Industry</i> □ 5.04%   |         |                  |
| California Steel Industries 6.125% 3/15/14  | 120,000 | 83,400           |
| Domtar 7.125% 8/15/15   | 105,000 | 71,925           |
| @#Evraz Group 144A 9.50% 4/24/18  | 195,000 | 100,425          |
| Freeport McMoRan Copper & Gold 8.25% 4/1/15   | 180,000 | 160,383          |
| Georgia-Pacific   |         |                  |
| 7.70% 6/15/15   | 65,000  | 57,525           |
| *8.875% 5/15/31   | 130,000 | 100,750          |
| Huntsman International  |         |                  |
| 7.375% 1/1/15   | 40,000  | 18,900           |
| 7.875% 11/15/14   | 85,000  | 40,800           |
| Innophos 8.875% 8/15/14   | 185,000 | 148,000          |
| @#Innophos Holding 144A 9.50% 4/15/12   | 115,000 | 83,375           |

Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND, INC - Form N-Q

|  |         |           |
|--|---------|-----------|
| International Coal Group 10.25% 7/15/14                | 125,000 | 90,625    |
| #MacDermid 144A 9.50% 4/15/17                          | 300,000 | 120,000   |
| *Momentive Performance Materials 9.75% 12/1/14         | 210,000 | 80,850    |
| NewPage 10.00% 5/1/12                                  | 140,000 | 43,050    |
| •Noranda Aluminum Acquisition 6.595% 5/15/15           | 150,000 | 36,750    |
| Norske Skog Canada 8.625% 6/15/11                      | 165,000 | 76,725    |
| □@=Port Townsend 12.431% 8/27/12                       | 100,718 | 73,020    |
| @Potlatch 13.00% 12/1/09                               | 250,000 | 262,709   |
| #Rock-Tenn 144A 9.25% 3/15/16                          | 110,000 | 110,000   |
| *Rockwood Specialties Group 7.50% 11/15/14             | 150,000 | 128,250   |
| •#Ryerson 144A 8.545% 11/1/14                          | 105,000 | 54,075    |
| @#Sappi Papier Holding 144A 6.75% 6/15/12              | 210,000 | 129,453   |
| @#Steel Capital 144A 9.75% 7/29/13                     | 100,000 | 58,250    |
| #Steel Dynamics 144A 7.75% 4/15/16                     | 195,000 | 151,125   |
| #Vedanta Resources 144A 9.50% 7/18/18                  | 100,000 | 57,500    |
| •Verso Paper Holdings 4.92% 8/1/14                     | 70,000  | 18,550    |
|  |         | 2,356,415 |
| <i>Brokerage □ 0.29%</i>                               |         |           |
| E Trade Financial 12.50% 11/30/17                      | 95,000  | 44,175    |
| LaBranche 11.00% 5/15/12                               | 104,000 | 92,040    |
|  |         | 136,215   |
| <i>Capital Goods □ 3.13%</i>                           |         |           |
| *Associated Materials 9.75% 4/15/12                    | 45,000  | 37,350    |
| Building Materials Corporation of America 7.75% 8/1/14 | 110,000 | 75,900    |
| BWAY 10.00% 10/15/10                                   | 245,000 | 230,912   |
| @CPG International I 10.50% 7/1/13                     | 120,000 | 64,200    |
| *Graham Packaging 9.875% 10/15/14                      | 265,000 | 168,275   |
| *Graphic Packaging International 9.50% 8/15/13         | 300,000 | 225,000   |
| Greenbrier 8.375% 5/15/15                              | 115,000 | 57,213    |
| @Intertape Polymer 8.50% 8/1/14                        | 90,000  | 56,250    |
| #Moog 144A 7.25% 6/15/18                               | 110,000 | 99,550    |
| Owens Brockway Glass Container 6.75% 12/1/14           | 85,000  | 82,450    |
| *RBS Global/Rexnord 11.75% 8/1/16                      | 115,000 | 75,900    |
| *Sally Holdings 10.50% 11/15/16                        | 190,000 | 165,775   |
| Thermadyne Holdings 9.50% 2/1/14                       | 145,000 | 93,163    |
| Vought Aircraft Industries 8.00% 7/15/11               | 55,000  | 30,525    |
|  |         | 1,462,463 |
| <i>Consumer Cyclical □ 4.38%</i>                       |         |           |
| Centex   |         |           |
| 4.55% 11/1/10  | 135,000 | 120,825   |
| 5.125% 10/1/13   | 45,000  | 35,100    |
| <hr/>  |         |           |
| *Denny's Holdings 10.00% 10/1/12                       | 60,000  | 51,900    |
| *Dollar General 10.625% 7/15/15                        | 150,000 | 151,125   |
| DR Horton  |         |           |
| 6.00% 4/15/11  | 55,000  | 49,775    |
| 7.875% 8/15/11   | 190,000 | 175,750   |
| Ford Motor Credit                                      |         |           |
| •4.01% 1/13/12   | 120,000 | 58,950    |
| 7.80% 6/1/12   | 350,000 | 189,822   |
| 9.875% 8/10/11   | 45,000  | 26,170    |
| #GMAC 144A   |         |           |
| 6.00% 12/15/11   | 25,000  | 14,656    |
| 6.625% 5/15/12   | 50,000  | 28,823    |
| 6.875% 9/15/11   | 65,000  | 42,337    |
| 6.875% 8/28/12   | 113,000 | 65,103    |
| *Goodyear Tire & Rubber 9.00% 7/1/15                   | 60,000  | 45,600    |
| #Invista 144A 9.25% 5/1/12                             | 125,000 | 115,625   |
| Lear 8.75% 12/1/16                                     | 335,000 | 58,625    |
| Levi Strauss 9.75% 1/15/15                             | 138,000 | 115,230   |
| Mobile Mini 6.875% 5/1/15                              | 110,000 | 81,950    |
| M/I Homes 6.875% 4/1/12                                | 80,000  | 42,400    |
| *Neiman Marcus Group 10.375% 10/15/15                  | 185,000 | 77,931    |
| Pinnacle Foods Finance 9.25% 4/1/15                    | 65,000  | 53,625    |
| Ryland Group 6.875% 6/15/13                            | 215,000 | 184,900   |

Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND, INC - Form N-Q

|  |         |           |
|--|---------|-----------|
| *Tenneco 8.625% 11/15/14                             | 200,000 | 29,000    |
| Toll 8.25% 2/1/11                                    | 205,000 | 201,924   |
| #TRW Automotive 144A 7.00% 3/15/14                   | 110,000 | 31,350    |
|  |         | 2,048,496 |
| <i>Consumer Non-Cyclical</i> □ 2.64%                 |         |           |
| ACCO Brands 7.625% 8/15/15                           | 110,000 | 45,100    |
| Alliance One International                           |         |           |
| 8.50% 5/15/12  | 20,000  | 17,400    |
| 11.00% 5/15/12                                       | 40,000  | 37,800    |
| *Chiquita Brands International 8.875% 12/1/15        | 105,000 | 80,588    |
| *Constellation Brands 8.125% 1/15/12                 | 120,000 | 119,400   |
| Cornell 10.75% 7/1/12                                | 55,000  | 50,875    |
| *Cott Beverages USA 8.00% 12/15/11                   | 100,000 | 54,500    |
| Del Monte  |         |           |
| 6.75% 2/15/15  | 55,000  | 52,800    |
| 8.625% 12/15/12                                      | 45,000  | 45,563    |
| Iron Mountain  |         |           |
| 6.625% 1/1/16  | 105,000 | 98,175    |
| *8.00% 6/15/20                                       | 85,000  | 80,325    |
| *Jarden 7.50% 5/1/17                                 | 140,000 | 109,900   |
| Johnsondiversey Holdings 10.67% 5/15/13              | 110,000 | 81,950    |
| LVB Acquisition                                      |         |           |
| 10.00% 10/15/17                                      | 125,000 | 125,625   |
| 11.625% 10/15/17                                     | 30,000  | 27,900    |
| #Tyson Foods 144A 10.50% 3/1/14                      | 65,000  | 61,588    |
| Visant Holding 8.75% 12/1/13                         | 160,000 | 147,999   |
|  |         | 1,237,488 |
| <i>Energy</i> □ 6.11%                                |         |           |
| AmeriGas Partners 7.125% 5/20/16                     | 160,000 | 149,599   |
| Chesapeake Energy                                    |         |           |
| *6.375% 6/15/15                                      | 155,000 | 127,488   |
| 9.50% 2/15/15  | 5,000   | 4,675     |
| Complete Production Service 8.00% 12/15/16           | 105,000 | 71,531    |
| Compton Petroleum Finance 7.625% 12/1/13             | 225,000 | 76,500    |
| #Connacher Oil & Gas 144A 10.25% 12/15/15            | 170,000 | 65,450    |
| #Copano Energy 144A 7.75% 6/1/18                     | 100,000 | 78,500    |
| Denbury Resources 9.75% 3/1/16                       | 70,000  | 66,150    |
| Dynergy Holdings 7.75% 6/1/19                        | 95,000  | 57,950    |
| <hr/>  |         |           |
| El Paso  |         |           |
| 6.875% 6/15/14                                       | 50,000  | 44,441    |
| 7.00% 6/15/17  | 55,000  | 48,522    |
| #El Paso Performance-Linked Trust 144A 7.75% 7/15/11 | 175,000 | 166,033   |
| Frontier Oil 8.50% 9/15/16                           | 85,000  | 82,450    |
| Geophysique-Veritas                                  |         |           |
| 7.50% 5/15/15  | 30,000  | 23,625    |
| 7.75% 5/15/17  | 135,000 | 105,300   |
| #Helix Energy Solutions Group 144A 9.50% 1/15/16     | 205,000 | 115,825   |
| #Hilcorp Energy I 144A                               |         |           |
| 7.75% 11/1/15  | 65,000  | 50,050    |
| 9.00% 6/1/16   | 185,000 | 148,000   |
| Inergy Finance                                       |         |           |
| 6.875% 12/15/14                                      | 150,000 | 138,750   |
| 8.25% 3/1/16   | 75,000  | 72,375    |
| Key Energy Services 8.375% 12/1/14                   | 105,000 | 68,775    |
| Mariner Energy 8.00% 5/15/17                         | 200,000 | 134,000   |
| MarkWest Energy Partners/Finance 8.75% 4/15/18       | 100,000 | 71,500    |
| Massey Energy 6.875% 12/15/13                        | 225,000 | 199,124   |
| OPTI Canada  |         |           |
| 7.875% 12/15/14                                      | 85,000  | 28,475    |
| 8.25% 12/15/14                                       | 90,000  | 31,050    |
| *Petrobras International Finance 7.875% 3/15/19      | 25,000  | 25,188    |
| PetroHawk Energy                                     |         |           |
| 9.125% 7/15/13                                       | 65,000  | 61,750    |
| #144A 7.875% 6/1/15                                  | 85,000  | 73,525    |

Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND, INC - Form N-Q

|   |         |           |
|---|---------|-----------|
| @Petroleum Development 12.00% 2/15/18               | 125,000 | 79,688    |
| Plains Exploration & Production 7.00% 3/15/17       | 120,000 | 102,900   |
| Range Resources 7.25% 5/1/18                        | 100,000 | 91,000    |
| Regency Energy Partners 8.375% 12/15/13             | 131,000 | 109,713   |
| Whiting Petroleum 7.25% 5/1/13                      | 110,000 | 90,200    |
|   |         | 2,860,102 |
| <i>Finance &amp; Investments</i> □ 1.48%            |         |           |
| @Cardtronics 9.25% 8/15/13                          | 255,000 | 169,575   |
| •Hartford Financial Services Group 8.125% 6/15/38   | 205,000 | 97,436    |
| Hexion US Finance 9.75% 11/15/14                    | 95,000  | 12,825    |
| Lender Process Services 8.125% 7/1/16               | 85,000  | 85,319    |
| Leucadia National 8.125% 9/15/15                    | 116,000 | 96,860    |
| •#Liberty Mutual Group 144A 10.75% 6/15/58          | 180,000 | 95,519    |
| @#Nuveen Investments 144A 10.50% 11/15/15           | 305,000 | 71,675    |
| •USB Capital IX 6.189% 4/15/49                      | 80,000  | 32,012    |
| •Wells Fargo Capital XIII 7.70% 12/29/49            | 65,000  | 31,670    |
|   |         | 692,891   |
| <i>Media</i> □ 2.74%                                |         |           |
| #Charter Communications Operating 144A              |         |           |
| *8.00% 4/30/12                                      | 25,000  | 22,375    |
| *8.375% 4/30/14                                     | 70,000  | 60,550    |
| 10.875% 9/15/14                                     | 290,000 | 269,700   |
| #CSC Holdings 144A                                  |         |           |
| 8.50% 4/15/14                                       | 21,000  | 20,265    |
| 8.50% 6/15/15                                       | 115,000 | 110,400   |
| DirecTV Holdings 8.375% 3/15/13                     | 52,000  | 52,780    |
| EchoStar DBS 7.125% 2/1/16                          | 120,000 | 108,900   |
| *#Expedia 144A 8.50% 7/1/16                         | 95,000  | 78,375    |
| Lamar Media 6.625% 8/15/15                          | 85,000  | 53,550    |
| #LBI Media 144A 8.50% 8/1/17                        | 100,000 | 30,500    |
| Mediacom Capital 9.50% 1/15/13                      | 90,000  | 78,750    |
| Nielsen Finance                                     |         |           |
| 10.00% 8/1/14                                       | 80,000  | 66,400    |
| #144A 11.625% 2/1/14                                | 40,000  | 34,800    |
| Quebecor Media 7.75% 3/15/16                        | 75,000  | 61,500    |
| #Rainbow National Services 144A 10.375% 9/1/14      | 90,000  | 92,588    |
|   |         |           |
| #Videotron 144A 9.125% 4/15/18                      | 140,000 | 142,100   |
|   |         | 1,283,533 |
| <i>Services Cyclical</i> □ 3.89%                    |         |           |
| *ARAMARK 8.50% 2/1/15                               | 225,000 | 205,875   |
| #Ashtead Capital 144A 9.00% 8/15/16                 | 100,000 | 58,500    |
| #Erac USA Finance 144A 6.375% 10/15/17              | 85,000  | 55,308    |
| FTI Consulting                                      |         |           |
| 7.625% 6/15/13                                      | 195,000 | 195,488   |
| 7.75% 10/1/16                                       | 90,000  | 89,325    |
| @#Galaxy Entertainment Finance 144A 9.875% 12/15/12 | 240,000 | 130,800   |
| Gaylord Entertainment                               |         |           |
| 6.75% 11/15/14                                      | 70,000  | 44,800    |
| 8.00% 11/15/13                                      | 120,000 | 80,100    |
| Global Cash Access 8.75% 3/15/12                    | 150,000 | 119,250   |
| Hertz   |         |           |
| 8.875% 1/1/14                                       | 170,000 | 84,150    |
| *10.50% 1/1/16                                      | 75,000  | 28,500    |
| MGM MIRAGE  |         |           |
| 6.75% 4/1/13  | 155,000 | 67,038    |
| *7.50% 6/1/16                                       | 45,000  | 18,338    |
| *#144A 13.00% 11/15/13                              | 60,000  | 43,500    |
| @#Northwest Airlines 10.00% 2/1/10                  | 55,000  | 69        |
| Pinnacle Entertainment                              |         |           |
| 8.25% 3/15/12                                       | 5,000   | 4,475     |
| *8.75% 10/1/13                                      | 130,000 | 116,350   |
| @#Pokagon Gaming Authority 144A 10.375% 6/15/14     | 273,000 | 241,604   |
| *RSC Equipment Rental 9.50% 12/1/14                 | 110,000 | 59,400    |
| @#Seminole Indian Tribe of Florida 144A             |         |           |



Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND, INC - Form N-Q

|   |         |           |
|---|---------|-----------|
| 7.804% 10/1/20  | 145,000 | 113,352   |
| 8.03% 10/1/20   | 75,000  | 62,390    |
|   |         | 1,818,612 |
| <b>Services Non-cyclical</b> □ 3.69%                            |         |           |
| Alliance Imaging 7.25% 12/15/12                                 | 110,000 | 103,400   |
| #Bausch & Lomb 144A 9.875% 11/1/15                              | 255,000 | 232,050   |
| Casella Waste Systems 9.75% 2/1/13                              | 250,000 | 220,000   |
| Community Health Systems 8.875% 7/15/15                         | 230,000 | 218,788   |
| HCA 6.50% 2/15/16   | 195,000 | 131,625   |
| *HCA PIK 9.625% 11/15/16  | 415,000 | 347,562   |
| •HealthSouth 8.323% 6/15/14                                     | 205,000 | 177,325   |
| Select Medical 7.625% 2/1/15                                    | 255,000 | 158,100   |
| Tenet Healthcare 7.375% 2/1/13                                  | 135,000 | 114,750   |
| Universal Hospital Services PIK 8.50% 6/1/15                    | 25,000  | 21,875    |
|   |         | 1,725,475 |
| <b>Technology &amp; Electronics</b> □ 0.87%                     |         |           |
| Amkor Technology 7.75% 5/15/13                                  | 65,000  | 38,594    |
| Celestica   |         |           |
| 7.625% 7/1/13   | 25,000  | 22,500    |
| 7.875% 7/1/11   | 65,000  | 62,644    |
| *Flextronics International 6.25% 11/15/14                       | 100,000 | 84,500    |
| Sungard Data Systems  |         |           |
| 9.125% 8/15/13  | 116,000 | 99,180    |
| 10.25% 8/15/15  | 146,000 | 100,740   |
|   |         | 408,158   |
| <b>Telecommunications</b> □ 7.71%                               |         |           |
| •Centennial Communications 7.185% 1/1/13                        | 70,000  | 70,000    |
| Cincinnati Bell   |         |           |
| 7.00% 2/15/15   | 115,000 | 105,225   |
| 7.25% 7/15/13   | 75,000  | 72,000    |
| Cricket Communications 9.375% 11/1/14                           | 290,000 | 266,075   |
| Crown Castle International 9.00% 1/15/15                        | 240,000 | 235,200   |
| #Digicel 144A 9.25% 9/1/12                                      | 100,000 | 90,750    |
| #Digicel Group 144A 8.875% 1/15/15                              | 100,000 | 75,000    |
| <hr/>   |         |           |
| GCI 7.25% 2/15/14   | 65,000  | 58,825    |
| Hughes Network Systems 9.50% 4/15/14                            | 210,000 | 184,800   |
| Inmarsat Finance 10.375% 11/15/12                               | 265,000 | 271,624   |
| Intelsat Jackson Holdings 11.25% 6/15/16                        | 415,000 | 393,212   |
| Lucent Technologies 6.45% 3/15/29                               | 165,000 | 60,638    |
| MetroPCS Wireless 9.25% 11/1/14                                 | 288,000 | 273,599   |
| #Nordic Telephone Holdings 144A 8.875% 5/1/16                   | 150,000 | 137,250   |
| Qwest Capital Funding 7.25% 2/15/11                             | 155,000 | 148,413   |
| Sprint Nextel 6.00% 12/1/16                                     | 380,000 | 247,341   |
| #Telesat Canada 144A  |         |           |
| 11.00% 11/1/15  | 155,000 | 126,325   |
| 12.50% 11/1/17  | 35,000  | 25,375    |
| Time Warner Telecom Holdings 9.25% 2/15/14                      | 160,000 | 152,400   |
| @#Vimpelcom 144A 9.125% 4/30/18                                 | 295,000 | 168,504   |
| Virgin Media Finance 8.75% 4/15/14                              | 250,000 | 225,938   |
| #Wind Acquisition Finance 144A 10.75% 12/1/15                   | 75,000  | 75,563    |
| Windstream 8.125% 8/1/13  | 145,000 | 141,375   |
|   |         | 3,605,432 |
| <b>Utilities</b> □ 2.92%  |         |           |
| AES   |         |           |
| 7.75% 3/1/14  | 98,000  | 88,445    |
| 8.00% 10/15/17  | 95,000  | 81,225    |
| #144A 8.00% 6/1/20  | 60,000  | 50,100    |
| Edison Mission Energy 7.625% 5/15/27                            | 175,000 | 132,125   |
| Elwood Energy 8.159% 7/5/26                                     | 171,700 | 139,006   |
| Midwest Generation 8.30% 7/2/09                                 | 45,637  | 45,633    |
| Mirant Americas Generation 8.50% 10/1/21                        | 100,000 | 78,500    |
| wMirant Mid Atlantic Pass Through Trust Series A 8.625% 6/30/12 | 71,388  | 71,031    |
| Mirant North America 7.375% 12/31/13                            | 110,000 | 101,200   |

Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND, INC - Form N-Q

|  |  |         |         |
|--|--|---------|---------|
| NRG Energy   |  |         |         |
| 7.375% 2/1/16                                      |  | 200,000 | 184,999 |
| 7.375% 1/15/17                                     |  | 45,000  | 41,738  |
| Orion Power Holdings 12.00% 5/1/10                 |  | 178,000 | 183,562 |
| Reliant Energy 7.625% 6/15/14                      |  | 50,000  | 36,500  |
| Texas Competitive Electric Holdings 10.25% 11/1/15 |  | 260,000 | 132,600 |

**Total Corporate Bonds (cost \$26,453,435) 1,366,664 21,001,944**

|  |  |         |                |
|--|--|---------|----------------|
| <b>«Senior Secured Loans □ 2.09%</b>                 |  |         |                |
| Energy Futures Holdings Term B2 4.036% 10/10/14      |  | 69,823  | 43,417         |
| Ford Motor Term B 3.556% 11/29/13                    |  | 515,000 | 169,450        |
| General Motors Term B 8.029% 11/17/13                |  | 449,555 | 167,598        |
| Harrahs Term B2 3.479% 1/28/15                       |  | 170,000 | 99,386         |
| Northwest Airlines 2.57% 8/21/13                     |  | 80,000  | 69,680         |
| Talecris Biotherapeutics 2nd Lien 7.74% 12/6/14      |  | 225,000 | 192,939        |
| Toys R US 4.80% 7/19/12                              |  | 215,000 | 121,782        |
| Univision Communications Term B 2.73% 9/15/14        |  | 245,000 | 113,068        |
| <b>Total Senior Secured Loans (cost \$1,204,153)</b> |  |         | <b>977,320</b> |

**Number of Shares**

|   |  |       |               |
|---|--|-------|---------------|
| <b>Limited Partnership □ 0.19%</b>                |  |       |               |
| *Brookfield Infrastructure Partners               |  | 7,600 | 88,312        |
| <b>Total Limited Partnership (cost \$144,435)</b> |  |       | <b>88,312</b> |

|  |  |     |          |
|--|--|-----|----------|
| <b>Warrants □ 0.00%</b>  |  |     |          |
| @Π=□Port Townsend  |  | 70  | 1        |
| □#Solutia 144A, exercise price \$7.59, expiration date 7/15/09 |  | 650 | 0        |
| <b>Total Warrants (cost \$56,974)</b>                          |  |     | <b>1</b> |

**Principal Amount**

|   |  |             |                  |
|---|--|-------------|------------------|
| <b>Repurchase Agreement** 9.01%</b>   |  |             |                  |
| BNP Paribas 0.24%, dated 2/27/09, to be repurchased on 3/2/09, repurchase price \$4,215,084 (collateralized by U.S. Government obligations, 5/14/09-2/11/10; with market value \$4,303,350) |  | \$4,215,000 | 4,215,000        |
| <b>Total Repurchase Agreement (cost \$4,215,000)</b>  |  |             | <b>4,215,000</b> |

**Total Value of Securities Before Securities Lending Collateral □ 141.13%**  
(cost \$96,973,356) **66,024,282**

**Number of Shares**

|   |  |           |                  |
|---|--|-----------|------------------|
| <b>Securities Lending Collateral*** □ 14.79%</b>              |  |           |                  |
| Investment Companies  |  |           |                  |
| Mellon GSL DBT II Collateral Fund                             |  | 7,096,767 | 6,919,680        |
| □Mellon GSL DBT II Liquidation Trust                          |  | 163,237   | 16               |
| <b>Total Securities Lending Collateral (cost \$7,260,004)</b> |  |           | <b>6,919,696</b> |

**Total Value of Securities □ 155.92%**  
(cost \$104,233,360) **72,943,978**

|  |  |  |                      |
|--|--|--|----------------------|
| <b>Obligation to Return Securities Lending Collateral*** □ (15.52%)</b>    |  |  | <b>(7,260,004)</b>   |
| <b>Borrowing Under Line of Credit □ (43.23%)</b>                           |  |  | <b>(20,225,000)</b>  |
| <b>Receivables and Other Assets Net of Liabilities (See Notes) □ 2.83%</b> |  |  | <b>1,322,320</b>     |
| <b>Net Assets Applicable to 9,935,835 Shares Outstanding □ 100.00%</b>     |  |  | <b>\$ 46,781,294</b> |

ΠRestricted Security. These investments are in securities not registered under the Securities Act of 1933, as amended, and have certain restrictions on resale which may limit their liquidity. At February 28, 2009, the aggregate amount of the restricted securities was \$5 or 0.00% of the Fund's net assets. See Note 6 in □Notes.□

## Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND, INC - Form N-Q

□ Non income producing security. Security is currently in default.

• Variable rate security. The rate shown is the rate as of February 28, 2009.

□ Non income producing security.

@ Illiquid security. At February 28, 2009, the aggregate amount of illiquid securities was \$1,865,340, which represented 3.99% of the Fund's net assets. See Note 6 in □ Notes.

= Security is being fair valued in accordance with the Fund's fair valuation policy. At February 28, 2009, the aggregate amount of fair valued securities was \$73,025, which represented 0.16% of the Fund's net assets. See Note 1 in □ Notes.

# Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. At February 28, 2009, the aggregate amount of Rule 144A securities was \$7,211,795, which represented 15.42% of the Fund's net assets. See Note 6 in □ Notes.

« Senior Secured Loans generally pay interest at rates which are periodically redetermined by reference to a base lending rate plus a premium. These base lending rates are generally: (i) the prime rate offered by one or more United States banks, (ii) the lending rate offered by one or more European banks such as the London Inter-Bank Offered Rate (LIBOR), and (iii) the certificate of deposit rate. Senior Secured Loans may be subject to restrictions on resale.

φ Step coupon bond. Coupon increases periodically based on a predetermined schedule. Stated rate in effect at February 28, 2009.

w Pass Through Agreement. Security represents the contractual right to receive a proportionate amount of underlying payments due to the counterparty pursuant to various agreements related to the rescheduling of obligations and the exchange of certain notes.

\* Fully or partially on loan.

\*\* See Note 1 in □ Notes.

\*\*\* See Note 5 in □ Notes.

© Includes \$6,979,920 of securities loaned.

### Summary of Abbreviations:

ADR □ American Depositary Receipts

PIK □ Pay-in-kind

REIT □ Real Estate Investment Trust

---

## Notes

### 1. Significant Accounting Policies

The following accounting policies are in accordance with U.S. generally accepted accounting principals and are consistently followed by Delaware Investments® Dividend and Income Fund, Inc. (Fund).

**Security Valuation** □ Equity securities, except those traded on the Nasdaq Stock Market, Inc. (Nasdaq), are valued at the last quoted sales price as of the time of the regular close of the New York Stock Exchange (NYSE) on the valuation date. Securities traded on the Nasdaq are valued in accordance with the Nasdaq Official Closing Price, which may not be the last sales price. If on a particular day an equity security does not trade, then the mean between the bid and the ask prices will be used. Securities listed on a foreign exchange are valued at the last quoted sales price on the valuation date. U.S. Government and agency securities are valued at the mean between the bid and ask prices. Other long-term debt securities, credit default swap (CDS) contracts and interest rate swap contracts are valued by an independent pricing service or broker. To the extent current market prices are not available, the pricing service may take into account developments related to the specific security, as well as transactions in comparable securities. Investment companies are valued at net asset value per share. Generally, index swap contracts, spread swap contracts and other securities and assets for which market quotations are not readily available are valued at fair value as determined in good faith under the direction of the Fund's Board of Directors (Board). In determining whether market quotations are readily available or fair valuation will be used, various factors will be taken into consideration, such as market closures or suspension of trading in a security. The Fund may use fair value pricing more frequently for securities traded primarily in non-U.S. markets because, among other things, most foreign markets close well before the Fund values its securities at 4:00 p.m. Eastern Time. The earlier close of these foreign markets gives rise to the possibility that significant events, including broad market moves, government actions or pronouncements, aftermarket trading or news events, may have occurred in the interim. To account for this, the Fund may frequently value foreign securities using fair value prices based on third-party vendor modeling tools (international fair value pricing).

**Federal Income Taxes** □ No provision for federal income taxes has been made as the Fund intends to continue to qualify for federal income tax purposes as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended, and make the requisite distributions to shareholders. The Fund evaluates tax positions taken or expected to be taken in the course of preparing the Funds tax returns to determine whether the tax positions are □ more-likely-than-not □ of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold are recorded as a tax benefit or expense in the current year. The Fund did not record any tax benefit or expense in the current period.

**Distributions** □ The Fund has a managed distribution policy. Under the policy, the Fund declares and pays monthly distributions and is managed with a goal of generating as much of the distribution as possible from ordinary income (net investment income and short-term capital gains). The balance of the distribution then comes from long-term capital gains and if necessary, a return of capital.

**Repurchase Agreements** □ The Fund may invest in a pooled cash account along with other members of the Delaware Investments® Family of Funds pursuant to an exemptive order issued by the Securities and Exchange Commission. The aggregate daily balance of the pooled cash account is invested in repurchase agreements secured by obligations of the U.S. government. The respective collateral is held by the Fund's custodian bank until the maturity of the respective repurchase agreements. Each repurchase agreement is at least 102% collateralized. However, in the event of default or bankruptcy by the counterparty to the agreement, realization of the collateral may be subject to legal proceedings.

**Use of Estimates** □ The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Other** □ Expenses directly attributable to the Fund are charged directly to the Fund. Other expenses common to various funds within the Delaware Investments® Family of Funds are generally allocated amongst such funds on the basis of average net assets. Management fees and some other expenses are paid monthly. Security transactions are recorded on the date the securities are purchased or sold (trade date) for financial reporting purposes. Costs used in calculating realized gains and losses on the sale of investment securities are those of the specific securities sold. Dividend income is recorded on the ex-dividend date and interest income is recorded on the accrual basis. Discounts and premiums on non-convertible bonds are amortized to interest income over the lives of the respective securities. Distributions received from investments in Real Estate Investment Trusts (REITs) are recorded as dividend income on the ex-dividend date, subject to reclassification upon notice of the character of such distributions by the issuer.

## 2. Investments

At February 28, 2009, the cost of investments for federal income tax purposes has been estimated since the final tax characteristics cannot be determined until fiscal year end. At February 28, 2009, the cost of investments and unrealized appreciation (depreciation) for the Fund was as follows:

|                                   |                 |
|-----------------------------------|-----------------|
| Cost of investments               | \$ 105,032,289  |
| Aggregate unrealized appreciation | 710,858         |
| Aggregate unrealized depreciation | (32,799,169)    |
| Net unrealized depreciation       | \$ (32,088,311) |

For federal income tax purposes, at November 30, 2008, \$16,270,335 capital loss carryforward may be carried forward and applied against future capital gains. Such capital loss carryforward expire in 2016.

The Fund applies Financial Accounting Standards No. 157, Fair Value Measurements (FAS 157). FAS 157 defines fair value as the price that the Fund would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. FAS 157 also establishes a framework for measuring fair value and a three level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available under circumstances. The Fund's investment in its entirety is assigned a level based upon the observability of the inputs which are significant to the overall valuation. The three-tier hierarchy of inputs is summarized below.

Level 1 inputs are quoted prices in active markets

Level 2 □ inputs are observable, directly or indirectly

Level 3 □ inputs are unobservable and reflect assumptions on the part of the reporting entity

The following table summarizes the valuation of the Fund's investments by the FAS 157 fair value hierarchy levels as of February 28, 2009:

|         | Securities    |
|---------|---------------|
| Level 1 | \$ 34,596,961 |
| Level 2 | 38,067,761    |
| Level 3 | 279,256       |
| Total   | \$ 72,943,978 |

The following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value:

|  | <b>Securities</b> |
|--|-------------------|
| Balance as of 11/30/08   | \$ 901,381        |
| Net change in unrealized appreciation/(depreciation)   | 404,997           |
| Net purchases, sales and settlements   | (438,905)         |
| Net transfers in and/or out of Level 3   | (588,217)         |
| Balance as of 2/28/09  | \$ 279,256        |
| Net change in unrealized appreciation/depreciation from investments still held as of 2/28/09 | \$ 404,997        |

### 3. Line of Credit

For the period ended February 28, 2009, the Fund borrowed money pursuant to a \$44,000,000 Credit Agreement with The Bank of New York Mellon (BNY Mellon) that expires on November 16, 2009. At February 28, 2009, the par value of loans outstanding was \$20,225,000 at a variable interest rate of 1.12%. During the period ended February 28, 2009, the average daily balance of loans outstanding was \$20,225,000 at a weighted average interest rate of approximately 1.08%. Interest on borrowings is based on a variable short-term rate plus an applicable margin. The commitment fee is computed at a rate of 0.10% per annum on the unusual balance. The loan is collateralized by the Fund's portfolio.

### 4. Swap Contracts

The Fund may enter into interest rate swap contracts, index swap contracts and CDS contracts in accordance with its investment objectives. The Fund may use interest rate swaps to adjust the Fund's sensitivity to interest rates or to hedge against changes in interest rates. Index swaps may be used to gain exposure to markets that the Fund invests in, such as the corporate bond market. The Fund may also use index swaps as a substitute for futures or options contracts if such contracts are not directly available to the Fund on favorable terms. The Fund may enter into CDS contracts in order to hedge against a credit event, to enhance total return or to gain exposure to certain securities or markets.

An interest rate swap involves payments received by the Fund from another party based on a variable or floating interest rate, in return for making payments based on a fixed interest rate. An interest rate swap can also work in reverse with the Fund receiving payments based on a fixed interest rate and making payments based on a variable or floating interest rate. Interest rate swaps may be used to adjust the Fund's sensitivity to interest rates or to hedge against changes in interest rates. Periodic payments on such contracts are accrued daily and recorded as unrealized appreciation/depreciation on swap contracts. Upon periodic payment/receipt or termination of the contract, such amounts are recorded as realized gains or losses on swap contracts.

Index swaps involve commitments to pay interest in exchange for a market linked return based on a notional amount. To the extent the total return of the security, instrument or basket of instruments underlying the transaction exceeds the offsetting interest obligation, the Fund will receive a payment from the counterparty. To the extent the total return of the security, instrument or basket of instruments underlying the transaction falls short of the offsetting interest obligation, the Fund will make a payment to the counterparty. The change in value of swap contracts outstanding, if any, is recorded as unrealized appreciation or depreciation daily. A realized gain or loss is recorded on maturity or termination of the swap contract.

A CDS contract is a risk-transfer instrument through which one party (purchaser of protection) transfers to another party (seller of protection) the financial risk of a credit event (as defined in the CDS agreement), as it relates to a particular reference security or basket of securities (such as an index). In exchange for the protection offered by the seller of protection, the purchaser of protection agrees to pay the seller of protection a periodic amount at a stated rate that is applied to the notional amount of the CDS contract. In addition, an upfront payment may be made or received by the Fund in connection with an unwinding or assignment of a CDS contract. Upon the occurrence of a credit event, the seller of protection would pay the par (or other agreed-upon) value of the referenced security (or basket of securities) to the counterparty.

During the period ended February 28, 2009, the Fund entered into CDS contracts as a purchaser or seller of protection. Periodic payments (receipts) on such contracts are accrued daily and recorded as unrealized losses (gains) on swap contracts. Upon payment (receipt), such amounts are recorded as realized losses (gains) on swap contracts. Upfront payments made or received in connection with CDS contracts are amortized over the expected life of the CDS contracts as unrealized losses (gains) on swap contracts. The change in value of CDS contracts is recorded as unrealized appreciation or depreciation daily. A

## Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND, INC - Form N-Q

realized gain or loss is recorded upon a credit event (as defined in the CDS agreement) or the maturity or termination of the agreement.

CDS may involve greater risks than if the Fund had invested in the referenced obligation directly. CDSs are subject to general market risk, liquidity risk, counterparty risk and credit risk. If the Fund enters into a CDS contract as a purchaser of protection and no credit event occurs, its exposure is limited to the periodic payments previously made to the counterparty.

Because there is no organized market for swap contracts, the value of open swaps may differ from that which would be realized in the event the Fund terminated its position in the agreement. Risks of entering into these agreements include the potential inability of the counterparty to meet the terms of the contracts. This type of risk is generally limited to the amount of favorable movements in the value of the underlying security, instrument, or basket of instruments, if any, at the day of default. Risks also arise from potential losses from adverse market movements and such losses could exceed the unrealized amounts.. No CDS contracts were outstanding at February 28, 2009.

### 5. Securities Lending

The Fund, along with other funds in the Delaware Investments<sup>®</sup> Family of Funds, may lend its securities pursuant to a security lending agreement (Lending Agreement) with The Bank of New York Mellon (BNY Mellon). With respect to each loan, if the aggregate market value of securities collateral held plus cash collateral received on any business day is less than the aggregate market value of the securities which are the subject of such loan, the borrower will be notified to provide additional collateral not less than the applicable collateral requirements. Cash collateral received is generally invested in the Mellon GSL DBT II Collateral Fund (Collective Trust) established by BNY Mellon for the purpose of investment on behalf of clients participating in its securities lending programs. The Collective Trust invests in fixed income securities, with a weighted average maturity not to exceed 90 days, rated in one of the top three tiers by Standard & Poor's Ratings Group or Moody's Investors Service, Inc. or repurchase agreements collateralized by such securities. The Collective Trust seeks to maintain a net asset value per unit of \$1.00, but there can be no assurance that it will always be able to do so. The Fund may incur investment losses as a result of investing securities lending collateral in the Collective Trust. This could occur if an investment in the Collective Trust defaulted or if it were necessary to liquidate assets in the Collective Trust to meet returns on outstanding security loans at a time when the Collective Trust's net asset value per unit was less than \$1.00. Under those circumstances, the Fund may not receive an amount from the Collective Trust that is equal in amount to the collateral the Fund would be required to return to the borrower of the securities and the Fund would be required to make up for this shortfall. Prior to the fiscal period ended February 28, 2009, BNY Mellon transferred certain distressed securities from the Collective Trust into the Mellon GSL DBT II Liquidation Trust. The Fund can also accept U.S. government securities and letters of credit (non-cash collateral) in connection with securities loans. In the event of default or bankruptcy by the lending agent, realization and/or retention of the collateral may be subject to legal proceedings. In the event the borrower fails to return loaned securities and the collateral received is insufficient to cover the value of the loaned securities and provided such collateral shortfall is not the result of investment losses, the lending agent has agreed to pay the amount of the shortfall to the Fund, or at the discretion of the lending agent, replace the loaned securities. The Fund continues to record dividends or interest, as applicable, on the securities loaned and is subject to change in value of the securities loaned that may occur during the term of the loan. The Fund has the right under the Lending Agreement to recover the securities from the borrower on demand. With respect to security loans collateralized by non-cash collateral, the Fund receives loan premiums paid by the borrower. With respect to security loans collateralized by cash collateral, the earnings from the collateral investments are shared among the Fund, the security lending agent and the borrower. The Fund records security lending income net of allocations to the security lending agent and the borrower.

At February 28, 2009, the value of securities on loan was \$6,979,920, for which the Fund received collateral, comprised of non-cash collateral valued at \$103,400, and cash collateral of \$7,260,004. Investments purchased with cash collateral are presented on the schedule of investments under the caption "Securities Lending Collateral."

### 6. Credit and Market Risk

The Fund borrows through its line of credit for purposes of leveraging. Leveraging may result in higher degrees of volatility because the Fund's net asset value could be subject to fluctuations in short-term interest rates and changes in market value of portfolio securities attributable of the leverage.

The Fund invests a portion of its assets in high yield fixed income securities, which carry ratings of BB or lower by Standard & Poor's Ratings Group and/or Ba or lower by Moody's Investors Service, Inc. Investments in these higher yielding securities are generally accompanied by a greater degree of credit risk than higher rated securities. Additionally, lower rated securities may be more susceptible to adverse economic and competitive industry conditions than investment grade securities.

The Fund invests in REITs and is subject to some of the risks associated with that industry. If the Fund holds real estate directly as a result of defaults or receives rental income directly from real estate holdings, its tax status as a regulated investment company may be jeopardized. There were no direct real estate holdings during the period ended February 28, 2009. The Fund's REIT holdings are also affected by interest rate changes, particularly if the REITs it holds use floating rate debt to finance their ongoing operations.

The Fund may invest up to 10% of its net assets in illiquid securities, which may include securities with contractual restrictions on resale, securities exempt from registration under Rule 144A of the Securities Act of 1933, as amended, and other securities which may not be readily marketable. The relative illiquidity of these securities may impair the Fund from disposing of them in

a timely manner and at a fair price when it is necessary or desirable to do so. While maintaining oversight, the Fund's Board has delegated to Delaware Management Company, the day-to-day functions of determining whether individual securities are liquid for purposes of the Fund's limitation on investments in illiquid assets. Securities eligible for resale pursuant to Rule 144A, which are determined to be liquid, are not subject to the Fund's 10% limit on investments in illiquid securities. Rule 144A and illiquid securities have been identified on the schedule of investments.

---

**Item 2. Controls and Procedures.**

The registrant's principal executive officer and principal financial officer have evaluated the registrant's disclosure controls and procedures within 90 days of the filing of this report and have concluded that they are effective in providing reasonable assurance that the information required to be disclosed by the registrant in its reports or statements filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

There were no significant changes in the registrant's internal control over financial reporting that occurred during the registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

**Item 3. Exhibits.**

File as exhibits as part of this Form a separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(a) under the Act (17 CFR 270.30a-2(a)), exactly as set forth below:

---