

DELAWARE INVESTMENTS DIVIDEND & INCOME FUND, INC
Form N-Q
October 29, 2010

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: | August 31, 2010 |

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Item 1. Schedule of Investments.

Schedule of Investments (Unaudited)

Delaware Investments® Dividend and Income Fund, Inc.

August 31, 2010

| | Number of Shares | Value |
|---------------------------------------|---------------------|-----------|
| Common Stock – 65.36% | | |
| Consumer Discretionary – 2.84% | | |
| =P†Avado Brands | 1,390 | \$ 0 |
| Comcast Class A | 56,900 | 974,128 |
| †DIRECTV Class A | 1,550 | 58,776 |
| Lowe's | 42,800 | 868,840 |
| | | 1,901,744 |
| Consumer Staples – 7.69% | | |
| Archer-Daniels-Midland | 34,700 | 1,068,066 |
| CVS Caremark | 36,300 | 980,100 |
| Kimberly-Clark | 17,100 | 1,101,240 |
| Kraft Foods Class A | 37,000 | 1,108,150 |
| *Safeway | 47,100 | 885,480 |
| | | 5,143,036 |
| Diversified REITs – 1.18% | | |
| *Investors Real Estate Trust | 10,300 | 84,460 |
| Lexington Realty Trust | 12,900 | 86,043 |
| *Vornado Realty Trust | 7,665 | 621,325 |
| | | 791,828 |
| Energy – 7.88% | | |
| Chevron | 14,200 | 1,053,072 |
| ConocoPhillips | 19,500 | 1,022,385 |
| Marathon Oil | 32,500 | 990,925 |
| National Oilwell Varco | 26,400 | 992,376 |
| Noble | 10,400 | 323,648 |
| Williams | 49,200 | 891,996 |
| | | 5,274,402 |
| Financials – 6.95% | | |
| Allstate | 36,600 | 1,010,160 |
| Bank of New York Mellon | 38,300 | 929,541 |
| *Fifth Street Finance | 34,041 | 335,644 |
| Marsh & McLennan | 31,400 | 744,808 |
| *Solar Capital | 30,561 | 600,218 |
| Travelers | 21,000 | 1,028,580 |
| | | 4,648,951 |
| Health Care – 9.20% | | |
| *†Alliance HealthCare Services | 7,323 | 30,757 |
| Baxter International | 23,600 | 1,004,416 |
| Cardinal Health | 33,200 | 994,672 |

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| Johnson & Johnson | 17,900 | 1,020,658 |
| Merck | 29,870 | 1,050,229 |
| Pfizer | 69,189 | 1,102,182 |
| *Quest Diagnostics | 22,000 | 957,000 |
| | | 6,159,914 |
| Health Care REITs – 3.19% | | |
| Cogdell Spencer | 16,800 | 103,824 |
| *HCP | 15,650 | 551,194 |
| *Health Care REIT | 9,060 | 416,216 |
| LTC Properties | 3,300 | 81,444 |
| Nationwide Health Properties | 8,800 | 338,536 |
| *Omega Healthcare Investors | 7,900 | 169,455 |
| *Ventas | 9,375 | 473,531 |
| | | 2,134,200 |
| Hotel REITs – 0.37% | | |
| *Host Hotels & Resorts | 18,688 | 245,373 |
| | | 245,373 |
| Industrial REITs – 0.05% | | |
| AMB Property | 1,280 | 30,451 |
| | | 30,451 |
| Industrials – 3.04% | | |
| †Delta Air Lines | 9 | 94 |
| †Flextronics International | 4,400 | 21,692 |
| †Foster Wheeler | 2 | 43 |
| *†Mobile Mini | 1,651 | 23,494 |
| Northrop Grumman | 17,200 | 930,864 |
| =P+PT Holdings | 350 | 4 |
| *Waste Management | 31,900 | 1,055,570 |
| | | 2,031,761 |

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| Information Technology – 5.73% | | |
| Intel | 47,800 | 847,016 |
| International Business Machines | 8,200 | 1,010,486 |
| †Motorola | 136,400 | 1,027,092 |
| Xerox | 112,800 | 952,032 |
| | | 3,836,626 |
| Mall REITs – 1.99% | | |
| General Growth Properties | 6 | 84 |
| *Macerich | 5,026 | 208,177 |
| Simon Property Group | 11,347 | 1,026,336 |
| *Taubman Centers | 2,400 | 99,576 |
| | | 1,334,173 |
| Materials – 1.57% | | |
| *duPont (E.I.) deNemours | 25,800 | 1,051,866 |
| | | 1,051,866 |
| Mortgage REITs – 0.44% | | |
| Chimera Investment | 23,800 | 93,534 |
| *Cypress Sharpridge Investments | 14,800 | 199,356 |
| | | 292,890 |
| Multifamily REITs – 1.36% | | |
| Apartment Investment & Management | 7,968 | 162,866 |
| Associated Estates Realty | 7,200 | 97,632 |
| *BRE Properties | 4,600 | 188,048 |
| *Camden Property Trust | 3,450 | 157,872 |
| Equity Residential | 6,600 | 302,478 |
| | | 908,896 |
| Office REITs – 0.74% | | |
| *Boston Properties | 3,000 | 244,200 |
| Brandywine Realty Trust | 11,500 | 126,385 |
| Government Properties Income Trust | 4,800 | 123,216 |
| | | 493,801 |
| Office/Industrial REITs – 0.61% | | |
| *Digital Realty Trust | 5,550 | 328,949 |
| Liberty Property Trust | 2,700 | 81,999 |
| | | 410,948 |
| Real Estate Operating REITs – 0.46% | | |
| *Starwood Property Trust | 16,000 | 304,320 |
| | | 304,320 |
| Self-Storage REITs – 0.76% | | |
| *Public Storage | 5,150 | 504,803 |
| | | 504,803 |
| Shopping Center REITs – 0.74% | | |
| *Federal Realty Investment Trust | 300 | 23,787 |
| *Kimco Realty | 20,430 | 304,611 |
| Ramco-Gershenson Properties Trust | 8,800 | 91,872 |
| *Weingarten Realty Investors | 3,600 | 72,648 |
| | | 492,918 |
| Single Tenant REITs – 0.24% | | |
| *National Retail Properties | 6,700 | 163,212 |

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| | | 163,212 |
| Specialty REITs – 0.78% | | |
| *Entertainment Properties Trust | 2,920 | 125,823 |
| *Plum Creek Timber | 6,885 | 237,325 |
| *Potlatch | 4,825 | 161,638 |
| | | 524,786 |
| Telecommunications – 3.86% | | |
| AT&T | 42,200 | 1,140,666 |
| =†Century Communications | 500,000 | 0 |
| Frontier Communications | 40,000 | 309,200 |
| †GeoEye | 550 | 20,042 |
| Verizon Communications | 37,800 | 1,115,478 |
| | | 2,585,386 |
| Utilities – 3.70% | | |
| American Water Works | 4,300 | 97,094 |
| Edison International | 33,300 | 1,123,875 |
| †Mirant | 189 | 1,833 |
| NorthWestern | 3,300 | 92,796 |
| Progress Energy | 27,000 | 1,158,570 |
| | | 2,474,168 |
| Total Common Stock (cost \$46,950,454) | | 43,740,453 |
| Convertible Preferred Stock – 2.23% | | |
| Banking, Finance & Insurance – 0.86% | | |
| Aspen Insurance Holdings 5.625% exercise price \$29.28, expiration date 12/31/49 | 8,800 | 469,150 |
| Citigroup 7.5% exercise price \$3.94, expiration date 12/15/12 | 900 | 103,005 |
| @†Fannie Mae 8.75% exercise price \$32.45, expiration date 5/13/11 | 3,500 | 3,150 |
| | | 575,305 |

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| Energy – 0.68% | | |
| †Apache 6.00% exercise price \$109.12, expiration date 8/1/13 | 1,300 | 70,239 |
| El Paso Energy Capital Trust I 4.75% exercise price \$41.59, expiration date 3/31/28 | 5,250 | 196,088 |
| SandRidge Energy 8.50% exercise price \$8.01, expiration date 12/31/49 | 2,305 | 191,038 |
| | | 457,365 |
| Health Care & Pharmaceuticals – 0.35% | | |
| Mylan 6.50% exercise price \$17.08, expiration date 11/15/10 | 220 | 230,780 |
| | | 230,780 |
| Telecommunications – 0.34% | | |
| Lucent Technologies Capital Trust I 7.75% exercise price \$24.80, expiration date 3/15/17 | 305 | 228,750 |
| | | 228,750 |
| Total Convertible Preferred Stock (cost \$1,713,134) | | 1,492,200 |
| | Principal | |
| | Amount | |
| Convertible Bonds – 13.65% | | |
| Aerospace & Defense – 0.75% | | |
| #AAR 144A 1.75% exercise price \$29.43, expiration date 1/1/26 | \$ 260,000 | 235,300 |
| *#L-3 Communications Holdings 144A 3.00% exercise price \$98.94, expiration date 8/1/35 | 265,000 | 267,319 |
| | | 502,619 |
| Auto Parts & Equipment – 0.30% | | |
| ArvinMeritor 4.00% exercise price \$26.73, expiration date 2/15/27 | 235,000 | 197,106 |
| | | 197,106 |
| Banking, Finance & Insurance – 0.54% | | |
| Jefferies Group 3.875% exercise price \$39.20, expiration date 11/1/29 | 149,000 | 148,441 |
| #SVB Financial Group 3.875% exercise price \$53.04, expiration date 4/15/11 | 210,000 | 212,888 |
| | | 361,329 |
| Basic Materials – 1.46% | | |
| #Owens-Brockway Glass Container 144A 3.00% exercise price \$47.47, expiration date 5/28/15 | 335,000 | 319,506 |
| Rayonier TRS Holdings 3.75% exercise price \$54.81, expiration date 10/15/12 | 345,000 | 368,288 |
| #Sino-Forest 144A 5.00% exercise price \$20.29, expiration date 8/1/13 | 255,000 | 289,744 |
| | | 977,538 |
| Building & Materials – 0.20% | | |
| Standard Pacific 6.00% exercise price \$8.37, expiration date 10/1/12 | 135,000 | 134,831 |
| | | 134,831 |
| Cable, Media & Publishing – 0.36% | | |
| VeriSign 3.25% exercise price \$34.37, expiration date 8/15/37 | 235,000 | 239,406 |
| | | 239,406 |
| Computers & Technology – 2.98% | | |
| #Advanced Micro Devices 144A 6.00% exercise price \$28.08, expiration date 5/1/15 | 83,000 | 81,651 |
| Euronet Worldwide 3.50% exercise price \$40.48, expiration date 10/15/25 | 435,000 | 422,494 |
| *Hutchinson Technology 3.25% exercise price \$36.43, expiration date 1/15/26 | 150,000 | 117,000 |
| Intel 2.95% exercise price \$30.75, expiration date 12/15/35 | 145,000 | 140,831 |
| Linear Technology 3.00% exercise price \$45.36, expiration date 5/1/27 | 425,000 | 426,593 |
| Live Nation Entertainment 2.875% exercise price \$27.15, expiration date 7/15/27 | 413,000 | 346,920 |
| #Rovi 144A 2.625% exercise price \$47.36, expiration date 2/15/40 | 250,000 | 281,875 |
| SanDisk 1.00% exercise price \$82.35, expiration date 5/15/13 | 190,000 | 175,275 |
| | | 1,992,639 |
| Energy – 0.51% | | |

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| Chesapeake Energy 2.25% exercise price \$85.89, expiration date 12/15/38 | 220,000 | 165,825 |
| *Peabody Energy 4.75% exercise price \$58.40, expiration date 12/15/41 | 50,000 | 51,750 |
| *Transocean 1.625% exercise price \$168.61, expiration date 12/15/37 | 125,000 | 123,594 |
| | | 341,169 |
| Health Care & Pharmaceuticals – 2.70% | | |
| Alere 3.00% exercise price \$43.98, expiration date 5/15/16 | 215,000 | 192,156 |
| #Allergan 144A 1.50% exercise price \$63.33, expiration date 4/1/26 | 415,000 | 461,168 |
| Amgen | | |
| 0.375% exercise price \$79.48, expiration date 2/1/13 | 270,000 | 269,325 |
| #144A 0.375% exercise price \$79.48, expiration date 2/1/13 | 165,000 | 164,588 |
| iHologic 2.00% exercise price \$38.59, expiration date 12/15/37 | 255,000 | 231,731 |
| LifePoint Hospitals 3.25% exercise price \$61.22, expiration date 8/15/25 | 220,000 | 213,125 |
| Medtronic 1.65% exercise price \$54.79, expiration date 4/15/13 | 275,000 | 276,719 |
| | | 1,808,812 |
| Leisure, Lodging & Entertainment – 0.55% | | |
| #Gaylord Entertainment 144A 3.75% exercise price \$27.25, expiration date 10/1/14 | 160,000 | 188,000 |
| *International Game Technology 144A 3.25% exercise price \$19.97, expiration date 5/1/14 | 160,000 | 175,800 |
| | | 363,800 |
| Real Estate – 0.40% | | |
| #Digital Realty Trust 144A 5.50% exercise price \$43.00, expiration date 4/15/29 | 95,000 | 140,600 |
| #Lexington Realty Trust 144A 6.00% exercise price \$7.09, expiration date 1/15/30 | 120,000 | 127,800 |
| | | 268,400 |
| Retail – 0.25% | | |
| Pantry 3.00% exercise price \$50.09, expiration date 11/15/12 | 180,000 | 169,650 |
| | | 169,650 |
| Telecommunications – 1.80% | | |
| Alaska Communications System Group 5.75% exercise price \$12.90, expiration date 3/1/13 | 260,000 | 256,425 |
| *Leap Wireless International 4.50% exercise price \$93.21, expiration date 7/15/14 | 217,000 | 189,875 |

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| Level 3 Communications 5.25% exercise price \$3.98, expiration date 12/15/11 | 140,000 | 137,900 |
| NII Holdings 3.125% exercise price \$118.32, expiration date 6/15/12 | 410,000 | 398,725 |
| SBA Communications 4.00% exercise price \$30.38, expiration date 10/1/14 | 165,000 | 223,163 |
| | | 1,206,088 |
| Transportation – 0.33% | | |
| Bristow Group 3.00% exercise price \$77.34, expiration date 6/14/38 | 254,000 | 220,028 |
| | | 220,028 |
| Utilities – 0.52% | | |
| Dominion Resources 2.125% exercise price \$35.44, expiration date 12/15/23 | 290,000 | 349,088 |
| | | 349,088 |
| Total Convertible Bonds (cost \$8,694,068) | | 9,132,503 |
| Corporate Bonds – 43.65% | | |
| Banking – 0.76% | | |
| *GMAC 8.00% 12/31/18 | 153,000 | 148,984 |
| #HBOS Capital Funding 144A 6.071% 6/29/49 | 205,000 | 160,925 |
| #Rabobank 144A 11.00% 12/29/49 | 150,000 | 196,875 |
| | | 506,784 |
| Basic Industry – 4.64% | | |
| *AK Steel 7.625% 5/15/20 | 124,000 | 125,550 |
| #Algoma Acquisition 144A 9.875% 6/15/15 | 163,000 | 143,440 |
| *#Appleton Papers 144A 10.50% 6/15/15 | 124,000 | 115,630 |
| Century Aluminum 8.00% 5/15/14 | 125,150 | 124,211 |
| #Drummond 144A 9.00% 10/15/14 | 139,000 | 146,124 |
| #Essar Steel Algoma 144A 9.375% 3/15/15 | 14,000 | 13,895 |
| #FMG Finance 144A 10.625% 9/1/16 | 264,000 | 307,229 |
| *Hexion US Finance 9.75% 11/15/14 | 217,000 | 214,288 |
| International Coal Group 9.125% 4/1/18 | 144,000 | 153,000 |
| *Lyondell Chemical 11.00% 5/1/18 | 144,000 | 157,140 |
| #MacDermid 144A 9.50% 4/15/17 | 235,000 | 239,405 |
| Millar Western 7.75% 11/15/13 | 165,000 | 143,138 |
| #Murray Energy 144A 10.25% 10/15/15 | 144,000 | 147,960 |
| #New Enterprise Stone & Lime 144A 11.00% 9/1/18 | 30,000 | 30,000 |
| *NewPage 11.375% 12/31/14 | 148,000 | 120,990 |
| #Noranda Aluminum Acquisition PIK 5.373% 5/15/15 | 148,006 | 116,925 |
| Novelis 7.25% 2/15/15 | 72,000 | 72,540 |
| #PE Paper Escrow 144A 12.00% 8/1/14 | 96,000 | 108,531 |
| =@Port Townsend 12.431% 8/27/12 | 102,592 | 74,379 |
| Ryerson | | |
| 7.841% 11/1/14 | 95,000 | 88,588 |
| 12.00% 11/1/15 | 120,000 | 124,050 |
| *#Steel Dynamics 144A 7.625% 3/15/20 | 110,000 | 113,300 |
| Teck Resources | | |
| 10.25% 5/15/16 | 26,000 | 31,463 |
| 10.75% 5/15/19 | 72,000 | 89,594 |
| *Verso Paper Holdings 11.375% 8/1/16 | 129,000 | 103,845 |
| | | 3,105,215 |
| Brokerage – 0.70% | | |
| E Trade Financial PIK 12.50% 11/30/17 | 282,000 | 315,840 |

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| #Penson Worldwide 144A 12.50% 5/15/17 | 153,000 | 151,853 |
| | | 467,693 |
| Capital Goods – 3.44% | | |
| AMH Holdings 11.25% 3/1/14 | 144,000 | 146,700 |
| #Cemex Espana Luxembourg 144A 9.25% 5/12/20 | 74,000 | 67,988 |
| #Cemex Finance 144A 9.50% 12/14/16 | 150,000 | 144,750 |
| #DAE Aviation Holdings 144A 11.25% 8/1/15 | 144,000 | 145,800 |
| #Express 144A 8.75% 3/1/18 | 96,000 | 99,840 |
| Intertape Polymer 8.50% 8/1/14 | 96,000 | 81,600 |
| *Manitowoc 9.50% 2/15/18 | 148,000 | 152,810 |
| *NXP BV/Funding 9.50% 10/15/15 | 243,000 | 236,925 |
| #Plastipak Holdings 144A 10.625% 8/15/19 | 68,000 | 75,820 |
| Ply Gem Industries 13.125% 7/15/14 | 158,000 | 159,185 |
| Pregis 12.375% 10/15/13 | 299,000 | 300,494 |
| *RBS Global/Rexnord 11.75% 8/1/16 | 175,000 | 188,125 |
| Solo Cup 8.50% 2/15/14 | 75,000 | 63,750 |
| #Susser Holdings/Finance 144A 8.50% 5/15/16 | 134,000 | 138,020 |
| Thermadyne Holdings 10.50% 2/1/14 | 146,000 | 148,373 |
| #Trimas 144A 9.75% 12/15/17 | 115,000 | 119,313 |
| #USG 144A 9.75% 8/1/14 | 33,000 | 34,361 |
| | | 2,303,854 |
| Consumer Cyclical – 4.70% | | |
| #Allison Transmission 144A 11.00% 11/1/15 | 211,000 | 227,879 |
| *American Axle & Manufacturing 7.875% 3/1/17 | 206,000 | 191,579 |
| Ames True Temper 10.00% 7/15/12 | 91,000 | 91,683 |
| *ArvinMeritor | | |
| 8.125% 9/15/15 | 153,000 | 154,148 |
| 10.625% 3/15/18 | 81,000 | 88,290 |

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| Beazer Homes USA | | |
| 8.125% 6/15/16 | 105,000 | 92,400 |
| *9.125% 6/15/18 | 48,000 | 42,720 |
| Burlington Coat Factory Investment Holdings 14.50% 10/15/14 | 283,000 | 302,102 |
| *#CKE Restaurants 144A 11.375% 7/15/18 | 150,000 | 147,000 |
| *Ford Motor 7.45% 7/16/31 | 234,000 | 229,319 |
| Ford Motor Credit 12.00% 5/15/15 | 153,000 | 180,985 |
| #Games Merger 144A 11.00% 6/1/18 | 134,000 | 141,370 |
| *Goodyear Tire & Rubber 8.25% 8/15/20 | 70,000 | 72,013 |
| Interface | | |
| *9.50% 2/1/14 | 15,000 | 15,600 |
| 11.375% 11/1/13 | 48,000 | 54,480 |
| K Hovnanian Enterprises | | |
| 6.25% 1/15/15 | 120,000 | 81,000 |
| 7.50% 5/15/16 | 67,000 | 44,723 |
| Landry's Restaurants 11.625% 12/1/15 | 211,000 | 219,967 |
| M/I Homes 6.875% 4/1/12 | 72,000 | 71,910 |
| Norcraft Finance 10.50% 12/15/15 | 105,000 | 108,938 |
| Norcraft Holdings/Capital 9.75% 9/1/12 | 119,000 | 111,860 |
| *OSI Restaurant Partners 10.00% 6/15/15 | 151,000 | 151,000 |
| Quiksilver 6.875% 4/15/15 | 192,000 | 178,560 |
| Rite Aid 9.375% 12/15/15 | 86,000 | 70,198 |
| Standard Pacific 10.75% 9/15/16 | 72,000 | 76,140 |
| | | 3,145,864 |
| Consumer Non-Cyclical – 3.49% | | |
| Accellent 10.50% 12/1/13 | 100,000 | 100,250 |
| Alere 9.00% 5/15/16 | 99,000 | 100,485 |
| Alliance One International 10.00% 7/15/16 | 113,000 | 118,933 |
| Bausch & Lomb 9.875% 11/1/15 | 131,000 | 136,568 |
| BioScrip 10.25% 10/1/15 | 144,000 | 146,340 |
| #Cott Beverages 144A 8.375% 11/15/17 | 86,000 | 90,193 |
| Dean Foods | | |
| 6.90% 10/15/17 | 35,000 | 32,025 |
| *7.00% 6/1/16 | 86,000 | 81,055 |
| DJO Finance 11.75% 11/15/14 | 193,000 | 202,167 |
| JohnsonDiversey Holdings 10.50% 5/15/20 | 276,000 | 309,975 |
| #Lantheus Medical Imaging 144A 9.75% 5/15/17 | 90,000 | 91,350 |
| LVB Acquisition 11.625% 10/15/17 | 134,000 | 148,069 |
| #Novasep Holding 144A 9.75% 12/15/16 | 139,000 | 125,274 |
| Pinnacle Foods Finance 10.625% 4/1/17 | 70,000 | 73,413 |
| Smithfield Foods 7.75% 7/1/17 | 119,000 | 116,323 |
| #Tops Markets 144A 10.125% 10/15/15 | 134,000 | 141,370 |
| Universal Hospital Services PIK 8.50% 6/1/15 | 16,000 | 16,160 |
| #Viskase 144A 9.875% 1/15/18 | 158,000 | 160,766 |
| *Yankee Acquisition 9.75% 2/15/17 | 144,000 | 147,599 |
| | | 2,338,315 |
| Energy – 4.91% | | |
| #American Petroleum Tankers 144A 10.25% 5/1/15 | 152,000 | 154,660 |
| Antero Resources Finance 9.375% 12/1/17 | 110,000 | 114,125 |

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| #Aquilex Holdings 144A 11.125% 12/15/16 | 139,000 | 138,131 |
| Chesapeake Energy 9.50% 2/15/15 | 109,000 | 123,170 |
| Complete Production Service 8.00% 12/15/16 | 74,000 | 75,295 |
| Copano Energy Finance 7.75% 6/1/18 | 90,000 | 90,450 |
| *Crosstex Energy/Finance 8.875% 2/15/18 | 124,000 | 128,650 |
| Dynergy Holdings 7.75% 6/1/19 | 130,000 | 84,500 |
| El Paso | | |
| *6.875% 6/15/14 | 45,000 | 47,841 |
| 7.00% 6/15/17 | 49,000 | 51,995 |
| *#El Paso Performance-Linked Trust 144A 7.75% 7/15/11 | 31,000 | 32,299 |
| #Global Geophysical Services 144A 10.50% 5/1/17 | 67,000 | 66,665 |
| Headwaters 11.375% 11/1/14 | 139,000 | 147,340 |
| #Helix Energy Solutions Group 144A 9.50% 1/15/16 | 193,000 | 191,070 |
| *#Hercules Offshore 144A 10.50% 10/15/17 | 148,000 | 135,420 |
| #Hilcorp Energy I/Finance 144A 8.00% 2/15/20 | 158,000 | 161,950 |
| Holly 9.875% 6/15/17 | 116,000 | 122,380 |
| *Key Energy Services 8.375% 12/1/14 | 135,000 | 140,063 |
| #Linn Energy/Finance 144A 8.625% 4/15/20 | 153,000 | 162,180 |
| *#NFR Energy/Finance 144A 9.75% 2/15/17 | 144,000 | 146,160 |
| OPTI Canada | | |
| 7.875% 12/15/14 | 111,000 | 86,025 |
| *8.25% 12/15/14 | 213,000 | 167,205 |
| PetroHawk Energy 7.875% 6/1/15 | 144,000 | 150,120 |
| Petroleum Development 12.00% 2/15/18 | 142,000 | 153,360 |
| #Pioneer Drilling 144A 9.875% 3/15/18 | 72,000 | 72,360 |
| Quicksilver Resources 7.125% 4/1/16 | 206,000 | 198,790 |
| #SandRidge Energy 144A | | |
| *8.75% 1/15/20 | 30,000 | 28,650 |
| 9.875% 5/15/16 | 118,000 | 118,000 |
| | | 3,288,854 |

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| | | |
|--|---------|-----------|
| Finance & Investments – 2.18% | | |
| -American International Group 8.175% 5/15/58 | 265,000 | 229,225 |
| -Genworth Financial 6.15% 11/15/66 | 326,000 | 230,645 |
| -#ILFC E-Capital Trust II 144A 6.25% 12/21/65 | 325,000 | 208,406 |
| -#Liberty Mutual Group 144A 7.00% 3/15/37 | 195,000 | 164,889 |
| *Nuveen Investments 10.50% 11/15/15 | 494,000 | 471,770 |
| P-XL Capital 6.50% 12/31/49 | 200,000 | 152,760 |
| | | 1,457,695 |
| Media – 3.73% | | |
| Affinion Group 11.50% 10/15/15 | 67,000 | 70,769 |
| Cablevision Systems | | |
| *8.00% 4/15/20 | 14,000 | 15,015 |
| #144A 8.625% 9/15/17 | 62,000 | 67,890 |
| #CCO Holdings/Capital 144A | | |
| 7.875% 4/30/18 | 33,000 | 34,320 |
| *8.125% 4/30/20 | 43,000 | 45,473 |
| #Charter Communications Operating 144A 10.875% 9/15/14 | 65,000 | 73,125 |
| *Clear Channel Communications 10.75% 8/1/16 | 89,000 | 66,083 |
| #Columbus International 144A 11.50% 11/20/14 | 135,000 | 149,175 |
| DISH DBS 7.875% 9/1/19 | 144,000 | 150,840 |
| *Gray Television 10.50% 6/29/15 | 144,000 | 139,320 |
| #GXS Worldwide 144A 9.75% 6/15/15 | 144,000 | 138,960 |
| #MDC Partners 144A 11.00% 11/1/16 | 67,000 | 72,360 |
| #Nexstar/Mission Broadcasting 144A 8.875% 4/15/17 | 144,000 | 147,060 |
| Nielsen Finance | | |
| *11.50% 5/1/16 | 24,000 | 27,030 |
| *11.625% 2/1/14 | 40,000 | 45,050 |
| W12.50% 8/1/16 | 159,000 | 158,404 |
| #Sinclair Television Group 144A 9.25% 11/1/17 | 105,000 | 108,675 |
| #Sitel/Finance 144A 11.50% 4/1/18 | 144,000 | 108,720 |
| Terremark Worldwide 12.00% 6/15/17 | 125,000 | 141,875 |
| #Umbrella Acquisition PIK 144A 9.75% 3/15/15 | 175,725 | 159,031 |
| #UPC Holding 144A 9.875% 4/15/18 | 196,000 | 205,065 |
| #XM Satellite Radio 144A 13.00% 8/1/13 | 326,000 | 370,824 |
| | | 2,495,064 |
| Real Estate – 0.24% | | |
| *Felcor Lodging 10.00% 10/1/14 | 148,000 | 158,730 |
| | | 158,730 |
| Services Cyclical – 5.10% | | |
| #Ashtead Capital 144A 9.00% 8/15/16 | 96,000 | 97,800 |
| Cardtronics 8.25% 9/1/18 | 75,000 | 77,063 |
| #Delta Air Lines 144A 12.25% 3/15/15 | 134,000 | 147,903 |
| DryShips 5.00% 12/1/14 | 410,000 | 330,050 |
| #Equinox Holdings 144A 9.50% 2/1/16 | 148,000 | 148,740 |
| *General Maritime 12.00% 11/15/17 | 148,000 | 157,250 |
| *Global Cash Access 8.75% 3/15/12 | 33,000 | 32,876 |
| *Harrah's Operating 10.00% 12/15/18 | 317,000 | 248,844 |
| *#Kansas City Southern de Mexico 144A 8.00% 2/1/18 | 33,000 | 35,228 |
| *#MCE Finance 144A 10.25% 5/15/18 | 145,000 | 155,875 |

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| | | |
|--|---------|-----------|
| MGM MIRAGE | | |
| 13.00% 11/15/13 | 97,000 | 112,520 |
| *#144A 11.375% 3/1/18 | 394,000 | 358,539 |
| *Mohegan Tribal Gaming Authority | | |
| 6.875% 2/15/15 | 38,000 | 21,660 |
| 7.125% 8/15/14 | 96,000 | 55,680 |
| NCL 11.75% 11/15/16 | 148,000 | 164,280 |
| @Northwest Airlines 10.00% 2/1/11 | 55,000 | 248 |
| *Peninsula Gaming 10.75% 8/15/17 | 153,000 | 161,415 |
| #PHH 144A 9.25% 3/1/16 | 150,000 | 152,438 |
| #Pinnacle Entertainment 144A 8.75% 5/15/20 | 86,000 | 83,420 |
| #Quintiles Transnational PIK 144A 9.50% 12/30/14 | 67,000 | 68,508 |
| *Royal Caribbean Cruises 6.875% 12/1/13 | 76,000 | 77,805 |
| *RSC Equipment Rental | | |
| 9.50% 12/1/14 | 126,000 | 129,150 |
| 10.25% 11/15/19 | 14,000 | 14,630 |
| #ServiceMaster PIK 144A 10.75% 7/15/15 | 139,000 | 146,298 |
| #Shingle Springs Tribal Gaming Authority 144A 9.375% 6/15/15 | 169,000 | 129,708 |
| *#Swift Transportation 144A 12.50% 5/15/17 | 80,000 | 80,600 |
| #United Air Lines 144A 12.00% 11/1/13 | 211,000 | 226,824 |
| | | 3,415,352 |
| Services Non-Cyclical – 2.02% | | |
| #Alion Science & Technology PIK 144A 12.00% 11/1/14 | 115,260 | 114,251 |
| Casella Waste Systems | | |
| 9.75% 2/1/13 | 131,000 | 132,801 |
| 11.00% 7/15/14 | 86,000 | 94,385 |
| HCA 9.25% 11/15/16 | 139,000 | 149,425 |
| #inVentiv Health 144A 10.00% 8/15/18 | 170,000 | 166,600 |
| #MultiPlan 144A 9.875% 9/1/18 | 160,000 | 161,200 |

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| | | |
|--|---------|-----------|
| #Radiation Therapy Services 144A 9.875% 4/15/17 | 148,000 | 145,410 |
| #Radnet Management 144A 10.375% 4/1/18 | 168,000 | 148,260 |
| Select Medical 7.625% 2/1/15 | 104,000 | 98,540 |
| US Oncology Holdings PIK 6.643% 3/15/12 | 152,000 | 142,500 |
| | | 1,353,372 |
| Technology & Electronics – 1.08% | | |
| #Aspect Software 144A 10.625% 5/15/17 | 148,000 | 152,624 |
| *First Data 11.25% 3/31/16 | 187,000 | 123,888 |
| #International Wire Group 144A 9.75% 4/15/15 | 134,000 | 134,670 |
| #MagnaChip Semiconductor/Finance 144A 10.50% 4/15/18 | 105,000 | 108,938 |
| *Sanmina-SCI 8.125% 3/1/16 | 63,000 | 63,788 |
| *SunGard Data Systems 10.25% 8/15/15 | 132,000 | 139,260 |
| | | 723,168 |
| Telecommunications – 5.78% | | |
| #Clearwire Communications 144A 12.00% 12/1/15 | 377,000 | 379,232 |
| *Cricket Communications 10.00% 7/15/15 | 144,000 | 151,560 |
| #Digicel Group 144A | | |
| 8.875% 1/15/15 | 100,000 | 101,250 |
| PIK 9.125% 1/15/15 | 100,000 | 101,500 |
| *10.50% 4/15/18 | 100,000 | 107,750 |
| Global Crossing 12.00% 9/15/15 | 272,000 | 303,279 |
| Intelsat Bermuda | | |
| 11.25% 2/4/17 | 416,000 | 432,639 |
| PIK 11.50% 2/4/17 | 167,544 | 173,408 |
| Level 3 Financing 10.00% 2/1/18 | 163,000 | 141,403 |
| NII Capital 10.00% 8/15/16 | 132,000 | 148,665 |
| *PAETEC Holding 9.50% 7/15/15 | 131,000 | 131,328 |
| #Primus Telecommunications Holding 144A 13.00% 12/15/16 | 133,000 | 134,995 |
| Qwest 8.375% 5/1/16 | 4,000 | 4,680 |
| *Qwest Communications International 7.50% 2/15/14 | 58,000 | 59,378 |
| Sprint Capital 8.75% 3/15/32 | 315,000 | 305,155 |
| #Telcordia Technologies 144A 11.00% 5/1/18 | 153,000 | 150,896 |
| Telesat Canada | | |
| *11.00% 11/1/15 | 81,000 | 92,138 |
| 12.50% 11/1/17 | 181,000 | 212,223 |
| *#Trilogy International Partners I Finance 144A 10.25% 8/15/16 | 90,000 | 82,350 |
| ViaSat 8.875% 9/15/16 | 72,000 | 76,590 |
| Virgin Media 6.50% 11/15/16 | 93,000 | 126,248 |
| *Virgin Media Finance 8.375% 10/15/19 | 96,000 | 105,120 |
| *West 11.00% 10/15/16 | 153,000 | 161,415 |
| #Wind Acquisition Finance 144A | | |
| 11.75% 7/15/17 | 96,000 | 106,080 |
| 12.00% 12/1/15 | 72,000 | 76,320 |
| | | 3,865,602 |
| Utilities – 0.88% | | |
| AES | | |
| 7.75% 3/1/14 | 79,000 | 83,049 |
| *8.00% 6/1/20 | 52,000 | 54,860 |
| Elwood Energy 8.159% 7/5/26 | 149,426 | 138,219 |

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| | | |
|--|-----------|------------|
| *Mirant Americas Generation 8.50% 10/1/21 | 192,000 | 174,239 |
| ·Puget Sound Energy 6.974% 6/1/67 | 110,000 | 102,260 |
| TXU 5.55% 11/15/14 | 75,000 | 38,063 |
| | | 590,690 |
| Total Corporate Bonds (cost \$27,961,225) | | 29,216,252 |
| «Senior Secured Loans – 1.15% | | |
| Chester Downs & Marina 12.375% 12/31/16 | 67,950 | 68,516 |
| Graham Packaging Bridge 10.00% 11/10/11 | 315,000 | 315,000 |
| PQ 6.82% 7/30/15 | 170,000 | 155,904 |
| Texas Competitive Electric Holdings Tranche B2 3.941% 10/10/14 | 304,531 | 231,696 |
| Total Senior Secured Loans (cost \$754,610) | | 771,116 |
| | Number of | |
| | Shares | |
| Exchange Traded Fund – 0.49% | | |
| iShares Dow Jones U.S. Real Estate Index Fund | 6,400 | 326,208 |
| Total Exchange Traded Fund (cost \$323,267) | | 326,208 |
| Limited Partnership – 0.19% | | |
| *Brookfield Infrastructure Partners | 7,600 | 130,112 |
| Total Limited Partnership (cost \$144,435) | | 130,112 |
| Preferred Stocks – 0.26% | | |
| Financials – 0.25% | | |
| #Ally Financial 144A 7.00% | 200 | 165,219 |
| | | 165,219 |
| Industrials – 0.00% | | |
| =Port Townsend | 70 | 0 |
| | | 0 |

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| | | |
|---|--------------|---------------|
| Real Estate – 0.01% | | |
| W2007 Grace Acquisitions I 8.75% | 34,400 | 7,740 |
| | | 7,740 |
| Total Preferred Stocks (cost \$1,089,800) | | 172,959 |
| Warrants – 0.00% | | |
| Alion Science & Technology | 120 | 1 |
| =Port Townsend | 70 | 1 |
| Total Warrants (cost \$1,680) | | 2 |
| | Principal | |
| | Amount | |
| ≠Discount Note – 3.59% | | |
| Federal Home Loan Bank 0.10% 9/1/10 | \$ 2,403,008 | 2,403,008 |
| Total Discount Note (cost \$2,403,008) | | 2,403,008 |
| Total Value of Securities Before Securities Lending Collateral – 130.57% | | |
| (cost \$90,035,681) | | 87,384,813 |
| | Number of | |
| | Shares | |
| Securities Lending Collateral** – 11.60% | | |
| Investment Companies | | |
| BNY Mellon Securities Lending Overnight Fund | 7,518,352 | 7,518,352 |
| BNY Mellon SL DBT II Liquidating Fund | 246,104 | 238,942 |
| @†Mellon GSL Reinvestment Trust II | 163,237 | 8,439 |
| Total Securities Lending Collateral (cost \$7,927,693) | | 7,765,733 |
| Total Value of Securities – 142.17% | | |
| (cost \$97,963,374) | | 95,150,546© |
| Written Options – (0.07%) | | |
| iShares Dow Jones U.S. Real Estate Index Fund exercise price \$49 expiration date 9/18/10 | 64 | (14,114) |
| Noble exercise price \$29 expiration date 10/16/10 | 104 | (31,304) |
| Total Written Options (Proceeds \$48,180) | | (45,418) |
| Obligation to Return Securities Lending Collateral** – (11.84%) | | (7,927,693) |
| Borrowing Under Line of Credit – (30.22%) | | (20,225,000) |
| Liabilities Net of Receivables and Other Assets (See Notes) – (0.04%) | | (25,585) |
| Net Assets Applicable to 9,439,043 Shares Outstanding – 100.00% | | \$ 66,926,850 |

†Non income producing security.

•Variable rate security. The rate shown is the rate as of August 31, 2010. Interest rates reset periodically.

†Restricted 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 August 31, 2010, the aggregate amount of the restricted securities was \$152,764 or 0.23% of the Fund's net assets. See Note 5 in "Notes."

=Security is being fair valued in accordance with the Fund's fair valuation policy. At August 31, 2010, the aggregate amount of fair valued securities was \$74,384, which represented 0.11% of the Fund's net assets. See Note 1 in "Notes."

@Illiquid security. At August 31, 2010, the aggregate amount of illiquid securities was \$86,216, which represented 0.13% of the Fund's net assets. See Note 6 in "Notes." #Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. At August 31, 2010, the aggregate amount of Rule 144A securities was \$14,427,644, which represented 21.56% of the Fund's net assets. See Note 6 in "Notes."

φStep coupon bond. Coupon increases/decreases periodically based on a predetermined schedule. Stated rate in effect at August 31, 2010.

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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. Stated rate in effect at August 31, 2010.

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

*Fully or partially on loan.

**See Note 5 in "Notes."

©Includes \$7,768,130 of securities loaned.

Summary of Abbreviations:

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 principles (U.S. GAAP) and are consistently followed by Delaware Investments® Dividend and Income Fund, Inc. (Fund). This report covers the period of time since the Fund's last fiscal year end.

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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. Short-term debt securities are valued at market value. U.S. government and agency securities are valued at the mean between the bid and ask prices. Other debt securities 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 company securities are valued at net asset value per share. Generally, 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 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 are recorded as a tax benefit or expense in the current year. Management has analyzed the Fund’s tax positions taken on federal income tax returns for all open tax years (November 30, 2006 – November 30, 2009), and has concluded that no provision for federal income tax is required in the Fund’s financial statements.

Distributions –The Fund has implemented a managed distribution policy. Under the policy, the Fund is managed with a goal of generating as much of the distribution as possible from net investment income and short-term capital gains. The balance of the distribution will then come from long-term capital gains to the extent permitted, and if necessary, a return of capital. Even though the Fund may realize current year capital gains, such gains may be offset, in whole or in part, by the Fund’s capital loss carryovers from prior years. For federal income tax purposes, the effect of such capital loss carryovers may be to convert (to the extent of such current year gains) what would otherwise be returns of capital into distributions taxable as ordinary income. This tax effect can occur during times of extended market volatility. The actual determination of the source of the Fund’s distributions can be made only at year-end. Shareholders should receive written notification regarding the actual components and tax treatments of all Fund distributions for the calendar year 2010 in early 2011.

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. At August 31, 2010, the Fund held no investments in repurchase agreements.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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 and such differences could be material.

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 August 31, 2010, the cost of investments for federal income tax purposes has been estimated since final tax characteristics cannot be determined until fiscal year end. At August 31, 2010, the cost of investments and unrealized appreciation (depreciation) for the Fund was as follows:

| | |
|-----------------------------------|---------------|
| Cost of investments | \$ 98,419,027 |
| Aggregate unrealized appreciation | \$ 5,428,825 |
| Aggregate unrealized depreciation | (8,697,306) |
| Net unrealized depreciation | \$ 3,268,481 |

For federal income tax purposes, at November 30, 2009, capital loss carryforwards of \$27,331,139 may be carried forward and applied against future capital gains. Such capital loss carryforwards will expire as follows: \$16,115,503 expires in 2016 and \$11,215,636 expires in 2017.

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U.S. GAAP 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 under current market conditions. A three level hierarchy for fair value measurements has been established 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 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 level hierarchy of inputs is summarized below.

Level 1 – inputs are quoted prices in active markets for identical investments

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

Level 3 – inputs are significant unobservable inputs (including the fund's own assumptions used to determine the fair value of investments)

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The following table summarizes the valuation of the Fund's investments by fair value hierarchy levels as of August 31, 2010:

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------|----------------------|----------------------|------------------|----------------------|
| Common Stock | \$ 43,740,449 | \$ - | \$ 4 | \$ 43,740,453 |
| Corporate Debt | - | 40,537,692 | 74,379 | 40,612,071 |
| Investment Companies | 326,208 | - | - | 326,208 |
| Short-Term | - | 2,403,008 | - | 2,403,008 |
| Other | 130,112 | 165,219 | 7,742 | 303,073 |
| Securities Lending Collateral | - | 7,757,294 | 8,439 | 7,765,733 |
| Total | \$ 44,196,769 | \$ 50,863,213 | \$ 90,564 | \$ 95,150,546 |

The following table summarizes the valuation of the Fund's investments by fair value hierarchy levels as of August 31, 2010.

| | Corporate | | | Securities Lending Collateral | Total |
|--|--------------|-----------|-----------|-------------------------------|------------|
| | Common Stock | Debt | Other | | |
| Balance as of 11/30/09 | \$ 43 | \$ 74,379 | \$ 20,641 | \$ 6,938 | \$ 102,001 |
| Purchases | 47,242 | - | - | - | 47,242 |
| Sales | (46,017) | - | - | - | (46,017) |
| Net realized loss | (1,225) | - | - | - | (1,225) |
| Net change in unrealized appreciation/depreciation | (39) | - | (12,899) | 1,501 | (11,437) |
| Balance as of 8/31/10 | \$ 4 | \$ 74,379 | \$ 7,742 | \$ 8,439 | \$ 90,564 |
| Net change in unrealized appreciation/depreciation from investments still held as of 8/31/10 | \$ (39) | \$ - | \$ 1 | \$ 1,501 | \$ 1,463 |

In January 2010, the Financial Accounting Standards Board issued an Accounting Standards Update, Improving Disclosures about Fair Value Measurements, which introduced new disclosure requirements and clarified certain existing disclosure requirements around fair value measurements currently presented above. The new disclosures and clarifications of existing disclosures are generally effective for the Fund's fiscal year ending November 30, 2010 and interim periods therein. During the period ended August 31, 2010, the Fund made transfers out of Level 1 investments into Level 2 investments in the amount of \$7,518,352, based on management's decision to classify the BNY Mellon Securities Lending Overnight Fund as a Level 2 investment. Management has classified the BNY Mellon Securities Lending Overnight Fund as a Level 2 investment because the price is not quoted in an active market or listed on a public exchange. The BNY Mellon Securities Lending Overnight Fund is priced daily for investors in such Fund. Utilizing international fair value pricing could cause transfers from Level 1 investments to Level 2 investments in the hierarchy.

3. Line of Credit

For the period ended August 31, 2010, the Fund borrowed money pursuant to a \$30,000,000 Credit Agreement with The Bank of New York Mellon (BNY Mellon) that expires on November 15, 2010. Depending on market conditions, the amount borrowed by the Fund pursuant to the Credit Agreement may be reduced or possibly increased in the future.

At August 31, 2010, the par value of loans outstanding was \$20,225,000 at a variable interest rate of 1.44%. During the period August 31, 2010, the average daily balance of loans outstanding was \$20,225,000 at a weighted average interest rate of approximately 1.46%. Interest on borrowing is based on a variable short-term rate plus an applicable margin. The commitment fee is computed at a rate of 0.25% per annum on the unused balance. The loan is collateralized by the Fund's portfolio.

4. Derivatives U.S. GAAP requires enhanced disclosures that enable investors to understand: 1) how and why an entity uses derivatives; 2) how they are accounted for; and 3) how they affect an entity's results of operations and financial position.

Options Contracts – During the period ended August 31, 2010, the Fund entered into options contracts in the normal course of pursuing its investment objective. The Fund may buy or write options contracts for any number of reasons, including: to manage the Fund's exposure to changes in securities prices and foreign currencies; as an efficient means of adjusting the Fund's overall exposure to certain markets; to protect the value of portfolio securities; and as a cash management tool. The Fund may buy or write call or put options on securities, financial indices, and foreign currencies. When the Fund buys an option, a premium is paid and

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an asset is recorded and adjusted on a daily basis to reflect the current market value of the options purchased. When the Fund writes an option, a premium is received and a liability is recorded and adjusted on a daily basis to reflect the current market value of the options written. Premiums received from writing options that expire unexercised are treated by the Fund on the expiration date as realized gains. The difference between the premium received and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is treated as realized gain or loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether the Fund has a realized gain or loss. If a put option is exercised, the premium reduces the cost basis of the securities purchased by the Fund. The Fund, as writer of an option, bears the market risk of an unfavorable change in the price of the security underlying the written option. When writing options, the Fund is subject to minimal counterparty credit risk because the counterparty is only obligated to pay premiums and does not bear the market risk of an unfavorable market change.

Transactions in written options during the period ended August 31, 2010 for the Fund were as follows:

| | Number of contracts | Premiums |
|--|------------------------|-----------|
| Options outstanding at November 31, 2009 | - | \$ - |
| Options written | 168 | 48,180 |
| Options outstanding at August 31, 2010 | 168 | \$ 48,180 |

5. 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 BNY Mellon. With respect to each loan, if on any business day the aggregate market value of securities collateral plus cash collateral held 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 by the end of the following business day which, together with the collateral already held, will be not less than the applicable collateral requirements for such security loan. If the aggregate market value of securities collateral and cash collateral held with respect to a security loan exceeds the applicable collateral requirement, upon the request of the borrower BNY Mellon must return enough collateral to the borrower by the end of the following business day to reduce the value of the remaining collateral to the applicable collateral requirement for such security loan. As a result of the foregoing, the value of the collateral held with respect to a loaned security may be temporarily more or less than the value of the security on loan.

Cash collateral received is generally invested in the BNY Mellon Securities Lending Overnight Fund (the "Collective Trust") established by BNY Mellon for the purpose of investment on behalf of clients participating in its securities lending programs. The Collective Trust may invest in U.S. government securities and high quality corporate debt, asset-backed and other money market securities and in repurchase agreements collateralized by such securities, provided that the Collective Trust will only hold such assets with a maturity of one business day or less ("Overnight Assets"). 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 or another collateral investment pool. This could occur if an investment in a collateral investment pool defaulted or if it were necessary to liquidate assets in the collateral investment pool to meet returns on outstanding security loans at a time when the collateral investment pool's net asset value per unit was less than \$1.00. Under those circumstances, the Fund may not receive an amount from the collateral investment pool 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. Effective April 20, 2009, BNY Mellon transferred the assets of the Fund's previous collateral investment pool other than cash and Overnight Assets to the BNY Mellon SL DBT II Liquidating Fund (the "Liquidating Fund"), effectively bifurcating the previous collateral investment pool. The Fund's exposure to the Liquidating Fund is expected to decrease as the Liquidating Fund's assets mature or are sold. In October 2008, BNY Mellon transferred certain distressed securities from the previous collateral investment pool into the Mellon GSL Reinvestment Trust II. 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 August 31, 2010, the value of securities on loan was \$7,768,130, for which the Fund received collateral, comprised of non-cash collateral valued at \$8,047,574, and cash collateral of \$119,880. At August 31, 2010, the value of invested collateral was \$7,765,733. 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 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 August 31, 2010. 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 (DMC), 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. Rule 144A and illiquid securities have been identified on the schedule of investments.

7. Subsequent Events

Management has determined no material events or transactions occurred subsequent to August 31, 2010 that would require recognition or disclosure in the Fund's 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:
