

DELAWARE INVESTMENTS DIVIDEND & INCOME FUND INC
Form N-Q
April 29, 2008

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 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 29, 2008

Item 1. Schedule of Investments.

Schedule of Investments (Unaudited)

Delaware Investments Dividend and Income Fund, Inc.

February 29, 2008

| | Number of Shares | Value |
|---|---------------------|-----------|
| Common Stock \square 78.02% | | |
| <i>Consumer Discretionary</i> \square 4.96% | | |
| \square @=Avado Brands | 1,390 | \$ 0 |
| Gap | 100,600 | 2,029,102 |
| Limited Brands | 91,200 | 1,390,800 |
| Mattel | 101,200 | 1,955,184 |
| \square Time Warner Cable Class A | 7 | 191 |
| | | 5,375,277 |
| <i>Consumer Staples</i> \square 7.72% | | |
| B&G Foods Class A | 40,900 | 406,546 |
| Heinz (H.J.) | 45,700 | 2,015,827 |

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| | | |
|-----------------------------------|---------|------------|
| *Kimberly-Clark | 30,900 | 2,014,062 |
| Kraft Foods Class A | 69,800 | 2,175,666 |
| Safeway | 61,400 | 1,764,636 |
| | | 8,376,737 |
| <i>Diversified REITs</i> □ 0.29% | | |
| *iStar Financial | 16,000 | 315,360 |
| | | 315,360 |
| <i>Energy</i> □ 4.57% | | |
| Chevron | 28,500 | 2,469,810 |
| ConocoPhillips | 30,100 | 2,489,571 |
| | | 4,959,381 |
| <i>Financials</i> □ 13.22% | | |
| Allstate | 45,400 | 2,166,942 |
| Chubb | 38,300 | 1,949,470 |
| Discover Financial Services | 125,300 | 1,890,777 |
| Hartford Financial Services Group | 26,000 | 1,817,400 |
| Huntington Bancshares | 125,700 | 1,536,054 |
| Morgan Stanley | 46,700 | 1,967,004 |
| Wachovia | 42,100 | 1,289,102 |
| *Washington Mutual | 116,300 | 1,721,240 |
| | | 14,337,989 |
| <i>Health Care</i> □ 10.89% | | |
| Abbott Laboratories | 34,500 | 1,847,475 |
| Baxter International | 32,600 | 1,924,052 |
| Bristol-Myers Squibb | 81,700 | 1,847,237 |
| Johnson & Johnson | 32,000 | 1,982,720 |
| Pfizer | 101,000 | 2,250,280 |
| Wyeth | 45,000 | 1,962,900 |
| | | 11,814,664 |
| <i>Health Care REITs</i> □ 2.75% | | |
| HCP | 23,500 | 685,730 |
| *Health Care REIT | 9,500 | 391,020 |
| *Medical Properties Trust | 33,700 | 403,726 |
| *Nationwide Health Properties | 17,000 | 515,610 |
| Ventas | 23,600 | 986,952 |
| | | 2,983,038 |
| <i>Hotel REITs</i> □ 1.37% | | |
| Ashford Hospitality Trust | 33,700 | 224,105 |
| Hersha Hospitality Trust | 91,200 | 818,976 |
| Host Hotels & Resorts | 27,100 | 438,749 |
| | | 1,481,830 |
| <i>Industrial REITs</i> □ 2.37% | | |
| *AMB Property | 14,300 | 717,574 |
| *First Potomac Realty Trust | 13,400 | 209,442 |
| *ProLogis | 30,500 | 1,643,340 |
| | | 2,570,356 |
| <i>Industrials</i> □ 5.09% | | |
| Donnelley (R.R.) & Sons | 58,900 | 1,874,797 |

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| | | |
|---|---------|-----------|
| □Foster Wheeler | 2 | 131 |
| Genesis Lease ADR | 29,800 | 562,028 |
| Grupo Aeroportuario del Centro Norte ADR | 12,700 | 287,147 |
| *Macquarie Infrastructure | 12,800 | 428,928 |
| □Northwest Airlines | 191 | 2,559 |
| =□□@Port Townsend | 350 | 218,400 |
| Waste Management | 65,400 | 2,147,082 |
| | | 5,521,072 |
| <i>Information Technology □ 6.91%</i> | | |
| Intel | 93,000 | 1,855,350 |
| International Business Machines | 18,800 | 2,140,568 |
| Motorola | 145,700 | 1,452,629 |
| Xerox | 139,100 | 2,044,770 |
| | | 7,493,317 |
| <i>Mall REITs □ 3.76%</i> | | |
| General Growth Properties | 21,506 | 759,377 |
| Macerich | 14,000 | 896,000 |
| *Simon Property Group | 28,900 | 2,421,820 |
| | | 4,077,197 |
| <i>Manufactured Housing REITs □ 0.60%</i> | | |
| *Equity Lifestyle Properties | 11,200 | 511,616 |
| *Sun Communities | 6,700 | 136,546 |
| | | 648,162 |
| <i>Materials □ 2.15%</i> | | |
| duPont (E.I.) deNemours | 50,200 | 2,330,284 |
| | | 2,330,284 |
| <i>Mortgage REITs □ 0.29%</i> | | |
| Chimera Investment | 19,000 | 314,830 |
| | | 314,830 |
| <i>Multifamily REITs □ 1.92%</i> | | |
| *American Campus Communities | 14,500 | 378,450 |
| *Apartment Investment & Management | 17,329 | 596,984 |
| Camden Property Trust | 7,300 | 346,677 |
| Equity Residential | 20,000 | 763,600 |
| | | 2,085,711 |
| <i>Office REITs □ 1.85%</i> | | |
| *Alexandria Real Estate Equities | 8,900 | 817,020 |
| Duke Realty | 6,400 | 146,688 |
| Highwoods Properties | 10,900 | 321,332 |
| PS Business Parks | 8,500 | 412,675 |
| SL Green Realty | 3,400 | 311,100 |
| | | 2,008,815 |
| <i>Self-Storage REITs □ 1.00%</i> | | |
| Public Storage | 13,300 | 1,082,088 |
| | | 1,082,088 |
| <i>Shopping Center REITs □ 0.45%</i> | | |
| *Equity One | 12,500 | 267,500 |
| Ramco-Gershenson Properties | 9,900 | 219,978 |
| | | 487,478 |
| <i>Specialty Retail □ 0.48%</i> | | |
| *Entertainment Properties Trust | 11,000 | 515,570 |
| | | 515,570 |
| <i>Telecommunications □ 3.66%</i> | | |
| AT&T | 58,500 | 2,037,555 |
| □Century Communications | 500,000 | 350 |
| Verizon Communications | 53,100 | 1,928,592 |

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| | | |
|---|--------|-------------------|
| | | 3,966,497 |
| <i>Utilities</i> □ 1.72% | | |
| □Mirant | 189 | 6,993 |
| Progress Energy | 44,300 | 1,856,613 |
| | | 1,863,606 |
| Total Common Stock (cost \$85,541,843) | | 84,609,259 |
| Convertible Preferred Stock □ 5.59% | | |
| <i>Automobiles & Automotive Parts</i> □ 0.20% | | |
| General Motors 5.25% exercise price \$64.90, expiration date 3/6/32 | 12,225 | 221,395 |
| | | 221,395 |
| <i>Banking, Finance & Insurance</i> □ 2.59% | | |
| Aspen Insurance 5.625% exercise price \$29.28, expiration date 12/31/49 | 8,800 | 477,399 |
| □Citigroup Funding 4.963% exercise price \$29.50, expiration date 9/27/08 | 19,000 | 452,960 |
| #Goldman Sachs Group 144A 35.60% exercise price \$100.00, expiration date 8/22/08 | 6,500 | 660,815 |
| #Morgan Stanley 144A | | |
| 11.00% exercise price \$94.64, expiration date 1/7/09 | 5,300 | 469,925 |
| 24.50% exercise price \$54.67, expiration date 8/20/08 | 11,858 | 631,616 |
| XL Capital 7.00% exercise price \$80.59, expiration date 2/15/09 | 8,000 | 114,000 |
| | | 2,806,715 |
| <i>Basic Materials</i> □ 0.37% | | |
| Freeport-McMoRan Copper & Gold 6.75% exercise price \$73.50, expiration date 5/1/10 | 2,700 | 398,979 |
| | | 398,979 |
| <i>Cable, Media & Publishing</i> □ 0.29% | | |
| #Interpublic Group 144A 5.25% exercise price \$13.66, expiration date 12/31/49 | 360 | 310,455 |
| | | 310,455 |
| <i>Energy</i> □ 0.68% | | |
| Chesapeake Energy 4.50% exercise price \$44.17, expiration date 12/31/49 | 3,650 | 424,769 |
| El Paso Energy Capital Trust I 4.75% exercise price \$41.59, expiration date 3/31/28 | 5,250 | 191,625 |
| McMoRan Exploration 6.75% exercise price \$14.88, expiration date 11/15/10 | 1,000 | 118,665 |
| | | 735,059 |
| <i>Health Care & Pharmaceuticals</i> □ 0.45% | | |
| Mylan 6.50% exercise price \$17.08, expiration date 11/15/10 | 200 | 179,422 |
| Schering-Plough 6.00% exercise price \$33.69, expiration date 8/13/10 | 1,500 | 309,938 |
| | | 489,360 |
| <i>Telecommunications</i> □ 0.22% | | |
| Lucent Technologies Capital Trust I 7.75% exercise price \$24.80, expiration date 3/15/17 | 305 | 238,663 |
| | | 238,663 |
| <i>Utilities</i> □ 0.79% | | |
| Energy 7.625% exercise price \$87.14, expiration date 2/17/09 | 6,750 | 421,875 |
| NRG Energy 5.75% exercise price \$30.23, expiration date 3/16/09 | 1,225 | 436,100 |
| | | 857,975 |
| Total Convertible Preferred Stock (cost \$6,173,896) | | 6,058,601 |
| Preferred Stock □ 2.87% | | |
| <i>Industrials</i> □ 0.06% | | |
| =□□Port Townsend | 70 | 69,300 |
| | | 69,300 |
| <i>Leisure, Lodging & Entertainment</i> □ 0.84% | | |
| Red Lion Hotels Capital Trust 9.50% | 36,249 | 910,756 |
| | | 910,756 |
| <i>Real Estate</i> □ 1.97% | | |
| Grace Acquisitions 8.75% | 34,400 | 378,400 |
| SL Green Realty 7.625% | 77,100 | 1,754,025 |
| | | 2,132,425 |
| Total Preferred Stock (cost \$3,763,025) | | 3,112,481 |

| | Principal Amount | |
|--|-----------------------------|-----------|
| Convertible Bonds □ 12.20% | | |
| <i>Aerospace & Defense □ 0.60%</i> | | |
| #AAR 144A 1.75% 2/1/26 exercise price \$29.43, expiration date 2/1/26 | \$ 260,000 | 286,325 |
| #L-3 Communications 144A 3.00% 8/1/35 exercise price \$101.70, expiration date 8/1/35 | 290,000 | 360,325 |
| | | 646,650 |
| <i>Banking, Finance & Insurance □ 0.25%</i> | | |
| □#U.S. Bancorp 144A 3.176% 9/20/36 exercise price \$38.28, expiration date 9/20/36 | 275,000 | 275,880 |
| | | 275,880 |
| <i>Basic Materials □ 0.25%</i> | | |
| Rayonier TRS Holdings 3.75% 10/15/12 exercise price \$54.82, expiration date 10/15/12 | 265,000 | 274,938 |
| | | 274,938 |
| <i>Cable, Media & Publishing □ 0.48%</i> | | |
| #Playboy Enterprises 144A 3.00% 3/15/25 exercise price \$17.02, expiration date 3/15/25 | 600,000 | 517,500 |
| | | 517,500 |
| <i>Computers & Technology □ 3.04%</i> | | |
| Advanced Micro Devices 6.00% 5/1/15 exercise price \$28.08, expiration date 5/1/15 | 230,000 | 157,263 |
| #Advanced Micro Devices 144A 6.00% 5/1/15 exercise price \$28.08, expiration date 5/1/15 | 450,000 | 307,688 |
| Euronet Worldwide 3.50% 10/15/25 exercise price \$40.48, expiration date 10/15/25 | 405,000 | 363,994 |
| Fairchild Semiconductor 5.00% 11/1/08 exercise price \$30.00, expiration date 11/1/08 | 410,000 | 410,512 |
| Flextronics International 1.00% 8/1/10 exercise price \$15.53, expiration date 8/1/10 | 400,000 | 395,000 |
| Hutchinson Technology 3.25% 1/15/26 exercise price \$36.43, expiration date 1/15/26 | 340,000 | 275,825 |
| #Informatica 144A 3.00% 3/15/26 exercise price \$20.00, expiration date 3/15/26 | 200,000 | 225,500 |
| #Intel 144A 2.95% 12/15/35 exercise price \$31.53, expiration date 12/15/35 | 255,000 | 242,250 |
| ON Semiconductor 2.625% 12/15/26 exercise price \$10.50, expiration date 12/15/26 | 575,000 | 500,968 |
| SanDisk 1.00% 5/15/13 exercise price \$82.36, expiration date 5/15/13 | 280,000 | 211,400 |
| #Sybase 144A 1.75% 2/22/25 exercise price \$25.22, expiration date 2/22/25 | 500,000 | 600,624 |
| | | 3,296,024 |
| <i>Electronics & Electrical Equipment □ 0.36%</i> | | |
| Flextronics International 1.00% 8/1/10 exercise price \$15.53, expiration date 8/1/10 | 400,000 | 395,000 |
| | | 395,000 |
| <i>Energy □ 1.15%</i> | | |
| Halliburton 3.125% 7/15/23 exercise price \$18.75, expiration date 7/15/23 | 250,000 | 512,812 |
| Peabody Energy 4.75% 12/15/41 exercise price \$58.45, expiration date 12/15/41 | 150,000 | 183,938 |
| Pride International 3.25% 5/1/33 exercise price \$25.70, expiration date 5/1/33 | 230,000 | 323,150 |
| <i>Transocean</i> | | |
| 1.50% 12/15/37 exercise price \$168.61, expiration date 12/15/37 | 100,000 | 112,125 |
| 1.625% 12/15/37 exercise price \$168.61, expiration date 12/15/37 | 100,000 | 111,625 |
| | | 1,243,650 |
| <i>Environmental Services □ 0.07%</i> | | |
| Allied Waste Industries 4.25% 4/15/34 exercise price \$20.43, expiration date 4/15/34 | 80,000 | 73,200 |
| | | 73,200 |
| <i>Health Care & Pharmaceuticals □ 2.76%</i> | | |
| #Allergan 144A 1.50% 4/1/26 exercise price \$63.33, expiration date 4/1/26 | 415,000 | 469,468 |
| Amgen 0.375% 2/1/13 exercise price \$79.48, expiration date 2/1/13 | 235,000 | 210,913 |
| #Amgen 144A 0.375% 2/1/13 exercise price \$79.48, expiration date 2/1/13 | 165,000 | 148,088 |
| □Bristol-Myers Squibb 4.491% 9/15/23 exercise price \$41.28, expiration date 9/15/23 | 300,000 | 299,952 |

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|---|---------|-----------|
| CV Therapeutics 3.25% 8/16/13 exercise price \$27.00, expiration date 8/16/13 | 125,000 | 95,000 |
| Genzyme 1.25% 12/1/23 exercise price \$71.24, expiration date 12/1/23 | 300,000 | 340,125 |
| Health Management Associates 4.375% 8/1/23 exercise price \$13.93, expiration date 8/1/23 | 180,000 | 179,775 |
| φHologic 2.00% 12/15/37 exercise price \$77.19, expiration date 12/15/37 | 200,000 | 204,250 |
| LifePoint Hospitals 3.50% 5/15/14 exercise price \$51.79, expiration date 5/14/14 | 110,000 | 90,888 |
| Teva Pharmaceutical Finance 0.25% 2/1/26 exercise price \$47.06, expiration date 2/1/26 | 345,000 | 375,618 |
| ☐Wyeth 3.581% 1/15/24 exercise price \$60.09, expiration date 1/15/24 | 550,000 | 574,914 |
| | | 2,988,991 |
| Leisure, Lodging & Entertainment ☐ 0.36% | | |
| #International Game Technology 144A 2.60% 12/15/36 exercise price \$61.78, expiration date 12/15/36 | 375,000 | 389,063 |
| | | 389,063 |

| | | |
|---|---------|---------|
| Real Estate ☐ 0.79% | | |
| #General Growth Properties 144A 3.98% 4/15/27 exercise price \$88.72, expiration date 4/15/27 | 445,000 | 356,000 |
| Health Care REIT 4.75% 12/1/06 exercise price \$47.82, expiration date 12/1/26 | 255,000 | 267,113 |
| MeriStar Hospitality 9.50% 4/1/10 exercise price \$10.18, expiration date 4/1/10 | 230,000 | 236,095 |
| | | 859,208 |

| | | |
|---|---------|---------|
| Retail ☐ 0.60% | | |
| Pantry 3.00% 11/15/12 exercise price \$50.10, expiration date 11/15/12 | 180,000 | 153,675 |
| #Saks 144A 2.00% 3/15/24 exercise price \$11.97, expiration date 3/15/24 | 160,000 | 227,200 |
| #United Auto Group 144A 3.50% 4/1/26 exercise price \$23.69, expiration date 4/1/26 | 260,000 | 266,500 |
| | | 647,375 |

| | | |
|---|---------|---------|
| Telecommunications ☐ 0.77% | | |
| Level 3 Communications 3.50% 6/15/12 exercise price \$5.46, expiration date 6/15/12 | 165,000 | 121,275 |
| NII Holdings 3.125% 6/15/12 exercise price \$118.32, expiration date 6/15/12 | 410,000 | 357,725 |
| #Nortel Networks 144A | | |
| 1.75% 4/15/12 exercise price \$32.00, expiration date 4/15/12 | 115,000 | 80,356 |
| 2.125% 4/15/14 exercise price \$32.00, expiration date 4/15/14 | 115,000 | 74,175 |
| Qwest Communications International 3.50% 11/15/25 exercise price \$5.82, expiration date 11/15/25 | 180,000 | 206,775 |
| | | 840,306 |

| | | |
|---|---------|---------|
| Transportation ☐ 0.43% | | |
| #ExpressJet Holdings 144A 4.25% 8/1/23 exercise price \$18.20, expiration date 8/1/23 | 200,000 | 194,000 |
| *JetBlue Airways 3.50% 7/15/33 exercise price \$28.33, expiration date 7/15/33 | 275,000 | 269,500 |
| | | 463,500 |

| | | |
|---|---------|---------|
| Utilities ☐ 0.29% | | |
| Dominion Resources 2.125% 12/15/23 exercise price \$36.33, expiration date 12/15/23 | 290,000 | 321,190 |
| ☐Mirant (Escrow) 2.50% 6/15/21 exercise price \$67.95, expiration date 6/15/21 | 180,000 | 0 |
| | | 321,190 |

Total Convertible Bonds (cost \$13,707,960) 13,232,475

| | | |
|---|---------|---------|
| Corporate Bonds ☐ 28.58% | | |
| Basic Industries ☐ 2.84% | | |
| *AK Steel 7.75% 6/15/12 | 175,000 | 177,188 |
| Foundation Pennsylvania Coal 7.25% 8/1/14 | 280,000 | 278,599 |
| Freeport McMoRan Copper & Gold 8.25% 4/1/15 | 135,000 | 142,256 |
| Georgia-Pacific | | |
| 7.70% 6/15/15 | 130,000 | 123,500 |
| 8.875% 5/15/31 | 250,000 | 223,750 |
| #GTL Trade Finance 144A 7.25% 10/20/17 | 100,000 | 104,893 |
| *#Ineos Group Holdings 144A 8.50% 2/15/16 | 130,000 | 98,150 |
| Innophos 8.875% 8/15/14 | 130,000 | 127,400 |
| #MacDermid 144A 9.50% 4/15/17 | 120,000 | 106,200 |
| Momentive Performance Materials 9.75% 12/1/14 | 165,000 | 148,500 |
| #NewPage 144A 10.00% 5/1/12 | 225,000 | 226,688 |

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|---|---------|-----------|
| =[]@Port Townsend 12.431% 8/27/12 | 98,000 | 97,020 |
| Potlatch 13.00% 12/1/09 | 250,000 | 284,667 |
| #Rock-Tenn 144A 9.25% 3/15/16 | 75,000 | 76,436 |
| Rockwood Special Group 7.50% 11/15/14 | 200,000 | 192,000 |
| []#Ryerson 144A 10.614% 11/1/14 | 125,000 | 116,250 |
| #Sappi Papier Holding 144A 6.75% 6/15/12 | 275,000 | 273,685 |
| Steel Dynamics 6.75% 4/1/15 | 120,000 | 117,900 |
| #Steel Dynamics 144A 7.375% 11/1/12 | 65,000 | 66,138 |
| Verso Paper Holdings 9.125% 8/1/14 | 105,000 | 99,488 |
| | | 3,080,708 |
| <i>Brokerage [] 0.41%</i> | | |
| LaBranche | | |
| 9.50% 5/15/09 | 265,000 | 270,963 |
| 11.00% 5/15/12 | 174,000 | 178,350 |
| | | 449,313 |
| <i>Capital Goods [] 1.89%</i> | | |
| CPG International I 10.50% 7/1/13 | 120,000 | 106,200 |
| DRS Technologies 7.625% 2/1/18 | 155,000 | 155,775 |
| Graham Packaging 8.50% 10/15/12 | 165,000 | 148,913 |
| | | |
| Graphic Packaging International 8.50% 8/15/11 | 140,000 | 135,800 |
| Greenbrier 8.375% 5/15/15 | 110,000 | 105,463 |
| Interface 10.375% 2/1/10 | 215,000 | 225,749 |
| Intertape Polymer 8.50% 8/1/14 | 165,000 | 139,013 |
| Koppers Industries 9.875% 10/15/13 | 120,000 | 127,500 |
| L-3 Communications 7.625% 6/15/12 | 285,000 | 293,550 |
| []NXP BV Funding 7.008% 10/15/13 | 115,000 | 93,294 |
| Owens Brockway Glass Container 6.75% 12/1/14 | 225,000 | 226,124 |
| Smurfit-Stone Container Enterprises 8.00% 3/15/17 | 85,000 | 75,650 |
| #SPX 144A 7.625% 12/15/14 | 70,000 | 72,188 |
| Trimas 9.875% 6/15/12 | 153,000 | 139,804 |
| | | 2,045,023 |
| <i>Consumer Cyclical [] 2.75%</i> | | |
| DR Horton 8.00% 2/1/09 | 120,000 | 119,400 |
| Ford Motor 7.45% 7/16/31 | 150,000 | 103,125 |
| Ford Motor Credit 7.80% 6/1/12 | 695,000 | 599,780 |
| *General Motors | | |
| 6.375% 5/1/08 | 300,000 | 299,250 |
| 8.375% 7/15/33 | 135,000 | 103,950 |
| GMAC 6.875% 8/28/12 | 825,000 | 659,117 |
| #Invista 144A 9.25% 5/1/12 | 135,000 | 138,881 |
| KB Home 8.625% 12/15/08 | 115,000 | 115,575 |
| Lear 8.75% 12/1/16 | 330,000 | 286,275 |
| Neiman Marcus Group PIK 9.00% 10/15/15 | 230,000 | 230,000 |
| Tenneco 8.625% 11/15/14 | 115,000 | 113,275 |
| #Tenneco 144A 8.125% 11/15/15 | 125,000 | 125,938 |
| #TRW Automotive 144A 7.00% 3/15/14 | 100,000 | 92,750 |
| | | 2,987,316 |
| <i>Consumer Non-Cyclical [] 0.94%</i> | | |
| ACCO Brands 7.625% 8/15/15 | 110,000 | 96,250 |
| *Constellation Brands 8.125% 1/15/12 | 205,000 | 206,025 |
| Cott Beverages 8.00% 12/15/11 | 120,000 | 99,000 |
| Del Monte | | |
| 6.75% 2/15/15 | 60,000 | 57,300 |
| 8.625% 12/15/12 | 45,000 | 45,900 |
| *Jarden 7.50% 5/1/17 | 140,000 | 123,375 |
| National Beef Packing 10.50% 8/1/11 | 210,000 | 185,850 |
| Pilgrim's Pride 8.375% 5/1/17 | 184,000 | 162,840 |

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|--|---------|-----------|
| Visant Holding 8.75% 12/1/13 | 45,000 | 42,863 |
| | | 1,019,403 |
| Energy \square 4.92% | | |
| AmeriGas Partners 7.125% 5/20/16 | 210,000 | 205,800 |
| Chesapeake Energy | | |
| *6.375% 6/15/15 | 155,000 | 150,738 |
| 6.625% 1/15/16 | 175,000 | 171,281 |
| Complete Production Service 8.00% 12/15/16 | 105,000 | 101,456 |
| Compton Petroleum Finance 7.625% 12/1/13 | 350,000 | 327,250 |
| Dynergy Holdings 7.75% 6/1/19 | 460,000 | 430,099 |
| El Paso | | |
| *6.875% 6/15/14 | 130,000 | 133,582 |
| 7.00% 6/15/17 | 225,000 | 233,366 |
| #El Paso Performance-Linked Trust 144A 7.75% 7/15/11 | 175,000 | 182,407 |
| Energy Partners 9.75% 4/15/14 | 105,000 | 88,463 |
| Ferrellgas Finance Escrow 6.75% 5/1/14 | 205,000 | 201,156 |
| Geophysique-Veritas | | |
| 7.50% 5/15/15 | 30,000 | 30,300 |
| 7.75% 5/15/17 | 135,000 | 136,688 |
| #Helix Energy Solutions 144A 9.50% 1/15/16 | 200,000 | 201,000 |
| #Hilcorp Energy I 144A | | |
| 7.75% 11/1/15 | 120,000 | 113,700 |
| 9.00% 6/1/16 | 205,000 | 206,025 |
| <hr/> | | |
| Inergy Finance | | |
| 6.875% 12/15/14 | 150,000 | 146,250 |
| 8.25% 3/1/16 | 75,000 | 77,250 |
| #Key Energy Services 144A 8.375% 12/1/14 | 140,000 | 141,050 |
| Mariner Energy 8.00% 5/15/17 | 225,000 | 217,125 |
| Massey Energy | | |
| 6.625% 11/15/10 | 50,000 | 50,000 |
| 6.875% 12/15/13 | 195,000 | 190,125 |
| #OPTI Canada 144A | | |
| 7.875% 12/15/14 | 85,000 | 83,088 |
| 8.25% 12/15/14 | 35,000 | 34,738 |
| PetroHawk Energy 9.125% 7/15/13 | 240,000 | 246,000 |
| Plains Exploration & Production 7.00% 3/15/17 | 220,000 | 212,300 |
| Regency Energy Partners 8.375% 12/15/13 | 176,000 | 176,880 |
| #Stallion Oilfield Services 144A 9.75% 2/1/15 | 125,000 | 96,875 |
| Whiting Petroleum 7.25% 5/1/13 | 320,000 | 319,200 |
| Williams 7.50% 1/15/31 | 410,000 | 436,649 |
| | | 5,340,841 |
| Finance & Investments \square 0.58% | | |
| Leucadia National 8.125% 9/15/15 | 240,000 | 243,000 |
| #LVB Acquisition Merger Sub144A 10.00% 10/15/17 | 155,000 | 161,006 |
| #Nuveen Investments 144A 10.50% 11/15/15 | 245,000 | 223,869 |
| | | 627,875 |
| Media \square 0.97% | | |
| #Charter Communications Operating144A 8.00% 4/30/12 | 245,000 | 229,075 |
| CSC Holdings 7.625% 4/1/11 | 115,000 | 114,856 |
| Dex Media West 9.875% 8/15/13 | 250,000 | 210,625 |
| Lamar Media 6.625% 8/15/15 | 95,000 | 87,875 |
| #LBI Media 144A 8.50% 8/1/17 | 100,000 | 88,000 |
| NTL Cable 9.125% 8/15/16 | 130,000 | 109,850 |
| #Quebecor Media 144A 7.75% 3/15/16 | 225,000 | 207,563 |
| | | 1,047,844 |

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| | | |
|--|---------|-----------|
| <i>Real Estate</i> □ 0.29% | | |
| *Host Hotels & Resorts 7.125% 11/1/13 | 320,000 | 316,800 |
| | | 316,800 |
| <i>Services Cyclical</i> □ 4.27% | | |
| Aramark 8.50% 2/1/15 | 515,000 | 509,849 |
| Cardtronics 9.25% 8/15/13 | 30,000 | 28,425 |
| #Cardtronics 144A 9.25% 8/15/13 | 100,000 | 94,750 |
| Corrections Corporation of America | | |
| 6.25% 3/15/13 | 250,000 | 250,625 |
| 7.50% 5/1/11 | 125,000 | 128,125 |
| FTI Consulting 7.625% 6/15/13 | 455,000 | 474,337 |
| #Galaxy Entertainment Finance 144A 9.875% 12/15/12 | 250,000 | 250,000 |
| Gaylord Entertainment 8.00% 11/15/13 | 120,000 | 111,000 |
| Global Cash Access 8.75% 3/15/12 | 125,000 | 120,938 |
| Harrahs Operating 5.50% 7/1/10 | 210,000 | 186,375 |
| #Harrahs Operating 144A 10.75% 2/1/16 | 110,000 | 96,663 |
| Hertz 8.875% 1/1/14 | 210,000 | 201,075 |
| Kansas City Southern de Mexico 9.375% 5/1/12 | 400,000 | 417,999 |
| Kansas City Southern Railway 9.50% 10/1/08 | 25,000 | 25,688 |
| Majestic Star Casino 9.50% 10/15/10 | 120,000 | 106,200 |
| Mandalay Resort Group | | |
| 9.375% 2/15/10 | 90,000 | 92,925 |
| 9.50% 8/1/08 | 225,000 | 228,938 |
| MGM MIRAGE 7.625% 1/15/17 | 105,000 | 99,488 |
| □Northwest Airlines 10.00% 2/1/09 | 55,000 | 2,131 |
| #Penhall International 144A 12.00% 8/1/14 | 105,000 | 88,725 |
| #Pokagon Gaming Authority 144A 10.375% 6/15/14 | 373,000 | 389,784 |
| Seabulk International 9.50% 8/15/13 | 250,000 | 265,000 |
| <hr/> | | |
| #Seminole Indian Tribe of Florida 144A | | |
| 7.804% 10/1/20 | 145,000 | 148,899 |
| 8.03% 10/1/20 | 75,000 | 75,890 |
| Station Casinos 6.00% 4/1/12 | 115,000 | 97,750 |
| Wynn Las Vegas Capital 6.625% 12/1/14 | 140,000 | 135,100 |
| | | 4,626,679 |
| <i>Services Non-Cyclical</i> □ 2.02% | | |
| Advanced Medical Optics 7.50% 5/1/17 | 105,000 | 90,300 |
| Allied Waste North America | | |
| 7.375% 4/15/14 | 115,000 | 111,263 |
| 7.875% 4/15/13 | 215,000 | 220,644 |
| #Bausch & Lomb 144A 9.875% 11/1/15 | 160,000 | 162,800 |
| Casella Waste Systems 9.75% 2/1/13 | 275,000 | 273,624 |
| HCA 9.25% 11/15/16 | 240,000 | 246,600 |
| HCA PIK 9.625% 11/15/16 | 542,000 | 560,970 |
| □HealthSouth 10.829% 6/15/14 | 120,000 | 117,300 |
| Iron Mountain | | |
| 6.625% 1/1/16 | 105,000 | 100,538 |
| 8.625% 4/1/13 | 115,000 | 116,438 |
| Universal Hospital Services PIK 8.50% 6/1/15 | 185,000 | 185,463 |
| | | 2,185,940 |
| <i>Technology & Electronics</i> □ 0.27% | | |
| Freescale Semiconductor 8.875% 12/15/14 | 95,000 | 77,900 |
| *Sungard Data Systems 9.125% 8/15/13 | 210,000 | 212,625 |
| | | 290,525 |
| <i>Telecommunications</i> □ 3.74% | | |
| American Tower 7.125% 10/15/12 | 300,000 | 308,999 |
| #American Tower 144A 7.00% 10/15/17 | 125,000 | 125,313 |

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| | | |
|--|---------|-----------|
| Broadview Network Holdings 11.375% 9/1/12 | 135,000 | 131,625 |
| ☐Centennial Communications 10.479% 1/1/13 | 225,000 | 208,125 |
| Citizens Communications 7.125% 3/15/19 | 350,000 | 320,250 |
| Cricket Communications 9.375% 11/1/14 | 105,000 | 93,975 |
| #Digicel 144A 9.25% 9/1/12 | 175,000 | 176,750 |
| ☐#Hellas Telecommunications Luxembourg II 144A 10.008% 1/15/15 | 115,000 | 84,525 |
| Hughes Network Systems 9.50% 4/15/14 | 205,000 | 205,513 |
| ΩInmarsat Finance 10.375% 11/15/12 | 275,000 | 267,437 |
| Intelsat Bermuda 11.25% 6/15/16 | 215,000 | 215,269 |
| Lucent Technologies 6.45% 3/15/29 | 215,000 | 162,325 |
| MetroPCS Wireless 9.25% 11/1/14 | 180,000 | 159,300 |
| ☐Nortel Networks 8.508% 7/15/11 | 255,000 | 221,850 |
| PAETEC Holding 9.50% 7/15/15 | 100,000 | 93,250 |
| Qwest | | |
| 6.50% 6/1/17 | 150,000 | 137,625 |
| 7.50% 10/1/14 | 200,000 | 199,000 |
| Qwest Capital Funding 7.25% 2/15/11 | 235,000 | 229,712 |
| Rural Cellular | | |
| ☐8.989% 11/1/12 | 75,000 | 76,125 |
| 9.875% 2/1/10 | 275,000 | 283,937 |
| Time Warner Telecom Holdings 9.25% 2/15/14 | 140,000 | 140,700 |
| Windstream 8.125% 8/1/13 | 215,000 | 215,538 |
| | | 4,057,143 |
| <i>Utilities ☐ 2.69%</i> | | |
| AES | | |
| 7.75% 3/1/14 | 130,000 | 132,275 |
| 8.00% 10/15/17 | 140,000 | 143,500 |
| Elwood Energy 8.159% 7/5/26 | 258,447 | 258,009 |
| Midwest Generation 8.30% 7/2/09 | 131,522 | 133,495 |
| Mirant Americas Generation 8.30% 5/1/11 | 275,000 | 278,094 |

| | | |
|---|---------|-----------|
| Mirant North America 7.375% 12/31/13 | 220,000 | 221,925 |
| NRG Energy 7.375% 2/1/16 | 840,000 | 811,650 |
| Orion Power Holdings 12.00% 5/1/10 | 250,000 | 272,500 |
| #Texas Competitive Electric 144A 10.25% 11/1/15 | 680,000 | 666,400 |
| | | 2,917,848 |

Total Corporate Bonds (cost \$31,997,940) 30,993,258

| | | |
|---|---------|---------|
| «Senior Secured Loans ☐ 3.38% | | |
| Allied Waste North America 7.73% 3/28/14 | 92,814 | 86,955 |
| ALLTEL 7.69% 12/31/14 | 119,700 | 108,594 |
| Aramark 7.073% 1/26/14 | 7,888 | 7,306 |
| Aramark Term Loan B 6.705% 1/26/14 | 212,112 | 196,436 |
| Building Materials 8.256% 2/22/14 | 99,501 | 80,409 |
| Community Health Systems | | |
| 7.61% 7/2/14 | 433,650 | 397,604 |
| 7.61% 8/25/14 | 21,810 | 20,016 |
| Dynegy Holdings 7.284/2/13 | 245,000 | 221,880 |
| Energy Futures Holdings 8.39% 10/10/14 | 413,963 | 377,901 |
| Ford Motor 8.36% 11/29/13 | 247,754 | 212,268 |
| Freescale Semiconductor 7.37% 12/1/13 | 119,698 | 101,860 |
| General Motors 7.056% 11/17/13 | 224,433 | 197,782 |
| Georgia Pacific Term Loan B 7.115% 12/22/12 | 199,749 | 184,851 |
| Goodyear Tire & Rubber 2nd Lien 7.4730/14 | 125,000 | 113,789 |
| Hawker Beechcraft 4.73% 3/26/14 | 12,962 | 12,087 |
| Hawker Beechcraft Term Loan B 6.83% 3/26/14 | 152,038 | 141,889 |
| Idearc 7.30% 11/1/14 | 99,497 | 81,775 |
| Jarden 7.67% 1/24/12 | 124,359 | 114,846 |

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| | | |
|--|---------|------------------|
| MacDermid Term Loan B 7.45% 4/12/14 | 96,408 | 80,983 |
| MetroPCS Wireless Term Loan B 9.70% 2/20/14 | 119,697 | 109,572 |
| Northwest Airlines 5.13% 8/21/13 | 100,000 | 85,719 |
| Solar Capital 7.53% 2/11/13 | 199,748 | 185,547 |
| Stallion Oilfield Services Term Loan B 8.65% 8/1/12 | 125,000 | 105,625 |
| Talecris Biotherapeutics 2nd Lien 11.85% 12/6/14 | 150,000 | 127,500 |
| Time Warner Telecom Holdings 7.62% 1/7/13 | 199,497 | 186,530 |
| Windstream Term Loan B 8.36% 7/17/13 | 124,375 | 119,555 |
| Total Senior Secured Loans (cost \$3,937,221) | | 3,659,279 |

| | Number of Shares | |
|--|---------------------|--------------|
| Warrants □ 0.00% | | |
| □#Solutia 144A, exercise price \$7.59, expiration date 7/15/09 | 650 | 0 |
| =□@Port Townsend | 70 | 1,680 |
| Total Warrants (cost \$56,974) | | 1,680 |

| | Principal Amount | |
|--|---------------------|-------------------|
| #Discount Note □ 9.67% | | |
| Federal Home Loan Bank 2.00% 03/03/2008 | \$ 10,490,764 | 10,489,599 |
| Total Discount Note (cost \$10,489,599) | | 10,489,599 |

Total Value of Securities Before Securities Lending Collateral □ 140.31%
(cost \$155,668,458) **152,156,632**

| | Number of Shares | |
|--|---------------------|-------------------|
| Securities Lending Collateral** □ 11.40% | | |
| Investment Companies | | |
| Mellon GSL DBT II Collateral Fund | 12,363,940 | 12,363,940 |
| Total Securities Lending Collateral (cost \$12,363,940) | | 12,363,940 |

| | | |
|--|--|----------------------|
| Total Value of Securities □ 151.71% (cost \$168,032,398) | | 164,520,572 ⓐ |
| Obligation to Return Securities Lending Collateral** □ (11.40%) | | (12,363,940) |
| Borrowing Under Line of Credit □ (40.57%) | | (44,000,000) |
| Receivables and Other Assets Net of Liabilities (See Notes) □ 0.26% | | 283,779 |
| Net Assets Applicable to 10,458,774 Shares Outstanding □ 100.00% | | \$108,440,411 |

ⓐRestricted Security. Investment in a security not registered under the Securities Act of 1933, as amended. This security has certain restrictions on resale which may limit its liquidity. At February 29, 2008, the aggregate amount of the restricted security was \$386,400 which represented 0.36% of the Fund's net assets. See Note 7 in notes.

□Non-income producing security for the period ended February 29, 2008.

@Illiquid security. At February 29, 2008, the aggregate amount of illiquid securities was \$386,400, which represented 0.36% of the Fund's net assets. See Note 7 in notes.

=Security is being fair valued in accordance with the Fund's fair valuation policy. At February 29, 2008, the aggregate amount of fair valued securities was \$386,400, which represented 0.36% of the Fund's net assets. See Note 1 in notes.

*Fully or partially on loan.

Variable rate security. The rate shown is the rate as of February 29, 2008.

#Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. At February 29, 2008, the aggregate amount of Rule 144A securities was \$12,920,845, which represented 11.92% of the Fund's net assets. See Note 7 in notes.

φStep coupon bond. Coupon increases periodically based on a predetermined schedule. Stated rate in effect at February 29, 2008.

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

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ΩStep coupon bond. Indicates security that has a zero coupon that remains in effect until a predetermined date at which time the stated interest rate becomes effective.

«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.

≠The rate shown is the effective yield at the time of purchase.

**See Note 6 in [notes].

©Includes \$13,662,331 of securities loaned.

Summary of Abbreviations:

ADR □ American Depositary Receipts
 CDS □ Credit Default Swap
 PIK □ Pay-in-kind
 REIT □ Real Estate Investment Trust

The following swap contracts were outstanding at February 29, 2008:

Swap Contracts¹

Credit Default Swap Contracts

| Swap Counterparty & Referenced Obligation | Notional Value | Annual Protection Payments | Termination Date | Unrealized Appreciation (Depreciation) |
|--|-------------------|-------------------------------|---------------------|--|
| Protection Purchased: | | | | |
| Lehman Brothers | | | | |
| Capmark Financial 5 yr CDS | 70,000 | 1.65% | 9/20/12 | \$20,335 |
| Gannet 7 yr CDS | 122,000 | 0.88% | 9/20/14 | 8,108 |
| New York Times 7 yr CDS | 122,000 | 0.75% | 9/20/14 | 11,620 |
| Sara Lee 7 yr CDS | 122,000 | 0.60% | 9/20/14 | 2,016 |
| | | | | \$42,079 |
| Protection Sold: | | | | |
| Lehman Brothers | | | | |
| Reynolds American 5 yr CDS | (244,000) | 1.00% | 9/20/12 | \$(3,611) |
| | | | | \$(3,611) |

The use of swap contracts involves elements of market risk and risks in excess of the amount recognized in the financial statements. The notional value presented above represents the Fund's (as defined below) total exposure in such contracts, whereas only the net unrealized appreciation (depreciation) is reflected in the Fund's net assets.

¹ See Note 5 in [notes].

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 asked prices will be used. U.S. Government and agency securities are valued at the mean between the bid and asked 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 and such prices are believed to reflect the fair value of such securities. Short-term debt securities having less than 60 days to maturity are valued at amortized cost, which approximates market value. Securities lending collateral, which is invested in a collective investment vehicle (Collective Trust), is valued at unit value per share. Generally, index swap contracts and other

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securities and assets for which market quotations are not readily available are valued at fair value as determined in good faith under the direction of the Fund's Board of Directors. In determining whether market quotations are readily available or fair valuation will be used, various factors will be taken into consideration, such as market closures, or with respect to foreign securities, aftermarket trading or significant events after local market trading (e.g., government actions or pronouncements, trading volume or volatility on markets, exchanges among dealers, or news events).

Federal Income Taxes □ The Fund intends to continue to qualify for federal income tax purposes as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended, and make the requisite distributions to shareholders. Accordingly, no provision for federal income taxes has been made in the financial statements.

On July 13, 2006, the FASB released FASB Interpretation No. 48 □Accounting for Uncertainty in Income Taxes□ (FIN 48). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Fund's 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 would be recorded as a tax benefit or expense in the current year. Adoption of FIN 48 is required for fiscal years beginning after December 15, 2006 and is to be applied to all open tax years as of the effective date. Securities and Exchange Commission (SEC) guidance allows implementing FIN 48 in the Fund's net asset value calculations as late as the Fund's last net asset value calculation in the first required financial statement reporting period. As a result, the Fund will incorporate FIN 48 in its semiannual report on May 31, 2008. Although the Fund's tax positions are currently being evaluated, management does not expect the adoption of FIN 48 to have a material impact on the Fund's financial statements.

Repurchase Agreements □ The Fund may invest in a pooled cash account along with members of the Delaware Investment® Family of Funds pursuant to an exemptive order issued by the SEC. 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. At February 29, 2008, the Fund held no investments in repurchase agreements.

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 to the extent permitted and, if necessary, a return of capital. The current annualized rate is \$0.96 per share (\$0.08 monthly). The Fund continues to evaluate its monthly distribution in light of ongoing economic and market conditions and may change the amount of the monthly distributions in the future.

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. The financial statements reflect an estimate of the reclassification of the distribution character.

2. Investments

At February 29, 2008, 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 29, 2008, the cost of investments and unrealized appreciation (depreciation) for the Fund was as follows:

| | |
|-----------------------------------|----------------|
| Cost of investments | \$ 168,091,391 |
| Aggregate unrealized appreciation | 11,172,344 |
| Aggregate unrealized depreciation | (14,743,163) |
| Net unrealized appreciation | \$ (3,570,819) |

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Effective December 1, 2007, the Fund adopted Financial Accounting Standards Board Statement of 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 in the 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 that 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 above FAS 157 fair value hierarchy levels as of February 29, 2008:

| Level | Securities | Derivatives |
|--------------|-----------------------|-------------------|
| Level 1 | \$ 96,754,448 | \$ - |
| Level 2 | 65,238,617 | 230,468 |
| Level 3 | 2,527,507 | - |
| Total | \$ 164,520,572 | \$ 230,468 |

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

| | Securities | Derivatives |
|--|---------------------|-------------|
| Balance as of 11/30/2007 | \$ 218,725 | \$ - |
| Net change in unrealized appreciation/(depreciation) | (519,087) | - |
| Net purchases, sales and settlements | 2,827,869 | - |
| Balance as of 2/29/08 | \$ 2,527,507 | \$ - |
| Net change in unrealized appreciation/depreciation from Investments still held as of 2/29/08 | \$ 25 | \$ - |

3. Commercial Paper

The Fund terminated the commercial paper program and related liquidity Agreement with JPMorgan Chase on December 20, 2007.

4. Line of Credit

For the period ended February 29, 2008, the Fund borrowed money pursuant to a \$44,000,000 Line of Credit Agreement with the Bank of New York. At February 29, 2008, the par value of loans outstanding was \$44,000,000 at the Fed Funds rate of 3.125% plus 0.25%. During the period February 29, 2008, the average daily balance of loans outstanding was \$39,252,747 at a weighted average Fed Funds rate of approximately 3.992% plus 0.25%. The maximum amount of borrowings outstanding at any time during the period was \$44,000,000. Interest on borrowings is based on market rates in effect at the time of borrowing. 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.

5. Swap Contracts

The Fund may enter into interest rate swap contracts, index swap contracts and credit default swap (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 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 29, 2008, the Fund entered into CDS contracts as a purchaser and 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 realized losses (gains) on swap contracts. The change in value of CDS contracts is recorded as unrealized appreciation or depreciation daily. A 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. CDS 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 movement 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 shown on the schedule of investments.

6. Securities Lending

The Fund, along with other funds in the Delaware Investments® Family of Funds, may lend its securities pursuant to a security lending agreement (Lending Agreement) with Mellon Bank N.A. (Mellon). With respect to each loan, if the aggregate market value of the collateral held 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 invested in a Collective Trust established by 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 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.

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At February 29, 2008, the market value of securities on loan was \$13,662,331, for which the Fund received collateral, comprised of non-cash collateral valued at \$1,849,600, and cash collateral of \$12,363,940. Investments purchased with cash collateral are presented on the schedule of investments under the caption "Securities Lending Collateral."

7. Credit and Market Risk

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 29, 2008. 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 of Directors has delegated to Delaware Management Company, a series of Delaware Management Business Trust, 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. Both 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:
