

BLACKROCK DEBT STRATEGIES FUND, INC.  
Form N-CSRS  
November 05, 2009

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

**FORM N-CSRS**

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

Investment Company Act file number 811-08603

Name of Fund: BlackRock Debt Strategies Fund, Inc. (DSU)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: Anne F. Ackerley, Chief Executive Officer, BlackRock Debt Strategies Fund, Inc., 40 East 52<sup>nd</sup> Street,  
New York, NY 10022.

Registrant's telephone number, including area code: (800) 882-0052, Option 4

Date of fiscal year end: 02/28/2010

Date of reporting period: 08/31/2009

Item 1 – Report to Stockholders

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EQUITIES FIXED INCOME REAL ESTATE LIQUIDITY ALTERNATIVES BLACKROCK SOLUTIONS

## Semi-Annual Report

AUGUST 31, 2009 | (UNAUDITED)

BlackRock Corporate High Yield Fund, Inc. (COY)

BlackRock Corporate High Yield Fund III, Inc. (CYE)

BlackRock Debt Strategies Fund, Inc. (DSU)

BlackRock Floating Rate Income Strategies Fund II, Inc. (FRB)

BlackRock Senior High Income Fund, Inc. (ARK)

NOT FDIC INSURED

MAY LOSE VALUE

NO BANK GUARANTEE

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**Dear Shareholder**

The past 12 months reveal two distinct economic and market backdrops – one of extreme investor pessimism and decided weakness, and another of increased optimism amid growing signs of recovery. The start of the period was characterized by the former. September through December 2008 saw the surge of the economic storm that sparked the worst recession in decades. The months featured, among others, the infamous collapse of Lehman Brothers, uniformly poor economic data and plummeting investor confidence that resulted in massive government intervention (on a global scale) in the financial system and the economy. The tide turned dramatically in March 2009, however, on the back of new US government initiatives, as well as better-than-expected economic data and upside surprises in corporate earnings.

In this environment, US equities contended with extraordinary volatility, posting steep declines through mid-March before embarking on a rally that resulted in strong year-to-date returns for all major indexes. June saw a brief correction, though it appeared to be induced more by profit-taking and portfolio rebalancing than by a change in the economic outlook. The experience in international markets was similar to that in the United States. Notably, emerging markets staged a strong comeback in 2009 as these areas of the globe have generally seen a stronger acceleration in economic activity.

In fixed income markets, the flight-to-safety premium in Treasury securities prevailed during the equity market downturn, but more recently, ongoing concerns about deficit spending, debt issuance, inflation and dollar weakness have kept Treasury yields higher. At the same time, relatively attractive yields and distressed valuations among non-Treasury assets, coupled with a more favorable macro environment, drew in sidelined investors and triggered a sharp recovery in these sectors. This was particularly evident in the high yield sector, which has firmly outpaced all other taxable asset classes since the start of 2009. The municipal bond market enjoyed strong returns in 2009 as well, buoyed by a combination of attractive valuations, robust retail investor demand and a slowdown in forced selling. Moreover, the Build America Bond program has alleviated supply pressures, creating a more favorable technical environment. In particular, August marked the municipal market's best monthly performance in more than 20 years, as the asset class has regained year-to-date all that was lost during 2008.

Overall, results for the major benchmark indexes were mixed. Higher-risk assets (i.e., equities and high yield bonds) and Treasuries reflected a bifurcated market, while less-risky fixed income investments posted stable, modest returns.

| <b>Total Returns as of August 31, 2009</b>   | <b>6-month</b> | <b>12-month</b> |
|--|----------------|-----------------|
| US equities (S&P 500 Index)  | 40.52%         | (18.25)%        |
| Small cap US equities (Russell 2000 Index)   | 48.25          | (21.29)         |
| International equities (MSCI Europe, Australasia, Far East Index)                  | 53.47          | (14.95)         |
| US Treasury securities (BofA Merrill Lynch 10-Year US Treasury Index*)             | (1.61)         | 6.77            |
| Taxable fixed income (Barclays Capital US Aggregate Bond Index)                    | 5.95           | 7.94            |
| Tax-exempt fixed income (Barclays Capital Municipal Bond Index)                    | 5.61           | 5.67            |
| High yield bonds (Barclays Capital US Corporate High Yield 2% Issuer Capped Index) | 36.31          | 7.00            |

\* Formerly a Merrill Lynch Index.

Past performance is no guarantee of future results. Index performance shown for illustrative purposes only. You cannot invest directly in an index.

The market environment has visibly improved since the beginning of the year, but a great deal of uncertainty and risk remain. Through periods of market turbulence, as ever, BlackRock's full resources are dedicated to the management of our clients' assets. We invite you to visit [www.blackrock.com/funds](http://www.blackrock.com/funds) for our most current views on the economy and financial markets. As always, we thank you for entrusting BlackRock with your investments, and we look forward to continuing to serve you in the months and years ahead.

Sincerely,

Rob Kapito  
President, BlackRock Advisors, LLC

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**Announcement to Shareholders**

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On June 16, 2009, BlackRock, Inc. announced that it received written notice from Barclays PLC ( Barclays ) in which Barclays Board of Directors had accepted BlackRock's offer to acquire Barclays Global Investors ( BGI ). At a special meeting held on August 6, 2009, BlackRock's proposed purchase of BGI was approved by an overwhelming majority of Barclays' voting shareholders, an important step toward closing the transaction. The combination of BlackRock and BGI will bring together market leaders in active and index strategies to create the preeminent asset management firm. The transaction is scheduled to be completed in the fourth quarter of 2009, subject to important fund shareholder and regulatory approvals.

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THIS PAGE NOT PART OF YOUR FUND REPORT

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Fund Summary as of August 31, 2009

**BlackRock Corporate High Yield Fund, Inc.****Investment Objective**

**BlackRock Corporate High Yield Fund, Inc. (COY) (the Fund)** seeks to provide shareholders with current income with a secondary objective of providing shareholders with capital appreciation. The Fund seeks to achieve its objective by investing primarily in a diversified portfolio of fixed-income securities that are rated below investment grade by the established rating services (Ba or lower by Moody's Investors Service, Inc. (Moody's) or BB or lower by Standard & Poor's Corporation (S&P's)) or are unrated securities of comparable quality.

No assurance can be given that the Fund's investment objective will be achieved.

**Performance**

For the six months ended August 31, 2009, the Fund returned 66.35% based on market price and 49.85% based on net asset value (NAV). For the same period, the closed-end Lipper High Current Yield Funds (Leveraged) category posted an average return of 50.49% on a market price basis and 40.06% on a NAV basis. During the period, the Fund moved from a discount to a premium to NAV, which accounts for the difference between performance based on price and performance based on NAV. The period featured the largest six-month rise in high yield market history, providing a good environment for bottom-up security selection, with no emphasis on any one sector. We gradually decreased cash and increased the Fund's risk as market conditions dictated. Overall, there was a wide dispersion of returns among the Fund's Lipper competitors, as many funds did well while others struggled with credit issues or retained too defensive a strategy. Security selection was the primary contributor to performance during the period. The Fund maintains a 16% position in floating rate loan interests, which detracted as these securities underperformed high yield corporate bonds. During the period, the Fund moved from a larger cash balance to a balance of less than 3%, which has benefited performance in the rising market.

The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

**Fund Information**

|   |               |
|---|---------------|
| Symbol on New York Stock Exchange (NYSE)                                  | COY           |
| Initial Offering Date   | June 25, 1993 |
| Yield on Closing Market Price as of August 31, 2009 (\$6.06) <sup>1</sup> | 12.08%        |
| Current Monthly Distribution per Share <sup>2</sup>                       | \$0.061       |
| Current Annualized Distribution per Share <sup>2</sup>                    | \$0.732       |
| Leverage as of August 31, 2009 <sup>3</sup>                               | 16%           |

<sup>1</sup> Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

<sup>2</sup> The distribution is not constant and is subject to change.

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<sup>3</sup> Represents loan outstanding as a percentage of total managed assets, which is the total assets of the Fund (including any assets attributable to borrowing) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 9.

The table below summarizes the changes in the Fund's market price and NAV per share:

|                 | 8/31/09 | 2/28/09 | Change | High   | Low    |
|-----------------|---------|---------|--------|--------|--------|
| Market Price    | \$6.06  | \$3.91  | 54.99% | \$6.28 | \$3.20 |
| Net Asset Value | \$5.85  | \$4.19  | 39.62% | \$5.87 | \$3.97 |

The following charts show the portfolio composition of the Fund's long-term investments and credit quality allocations of the Fund's corporate bond investments:

### Portfolio Composition

|                                       | 8/31/09 | 2/28/09 |
|---------------------------------------|---------|---------|
| Corporate Bonds                       | 82%     | 82%     |
| Floating Rate Loan Interests          | 16      | 16      |
| Common Stocks                         | 2       | 1       |
| Non-Agency Mortgage-Backed Securities |         | 1       |

### Credit Quality Allocations<sup>4</sup>

|           | 8/31/09 | 2/28/09 |
|-----------|---------|---------|
| BBB/Baa   | 5%      | 4%      |
| BB/BB     | 31      | 31      |
| B/B       | 37      | 47      |
| CCC/Caa   | 21      | 12      |
| CC/Ca     | 2       | 1       |
| D         | 1       |         |
| Not Rated | 3       | 5       |

<sup>4</sup> Using the higher of S&P's or Moody's ratings.

Fund Summary as of August 31, 2009

BlackRock Corporate High Yield Fund III, Inc.

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**Investment Objective**


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**BlackRock Corporate High Yield Fund III, Inc. (CYE) (the Fund)** seeks to provide shareholders with current income by investing primarily in a diversified portfolio of fixed income securities that are rated in the lower rating categories of the established rating services (Ba or lower by Moody's or BB or lower by S&P's) or are unrated securities of comparable quality.

No assurance can be given that the Fund's investment objective will be achieved.

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**Performance**


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For the six months ended August 31, 2009, the Fund returned 68.87% based on market price and 52.83% based on NAV. For the same period, the closed-end Lipper High Current Yield Funds (Leveraged) category posted an average return of 50.49% on a market price basis and 40.06% on a NAV basis. All returns reflect reinvestment of dividends. The Fund's discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV. The period featured the largest six-month rise in high yield market history, providing a good environment for bottom-up security selection, with no emphasis on any one sector. We gradually decreased cash and increased the Fund's risk as market conditions have dictated. Overall, there was a wide dispersion of returns among the Fund's Lipper competitors, as many funds did well while others struggled with credit issues or retained too defensive a strategy. Security selection was the primary contributor to performance during the period. The Fund maintains a 16% position in floating rate loan interests, which detracted as these securities underperformed high yield corporate bonds. During the period, the Fund moved from a larger cash balance to a balance of less than 1%, which has benefited performance in the rising market.

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**Fund Information**


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|   |                  |
|---|------------------|
| Symbol on NYSE  | CYE              |
| Initial Offering Date   | January 30, 1998 |
| Yield on Closing Market Price as of August 31, 2009 (\$5.62) <sup>1</sup> | 11.74%           |
| Current Monthly Distribution per Share <sup>2</sup>                       | \$0.055          |
| Current Annualized Distribution per Share <sup>2</sup>                    | \$0.660          |
| Leverage as of August 31, 2009 <sup>3</sup>                               | 18%              |

<sup>1</sup> Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

<sup>2</sup> The distribution is not constant and is subject to change.

<sup>3</sup> Represents loan outstanding as a percentage of total managed assets, which is the total assets of the Fund (including any assets attributable to borrowing) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 9.

The table below summarizes the changes in the Fund's market price and NAV per share:



|                 | 8/31/09 | 2/28/09 | Change | High   | Low    |
|-----------------|---------|---------|--------|--------|--------|
| Market Price    | \$5.62  | \$3.57  | 57.42% | \$5.82 | \$3.05 |
| Net Asset Value | \$5.77  | \$4.05  | 42.47% | \$5.78 | \$3.83 |

The following charts show the portfolio composition of the Fund's long-term investments and credit quality allocations of the Fund's corporate bond investments:

#### Portfolio Composition

|                                       | 8/31/09 | 2/28/09 |
|---------------------------------------|---------|---------|
| Corporate Bonds                       | 81%     | 82%     |
| Floating Rate Loan Interests          | 16      | 16      |
| Non-Agency Mortgage-Backed Securities |         | 1       |
| Common Stocks                         | 3       | 1       |

#### Credit Quality Allocations<sup>4</sup>

|           | 8/31/09 | 2/28/09 |
|-----------|---------|---------|
| AAA/Aaa   |         | 1%      |
| BBB/Baa   | 4%      | 5       |
| BB/Ba     | 31      | 30      |
| B/B       | 35      | 46      |
| CCC/Caa   | 22      | 14      |
| CC/Ca     | 3       | 1       |
| D         | 1       |         |
| Not Rated | 4       | 3       |

<sup>4</sup> Using the higher of S&P's or Moody's ratings.

Fund Summary as of August 31, 2009

BlackRock Debt Strategies Fund, Inc.

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**Investment Objective**


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**BlackRock Debt Strategies Fund, Inc. (DSU) (the Fund)** seeks to provide current income by investing primarily in a diversified portfolio of US companies' debt instruments, including corporate loans, that are rated in the lower rating categories of the established rating services (Ba or lower by Moody's or BB or lower by S&P's) or unrated debt instruments of comparable quality.

No assurance can be given that the Fund's investment objective will be achieved.

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**Performance**


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For the six months ended August 31, 2009, the Fund returned 74.49% based on market price and 51.87% based on NAV. For the same period, the closed-end Lipper High Current Yield Funds (Leveraged) category posted an average return of 50.49% on a market price basis and 40.06% on a NAV basis. All returns reflect reinvestment of dividends. The Fund moved from a discount to a premium to NAV, which accounts for the difference between performance based on price and performance based on NAV. The Fund benefited from a slight bias to lower-quality credits, which outperformed higher-quality credits during the six months. Unlike its Lipper peers, the Fund invests in floating rate loan interests as well as high yield bonds. Loans underperformed bonds for the period; consequently, the Fund's 41% average allocation to loans detracted from relative performance. The Fund also maintained a relatively low level of leverage (less than 15%), which detracted in the strong market environment. During the period, the Fund moved from a larger cash balance to a balance of less than 1%, which has benefited performance in the rising market.

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**Fund Information**


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|   |                |
|---|----------------|
| Symbol on NYSE  | DSU            |
| Initial Offering Date   | March 27, 1998 |
| Yield on Closing Market Price as of August 31, 2009 (\$3.35) <sup>1</sup> | 12.72%         |
| Current Monthly Distribution per Share <sup>2</sup>                       | \$0.0355       |
| Current Annualized Distribution per Share <sup>2</sup>                    | \$0.4260       |
| Leverage as of August 31, 2009 <sup>3</sup>                               | 12%            |

<sup>1</sup> Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

<sup>2</sup> A change in the distribution rate was declared on September 1, 2009. The Monthly Distribution per Share was decreased to \$0.031. The Yield on Closing Market Price, Current Monthly Distribution per Share and Current Annualized Distribution per Share do not reflect the new distribution rate. The new distribution rate is not constant and is subject to further change in the future.

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<sup>3</sup> Represents loan outstanding as a percentage of total managed assets, which is the total assets of the Fund (including any assets attributable to borrowing) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 9.

The table below summarizes the changes in the Fund's market price and NAV per share:

|                 | 8/31/09 | 2/28/09 | Change | High   | Low    |
|-----------------|---------|---------|--------|--------|--------|
| Market Price    | \$3.35  | \$2.07  | 61.84% | \$3.58 | \$1.63 |
| Net Asset Value | \$3.31  | \$2.35  | 40.85% | \$3.31 | \$2.21 |

The following charts show the portfolio composition of the Fund's long-term investments and credit quality allocations of the Fund's corporate bond investments:

### Portfolio Composition

|                                       | 8/31/09 | 2/28/09 |
|---------------------------------------|---------|---------|
| Corporate Bonds                       | 55%     | 53%     |
| Floating Rate Loan Interests          | 41      | 43      |
| Common Stocks                         | 4       | 3       |
| Non-Agency Mortgage-Backed Securities |         | 1       |

### Credit Quality Allocations<sup>4</sup>

|           | 8/31/09 | 2/28/09 |
|-----------|---------|---------|
| BBB/Baa   | 1%      | 9%      |
| BB/Ba     | 26      |         |
| B/B       | 38      | 59      |
| CCC/Caa   | 16      | 21      |
| CC/Ca     | 4       | 4       |
| C/C       | 2       |         |
| D         | 2       | 1       |
| Not Rated | 11      | 6       |

<sup>4</sup> Using the higher of S&P's or Moody's ratings.

Fund Summary as of August 31, 2009

BlackRock Floating Rate Income Strategies Fund II, Inc.

**Investment Objective**

**BlackRock Floating Rate Income Strategies Fund II, Inc. (FRB) (the Fund)** seeks a high current income and such preservation of capital as is consistent with investment in a diversified, leveraged portfolio consisting primarily of floating rate debt securities and instruments.

No assurance can be given that the Fund's investment objective will be achieved.

**Performance**

For the six months ended August 31, 2009, the Fund returned 46.51% based on market price and 42.76% based on NAV. For the same period, the closed-end Lipper Loan Participation Funds category posted an average return of 54.27% on a market price basis and 37.19% on a NAV basis. All returns reflect reinvestment of dividends. The Fund's discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV. The Fund benefited from a slight bias to lower-quality credits, which outperformed higher-quality in 2009, and a 27% allocation to high yield corporate bonds, which outperformed floating rate loan interests. The Fund's relatively low level of leverage (around 16%) detracted in the strong market environment. During the period, the Fund moved from a larger cash balance to a balance of less than 2%, which has benefited performance in the rising market.

The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

**Fund Information**

|  |               |
|--|---------------|
| Symbol on NYSE   | FRB           |
| Initial Offering Date  | July 30, 2004 |
| Yield on Closing Market Price as of August 31, 2009 (\$11.45) <sup>1</sup> | 9.78%         |
| Current Monthly Distribution per Share <sup>2</sup>                        | \$0.09335     |
| Current Annualized Distribution per Share <sup>2</sup>                     | \$1.12020     |
| Leverage as of August 31, 2009 <sup>3</sup>                                | 16%           |

<sup>1</sup> Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

<sup>2</sup> A change in the distribution rate was declared on September 1, 2009. The Monthly Distribution per Share was decreased to \$0.081. The Yield on Closing Market Price, Current Monthly Distribution per Share and Current Annualized Distribution per Share do not reflect the new distribution rate. The new distribution rate is not constant and is subject to further change in the future.

<sup>3</sup> Represents loan outstanding as a percentage of total managed assets, which is the total assets of the Fund (including any assets attributable to borrowing) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 9.

The table below summarizes the changes in the Fund's market price and NAV per share:

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|                 | 8/31/09  | 2/28/09 | Change | High     | Low     |
|-----------------|----------|---------|--------|----------|---------|
| Market Price    | \$ 11.45 | \$ 8.28 | 38.29% | \$ 11.66 | \$ 7.16 |
| Net Asset Value | \$ 12.02 | \$ 8.92 | 34.75% | \$ 12.02 | \$ 8.58 |

The following charts show the portfolio composition of the Fund's long-term investments and credit quality allocations of the Fund's corporate bond investments:

**Portfolio Composition**

|                                       | 8/31/09 | 2/28/09 |
|---------------------------------------|---------|---------|
| Floating Rate Loan Interests          | 73%     | 71%     |
| Corporate Bonds                       | 27      | 28      |
| Non-Agency Mortgage-Backed Securities |         | 1       |

**Credit Quality Allocations<sup>4</sup>**

|           | 8/31/09 | 2/28/09 |
|-----------|---------|---------|
| BBB/Baa   | 7%      | 15%     |
| BB/Ba     | 42      | 8       |
| B/B       | 36      | 57      |
| CCC/Caa   | 9       | 15      |
| CC/Ca     | 1       | 2       |
| D         | 1       | 1       |
| Not Rated | 4       | 2       |

<sup>4</sup> Using the higher of S&P's or Moody's ratings.

Fund Summary as of August 31, 2009

BlackRock Senior High Income Fund, Inc.

**Investment Objective**

**BlackRock Senior High Income Fund, Inc. (ARK) (the Fund)** seeks to provide shareholders with as high a level of current income as is consistent with its investment policies and prudent investment management by investing principally in senior debt obligations of companies, including corporate loans made by banks and other financial institutions and both privately placed and publicly offered corporate bonds and notes.

No assurance can be given that the Fund's investment objective will be achieved.

**Performance**

For the six months ended August 31, 2009, the Fund returned 51.37% based on market price and 43.72% based on NAV. For the same period, the closed-end Lipper High Current Yield Funds (Leveraged) category posted an average return of 50.49% on a market price basis and 40.06% on a NAV basis. All returns reflect reinvestment of dividends. The Fund's discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV. The Fund benefited from a slight bias to lower-quality credits, which outperformed higher-quality credits. Unlike its Lipper peers, the Fund invests in floating rate loan interests as well as high yield corporate bonds. Loans underperformed bonds for the period; consequently, the Fund's 40% average allocation to floating rate loan interests detracted from relative performance. The Fund also maintained a relatively low level of leverage (less than 15%), which detracted in the strong market environment. During the period, the Fund moved from a larger cash balance to a balance of less than 1%, which has benefited performance in the rising market.

The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

**Fund Information**

|   |                |
|---|----------------|
| Symbol on NYSE  | ARK            |
| Initial Offering Date   | April 30, 1993 |
| Yield on Closing Market Price as of August 31, 2009 (\$3.18) <sup>1</sup> | 9.43%          |
| Current Monthly Distribution per Common Share <sup>2</sup>                | \$0.025        |
| Current Annualized Distribution per Common Share <sup>2</sup>             | \$0.300        |
| Leverage as of August 31, 2009 <sup>3</sup>                               | 8%             |

<sup>1</sup> Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

<sup>2</sup> The distribution is not constant and is subject to change.

<sup>3</sup> Represents loan outstanding as a percentage of total managed assets, which is the total assets of the Fund (including any assets attributable to borrowing) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 9.

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The table below summarizes the changes in the Fund's market price and NAV per share:

|                 | 8/31/09 | 2/28/09 | Change | High    | Low     |
|-----------------|---------|---------|--------|---------|---------|
| Market Price    | \$ 3.18 | \$ 2.21 | 43.89% | \$ 3.35 | \$ 1.78 |
| Net Asset Value | \$ 3.47 | \$ 2.54 | 36.61% | \$ 3.47 | \$ 2.41 |

The following charts show the portfolio composition of the Fund's long-term investments and credit quality allocations of the Fund's corporate bond investments:

### Portfolio Composition

|   | 8/31/09 | 2/28/09 |
|---|---------|---------|
| Corporate Bonds                                       | 55%     | 55%     |
| Floating Rate Loan Interests                          | 43      | 44      |
| Common Stock  | 2       |         |
| Non-U.S. Government Agency Mortgage-Backed Securities |         | 1       |

### Credit Quality Allocations<sup>4</sup>

|           | 8/31/09 | 2/28/09 |
|-----------|---------|---------|
| BBB/Baa   | 5%      | 2%      |
| BB/Ba     | 27      | 22      |
| B/B       | 40      | 59      |
| CCC/Caa   | 19      | 8       |
| CC/Ca     | 1       | 3       |
| D         | 3       | 1       |
| Not Rated | 5       | 5       |

<sup>4</sup> Using the higher of S&P's or Moody's ratings.

### The Benefits and Risks of Leveraging

The Funds may utilize leverage to seek to enhance the yield and NAV. However, these objectives cannot be achieved in all interest rate environments.

The Funds may utilize leverage through borrowings or issuance of short-term debt. In general, the concept of leveraging is based on the premise that the cost of assets to be obtained from leverage will be based on short-term interest rates, which normally will be lower than the income earned by each Fund on its longer-term portfolio investments. To the extent that the total assets of each Fund (including the assets obtained from leverage) are invested in higher-yielding portfolio investments, each Fund's shareholders will benefit from the incremental net income.

The interest earned on securities purchased with the proceeds from leverage is paid to shareholders in the form of dividends, and the value of these portfolio holdings is reflected in the per share NAV. However, in order to benefit shareholders, the yield curve must be positively sloped; that is, short-term interest rates must be lower than long-term interest rates. If the yield curve becomes negatively sloped, meaning short-term interest rates exceed long-term interest rates, income to shareholders will be lower than if the Funds had not used leverage.

To illustrate these concepts, assume a Fund's capitalization is \$100 million and it issues debt securities for an additional \$30 million, creating a total value of \$130 million available for investment in long-term securities. If prevailing short-term interest rates are 3% and long-term interest rates are 6%, the yield curve has a strongly positive slope. In this case, the Fund pays interest expense on the \$30 million of debt securities based on the lower short-term interest rates. At the same time, the securities purchased by the Fund with assets received from the debt securities issuance earn the income based on long-term interest rates. In this case, the interest expense of the debt securities is significantly lower than the income earned on the Fund's long-term investments, and therefore the shareholders are the beneficiaries of the incremental net income.

If short-term interest rates rise, narrowing the differential between short-term and long-term interest rates, the incremental net income pickup will be reduced or eliminated completely. Furthermore, if prevailing short-term interest rates rise above long-term interest rates of 6%, the yield curve has a negative slope. In this case, the Fund pays interest expense on the higher short-term interest rates whereas the Fund's total portfolio earns income based on lower long-term interest rates.

Furthermore, the value of the Fund's portfolio investments generally varies inversely with the direction of long-term interest rates, although other factors can influence the value of portfolio investments. In contrast, the redemption value of the Fund's debt securities do not fluctuate in relation to interest rates. As a result, changes in interest rates can influence the Fund's NAV positively or negatively in addition to the impact on Fund performance from leverage from debt securities.

The use of leverage may enhance opportunities for increased income to the Funds and shareholders, but as described above, it also creates risks as short- or long-term interest rates fluctuate. Leverage also will generally cause greater changes in each Fund's NAV, market price and dividend rate than a comparable portfolio without leverage. If the income derived from securities purchased with assets received from leverage exceeds the cost of leverage, each Fund's net income will be greater than if leverage had not been used. Conversely, if the income from the securities purchased is not sufficient to cover the cost of leverage, each Fund's net income will be less than if leverage had not been used, and therefore the amount available for distribution to shareholders will be reduced. A Fund may be required to sell portfolio securities at inopportune times at distressed values in order to comply with regulatory requirements applicable to the use of leverage or as required by the terms of leverage instruments which may cause a Fund to incur losses. The use of leverage may limit a Fund's ability to invest in certain types of securities or use certain types of hedging strategies. A Fund will incur expenses in connection with the use of leverage, all of which are borne by the shareholders and may reduce income.

Under the Investment Company Act of 1940, the Funds are permitted to borrow through a credit facility and the issuance of short-term debt securities up to 33<sup>1</sup>/<sub>3</sub>% of their total managed assets. As of August 31, 2009, the Funds had outstanding leverage from credit facility borrowings as a percentage of total managed assets as follows:

|     | Percent of<br>Leverage |
|-----|------------------------|
| COY | 16%                    |
| CYE | 18%                    |



|     |     |
|-----|-----|
| DSU | 12% |
| FRB | 16% |
| ARK | 8%  |

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### Derivative Financial Instruments

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The Funds may invest in various derivative instruments, including swap agreements, foreign currency exchange contracts and options, as specified in Note 2 of the Notes to Financial Statements, which constitute forms of economic leverage. Such instruments are used to obtain exposure to a market without owning or taking physical custody of securities or to hedge market and/or interest rate risks. Such derivative instruments involve risks, including the imperfect correlation between the value of a derivative instrument and the underlying asset, possible default of the counterparty to the transaction and illiquidity of the derivative instrument. A Fund's ability to successfully use a derivative instrument depends on the investment advisor's ability to accurately predict pertinent market movements, which cannot be assured. The use of derivative instruments may result in losses greater than if they had not been used, may require the Funds to sell or purchase portfolio securities at inopportune times or for distressed values, may limit the amount of appreciation the Funds can realize on an investment or may cause the Funds to hold a security that they might otherwise sell. The Funds' investments in these instruments are discussed in detail in the Notes to Financial Statements.

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Schedule of Investments August 31, 2009 (Unaudited)

**BlackRock Corporate High Yield Fund, Inc. (COY)**  
(Percentages shown are based on Net Assets)

| Common Stocks                           | Shares  | Value        |
|---|---------|--------------|
| <b>Building Products 0.7%</b>           |         |              |
| Masonite Worldwide Holdings (a)         | 35,518  | \$ 1,436,703 |
| <b>Capital Markets 0.4%</b>             |         |              |
| E*Trade Financial Corp. (a)             | 479,000 | 843,040      |
| <b>Chemicals 0.0%</b>                   |         |              |
| Wellman Holdings, Inc. (a)              | 1,425   | 356          |
| <b>Communications Equipment 0.8%</b>    |         |              |
| Loral Space & Communications Ltd. (a)   | 77,483  | 1,599,249    |
| <b>Containers &amp; Packaging 0.0%</b>  |         |              |
| Smurfit Kappa Plc (a)                   | 3,634   | 28,637       |
| <b>Electrical Equipment 0.0%</b>        |         |              |
| Medis Technologies Ltd. (a)             | 67,974  | 19,373       |
| SunPower Corp. Class B (a)              | 352     | 7,529        |
|   |         | 26,902       |
| <b>Paper &amp; Forest Products 0.1%</b> |         |              |
| Ainsworth Lumber Co. Ltd. (a)           | 37,144  | 53,608       |
| Ainsworth Lumber Co. Ltd. (a)(b)        | 41,686  | 59,972       |
| Western Forest Products, Inc. (a)(b)    | 41,528  | 9,863        |
| Western Forest Products, Inc. (a)       | 147,968 | 35,142       |
|   |         | 158,585      |
| <b>Total Common Stocks 2.0%</b>         |         | 4,093,472    |

| Corporate Bonds  |     | Par<br>(000) |           |
|--|-----|--------------|-----------|
| <b>Airlines 1.6%</b>   |     |              |           |
| American Airlines Pass Through Trust<br>Series 2001-02, 7.86%, 4/01/13 | USD | 390          | 372,450   |
| Continental Airlines, Inc.:  |     |              |           |
| Series 1997-4-B, 6.90%, 7/02/18  |     | 674          | 525,389   |
| Series 2001-1-C, 7.03%, 12/15/12                                       |     | 281          | 221,711   |
| Series 2003-RJ, 7.88%, 1/02/20   |     | 587          | 384,428   |
| United Air Lines, Inc., 12.75%, 7/15/12                                |     | 1,750        | 1,680,000 |

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3,183,978

| <b>Auto Components 1.4%</b>                      |       |           |
|--|-------|-----------|
| Allison Transmission, Inc., 11.00%, 11/01/15 (b) | 670   | 603,000   |
| The Goodyear Tire & Rubber Co.:                  |       |           |
| 7.86%, 8/15/11                                   | 1,355 | 1,348,225 |
| 8.63%, 12/01/11                                  | 712   | 719,120   |
| Lear Corp., 8.75%, 12/01/16 (a)(c)               | 405   | 218,700   |
|  |       | 2,889,045 |

| <b>Automobiles 0.4%</b>         |     |         |
|---------------------------------|-----|---------|
| Ford Capital BV, 9.50%, 6/01/10 | 710 | 702,900 |

| <b>Building Products 0.2%</b>             |     |         |
|---|-----|---------|
| Ply Gem Industries, Inc., 11.75%, 6/15/13 | 580 | 484,300 |

| <b>Capital Markets 0.5%</b>                             |       |           |
|---|-------|-----------|
| E*Trade Financial Corp. (b):                            |       |           |
| 12.50%, 11/30/17 (d)                                    | 71    | 71,887    |
| 3.43%, 8/31/19 (e)(f)                                   | 226   | 386,178   |
| Marsico Parent Co., LLC, 10.63%, 1/15/16 (a)(c)         | 1,004 | 421,680   |
| Marsico Parent Holdco, LLC, 12.50%, 7/15/16 (b)(d)      | 418   | 100,337   |
| Marsico Parent Superholdco, LLC, 14.50%, 1/15/18 (b)(d) | 287   | 74,609    |
|   |       | 1,054,691 |

| Corporate Bonds                                   |     | Par<br>(000) |    | Value     |
|---|-----|--------------|----|-----------|
| <b>Chemicals 1.9%</b>                             |     |              |    |           |
| American Pacific Corp., 9.00%, 2/01/15            | USD | 800          | \$ | 722,000   |
| Innophos, Inc., 8.88%, 8/15/14                    |     | 740          |    | 717,800   |
| MacDermid, Inc., 9.50%, 4/15/17 (b)               |     | 1,180        |    | 991,200   |
| Olin Corp., 8.88%, 8/15/19                        |     | 275          |    | 277,750   |
| Terra Capital, Inc., Series B, 7.00%, 2/01/17     |     | 205          |    | 193,213   |
| Wellman Holdings, Inc. (e):                       |     |              |    |           |
| Second Lien Subordinate Note, 10.00%, 1/29/19 (b) |     | 790          |    | 790,000   |
| Third Lien Subordinate Note, 5.00%, 1/29/19       |     | 246          |    | 123,250   |
|   |     |              |    | 3,815,213 |

| <b>Commercial Services &amp; Supplies 4.0%</b>           |     |       |  |           |
|--|-----|-------|--|-----------|
| Altegrity, Inc., 10.50%, 11/01/15 (b)                    |     | 700   |  | 579,250   |
| ISS Financing, 11.00%, 6/15/14                           | EUR | 206   |  | 381,515   |
| RSC Equipment Rental, Inc., 10.00%, 7/15/17 (b)          | USD | 555   |  | 579,975   |
| Scientific Games International, Inc., 9.25%, 6/15/19 (b) |     | 785   |  | 804,625   |
| Waste Services, Inc., 9.50%, 4/15/14                     |     | 2,800 |  | 2,772,000 |
| West Corp.:  |     |       |  |           |
| 9.50%, 10/15/14  |     | 700   |  | 645,750   |
| 11.00%, 10/15/16   |     | 2,570 |  | 2,370,825 |
|  |     |       |  | 8,133,940 |

| <b>Construction &amp; Engineering 0.7%</b> |       |           |
|--|-------|-----------|
| Dycom Industries, Inc., 8.13%, 10/15/15    | 1,650 | 1,435,500 |

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|   |           |           |
|---|-----------|-----------|
| <b>Construction Materials 1.3%</b>                    |           |           |
| Nortek, Inc., 10.00%, 12/01/13                        | 2,020     | 1,878,600 |
| Texas Industries, Inc., 7.25%, 7/15/13                | 720       | 673,200   |
|   |           | 2,551,800 |
| <b>Consumer Finance 0.2%</b>                          |           |           |
| Ford Motor Credit Co. LLC:                            |           |           |
| 3.26%, 1/13/12 (g)                                    | 195       | 162,338   |
| 7.80%, 6/01/12  | 200       | 185,009   |
| 8.00%, 12/15/16                                       | 170       | 148,944   |
|   |           | 496,291   |
| <b>Containers &amp; Packaging 4.1%</b>                |           |           |
| Berry Plastics Holding Corp., 4.50%, 9/15/14 (g)      | 1,655     | 1,191,600 |
| Crown European Holdings SA, 6.25%, 9/01/11            | EUR 73    | 104,653   |
| Graphic Packaging International, Inc.:                |           |           |
| 8.50%, 8/15/11  | USD 512   | 510,720   |
| 9.50%, 8/15/13  | 60        | 60,150    |
| 9.50%, 6/15/17 (b)                                    | 1,075     | 1,101,875 |
| Impress Holdings BV, 3.63%, 9/15/13 (b)(g)            | 390       | 356,363   |
| Owens Brockway Glass Container, Inc.:                 |           |           |
| 8.25%, 5/15/13  | 925       | 934,250   |
| 6.75%, 12/01/14                                       | EUR 152   | 211,371   |
| Packaging Dynamics Finance Corp., 10.00%, 5/01/16 (b) | USD 1,255 | 401,600   |
| Pregis Corp., 12.38%, 10/15/13                        | 1,130     | 1,017,000 |
| Rock-Tenn Co., 8.20%, 8/15/11                         | 1,875     | 1,931,250 |
| Solo Cup Co., 10.50%, 11/01/13 (b)                    | 450       | 472,500   |
|   |           | 8,293,332 |
| <b>Diversified Consumer Services 1.3%</b>             |           |           |
| Service Corp., International, 7.00%, 6/15/17          | 2,800     | 2,618,000 |

See Notes to Financial Statements.

## Schedule of Investments (continued)

BlackRock Corporate High Yield Fund, Inc. (COY)  
(Percentages shown are based on Net Assets)

| Corporate Bonds  |     | Par<br>(000) | Value      |
|--|-----|--------------|------------|
| <b>Diversified Financial Services 7.5%</b>                     |     |              |            |
| Axcan Intermediate Holdings, Inc., 12.75%, 3/01/16             | USD | 490          | \$ 512,050 |
| Bank of America Corp., 5.65%, 5/01/18                          |     | 700          | 676,860    |
| CIT Group, Inc., 5.00%, 2/01/15                                |     | 1,005        | 565,570    |
| FCE Bank Plc:  |     |              |            |
| 7.875%, 2/15/11  | GBP | 1,150        | 1,750,452  |
| 7.125%, 1/16/12  | EUR | 2,850        | 3,697,637  |
| 7.125%, 1/15/13  |     | 550          | 689,924    |
| Series JD, 2.12%, 9/30/09 (g)                                  |     | 250          | 355,266    |
| GMAC LLC (b):  |     |              |            |
| 7.25%, 3/02/11   | USD | 1,148        | 1,077,685  |
| 6.88%, 9/15/11   |     | 500          | 461,250    |
| 6.88%, 8/28/12   |     | 740          | 643,800    |
| 2.56%, 12/01/14 (g)  |     | 841          | 647,570    |
| 6.75%, 12/01/14  |     | 1,690        | 1,385,800  |
| 8.00%, 11/01/31  |     | 1,980        | 1,529,550  |
| Leucadia National Corp., 8.13%, 9/15/15                        |     | 1,250        | 1,225,000  |
|  |     |              | 15,218,414 |
| <b>Diversified Telecommunication Services 5.2%</b>             |     |              |            |
| Broadview Networks Holdings, Inc., 11.38%, 9/01/12             |     | 1,000        | 860,000    |
| Cincinnati Bell, Inc., 7.25%, 7/15/13                          |     | 435          | 421,950    |
| Nordic Telephone Co. Holdings ApS, 8.88%, 5/01/16 (b)          |     | 1,340        | 1,360,100  |
| Qwest Communications International, Inc.:                      |     |              |            |
| 7.50%, 2/15/14   |     | 1,890        | 1,823,850  |
| 3.50%, 11/15/25 (e)  |     | 620          | 613,800    |
| Series B, 7.50%, 2/15/14                                       |     | 1,645        | 1,587,425  |
| Qwest Corp.:   |     |              |            |
| 3.88%, 6/15/13 (g)   |     | 1,350        | 1,248,750  |
| 7.63%, 6/15/15   |     | 500          | 496,250    |
| 8.38%, 5/01/16 (b)   |     | 400          | 404,000    |
| Windstream Corp., 8.13%, 8/01/13                               |     | 1,780        | 1,780,000  |
|  |     |              | 10,596,125 |
| <b>Electric Utilities 1.1%</b>                                 |     |              |            |
| NSG Holdings LLC, 7.75%, 12/15/25 (b)                          |     | 965          | 805,775    |
| Tenaska Alabama Partners LP, 7.00%, 6/30/21 (b)                |     | 1,730        | 1,502,580  |
|  |     |              | 2,308,355  |
| <b>Electrical Equipment 0.0%</b>                               |     |              |            |
| UCAR Finance, Inc., 10.25%, 2/15/12                            |     | 49           | 47,591     |
| <b>Electronic Equipment, Instruments &amp; Components 0.3%</b> |     |              |            |

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|                                     |     |         |
|-------------------------------------|-----|---------|
| Jabil Circuit, Inc., 7.75%, 7/15/16 | 280 | 275,450 |
| Sanmina-SCI Corp., 8.13%, 3/01/16   | 270 | 232,875 |
|                                     |     | 508,325 |

**Energy Equipment & Services 0.7%**

|   |     |           |
|---|-----|-----------|
| Compagnie Générale de Géophysique-Veritas:            |     |           |
| 7.50%, 5/15/15  | 195 | 185,250   |
| 7.75%, 5/15/17  | 300 | 283,500   |
| North American Energy Partners, Inc., 8.75%, 12/01/11 | 355 | 326,600   |
| Transocean, Inc., Series A, 1.63%, 12/15/37 (e)       | 730 | 709,925   |
|   |     | 1,505,275 |

**Food & Staples Retailing 0.5%**

|   |     |           |
|---|-----|-----------|
| AmeriQual Group LLC, 9.50%, 4/01/12 (b) | 750 | 487,500   |
| Duane Reade, Inc., 11.75%, 8/01/15 (b)  | 160 | 161,600   |
| Rite Aid Corp., 9.75%, 6/12/16 (b)      | 390 | 412,425   |
|   |     | 1,061,525 |

| Corporate Bonds                             | Par<br>(000) | Value      |
|---|--------------|------------|
| <b>Food Products 0.5%</b>                   |              |            |
| Smithfield Foods, Inc., 10.00%, 7/15/14 (b) | USD 760      | \$ 775,200 |
| Tyson Foods, Inc., 10.50%, 3/01/14          | 270          | 301,050    |
|   |              | 1,076,250  |

**Health Care Equipment & Supplies 2.4%**

|   |       |           |
|---|-------|-----------|
| Catalent Pharma Solutions, Inc., 9.50%, 4/15/15 (d) | 900   | 742,500   |
| DJO Finance LLC, 10.88%, 11/15/14                   | 2,675 | 2,568,000 |
| Hologic, Inc., 2.00%, 12/15/37 (e)(i)               | 1,860 | 1,501,950 |
|   |       | 4,812,450 |

**Health Care Providers & Services 1.2%**

|   |       |           |
|---|-------|-----------|
| Community Health Systems, Inc., Series WI, 8.88%, 7/15/15 | 190   | 190,712   |
| Tenet Healthcare Corp. (b):                               |       |           |
| 9.00%, 5/01/15  | 1,502 | 1,539,550 |
| 10.00%, 5/01/18   | 622   | 670,205   |
|   |       | 2,400,467 |

**Hotels, Restaurants & Leisure 4.6%**

|   |       |           |
|---|-------|-----------|
| American Real Estate Partners LP, 7.13%, 2/15/13                      | 2,815 | 2,674,250 |
| Gaylord Entertainment Co., 8.00%, 11/15/13                            | 595   | 542,938   |
| Greektown Holdings, LLC, 10.75%, 12/01/13 (a)(b)(c)                   | 522   | 112,230   |
| Harrah's Operating Co., Inc., 10.00%, 12/15/18 (b)                    | 881   | 616,700   |
| Inn of the Mountain Gods Resort & Casino, 12.00%, 11/15/10 (a)(c)     | 1,425 | 627,000   |
| Little Traverse Bay Bands of Odawa Indians, 10.25%, 2/15/14 (a)(b)(c) | 1,175 | 517,000   |
| MGM Mirage, 11.13%, 11/15/17 (b)                                      | 780   | 844,350   |
| Penn National Gaming, Inc., 6.88%, 12/01/11                           | 1,875 | 1,875,000 |
| San Pasqual Casino, 8.00%, 9/15/13 (b)                                | 925   | 874,125   |
| Scientific Games Corp., 0.75%, 12/01/24 (e)(i)                        | 270   | 264,263   |

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|   |     |         |
|---|-----|---------|
| Shingle Springs Tribal Gaming Authority, 9.38%, 6/15/15 (b)   | 45  | 31,950  |
| Travelport LLC:   |     |         |
| 4.99%, 9/01/14 (g)  | 145 | 105,125 |
| 9.88%, 9/01/14  | 190 | 161,025 |
| Tropicana Entertainment LLC Series WI, 9.63%, 12/15/14 (a)(c) | 315 | 197     |
| Virgin River Casino Corp., 9.00%, 1/15/12 (a)(c)              | 805 | 82,513  |

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9,328,666

**Household Durables 2.0%**

|  |       |         |
|--|-------|---------|
| American Greetings Corp., 7.38%, 6/01/16     | 975   | 833,625 |
| Beazer Homes USA, Inc.:                      |       |         |
| 8.38%, 4/15/12                               | 855   | 645,525 |
| 8.13%, 6/15/16                               | 120   | 74,400  |
| 4.63%, 6/15/24 (e)                           | 120   | 99,000  |
| Jarden Corp., 8.00%, 5/01/16                 | 240   | 246,000 |
| KB Home:                                     |       |         |
| 6.38%, 8/15/11                               | 29    | 28,710  |
| 9.10%, 9/15/17                               | 320   | 326,400 |
| Meritage Homes Corp., 6.25%, 3/15/15         | 250   | 215,000 |
| Standard Pacific Corp.:                      |       |         |
| 6.25%, 4/01/14                               | 700   | 549,500 |
| 7.00%, 8/15/15                               | 1,075 | 843,875 |
| Toll Brothers Finance Corp., 8.91%, 10/15/17 | 219   | 243,825 |

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4,105,860

**IT Services 1.8%**

|   |       |           |
|---|-------|-----------|
| Alliance Data Systems Corp., 1.75%, 8/01/13 (e) | 1,340 | 1,192,600 |
| First Data Corp.:                               |       |           |
| 9.88%, 9/24/15                                  | 160   | 136,800   |
| 11.25%, 3/31/16 (b)                             | 2,320 | 1,774,800 |
| SunGard Data Systems, Inc., 10.63%, 5/15/15 (b) | 530   | 547,225   |

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3,651,425

See Notes to Financial Statements.

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SEMI-ANNUAL REPORT

AUGUST 31, 2009

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## Schedule of Investments (continued)

BlackRock Corporate High Yield Fund, Inc. (COY)  
(Percentages shown are based on Net Assets)

| Corporate Bonds   |     | Par<br>(000) | Value        |
|---|-----|--------------|--------------|
| <b>Independent Power Producers &amp; Energy Traders 3.6%</b>      |     |              |              |
| The AES Corp., 8.75%, 5/15/13 (b)                                 | USD | 994          | \$ 1,008,910 |
| AES Eastern Energy LP Series 99-B, 9.67%, 1/02/29                 |     | 575          | 494,500      |
| Calpine Construction Finance Co. LP, 8.00%, 6/01/16 (b)           |     | 915          | 910,425      |
| Energy Future Holdings Corp., 11.25%, 11/01/17 (d)                |     | 3,498        | 2,002,248    |
| NRG Energy, Inc.:   |     |              |              |
| 7.25%, 2/01/14  |     | 1,525        | 1,483,063    |
| 7.38%, 2/01/16  |     | 930          | 889,313      |
| Texas Competitive Electric Holdings Co. LLC, 10.50%, 11/01/16 (d) |     | 951          | 527,507      |
|   |     |              | 7,315,966    |
| <b>Industrial Conglomerates 1.7%</b>                              |     |              |              |
| Sequa Corp. (b):  |     |              |              |
| 11.75%, 12/01/15  |     | 2,380        | 1,499,400    |
| 13.50%, 12/01/15 (d)  |     | 3,636        | 1,899,829    |
|   |     |              | 3,399,229    |
| <b>Insurance 1.0%</b>   |     |              |              |
| Alliant Holdings I, Inc., 11.00%, 5/01/15 (b)                     |     | 1,600        | 1,460,000    |
| USI Holdings Corp., 4.32%, 11/15/14 (b)(g)                        |     | 630          | 486,675      |
|   |     |              | 1,946,675    |
| <b>Leisure Equipment &amp; Products 0.6%</b>                      |     |              |              |
| Brunswick Corp., 11.25%, 11/01/16 (b)                             |     | 1,070        | 1,120,825    |
| <b>Life Sciences Tools &amp; Services 0.1%</b>                    |     |              |              |
| Bio-Rad Laboratories, Inc., 8.00%, 9/15/16 (b)                    |     | 200          | 204,000      |
| <b>Machinery 0.8%</b>   |     |              |              |
| AGY Holding Corp., 11.00%, 11/15/14                               |     | 1,200        | 948,000      |
| Accuride Corp., 8.50%, 2/01/15 (a)(c)                             |     | 515          | 103,000      |
| CPM Holdings, Inc., 10.63%, 9/01/14 (b)                           |     | 100          | 101,000      |
| RBS Global, Inc.:   |     |              |              |
| 9.50%, 8/01/14 (b)  |     | 205          | 188,600      |
| 8.88%, 9/01/16  |     | 420          | 337,050      |
|   |     |              | 1,677,650    |
| <b>Marine 0.6%</b>  |     |              |              |
| Horizon Lines, Inc., 4.25%, 8/15/12 (e)                           |     | 1,090        | 792,975      |
| Navios Maritime Holdings, Inc., 9.50%, 12/15/14                   |     | 442          | 386,750      |



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1,179,725

**Media 10.1%**

|   |       |           |
|---|-------|-----------|
| Affinion Group, Inc.:   |       |           |
| 10.13%, 10/15/13  | 1,255 | 1,247,156 |
| 10.13%, 10/15/13 (b)  | 355   | 352,781   |
| CCO Holdings LLC, 8.75%, 11/15/13                               | 515   | 520,150   |
| CMP Susquehanna Corp., 4.75%, 5/15/14 (b)                       | 150   | 3,000     |
| CSC Holdings, Inc.:   |       |           |
| 8.50%, 4/15/14 (b)  | 370   | 375,550   |
| Series B, 7.63%, 4/01/11  | 325   | 329,062   |
| Cablevision Systems Corp., Series B, 8.00%, 4/15/12             | 965   | 986,712   |
| Catalina Marketing Corp., 10.50%, 10/01/15 (b)(d)               | 1,970 | 1,915,825 |
| Charter Communications Holdings II, LLC, 10.25%, 9/15/10 (a)(c) | 685   | 761,206   |
| Charter Communications Operating, LLC (a)(b)(c):                |       |           |
| 8.00%, 4/30/12  | 500   | 503,750   |
| 8.38%, 4/30/14  | 660   | 668,250   |
| EchoStar DBS Corp., 7.00%, 10/01/13                             | 90    | 88,200    |
| Harland Clarke Holdings Corp.:                                  |       |           |
| 6.00%, 5/15/15 (g)  | 330   | 235,950   |
| 9.50%, 5/15/15 (b)  | 390   | 331,500   |
| Intelsat Corp., 9.25%, 6/15/16                                  | 2,040 | 2,065,500 |
| Intelsat Subsidiary Holding Co. Ltd., 8.88%, 1/15/15 (b)        | 250   | 250,625   |

| Corporate Bonds  |     | Par<br>(000) |    | Value      |
|--|-----|--------------|----|------------|
| <b>Media (concluded)</b>                               |     |              |    |            |
| Liberty Media Corp., 3.13%, 3/30/23 (e)                | USD | 1,023        | \$ | 982,080    |
| Local Insight Regatta Holdings, Inc., 11.00%, 12/01/17 |     | 673          |    | 255,740    |
| Network Communications, Inc., 10.75%, 12/01/13         |     | 20           |    | 4,050      |
| Nielsen Finance LLC.:                                  |     |              |    |            |
| 11.63%, 2/01/14  |     | 70           |    | 69,475     |
| 10.00%, 8/01/14  |     | 1,740        |    | 1,644,300  |
| ProtoStar I Ltd., 18.00%, 10/15/12 (a)(b)(c)(e)        |     | 812          |    | 324,708    |
| Rainbow National Services LLC, 10.38%, 9/01/14 (b)     |     | 1,496        |    | 1,563,320  |
| TL Acquisitions, Inc., 10.50%, 1/15/15 (b)             |     | 3,895        |    | 3,544,450  |
| UPC Holdings BV, 9.88%, 4/15/18 (b)                    |     | 500          |    | 505,625    |
| Virgin Media, Inc., 6.50%, 11/15/16 (b)(e)             |     | 1,125        |    | 1,019,531  |
|  |     |              |    | 20,548,496 |

**Metals & Mining 5.1%**

|  |       |           |
|--|-------|-----------|
| Aleris International, Inc. (a)(c):                   |       |           |
| 9.00%, 12/15/14                                      | 950   | 2,375     |
| 10.00%, 12/15/16                                     | 800   | 2,000     |
| Anglo American Capital Plc, 9.38%, 4/08/19 (b)       | 345   | 403,650   |
| Drummond Co., Inc., 7.38%, 2/15/16 (b)               | 215   | 189,200   |
| FMG Finance Property Ltd. (b):                       |       |           |
| 10.00%, 9/01/13                                      | 500   | 527,500   |
| 10.63%, 9/01/16                                      | 1,210 | 1,300,750 |
| Foundation PA Coal Co., 7.25%, 8/01/14               | 1,850 | 1,803,750 |
| Freeport-McMoRan Copper & Gold, Inc., 8.38%, 4/01/17 | 960   | 1,000,800 |
| Novelis, Inc.:                                       |       |           |
| 7.25%, 2/15/15                                       | 1,875 | 1,518,750 |
| 11.50%, 2/15/15 (b)                                  | 405   | 391,838   |
| Ryerson, Inc.:                                       |       |           |
| 7.86%, 11/01/14 (g)                                  | 380   | 323,000   |
| 12.00%, 11/01/15                                     | 245   | 225,400   |

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|   |       |            |
|---|-------|------------|
| Steel Dynamics, Inc., 7.38%, 11/01/12     | 440   | 432,300    |
| Teck Resources Ltd.:                      |       |            |
| 10.25%, 5/15/16                           | 285   | 314,925    |
| 10.75%, 5/15/19                           | 1,095 | 1,246,931  |
| Vedanta Resources Plc, 9.50%, 7/18/18 (b) | 600   | 564,000    |
|   |       | 10,247,169 |

**Multiline Retail 0.5%**

|  |     |         |
|--|-----|---------|
| Dollar General Corp.:                        |     |         |
| 10.63%, 7/15/15                              | 265 | 294,150 |
| 11.88%, 7/15/17 (d)                          | 185 | 207,662 |
| Macy's Retail Holdings, Inc., 5.88%, 1/15/13 | 455 | 429,026 |
|  |     | 930,838 |

**Oil, Gas & Consumable Fuels 9.0%**

|   |       |           |
|---|-------|-----------|
| Arch Coal, Inc., 8.75%, 8/01/16 (b)             | 290   | 290,000   |
| Atlas Energy Operating Co. LLC, 12.13%, 8/01/17 | 450   | 474,750   |
| Atlas Energy Resources LLC, 10.75%, 2/01/18 (b) | 1,000 | 1,010,000 |
| Berry Petroleum Co., 8.25%, 11/01/16            | 470   | 418,300   |
| Bill Barrett Corp., 9.88%, 7/15/16              | 225   | 234,000   |
| Chesapeake Energy Corp.:                        |       |           |
| 9.50%, 2/15/15                                  | 500   | 510,000   |
| 7.25%, 12/15/18                                 | 990   | 905,850   |
| 2.25%, 12/15/38 (e)                             | 775   | 520,219   |
| Connacher Oil and Gas Ltd. (b):                 |       |           |
| 11.75%, 7/15/14                                 | 165   | 167,475   |
| 10.25%, 12/15/15                                | 1,075 | 757,875   |
| Corral Finans AB, 2.01%, 4/15/10 (b)(d)         | 1,630 | 1,185,624 |
| EXCO Resources, Inc., 7.25%, 1/15/11            | 2,435 | 2,386,300 |
| Encore Acquisition Co., 6.25%, 4/15/14          | 1,850 | 1,646,500 |
| Forest Oil Corp., 7.25%, 6/15/19                | 2,260 | 2,124,400 |
| Massey Energy Co., 3.25%, 8/01/15 (e)           | 1,210 | 904,475   |
| OPTI Canada, Inc., 8.25%, 12/15/14              | 1,450 | 942,500   |

See Notes to Financial Statements.

## Schedule of Investments (continued)

BlackRock Corporate High Yield Fund, Inc. (COY)  
(Percentages shown are based on Net Assets)

| Corporate Bonds   |     | Par<br>(000) | Value      |
|---|-----|--------------|------------|
| <b>Oil, Gas &amp; Consumable Fuels (concluded)</b>        |     |              |            |
| PetroHawk Energy Corp.:                                   |     |              |            |
| 10.50%, 8/01/14 (b)                                       | USD | 530          | \$ 567,100 |
| 7.88%, 6/01/15  |     | 450          | 436,500    |
| Range Resources Corp., 8.00%, 5/15/19                     |     | 400          | 408,000    |
| Sabine Pass LNG LP, 7.50%, 11/30/16                       |     | 350          | 283,500    |
| SandRidge Energy, Inc.:                                   |     |              |            |
| 8.63%, 4/01/15 (d)  |     | 120          | 112,800    |
| 9.88%, 5/15/16 (b)  |     | 500          | 500,000    |
| 8.00%, 6/01/18 (b)  |     | 935          | 846,175    |
| Teekay Shipping Corp., 8.88%, 7/15/11                     |     | 640          | 636,800    |
|   |     |              | 18,269,143 |
| <b>Paper &amp; Forest Products 2.9%</b>                   |     |              |            |
| Ainsworth Lumber Co. Ltd., 11.00%, 7/29/15 (b)(d)         |     | 320          | 127,039    |
| Clearwater Paper Corp., 10.63%, 6/15/16 (b)               |     | 370          | 396,362    |
| Georgia-Pacific Corp., 8.13%, 5/15/11                     |     | 145          | 148,988    |
| Georgia-Pacific LLC, 8.25%, 5/01/16 (b)                   |     | 1,525        | 1,540,250  |
| International Paper Co., 9.38%, 5/15/19                   |     | 490          | 550,616    |
| NewPage Corp., 10.00%, 5/01/12                            |     | 2,440        | 1,323,700  |
| Norske Skog Canada Ltd. Series D, 8.63%, 6/15/11          |     | 825          | 482,625    |
| Verso Paper Holdings LLC:                                 |     |              |            |
| 11.50%, 7/01/14 (b)                                       |     | 320          | 313,600    |
| Series B, 4.23%, 8/01/14 (g)                              |     | 260          | 145,600    |
| Series B, 9.13%, 8/01/14                                  |     | 1,425        | 929,813    |
|   |     |              | 5,958,593  |
| <b>Pharmaceuticals 0.9%</b>                               |     |              |            |
| Angiotech Pharmaceuticals, Inc., 4.11%, 12/01/13 (g)      |     | 1,440        | 1,209,600  |
| Elan Finance Plc, 8.88%, 12/01/13                         |     | 90           | 86,850     |
| Valeant Pharmaceuticals International, 8.38%, 6/15/16 (b) |     | 515          | 522,725    |
|   |     |              | 1,819,175  |
| <b>Real Estate Investment Trusts (REITs) 0.8%</b>         |     |              |            |
| FelCor Lodging LP, 8.50%, 6/01/11                         |     | 245          | 229,687    |
| HCP, Inc., 5.65%, 12/15/13                                |     | 420          | 404,645    |
| iStar Financial, Inc.:                                    |     |              |            |
| 5.65%, 9/15/11  |     | 1,500        | 855,000    |
| Series B, 5.13%, 4/01/11                                  |     | 220          | 118,800    |
|   |     |              | 1,608,132  |
| <b>Real Estate Management &amp; Development 1.3%</b>      |     |              |            |
| Forest City Enterprises, Inc., 7.63%, 6/01/15             |     | 2,525        | 1,584,438  |
| Realogy Corp.:  |     |              |            |

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|                 |       |           |
|-----------------|-------|-----------|
| 10.50%, 4/15/14 | 520   | 309,400   |
| 12.38%, 4/15/15 | 1,935 | 783,675   |
|                 |       | 2,677,513 |

**Semiconductors & Semiconductor Equipment 0.5%**

|  |       |           |
|--|-------|-----------|
| Spansion, Inc., 3.79%, 6/01/13 (a)(b)(c) | 1,135 | 1,007,313 |
|--|-------|-----------|

**Software 0.0%**

|  |     |       |
|--|-----|-------|
| BMS Holdings, Inc., 8.35%, 2/15/12 (b)(d)(g) | 407 | 6,532 |
|--|-----|-------|

**Specialty Retail 2.9%**

|   |       |           |
|---|-------|-----------|
| Asbury Automotive Group, Inc., 7.63%, 3/15/17 | 330   | 270,600   |
| General Nutrition Centers, Inc.:              |       |           |
| 6.40%, 3/15/14 (g)                            | 1,640 | 1,443,200 |
| 10.75%, 3/15/15                               | 1,200 | 1,134,000 |
| Group 1 Automotive, Inc., 2.25%, 6/15/36 (h)  | 985   | 698,119   |
| Limited Brands, Inc., 8.50%, 6/15/19 (b)      | 745   | 754,708   |
| Michaels Stores, Inc., 11.38%, 11/01/16       | 690   | 593,400   |
| United Auto Group, Inc., 7.75%, 12/15/16      | 1,030 | 906,400   |
|   |       | 5,800,427 |

| Corporate Bonds                                  |     | Par<br>(000) |    | Value     |
|--|-----|--------------|----|-----------|
| <b>Textiles, Apparel &amp; Luxury Goods 1.1%</b> |     |              |    |           |
| Levi Strauss & Co., 8.63%, 4/01/13               | EUR | 850          | \$ | 1,163,732 |
| Quiksilver, Inc., 6.88%, 4/15/15                 | USD | 1,600        |    | 1,016,000 |
|  |     |              |    | 2,179,732 |

**Wireless Telecommunication Services 5.8%**

|  |  |       |  |            |
|--|--|-------|--|------------|
| Cricket Communications, Inc.:                    |  |       |  |            |
| 9.38%, 11/01/14                                  |  | 2,405 |  | 2,266,712  |
| 10.00%, 7/15/15                                  |  | 835   |  | 807,862    |
| Crown Castle International Corp., 9.00%, 1/15/15 |  | 205   |  | 213,200    |
| Digicel Group Ltd. (b):                          |  |       |  |            |
| 8.88%, 1/15/15                                   |  | 1,285 |  | 1,146,862  |
| 9.13%, 1/15/15 (d)                               |  | 1,911 |  | 1,683,744  |
| FiberTower Corp., 9.00%, 11/15/12 (e)            |  | 633   |  | 327,578    |
| iPCS, Inc., 2.61%, 5/01/13 (g)                   |  | 760   |  | 623,200    |
| MetroPCS Wireless, Inc., 9.25%, 11/01/14         |  | 2,085 |  | 2,045,905  |
| Nextel Communications, Inc.:                     |  |       |  |            |
| Series E, 6.88%, 10/31/13                        |  | 1,670 |  | 1,494,650  |
| Series F, 5.95%, 3/15/14                         |  | 100   |  | 84,000     |
| Orascom Telecom Finance SCA, 7.88%, 2/08/14 (b)  |  | 265   |  | 238,500    |
| Sprint Capital Corp.:                            |  |       |  |            |
| 7.63%, 1/30/11                                   |  | 780   |  | 780,975    |
| 6.88%, 11/15/28                                  |  | 170   |  | 123,675    |
|  |  |       |  | 11,836,863 |

|                                    |  |  |  |             |
|------------------------------------|--|--|--|-------------|
| <b>Total Corporate Bonds 94.7%</b> |  |  |  | 192,013,714 |
|------------------------------------|--|--|--|-------------|

**Floating Rate Loan Interests****Auto Components 2.2%**

|   |       |           |
|---|-------|-----------|
| Allison Transmission, Inc., Term Loan, 3.03%, 8/07/14 | 1,376 | 1,174,545 |
| Dana Holding Corp., Term Advance, 7.25%, 1/31/15      | 1,872 | 1,433,085 |
| Delphi Corp. (a)(c):                                  |       |           |
| Initial Tranche Term Loan C, 10.50%, 12/31/09         | 2,855 | 1,570,378 |
| Subsequent Tranche Term Loan C, 10.50%, 12/31/09      | 292   | 160,747   |
|   |       | 4,338,755 |

**Building Products 1.3%**

|   |       |           |
|---|-------|-----------|
| CPG International I Inc., Term Loan, 5.27%, 2/28/11 | 2,970 | 2,672,864 |
|---|-------|-----------|

**Capital Markets 0.1%**

|   |     |         |
|---|-----|---------|
| Marsico Parent Co., LLC, Term Loan, 4.81%, 12/15/14 | 462 | 198,749 |
|---|-----|---------|

**Chemicals 1.4%**

|  |       |           |
|--|-------|-----------|
| PQ Corp. (fka Niagara Acquisition, Inc.):    |       |           |
| Loan (Second Lien), 6.77%, 7/30/15           | 3,250 | 1,787,500 |
| Term Loan (First Lien), 3.52% 3.75%, 7/31/14 | 743   | 611,944   |
| Solutia Inc., Loan, 7.25%, 2/28/14           | 410   | 406,227   |
|  |       | 2,805,671 |

**Diversified Telecommunication Services 2.4%**

|  |     |       |           |
|--|-----|-------|-----------|
| Wind Finance SL S.A., Euro Facility (Second Lien), 7.70%, 12/17/14 | EUR | 3,350 | 4,817,000 |
|--|-----|-------|-----------|

**Food & Staples Retailing 0.6%**

|   |     |       |           |
|---|-----|-------|-----------|
| Rite Aid Corp., Tranche 4 Term Loan, 9.50%, 6/04/15 | USD | 1,200 | 1,242,000 |
|---|-----|-------|-----------|

**Health Care Providers & Services 2.0%**

|   |       |           |
|---|-------|-----------|
| HCA Inc., Tranche A-1 Term Loan, 2.10%, 11/17/12    | 3,467 | 3,236,443 |
| Rotech Healthcare Inc., Term Loan B, 6.26%, 9/26/11 | 1,681 | 806,730   |
|   |       | 4,043,173 |

See Notes to Financial Statements.

## Schedule of Investments (continued)

BlackRock Corporate High Yield Fund, Inc. (COY)  
(Percentages shown are based on Net Assets)

| Floating Rate Loan Interests  |     | Par<br>(000) | Value        |
|---|-----|--------------|--------------|
| <b>Hotels, Restaurants &amp; Leisure 0.8%</b>   |     |              |              |
| Travelport LLC (fka Travelport Inc.), Loan, 7.99%, 3/27/12  | USD | 2,861        | \$ 1,602,147 |
| <b>IT Services 0.0%</b>   |     |              |              |
| First Data Corp., Initial Tranche B-1 Term Loan, 3.01% 3.02%, 9/24/14                                   |     | 100          | 83,101       |
| <b>Independent Power Producers &amp; Energy Traders 1.8%</b>  |     |              |              |
| Texas Competitive Electric Holdings Co., LLC (TXU):   |     |              |              |
| Initial Tranche B-1 Term Loan, 3.78% 3.79%, 10/10/14  |     | 207          | 157,595      |
| Initial Tranche B-2 Term Loan, 3.78%, 10/10/14  |     | 1,204        | 915,037      |
| Initial Tranche B-3 Term Loan, 3.78%, 10/10/14  |     | 3,439        | 2,602,398    |
|   |     |              | 3,675,030    |
| <b>Machinery 1.1%</b>   |     |              |              |
| Navistar Financial Corp., Tranche A Term loan, 2.31%, 3/27/10   |     | 500          | 485,000      |
| Navistar International Corp.:   |     |              |              |
| Revolving Credit-Linked Deposit, 3.36% 3.51%, 1/19/12   |     | 505          | 469,650      |
| Term Advance, 3.51%, 1/19/12  |     | 1,385        | 1,288,050    |
|   |     |              | 2,242,700    |
| <b>Media 3.3%</b>   |     |              |              |
| Affinion Group Holdings, Inc., Loan, 8.27%, 3/01/12   |     | 419          | 366,678      |
| Cengage Learning Acquisitions, Inc. (Thomson Learning), Tranche 1 Incremental Term Loan, 7.50%, 7/03/14 |     | 1,485        | 1,425,600    |
| HMH Publishing Co. Ltd. (fka Education Media):  |     |              |              |
| Mezzanine, 17.50%, 11/14/14   |     | 6,221        | 933,183      |
| Tranche A Term Loan, 5.26%, 6/12/14   |     | 2,414        | 1,867,663    |
| NV Broadcasting, LLC, Second Lien, 8.72%, 11/03/14 (a)(c)   |     | 1,000        | 10,000       |
| Newsday, LLC, Fixed Rate Term Loan, 9.75%, 8/01/13  |     | 750          | 763,125      |
| Virgin Media Investment Holdings Ltd. C Facility, 3.62%, 7/17/13  | GBP | 525          | 752,112      |
| World Color Press Inc., and World Color (USA) Corp. (fka Quebecor World Inc.), Advance, 9.00%, 6/30/12  | USD | 500          | 496,250      |
|   |     |              | 6,614,611    |
| <b>Multiline Retail 0.1%</b>  |     |              |              |
| The Neiman Marcus Group Inc., Term Loan, 2.28% 2.63%, 4/06/13   |     | 120          | 98,786       |
| <b>Oil, Gas &amp; Consumable Fuels 0.7%</b>   |     |              |              |
| Turbo Beta Ltd. Dollar Facility, 2.50% 12.00%, 3/15/18  |     | 2,147        | 1,503,089    |
| <b>Paper &amp; Forest Products 0.3%</b>   |     |              |              |
| NewPage Corp., Term Loan, 4.06%, 12/22/14   |     | 487          | 451,459      |

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|   |       |         |
|---|-------|---------|
| Verso Paper Finance Holdings LLC, Loan, 6.73% 7.48%%, 2/01/13 | 1,159 | 231,896 |
|   |       | 683,355 |

**Real Estate Management & Development 0.2%**

|                                      |     |         |
|--------------------------------------|-----|---------|
| Realty Corp.:                        |     |         |
| Initial Term B Loan, 3.28%, 10/10/13 | 377 | 287,415 |
| Synthetic LC, 0.11%, 10/10/13        | 119 | 90,763  |
|                                      |     | 378,178 |

| Floating Rate Loan Interests                    | Par<br>(000) | Value      |
|---|--------------|------------|
| <b>Specialty Retail 0.1%</b>                    |              |            |
| Claire s Stores Term Loan B, 5.27%, 5/29/14     | USD 265      | \$ 172,629 |
| <b>Total Floating Rate Loan Interests 18.4%</b> |              | 37,171,838 |

| Other Interests (i)               | Beneficial<br>Interest<br>(000) |       |
|-----------------------------------|---------------------------------|-------|
| <b>Media 0.1%</b>                 |                                 |       |
| Adelphia Escrow                   | 700                             | 70    |
| Adelphia Recovery Trust           | 878                             | 3,512 |
| <b>Total Other Interests 0.0%</b> |                                 | 3,582 |

| Preferred Stocks                                   | Shares |        |
|--|--------|--------|
| <b>Capital Markets 0.0%</b>                        |        |        |
| Marsico Parent Superholdco, LLC, 16.75% (b)        | 67     | 17,085 |
| <b>Media 0.0%</b>                                  |        |        |
| CMP Susquehanna Radio Holdings Corp., 0% (a)(b)(g) | 34,982 |        |
| <b>Total Preferred Stocks 0.0%</b>                 |        | 17,085 |

**Warrants (j)**

|  |        |  |
|--|--------|--|
| <b>Health Care Providers &amp; Services 0.0%</b> |        |  |
| HealthSouth Corp. (expires 1/16/14)              | 29,930 |  |

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|  |                  |                |
|--|------------------|----------------|
| <b>Media 0.0%</b>  |                  |                |
| CMP Susquehanna Radio Holdings Corp. (expires 3/26/19) (b)                                       | 39,975           |                |
| <b>Oil, Gas &amp; Consumable Fuels 0.0%</b>  |                  |                |
| Turbo Cayman Ltd. (No Expiration)  | 1                |                |
| <b>Total Warrants 0.0%</b>   |                  |                |
| <b>Total Long-Term Investments</b>   |                  |                |
| (Cost \$271,263,265) 115.1%  |                  | 233,299,691    |
| <b>Short-Term Securities</b>   |                  |                |
| BlackRock Liquidity Funds, TempCash 0.26% (k)(l)   | 2,032,607        | 2,032,607      |
| <b>Total Short-Term Securities</b>   |                  |                |
| (Cost \$2,032,607) 1.0%  |                  | 2,032,607      |
| <b>Options Purchased</b>   |                  |                |
|  | <b>Contracts</b> |                |
| <b>Over-the-Counter Call Options</b>   |                  |                |
| Marsico Parent Superholdco LLC, expiring December 2009 at USD 942.86, Broker Goldman Sachs & Co. | 17               | 17,000         |
| <b>Total Options Purchased</b>   |                  |                |
| (Cost \$16,622) 0.0%   |                  | 17,000         |
| <b>Total Investments</b>   |                  |                |
| (Cost \$273,312,494*) 116.1%   |                  | 235,349,298    |
| <b>Liabilities in Excess of Other Assets (16.1)%</b>   |                  | (32,699,558)   |
| <b>Net Assets 100.0%</b>   |                  | \$ 202,649,740 |

See Notes to Financial Statements.



Schedule of Investments (continued)

BlackRock Corporate High Yield Fund, Inc. (COY)

\* The cost and unrealized appreciation (depreciation) of investments as of August 31, 2009, as computed for federal income tax purposes, were as follows:

|                               |                 |
|-------------------------------|-----------------|
| Aggregate cost                | \$ 274,419,893  |
| Gross unrealized appreciation | \$ 8,030,039    |
| Gross unrealized depreciation | (47,100,634)    |
| Net unrealized depreciation   | \$ (39,070,595) |

- (a) Non-income producing security.
- (b) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional investors.
- (c) Issuer filed for bankruptcy and/or is in default of interest payments.
- (d) Represents a payment-in-kind security which may pay interest/dividends in additional par/shares.
- (e) Convertible security.
- (f) Represents a zero-coupon bond. Rate shown reflects the current yield as of report date.
- (g) Variable rate security. Rate shown is as of report date.
- (h) Represents a step-down bond that pays an initial coupon rate for the first period and then a lower coupon rate for the following periods. Rate shown is as of report date.
- (i) Other interests represent beneficial interest in liquidation trusts and other reorganization entities and are non-income producing.
- (j) Warrants entitle the Fund to purchase a predetermined number of shares of common stock and are non-income producing. The purchase price and number of shares are subject to adjustment under certain conditions until the expiration date.
- (k) Investments in companies considered to be an affiliate of the Fund, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, were as follows:

| Affiliate   | Net<br>Activity | Income   |
|---|-----------------|----------|
| BlackRock Liquidity Funds, TempCash               | \$ 2,032,607    | \$ 4,915 |
| BlackRock Liquidity Series, LLC Cash Sweep Series | \$ (7,111,263)  | \$ 461   |

- (l) Represents the current yield as of report date.

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

Foreign currency exchange contracts as of August 31, 2009 were as follows:

| Currency Purchased |            | Currency Sold |           | Counterparty      | Settlement Date | Unrealized Appreciation (Depreciation) |
|--------------------|------------|---------------|-----------|-------------------|-----------------|--|
| USD                | 11,026,273 | EUR           | 7,899,500 | Citibank NA       | 9/16/09         | \$ (298,752)                           |
| USD                | 423,465    | EUR           | 300,000   | UBS AG            | 9/16/09         | (6,627)                                |
| USD                | 174,975    | CAD           | 190,000   | Barclays Bank Plc | 10/28/09        | 1,404                                  |
| USD                | 1,739,108  | GBP           | 1,064,000 | Citibank NA       | 10/28/09        | 7,110                                  |
| <b>Total</b>       |            |               |           |                   |                 | <b>\$ (296,865)</b>                    |

Credit default swaps on single-name issues buy protection outstanding as of August 31, 2009 were as follows:

| Issuer                       | Pay Fixed Rate | Counterparty                          | Expiration     | Notional Amount (000) | Unrealized Appreciation (Depreciation) |
|------------------------------|----------------|---------------------------------------|----------------|-----------------------|--|
| iStar Financial Inc.         | 5.00%          | Morgan Stanley Capital Services, Inc. | September 2011 | USD 1,500             | \$ 273,762                             |
| Black & Decker Corp.         | 2.93%          | Goldman Sachs Bank USA                | March 2014     | USD 600               | (35,219)                               |
| Louisiana Pacific Corp.      | 5.00%          | JPMorgan Chase Bank NA                | March 2014     | USD 500               | (95,335)                               |
| Macy's Retail Holdings Corp. | 8.05%          | Goldman Sachs Bank USA                | March 2014     | USD 600               | (112,690)                              |
| Masco Corp.                  | 5.85%          | Goldman Sachs Bank USA                | March 2014     | USD 750               | (99,209)                               |
| Mohawk Industries Inc.       | 4.70%          | Goldman Sachs Bank USA                | March 2014     | USD 750               | (82,112)                               |
| Tyson Foods Inc.             | 4.25%          | Goldman Sachs Bank USA                | March 2014     | USD 400               | (37,313)                               |
| Centex Corp.                 | 1.00%          | Deutsche Bank AG                      | June 2014      | USD 250               | (8,534)                                |
| First Data Corp.             | 5.00%          | Credit Suisse International           | June 2014      | USD 250               | (21,929)                               |
| Lennar Corp.                 | 5.75%          | JPMorgan Chase Bank NA                | June 2014      | USD 250               | (30,077)                               |
| Standard Pacific Corp.       | 5.00%          | JPMorgan Chase Bank NA                | June 2014      | USD 475               | (1,740)                                |
| Brunswick Corp.              | 5.00%          | Morgan Stanley Capital Services, Inc. | September 2014 | USD 2,750             | 19,040                                 |
| Centex Corp.                 | 1.00%          | Deutsche Bank AG                      | September 2014 | USD 175               | (1,401)                                |
| Limited Brands Inc.          | 1.00%          | Goldman Sachs Bank USA                | September 2014 | USD 50                | 571                                    |
| Limited Brands Inc.          | 1.00%          | JPMorgan Chase Bank NA                | September 2014 | USD 1,000             | 10,644                                 |
| Pulte Homes Inc.             | 1.00%          | JPMorgan Chase Bank NA                | September 2014 | USD 350               | 5,558                                  |
| Standard Pacific Corp.       | 5.00%          | Credit Suisse International           | September 2014 | USD 530               | 21,112                                 |
| Meritage Homes, Inc.         | 5.00%          | Credit Suisse International           | June 2015      | USD 530               | (10,201)                               |
| K. Hovnanian Enterprise Inc. | 5.00%          | JPMorgan Chase Bank NA                | June 2016      | USD 620               | 87,927                                 |
| <b>Total</b>                 |                |                                       |                |                       | <b>\$ (117,146)</b>                    |

See Notes to Financial Statements.

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SEMI-ANNUAL REPORT

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## Schedule of Investments (concluded)

## BlackRock Corporate High Yield Fund, Inc. (COY)

Credit default swaps on single-name issues sold protection outstanding as of August 31, 2009 were as follows:

| Issuer                | Receive Fixed Rate | Counterparty                | Expiration     | Rating <sup>1</sup> | Notional Amount (000) <sup>2</sup> | Unrealized Appreciation (Depreciation) |
|-----------------------|--------------------|-----------------------------|----------------|---------------------|------------------------------------|--|
| Ford Motor Co.        | 3.80%              | UBS AG                      | March 2010     | CCC                 | USD 930                            | \$ (29,878)                            |
| Ford Motor Co.        | 5.00%              | Goldman Sachs Bank USA      | June 2010      | CCC                 | USD 3,750                          | (136,990)                              |
| Beazer Homes USA Inc. | 5.00%              | Credit Suisse International | June 2011      | D                   | USD 150                            | 2,415                                  |
| Beazer Homes USA Inc. | 5.00%              | Credit Suisse International | September 2011 | D                   | USD 250                            | 3,168                                  |
| Beazer Homes USA Inc. | 5.00%              | Goldman Sachs Bank USA      | September 2011 | D                   | USD 200                            | (651)                                  |
| Beazer Homes USA Inc. | 5.00%              | JPMorgan Chase Bank NA      | September 2011 | D                   | USD 100                            | 650                                    |
| D.R. Horton Inc.      | 1.00%              | JPMorgan Chase Bank NA      | September 2014 | BB                  | USD 175                            | (12)                                   |
| <b>Total</b>          |                    |                             |                |                     |                                    | <b>\$ (161,298)</b>                    |

<sup>1</sup> Using Standard & Poor's rating of the issuer.

<sup>2</sup> The maximum potential amount the Fund may pay should a negative credit event take place as defined under the terms of the agreement.

## Currency Abbreviations:

|     |                 |
|-----|-----------------|
| CAD | Canadian Dollar |
| EUR | Euro            |
| GBP | British Pound   |
| USD | US Dollar       |

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

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

Level 2 other observable inputs (including, but not limited to: quoted prices for 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)

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

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

The following table summarizes the inputs used as of August 31, 2009 in determining the fair valuation of the Fund's investments:

| Valuation Inputs             | Investments in Securities |                    |
|------------------------------|---------------------------|--------------------|
|                              | Assets                    |                    |
| Level 1                      |                           |                    |
| Long-Term Investments:       |                           |                    |
| Common Stocks                | \$                        | 4,004,507          |
| Short-Term Securities        |                           | 2,032,607          |
| <b>Total Level 1</b>         |                           | <b>6,037,114</b>   |
| Level 2                      |                           |                    |
| Long-Term Investments:       |                           |                    |
| Common Stocks                |                           | 88,609             |
| Corporate Bonds              |                           | 190,772,757        |
| Floating Rate Loan Interests |                           | 17,431,025         |
| Preferred Stocks             |                           | 17,085             |
| <b>Total Level 2</b>         |                           | <b>208,309,476</b> |
| Level 3                      |                           |                    |
| Long-Term Investments:       |                           |                    |
| Common Stocks                |                           | 356                |
| Corporate Bonds              |                           | 1,240,957          |
| Floating Rate Loan Interests |                           | 19,740,813         |
| Other Interests              |                           | 3,582              |
| <b>Total Level 3</b>         |                           | <b>20,985,708</b>  |
| <b>Total</b>                 | <b>\$</b>                 | <b>235,332,298</b> |

| Valuation Inputs | Other Financial Instruments <sup>1</sup> |                       |
|------------------|--|-----------------------|
|                  | Assets                                   | Liabilities           |
| Level 1          |  |                       |
| Level 2          | \$ 450,361                               | \$ (1,008,670)        |
| Level 3          |  |                       |
| <b>Total</b>     | <b>\$ 450,361</b>                        | <b>\$ (1,008,670)</b> |

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<sup>1</sup> Other financial instruments are swaps, foreign currency exchange contracts and options purchased. Swaps and foreign currency exchange contracts are shown at the unrealized appreciation/depreciation on the instrument and options purchased are shown at market value.

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

|   | Investment in Securities |                     |                                       |                    |                      |
|---|--------------------------|---------------------|---------------------------------------|--------------------|----------------------|
|   | Common<br>Stocks         | Corporate<br>Bonds  | Floating<br>Rate<br>Loan<br>Interests | Other<br>Interests | Total                |
| Balance as of February 28, 2009                               | \$ 356                   | \$ 1,404,473        | \$ 14,962,760                         | \$ 3,582           | \$ 16,371,171        |
| Accrued discounts/premiums                                    |                          |                     |                                       |                    |                      |
| Realized gain (loss)  |                          |                     | (1,216,555)                           |                    | (1,216,555)          |
| Change in unrealized appreciation (depreciation) <sup>2</sup> |                          | (169,765)           | 4,806,263                             |                    | 4,636,498            |
| Net purchases (sales)   |                          | 3,249               | (3,596,611)                           |                    | (3,593,362)          |
| Net transfer in/out of Level 3                                |                          | 3,000               | 4,784,956                             |                    | 4,787,956            |
| <b>Balance as of August 31, 2009</b>                          | <b>\$ 356</b>            | <b>\$ 1,240,957</b> | <b>\$ 19,740,813</b>                  | <b>\$ 3,582</b>    | <b>\$ 20,985,708</b> |

<sup>2</sup> Included in the related net change in unrealized appreciation/depreciation on the Statements of Operations.

See Notes to Financial Statements.

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Schedule of Investments August 31, 2009 (Unaudited)

**BlackRock Corporate High Yield Fund III, Inc. (C YE)**  
(Percentages shown are based on Net Assets)

| Common Stocks                                   | Shares  | Value      |
|---|---------|------------|
| <b>Auto Components 0.5%</b>                     |         |            |
| Federal-Mogul Corp. Class A (a)                 | 76,700  | \$ 964,886 |
| <b>Building Products 0.6%</b>                   |         |            |
| Masonite Worldwide Holdings (a)                 | 34,575  | 1,398,559  |
| <b>Capital Markets 0.4%</b>                     |         |            |
| E*Trade Financial Corp. (a)                     | 506,000 | 890,560    |
| <b>Chemicals 0.0%</b>                           |         |            |
| Wellman Holdings, Inc. (a)                      | 1,522   | 381        |
| <b>Communications Equipment 0.8%</b>            |         |            |
| Loral Space & Communications Ltd. (a)           | 82,907  | 1,711,200  |
| <b>Diversified Financial Services 0.6%</b>      |         |            |
| Bank of America Corp. (a)                       | 70,000  | 1,231,305  |
| <b>Electrical Equipment 0.0%</b>                |         |            |
| Medis Technologies Ltd. (a)                     | 70,784  | 20,173     |
| SunPower Corp. Class B (a)                      | 778     | 16,641     |
|   |         | 36,814     |
| <b>Hotels, Restaurants &amp; Leisure 0.0%</b>   |         |            |
| Buffets Restaurants Holdings, Inc. (a)          | 1,099   | 11         |
| <b>Household Durables 0.2%</b>                  |         |            |
| Beazer Homes USA, Inc. (a)                      | 100,000 | 431,000    |
| <b>Media 0.3%</b>                               |         |            |
| Sirius XM Radio, Inc. (a)                       | 865,000 | 582,578    |
| <b>Paper &amp; Forest Products 0.2%</b>         |         |            |
| Ainsworth Lumber Co. Ltd.                       | 125,117 | 180,575    |
| Ainsworth Lumber Co. Ltd. (a)(b)                | 140,415 | 202,008    |
| Western Forest Products, Inc. (a)(b)            | 45,762  | 10,868     |
| Western Forest Products, Inc. (a)               | 158,023 | 37,530     |
|   |         | 430,981    |
| <b>Software 0.1%</b>                            |         |            |
| TiVo, Inc. (a)                                  | 31,000  | 304,110    |
| <b>Wireless Telecommunication Services 0.0%</b> |         |            |
| iPCS, Inc. (a)                                  | 4,621   | 72,966     |

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**Total Common Stocks 3.7%** 8,055,351

| Corporate Bonds   | Par<br>(000) | Value     |
|---|--------------|-----------|
| <b>Airlines 1.6%</b>  |              |           |
| American Airlines Pass Through Trust Series 2001-02, 7.86%, 4/01/13 | USD 400      | 382,000   |
| Continental Airlines, Inc.:   |              |           |
| Series 1997-4-B, 6.90%, 7/02/18 (c)                                 | 698          | 544,847   |
| Series 2001-1-C, 7.03%, 12/15/12                                    | 314          | 248,469   |
| Series 2003-RJ, 7.88%, 1/02/20                                      | 663          | 434,178   |
| United Air Lines, Inc., 12.75%, 7/15/12                             | 1,850        | 1,776,000 |
|   |              | 3,385,494 |

|  |       |           |
|--|-------|-----------|
| <b>Auto Components 1.5%</b>                      |       |           |
| Allison Transmission, Inc., 11.00%, 11/01/15 (b) | 736   | 662,400   |
| The Goodyear Tire & Rubber Co.:                  |       |           |
| 7.86%, 8/15/11                                   | 1,450 | 1,442,750 |
| 8.63%, 12/01/11                                  | 652   | 658,520   |
| Lear Corp. (a)(d):                               |       |           |
| 8.50%, 12/01/13                                  | 380   | 205,200   |
| 8.75%, 12/01/16                                  | 585   | 315,900   |
|  |       | 3,284,770 |

| Corporate Bonds   | Par<br>(000) | Value      |
|---|--------------|------------|
| <b>Automobiles 0.4%</b>                                 |              |            |
| Ford Capital BV, 9.50%, 6/01/10                         | USD 785      | \$ 777,150 |
| <b>Building Products 0.2%</b>                           |              |            |
| Ply Gem Industries, Inc., 11.75%, 6/15/13               | 610          | 509,350    |
| <b>Capital Markets 0.5%</b>                             |              |            |
| E*Trade Financial Corp.:                                |              |            |
| 12.50%, 11/30/17 (e)                                    | 76           | 76,820     |
| 12.50%, 11/30/17 (b)(e)                                 | 2            | 2,155      |
| 3.38%, 8/31/19 (b)(f)(g)                                | 244          | 416,935    |
| Series A, 3.64%, 8/31/19 (b)(f)(g)                      | 7            | 11,961     |
| Marsico Parent Co., LLC, 10.63%, 1/15/16 (a)(b)         | 1,073        | 450,660    |
| Marsico Parent Holdco, LLC, 12.50%, 7/15/16 (b)(e)      | 447          | 107,337    |
| Marsico Parent Superholdco, LLC, 14.50%, 1/15/18 (b)(e) | 307          | 79,822     |
|   |              | 1,145,690  |

|  |       |           |
|--|-------|-----------|
| <b>Chemicals 1.9%</b>                  |       |           |
| American Pacific Corp., 9.00%, 2/01/15 | 880   | 794,200   |
| Innophos, Inc., 8.89%, 8/15/14         | 825   | 800,250   |
| MacDermid, Inc., 9.50%, 4/15/17 (b)    | 1,260 | 1,058,400 |
| Olin Corp., 8.88%, 8/15/19             | 295   | 297,950   |



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|   |     |           |
|---|-----|-----------|
| Terra Capital, Inc., Series B, 7.00%, 2/01/17     | 215 | 202,637   |
| Wellman Holdings, Inc. (f):                       |     |           |
| Second Lien Subordinate Note, 10.00%, 1/29/19 (b) | 844 | 844,000   |
| Third Lien Subordinate Note, 5.00%, 1/29/19       | 263 | 131,467   |
|   |     | 4,128,904 |

**Commercial Banks 0.1%**

|                             |        |         |
|-----------------------------|--------|---------|
| Glitnir Banki HF (a)(d):    |        |         |
| 4.15%, 4/20/10 (b)          | 211    | 41,673  |
| 4.97%, 1/18/12 (b)          | 100    | 19,750  |
| 6.38%, 9/25/12 (b)          | 500    | 98,750  |
| Series EMTN, 5.07%, 1/27/10 | EUR 50 | 14,694  |
| Series EMTN, 3.00%, 6/30/10 | 45     | 13,225  |
| Series GMTN, 4.38%, 2/05/10 | 50     | 14,694  |
|                             |        | 202,786 |

**Commercial Services & Supplies 4.0%**

|  |         |           |
|--|---------|-----------|
| Altegrity, Inc., 10.50%, 11/01/15 (b)                    | USD 700 | 579,250   |
| ISS Financing, 11.00%, 6/15/14                           | EUR 277 | 408,030   |
| RSC Equipment Rental, Inc., 10.00%, 7/15/17 (b)          | USD 585 | 611,325   |
| Scientific Games International, Inc., 9.25%, 6/15/19 (b) | 855     | 876,375   |
| Waste Services, Inc., 9.50%, 4/15/14                     | 3,000   | 2,970,000 |
| West Corp.:  |         |           |
| 9.50%, 10/15/14  | 750     | 691,875   |
| 11.00%, 10/15/16   | 2,650   | 2,444,625 |
|  |         | 8,581,480 |

**Construction & Engineering 0.7%**

|   |       |           |
|---|-------|-----------|
| Dycom Industries, Inc., 8.13%, 10/15/15 | 1,750 | 1,522,500 |
|---|-------|-----------|

**Construction Materials 1.3%**

|  |       |           |
|--|-------|-----------|
| Nortek, Inc., 10.00%, 12/01/13         | 2,145 | 1,994,850 |
| Texas Industries, Inc., 7.25%, 7/15/13 | 785   | 733,975   |
|  |       | 2,728,825 |

**Consumer Finance 0.2%**

|                            |     |         |
|----------------------------|-----|---------|
| Ford Motor Credit Co. LLC: |     |         |
| 3.26%, 1/13/12 (h)         | 215 | 178,987 |
| 7.80%, 6/01/12             | 200 | 185,009 |
| 8.00%, 12/15/16            | 180 | 157,706 |
|                            |     | 521,702 |

See Notes to Financial Statements.

## Schedule of Investments (continued)

BlackRock Corporate High Yield Fund III, Inc. (CYE)  
(Percentages shown are based on Net Assets)

| Corporate Bonds  |     | Par<br>(000) | Value        |
|--|-----|--------------|--------------|
| <b>Containers &amp; Packaging 4.1%</b>                         |     |              |              |
| Berry Plastics Holding Corp., 4.50%, 9/15/14 (h)               | USD | 1,765        | \$ 1,270,800 |
| Crown European Holdings SA, 6.25%, 9/01/11                     | EUR | 75           | 107,521      |
| Graphic Packaging International, Inc.:                         |     |              |              |
| 8.50%, 8/15/11   | USD | 540          | 538,650      |
| 9.50%, 8/15/13   |     | 65           | 65,163       |
| 9.50%, 6/15/17 (b)   |     | 1,120        | 1,148,000    |
| Impress Holdings BV, 3.63%, 9/15/13 (b)(h)                     |     | 420          | 383,775      |
| Owens-Brockway Glass Container, Inc.:                          |     |              |              |
| 8.25%, 5/15/13   |     | 1,000        | 1,010,000    |
| 6.75%, 12/01/14  | EUR | 155          | 215,543      |
| Packaging Dynamics Finance Corp., 10.00%, 5/01/16 (b)          | USD | 1,355        | 433,600      |
| Pregis Corp., 12.38%, 10/15/13                                 |     | 1,200        | 1,080,000    |
| Rock-Tenn Co., 8.20%, 8/15/11                                  |     | 2,000        | 2,060,000    |
| Solo Cup Co., 10.50%, 11/01/13 (b)                             |     | 475          | 498,750      |
|  |     |              | 8,811,802    |
| <b>Diversified Consumer Services 1.3%</b>                      |     |              |              |
| Service Corp. International, 7.00%, 6/15/17                    |     | 3,000        | 2,805,000    |
| <b>Diversified Financial Services 7.6%</b>                     |     |              |              |
| Axcan Intermediate Holdings, Inc., 12.75%, 3/01/16             |     | 520          | 543,400      |
| Bank of America Corp., 5.65%, 5/01/18                          |     | 800          | 773,554      |
| CIT Group, Inc.  |     |              |              |
| 0.76%, 3/12/10   |     | 135          | 84,375       |
| 5.20%, 11/03/10  |     | 200          | 120,290      |
| 4.75%, 12/15/10  |     | 185          | 112,032      |
| 5.00%, 2/01/15   |     | 1,065        | 599,335      |
| FCE Bank Plc:  |     |              |              |
| 7.88%, 2/15/11   | GBP | 700          | 1,065,492    |
| 7.13%, 1/16/12   | EUR | 2,850        | 3,697,637    |
| 7.13%, 1/15/13   |     | 1,050        | 1,317,129    |
| Series JD, 2.12%, 9/30/09 (h)                                  |     | 270          | 383,688      |
| GMAC LLC (b):  |     |              |              |
| 7.25%, 3/02/11   | USD | 1,279        | 1,200,661    |
| 6.88%, 9/15/11   |     | 500          | 461,250      |
| 6.88%, 8/28/12   |     | 750          | 652,500      |
| 2.56%, 12/01/14 (h)  |     | 884          | 680,680      |
| 6.75%, 12/01/14  |     | 1,810        | 1,484,200    |
| 8.00%, 11/01/31  |     | 2,020        | 1,560,450    |
| General Motors Acceptance Corp. of Canada Ltd., 6.00%, 5/25/10 | CAD | 300          | 266,094      |
| Leucadia National Corp., 8.13%, 9/15/15                        | USD | 1,325        | 1,298,500    |
|  |     |              | 16,301,267   |
| <b>Diversified Telecommunication Services 5.3%</b>             |     |              |              |

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|   |       |            |
|---|-------|------------|
| Broadview Networks Holdings, Inc., 11.38%, 9/01/12    | 1,035 | 890,100    |
| Cincinnati Bell, Inc., 7.25%, 7/15/13                 | 470   | 455,900    |
| Nordic Telephone Co. Holdings ApS, 8.88%, 5/01/16 (b) | 1,445 | 1,466,675  |
| Qwest Communications International, Inc.:             |       |            |
| 7.50%, 2/15/14 (c)                                    | 2,020 | 1,949,300  |
| 3.50%, 11/15/25 (f)                                   | 640   | 633,600    |
| Series B, 7.50%, 2/15/14                              | 1,730 | 1,669,450  |
| Qwest Corp.:  |       |            |
| 3.88%, 6/15/13 (h)                                    | 1,550 | 1,433,750  |
| 7.63%, 6/15/15  | 525   | 521,063    |
| 8.38%, 5/01/16 (b)                                    | 400   | 404,000    |
| Windstream Corp., 8.13%, 8/01/13                      | 1,900 | 1,900,000  |
|   |       | 11,323,838 |

| Corporate Bonds  | Par<br>(000) | Value      |
|--|--------------|------------|
| <b>Electric Utilities 1.1%</b>                                 |              |            |
| NSG Holdings LLC, 7.75%, 12/15/25 (b) USD                      | 1,030        | \$ 860,050 |
| Tenaska Alabama Partners LP, 7.00%, 6/30/21 (b)                | 1,859        | 1,615,275  |
|  |              | 2,475,325  |
| <b>Electrical Equipment 0.0%</b>                               |              |            |
| UCAR Finance, Inc., 10.25%, 2/15/12                            | 55           | 53,419     |
| <b>Electronic Equipment, Instruments &amp; Components 0.3%</b> |              |            |
| Jabil Circuit, Inc., 7.75%, 7/15/16                            | 295          | 290,206    |
| Sanmina-SCI Corp., 8.13%, 3/01/16                              | 300          | 258,750    |
|  |              | 548,956    |
| <b>Energy Equipment &amp; Services 0.7%</b>                    |              |            |
| Compagnie Générale de Géophysique-Veritas:                     |              |            |
| 7.50%, 5/15/15   | 215          | 204,250    |
| 7.75%, 5/15/17   | 320          | 302,400    |
| North American Energy Partners, Inc., 8.75%, 12/01/11          | 375          | 345,000    |
| Transocean, Inc., Series A, 1.63%, 12/15/37 (f)                | 765          | 743,963    |
|  |              | 1,595,613  |
| <b>Food &amp; Staples Retailing 0.5%</b>                       |              |            |
| AmeriQual Group LLC, 9.50%, 4/01/12 (b)                        | 800          | 520,000    |
| Duane Reade, Inc., 11.75%, 8/01/15 (b)                         | 165          | 166,650    |
| Rite Aid Corp., 9.75%, 6/12/16                                 | 410          | 433,575    |
|  |              | 1,120,225  |
| <b>Food Products 0.5%</b>                                      |              |            |
| Smithfield Foods, Inc., 10.00%, 7/15/14 (b)                    | 780          | 795,600    |
| Tyson Foods, Inc., 10.50%, 3/01/14                             | 265          | 295,475    |
|  |              | 1,091,075  |
| <b>Health Care Equipment &amp; Supplies 2.3%</b>               |              |            |

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|   |       |           |
|---|-------|-----------|
| Catalent Pharma Solutions, Inc., 9.50%, 4/15/15 (e) | 930   | 767,250   |
| DJO Finance LLC, 10.88%, 11/15/14                   | 2,820 | 2,707,200 |
| Hologic, Inc., 2.00%, 12/15/37 (f)(i)               | 1,960 | 1,582,700 |
|   |       | 5,057,150 |

**Health Care Providers & Services 1.2%**

|   |       |           |
|---|-------|-----------|
| Community Health Systems, Inc., Series WI, 8.88%, 7/15/15 | 210   | 210,787   |
| Tenet Healthcare Corp. (b):                               |       |           |
| 9.00%, 5/01/15  | 1,564 | 1,603,100 |
| 10.00%, 5/01/18   | 644   | 693,910   |
|   |       | 2,507,797 |

**Hotels, Restaurants & Leisure 4.7%**

|   |       |           |
|---|-------|-----------|
| American Real Estate Partners LP, 7.13%, 2/15/13                      | 3,045 | 2,892,750 |
| Gaylord Entertainment Co., 8.00%, 11/15/13                            | 635   | 579,438   |
| Greektown Holdings, LLC, 10.75%, 12/01/13 (a)(b)(d)                   | 559   | 120,185   |
| Harrah's Operating Co., Inc., 10.00%, 12/15/18 (b)                    | 945   | 661,500   |
| Inn of the Mountain Gods Resort & Casino, 12.00%, 11/15/10 (a)(d)     | 1,550 | 682,000   |
| Little Traverse Bay Bands of Odawa Indians, 10.25%, 2/15/14 (a)(b)(d) | 1,290 | 567,600   |
| MGM Mirage, 11.13%, 11/15/17 (b)                                      | 820   | 887,650   |
| Penn National Gaming, Inc., 6.88%, 12/01/11                           | 2,025 | 2,025,000 |
| San Pasqual Casino, 8.00%, 9/15/13 (b)                                | 975   | 921,375   |
| Scientific Games Corp., 0.75%, 12/01/24 (f)(i)                        | 280   | 274,050   |
| Shingle Springs Tribal Gaming Authority, 9.38%, 6/15/15 (b)           | 60    | 42,600    |

See Notes to Financial Statements.

## Schedule of Investments (continued)

BlackRock Corporate High Yield Fund III, Inc. (CYE)  
(Percentages shown are based on Net Assets)

| Corporate Bonds   |     | Par<br>(000) | Value      |
|---|-----|--------------|------------|
| <b>Hotels, Restaurants &amp; Leisure (concluded)</b>              |     |              |            |
| Travelport LLC:   |     |              |            |
| 4.99%, 9/01/14 (h)  | USD | 160          | \$ 116,000 |
| 9.88%, 9/01/14  |     | 210          | 177,975    |
| Tropicana Entertainment LLC Series WI, 9.63%, 12/15/14 (a)(d)     |     | 305          | 191        |
| Virgin River Casino Corp., 9.00%, 1/15/12 (a)(d)                  |     | 940          | 96,350     |
|   |     |              | 10,044,664 |
| <b>Household Durables 1.9%</b>                                    |     |              |            |
| American Greetings Corp., 7.38%, 6/01/16                          |     | 1,020        | 872,100    |
| Beazer Homes USA, Inc.:   |     |              |            |
| 8.38%, 4/15/12  |     | 905          | 683,275    |
| 8.13%, 6/15/16  |     | 130          | 80,600     |
| 4.63%, 6/15/24 (f)  |     | 130          | 107,250    |
| Jarden Corp., 8.00%, 5/01/16                                      |     | 275          | 281,875    |
| KB Home:  |     |              |            |
| 6.38%, 8/15/11  |     | 29           | 28,710     |
| 9.10%, 9/15/17  |     | 335          | 341,700    |
| Meritage Homes Corp., 6.25%, 3/15/15                              |     | 250          | 215,000    |
| Standard Pacific Corp.:   |     |              |            |
| 6.25%, 4/01/14  |     | 525          | 412,125    |
| 7.00%, 8/15/15  |     | 935          | 733,975    |
| Toll Brothers Finance Corp., 8.91%, 10/15/17                      |     | 231          | 257,185    |
|   |     |              | 4,013,795  |
| <b>IT Services 1.8%</b>   |     |              |            |
| Alliance Data Systems Corp., 1.75%, 8/01/13 (f)                   |     | 1,380        | 1,228,200  |
| First Data Corp.:   |     |              |            |
| 9.88%, 9/24/15  |     | 170          | 145,350    |
| 11.25%, 3/31/16 (b)   |     | 2,435        | 1,862,775  |
| SunGard Data Systems Inc., 10.63%, 5/15/15 (b)                    |     | 580          | 598,850    |
|   |     |              | 3,835,175  |
| <b>Independent Power Producers &amp; Energy Traders 3.6%</b>      |     |              |            |
| The AES Corp., 8.75%, 5/15/13 (b)                                 |     | 1,070        | 1,086,050  |
| AES Eastern Energy LP, Series 99-B, 9.67%, 1/02/29                |     | 610          | 524,600    |
| Calpine Construction Finance Co. LP, 8.00%, 6/01/16 (b)           |     | 965          | 960,175    |
| Energy Future Holdings Corp., 11.25%, 11/01/17 (e)                |     | 3,763        | 2,153,934  |
| NRG Energy, Inc.:   |     |              |            |
| 7.25%, 2/01/14  |     | 1,625        | 1,580,313  |
| 7.38%, 2/01/16  |     | 1,000        | 956,250    |
| Texas Competitive Electric Holdings Co. LLC, 10.50%, 11/01/16 (e) |     | 1,014        | 562,674    |

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7,823,996

| <b>Industrial Conglomerates 1.8%</b>        |       |           |
|---|-------|-----------|
| Icahn Enterprises LP, 4.00%, 8/15/13 (f)(h) | 255   | 196,350   |
| Sequa Corp. (b):                            |       |           |
| 11.75%, 12/01/15                            | 2,540 | 1,600,200 |
| 13.50%, 12/01/15 (e)                        | 3,825 | 1,998,521 |

3,795,071

| <b>Insurance 1.0%</b>                         |       |           |
|---|-------|-----------|
| Alliant Holdings I, Inc., 11.00%, 5/01/15 (b) | 1,700 | 1,551,250 |
| USI Holdings Corp., 4.32%, 11/15/14 (b)(h)    | 680   | 525,300   |

2,076,550

| <b>Leisure Equipment &amp; Products 0.6%</b> |       |           |
|--|-------|-----------|
| Brunswick Corp., 11.25%, 11/01/16 (b)        | 1,140 | 1,194,150 |

| <b>Life Sciences Tools &amp; Services 0.1%</b> |     |         |
|--|-----|---------|
| Bio-Rad Laboratories, Inc., 8.00%, 9/15/16 (b) | 175 | 178,500 |

| Corporate Bonds                         | Par<br>(000) | Value        |
|---|--------------|--------------|
| <b>Machinery 0.8%</b>                   |              |              |
| AGY Holding Corp., 11.00%, 11/15/14     | USD 1,280    | \$ 1,011,200 |
| Accuride Corp., 8.50%, 2/01/15 (a)(c)   | 555          | 111,000      |
| CPM Holdings, Inc., 10.63%, 9/01/14 (b) | 100          | 101,000      |
| RBS Global, Inc.:                       |              |              |
| 9.50%, 8/01/14 (b)                      | 218          | 200,560      |
| 8.88%, 9/01/16                          | 450          | 361,125      |

1,784,885

| <b>Marine 0.6%</b>                              |       |         |
|---|-------|---------|
| Horizon Lines, Inc., 4.25%, 8/15/12 (f)         | 1,155 | 840,263 |
| Navios Maritime Holdings, Inc., 9.50%, 12/15/14 | 477   | 417,375 |

1,257,638

| <b>Media 10.4%</b>  |       |           |
|---|-------|-----------|
| Affinion Group, Inc.:   |       |           |
| 10.13%, 10/15/13  | 1,340 | 1,331,625 |
| 10.13%, 10/15/13 (b)  | 375   | 372,656   |
| CCO Holdings LLC, 8.75%, 11/15/13                               | 555   | 560,550   |
| CMP Susquehanna Corp., 4.75%, 5/15/14 (b)                       | 160   | 3,200     |
| CSC Holdings, Inc.:   |       |           |
| 8.50%, 4/15/14 (b)  | 390   | 395,850   |
| Series B, 7.63%, 4/01/11  | 225   | 227,812   |
| Cablevision Systems Corp., Series B, 8.00%, 4/15/12             | 1,015 | 1,037,837 |
| Catalina Marketing Corp., 10.50%, 10/01/15 (b)(e)               | 2,130 | 2,071,425 |
| Charter Communications Holdings II, LLC, 10.25%, 9/15/10 (a)(d) | 740   | 822,325   |
| Charter Communications, Inc., 6.50%, 10/01/27 (a)(d)(f)         | 480   | 206,400   |
| Charter Communications Operating, LLC (b):                      |       |           |
| 11.25%, 4/30/12 (g)   | 500   | 503,750   |

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|  |       |            |
|--|-------|------------|
| 8.38%, 4/30/14 (a)(d)                                    | 670   | 678,375    |
| Clear Channel Communications, Inc.:                      |       |            |
| 5.75%, 1/15/13   | 75    | 29,250     |
| 11.00%, 8/01/16 (e)                                      | 1,300 | 325,000    |
| EchoStar DBS Corp., 7.00%, 10/01/13                      | 90    | 88,200     |
| Harland Clarke Holdings Corp.:                           |       |            |
| 6.00%, 5/15/15 (h)                                       | 350   | 250,250    |
| 9.50%, 5/15/15 (b)                                       | 420   | 357,000    |
| Intelsat Corp., 9.25%, 6/15/16                           | 2,090 | 2,116,125  |
| Intelsat Subsidiary Holding Co. Ltd., 8.88%, 1/15/15 (b) | 260   | 260,650    |
| Liberty Media Corp., 3.13%, 3/30/23 (f)                  | 1,113 | 1,068,480  |
| Local Insight Regatta Holdings, Inc., 11.00%, 12/01/17   | 748   | 284,240    |
| Network Communications, Inc., 10.75%, 12/01/13           | 30    | 6,075      |
| Nielsen Finance LLC:                                     |       |            |
| 11.63%, 2/01/14  | 180   | 178,650    |
| 10.00%, 8/01/14  | 1,890 | 1,786,050  |
| ProtoStar I Ltd., 18.00%, 10/15/12 (a)(b)(d)(f)          | 850   | 339,962    |
| Rainbow National Services LLC, 10.38%, 9/01/14 (b)       | 1,582 | 1,653,190  |
| TL Acquisitions, Inc., 10.50%, 1/15/15 (b)               | 4,130 | 3,758,300  |
| UPC Holdings BV, 9.88%, 4/15/18 (b)                      | 500   | 505,625    |
| Virgin Media, Inc., 6.50%, 11/15/16 (b)(f)               | 1,210 | 1,096,563  |
|  |       | 22,315,415 |

See Notes to Financial Statements.

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AUGUST 31, 2009

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## Schedule of Investments (continued)

**BlackRock Corporate High Yield Fund III, Inc. (CYE)**  
(Percentages shown are based on Net Assets)

| Corporate Bonds                                      |     | Par<br>(000) | Value      |
|--|-----|--------------|------------|
| <b>Metals &amp; Mining 5.0%</b>                      |     |              |            |
| Aleris International, Inc. (a)(d):                   |     |              |            |
| 9.00%, 12/15/14                                      | USD | 1,035        | \$ 2,588   |
| 10.00%, 12/15/16                                     |     | 800          | 2,000      |
| Anglo American Capital Plc, 9.38%, 4/08/19 (b)       |     | 360          | 421,200    |
| Drummond Co., Inc., 7.38%, 2/15/16 (b)               |     | 225          | 198,000    |
| FMG Finance Property Ltd. (b):                       |     |              |            |
| 10.00%, 9/01/13                                      |     | 535          | 564,425    |
| 10.63%, 9/01/16                                      |     | 1,295        | 1,392,125  |
| Foundation PA Coal Co., 7.25%, 8/01/14               |     | 1,975        | 1,925,625  |
| Freeport-McMoRan Copper & Gold, Inc., 8.38%, 4/01/17 |     | 990          | 1,032,075  |
| Novelis, Inc.:                                       |     |              |            |
| 7.25%, 2/15/15                                       |     | 1,975        | 1,599,750  |
| 11.50%, 2/15/15 (b)                                  |     | 430          | 416,025    |
| Ryerson, Inc.:                                       |     |              |            |
| 7.86%, 11/01/14 (h)                                  |     | 400          | 340,000    |
| 12.00%, 11/01/15                                     |     | 265          | 243,800    |
| Steel Dynamics, Inc., 7.38%, 11/01/12                |     | 460          | 451,950    |
| Teck Resources Ltd.:                                 |     |              |            |
| 10.25%, 5/15/16                                      |     | 300          | 331,500    |
| 10.75%, 5/15/19                                      |     | 1,150        | 1,309,563  |
| Vedanta Resources Plc, 9.50%, 7/18/18 (b)            |     | 640          | 601,600    |
|  |     |              | 10,832,226 |
| <b>Multiline Retail 0.5%</b>                         |     |              |            |
| Dollar General Corp.:                                |     |              |            |
| 10.63%, 7/15/15                                      |     | 280          | 310,800    |
| 11.88%, 7/15/17 (e)                                  |     | 190          | 213,275    |
| Macy's Retail Holdings, Inc., 5.88%, 1/15/13         |     | 475          | 447,885    |
|  |     |              | 971,960    |
| <b>Oil, Gas &amp; Consumable Fuels 8.9%</b>          |     |              |            |
| Arch Coal, Inc., 8.75%, 8/01/16 (b)                  |     |              |            |
|  |     | 310          | 310,000    |
| Atlas Energy Operating Co. LLC, 12.13%, 8/01/17      |     |              |            |
|  |     | 500          | 527,500    |
| Atlas Energy Resources LLC, 10.75%, 2/01/18 (b)      |     |              |            |
|  |     | 1,075        | 1,085,750  |
| Berry Petroleum Co., 8.25%, 11/01/16                 |     |              |            |
|  |     | 510          | 453,900    |
| Bill Barrett Corp., 9.88%, 7/15/16                   |     |              |            |
|  |     | 240          | 249,600    |
| Chesapeake Energy Corp.:                             |     |              |            |
| 9.50%, 2/15/15                                       |     | 520          | 530,400    |
| 7.25%, 12/15/18                                      |     | 1,030        | 942,450    |
| 2.25%, 12/15/38 (f)                                  |     | 800          | 537,000    |
| Connacher Oil and Gas Ltd. (b):                      |     |              |            |
| 11.75%, 7/15/14                                      |     | 175          | 177,625    |
| 10.25%, 12/15/15                                     |     | 1,145        | 807,225    |
| Corral Finans AB, 2.01%, 4/15/10 (b)(e)              |     | 1,693        | 1,231,636  |
| EXCO Resources, Inc., 7.25%, 1/15/11                 |     | 2,625        | 2,572,500  |
| Encore Acquisition Co., 6.25%, 4/15/14               |     | 2,000        | 1,780,000  |



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|                                       |       |            |
|---------------------------------------|-------|------------|
| Forest Oil Corp., 7.25%, 6/15/19      | 2,405 | 2,260,700  |
| Massey Energy Co., 3.25%, 8/01/15 (f) | 1,250 | 934,375    |
| OPTI Canada, Inc., 8.25%, 12/15/14    | 1,565 | 1,017,250  |
| PetroHawk Energy Corp.:               |       |            |
| 10.50%, 8/01/14 (b)                   | 555   | 593,850    |
| 7.88%, 6/01/15                        | 460   | 446,200    |
| Range Resources Corp., 8.00%, 5/15/19 | 400   | 408,000    |
| Sabine Pass LNG LP, 7.50%, 11/30/16   | 390   | 315,900    |
| SandRidge Energy, Inc.:               |       |            |
| 8.63%, 4/01/15 (e)                    | 120   | 112,800    |
| 9.88%, 5/15/16 (b)                    | 500   | 500,000    |
| 8.00%, 6/01/18 (b)                    | 990   | 895,950    |
| Teekay Shipping Corp., 8.88%, 7/15/11 | 575   | 572,125    |
|                                       |       | 19,262,736 |

| Corporate Bonds                                   | Par<br>(000) | Value      |
|---|--------------|------------|
| <b>Paper &amp; Forest Products 3.1%</b>           |              |            |
| Ainsworth Lumber Co. Ltd., 11.00%, 7/29/15 (b)(e) | USD 1,079    | \$ 427,925 |
| Clearwater Paper Corp., 10.63%, 6/15/16 (b)       | 390          | 417,787    |
| Georgia-Pacific Corp., 8.13%, 5/15/11             | 150          | 154,125    |
| Georgia-Pacific LLC, 8.25%, 5/01/16 (b)           | 1,600        | 1,616,000  |
| International Paper Co., 9.38%, 5/15/19           | 520          | 584,327    |
| NewPage Corp., 10.00%, 5/01/12                    | 2,590        | 1,405,075  |
| Norske Skog Canada Ltd. Series D, 8.63%, 6/15/11  | 885          | 517,725    |
| Verso Paper Holdings LLC:                         |              |            |
| 11.50%, 7/01/14 (b)                               | 335          | 328,300    |
| Series B, 4.23%, 8/01/14 (h)                      | 280          | 156,800    |
| Series B, 9.13%, 8/01/14                          | 1,525        | 995,063    |
|   |              | 6,603,127  |

|   |       |           |
|---|-------|-----------|
| <b>Pharmaceuticals 0.9%</b>                               |       |           |
| Angiotech Pharmaceuticals, Inc., 4.11%, 12/01/13 (h)      | 1,530 | 1,285,200 |
| Elan Finance Plc, 8.88%, 12/01/13                         | 105   | 101,325   |
| Valeant Pharmaceuticals International, 8.38%, 6/15/16 (b) | 545   | 553,175   |
|   |       | 1,939,700 |

|   |     |           |
|---|-----|-----------|
| <b>Real Estate Investment Trusts (REITs) 0.5%</b> |     |           |
| FelCor Lodging LP, 8.50%, 6/01/11                 | 295 | 276,562   |
| HCP, Inc., 5.65%, 12/15/13                        | 440 | 423,914   |
| iStar Financial, Inc., Series B, 5.13%, 4/01/11   | 230 | 124,200   |
| Rouse Co. LP, 5.38%, 11/26/13 (a)(d)              | 395 | 298,225   |
|   |     | 1,122,901 |

|  |       |           |
|--|-------|-----------|
| <b>Real Estate Management &amp; Development 1.3%</b> |       |           |
| Forest City Enterprises, Inc., 7.63%, 6/01/15        | 2,625 | 1,647,187 |
| Realogy Corp.:                                       |       |           |
| 10.50%, 4/15/14                                      | 540   | 321,300   |
| 12.38%, 4/15/15                                      | 2,078 | 841,590   |
|  |       | 2,810,077 |

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|  |     |       |           |
|--|-----|-------|-----------|
| <b>Semiconductors &amp; Semiconductor Equipment 0.6%</b> |     |       |           |
| Spanion, Inc. (a)(b)(d):                                 |     |       |           |
| 3.79%, 6/01/13   |     | 1,215 | 1,078,313 |
| 2.25%, 6/15/16 (f)                                       |     | 630   | 113,400   |
|  |     |       | 1,191,713 |
| <b>Software 0.0%</b>                                     |     |       |           |
| BMS Holdings, Inc., 8.35%, 2/15/12 (b)(e)(h)             |     |       |           |
|  |     | 436   | 6,998     |
| <b>Specialty Retail 2.9%</b>                             |     |       |           |
| Asbury Automotive Group, Inc., 7.63%, 3/15/17            |     |       |           |
|  |     | 350   | 287,000   |
| General Nutrition Centers, Inc.:                         |     |       |           |
| 6.40%, 3/15/14 (h)                                       |     | 1,760 | 1,548,800 |
| 10.75%, 3/15/15  |     | 1,285 | 1,214,325 |
| Group 1 Automotive, Inc., 2.25%, 6/15/36 (i)             |     | 1,055 | 747,731   |
| Limited Brands, Inc., 8.50%, 6/15/19 (b)                 |     | 785   | 795,229   |
| Michaels Stores, Inc., 11.38%, 11/01/16                  |     | 750   | 645,000   |
| United Auto Group, Inc., 7.75%, 12/15/16                 |     | 1,110 | 976,800   |
|  |     |       | 6,214,885 |
| <b>Textiles, Apparel &amp; Luxury Goods 1.1%</b>         |     |       |           |
| Levi Strauss & Co., 8.63%, 4/01/13                       |     |       |           |
|  | EUR | 900   | 1,232,187 |
| Quiksilver, Inc., 6.88%, 4/15/15                         |     |       |           |
|  | USD | 1,750 | 1,111,250 |
|  |     |       | 2,343,437 |
| <b>Thrifts &amp; Mortgage Finance 0.9%</b>               |     |       |           |
| Residential Capital Corp., 8.38%, 6/30/10                |     |       |           |
|  |     | 3,025 | 1,951,125 |

See Notes to Financial Statements.

## Schedule of Investments (continued)

BlackRock Corporate High Yield Fund III, Inc. (CYE)  
(Percentages shown are based on Net Assets)

| Corporate Bonds                                  |     | Par<br>(000) |    | Value       |
|--|-----|--------------|----|-------------|
| <b>Wireless Telecommunication Services 6.2%</b>  |     |              |    |             |
| Cricket Communications, Inc.:                    |     |              |    |             |
| 9.38%, 11/01/14                                  | USD | 2,535        | \$ | 2,389,238   |
| 10.00%, 7/15/15                                  |     | 890          |    | 861,075     |
| Crown Castle International Corp., 9.00%, 1/15/15 |     | 215          |    | 223,600     |
| Digicel Group Ltd. (b):                          |     |              |    |             |
| 8.88%, 1/15/15                                   |     | 1,370        |    | 1,222,725   |
| 9.13%, 1/15/15 (e)                               |     | 1,983        |    | 1,747,519   |
| FiberTower Corp., 9.00%, 11/15/12 (f)            |     | 633          |    | 327,578     |
| iPCS, Inc., 2.61%, 5/01/13 (h)                   |     | 815          |    | 668,300     |
| MetroPCS Wireless, Inc., 9.25%, 11/01/14         |     | 2,115        |    | 2,075,344   |
| NII Holdings, Inc., 2.75%, 8/15/25 (f)           |     | 930          |    | 905,588     |
| Nextel Communications, Inc.:                     |     |              |    |             |
| Series E, 6.88%, 10/31/13                        |     | 1,730        |    | 1,548,350   |
| Series F, 5.95%, 3/15/14                         |     | 110          |    | 92,400      |
| Orascom Telecom Finance SCA, 7.88%, 2/08/14 (b)  |     | 275          |    | 247,500     |
| Sprint Capital Corp.:                            |     |              |    |             |
| 7.63%, 1/30/11                                   |     | 840          |    | 841,050     |
| 6.88%, 11/15/28                                  |     | 180          |    | 130,950     |
|  |     |              |    | 13,281,217  |
| <b>Total Corporate Bonds 96.5%</b>               |     |              |    | 207,332,059 |

**Floating Rate Loan Interests**

|   |  |       |  |           |
|---|--|-------|--|-----------|
| <b>Auto Components 3.0%</b>                           |  |       |  |           |
| Allison Transmission, Inc., Term Loan, 3.03%, 8/07/14 |  | 1,376 |  | 1,174,545 |
| Dana Holding Corp., Term Advance, 7.25%, 1/31/15      |  | 1,946 |  | 1,489,854 |
| Delphi Corp. (a)(d):                                  |  |       |  |           |
| Initial Tranche Term Loan C, 10.50%, 12/31/09         |  | 6,392 |  | 3,515,359 |
| Subsequent Tranche Term Loan C, 10.50%, 12/31/09      |  | 658   |  | 362,141   |
|   |  |       |  | 6,541,899 |

**Building Products 1.4%**

|   |  |       |  |           |
|---|--|-------|--|-----------|
| CPG International I Inc., Term Loan, 5.27%, 2/28/11 |  | 3,267 |  | 2,940,151 |
|---|--|-------|--|-----------|

**Capital Markets 0.1%**

|  |  |     |  |         |
|--|--|-----|--|---------|
| Marsico Parent Com., LLC, Term Loan, 4.81%, 12/15/14 |  | 462 |  | 198,749 |
|--|--|-----|--|---------|

**Chemicals 1.4%**

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|   |  |       |           |
|---|--|-------|-----------|
| <b>PQ Corp. (fka Niagara Acquisition, Inc.):</b>      |  |       |           |
| Loan (Second Lien), 6.77%, 7/30/15                    |  | 3,500 | 1,925,000 |
| Original Term Loan (First Lien), 3.52% 3.75%, 7/31/14 |  | 743   | 611,944   |
| Solutia Inc., Loan, 7.25%, 2/28/14                    |  | 485   | 480,087   |
|   |  |       | 3,017,031 |

|  |  |     |        |
|--|--|-----|--------|
| <b>Diversified Financial Services 0.0%</b> |  |     |        |
| Protostar Ltd, Revolver, 18.00%, 10/15/12  |  | 100 | 98,000 |

|   |     |       |           |
|---|-----|-------|-----------|
| <b>Diversified Telecommunication Services 2.3%</b>                |     |       |           |
| Wind Finance SL S.A. Euro Facility (Second Lien), 7.70%, 12/17/14 | EUR | 3,460 | 4,975,170 |

|   |     |       |           |
|---|-----|-------|-----------|
| <b>Food &amp; Staples Retailing 0.6%</b>            |     |       |           |
| Rite Aid Corp., Tranche 4 Term Loan, 9.50%, 6/04/15 | USD | 1,250 | 1,293,750 |

|  |  |       |           |
|--|--|-------|-----------|
| <b>Health Care Providers &amp; Services 2.0%</b>     |  |       |           |
| HCA Inc., Tranche A-1 Term Loan, 2.10%, 11/17/12     |  | 3,620 | 3,379,620 |
| Rotech Healthcare, Inc., Term Loan B, 6.26%, 9/26/11 |  | 1,806 | 866,938   |
|  |  |       | 4,246,558 |

|                                     |  |                      |              |
|-------------------------------------|--|----------------------|--------------|
| <b>Floating Rate Loan Interests</b> |  | <b>Par<br/>(000)</b> | <b>Value</b> |
|-------------------------------------|--|----------------------|--------------|

|  |     |       |              |
|--|-----|-------|--------------|
| <b>Hotels, Restaurants &amp; Leisure 0.8%</b>                  |     |       |              |
| Travelport LLC (fka Travelport Inc.), Loan, 7.99%, 3/27/12 (e) | USD | 3,056 | \$ 1,711,338 |

|   |  |     |         |
|---|--|-----|---------|
| <b>IT Services 0.1%</b>   |  |     |         |
| First Data Corp., Initial Tranche B-1 Term Loan, 3.01% 3.02%, 9/24/14 |  | 349 | 290,854 |

|  |  |       |           |
|--|--|-------|-----------|
| <b>Independent Power Producers &amp; Energy Traders 1.7%</b> |  |       |           |
| Texas Competitive Electric Holdings Co., LLC (TXU):          |  |       |           |
| Initial Tranche B-1 Term Loan, 3.78% 3.79%, 10/10/14         |  | 217   | 165,100   |
| Initial Tranche B-2 Term Loan, 3.78%, 10/10/14               |  | 1,313 | 997,794   |
| Initial Tranche B-3 Term Loan, 3.78%, 10/10/14               |  | 3,439 | 2,602,398 |
|  |  |       | 3,765,292 |

|   |  |       |           |
|---|--|-------|-----------|
| <b>Machinery 1.1%</b>   |  |       |           |
| Navistar Financial Corp., Tranche A Term Loan, 2.31%, 3/27/10 |  | 500   | 485,000   |
| Navistar International Corp.:                                 |  |       |           |
| Revolving Credit-Linked Deposit, 3.36% 3.51%, 1/19/12         |  | 535   | 497,550   |
| Term Advance, 3.51%, 1/19/12                                  |  | 1,470 | 1,367,100 |
|   |  |       | 2,349,650 |

|  |  |       |           |
|--|--|-------|-----------|
| <b>Media 3.2%</b>  |  |       |           |
| Affinion Group Holdings, Inc., Loan, 8.27%, 3/01/12  |  | 419   | 366,678   |
| Cengage Learning Acquisitions, Inc., (Thomson Learning), Tranche 1 Incremental Term Loan, 7.50%, 7/03/14 |  | 1,732 | 1,663,200 |
| HMH Publishing Co. Ltd. (fka Education Media):   |  |       |           |
| Mezzanine, 17.50%, 11/14/14 (e)  |  | 6,787 | 1,018,018 |
| Tranche A Term Loan, 5.26%, 6/12/14  |  | 2,651 | 2,051,497 |
| NV Broadcasting, LLC:  |  |       |           |
| Second Lien, 8.72%, 11/03/14 (a)(d)  |  | 1,500 | 15,000    |

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|   |       |           |
|---|-------|-----------|
| Term Loan Debtor in Possession, 13.00%, 7/14/12   | 80    | 79,200    |
| Newsday LLC, Fixed Rate Term Loan, 9.75%, 8/01/13   | 700   | 712,250   |
| ProtoStar Ltd., Debtor in Possession Term Loan, 18.00%, 10/15/09                                      | 21    | 20,600    |
| Virgin Media Investment Holdings Ltd., C Facility, 3.62%, 7/17/13                                     | 305   | 436,941   |
| World Color Press Inc. and World Color (USA) Corp. (fka Quebecor World Inc.), Advance, 9.00%, 6/30/12 | 500   | 496,250   |
|   |       | 6,859,634 |
| <b>Multiline Retail 0.1%</b>  |       |           |
| The Neiman Marcus Group Inc., Term Loan, 2.28% 2.63%, 4/06/13   | 130   | 107,018   |
| <b>Oil, Gas &amp; Consumable Fuels 0.7%</b>   |       |           |
| Turbo Beta Ltd., Dollar Facility, 14.50%, 3/15/18   | 2,250 | 1,574,664 |
| <b>Paper &amp; Forest Products 0.3%</b>   |       |           |
| NewPage Corp., Term Loan, 4.06%, 12/22/14   | 487   | 451,459   |
| Verso Paper Finance Holdings LLC, Loan, 6.73% 7.48%, 2/01/13  | 1,253 | 250,621   |
|   |       | 702,080   |
| <b>Real Estate Management &amp; Development 0.2%</b>  |       |           |
| Realogy Corp.:  |       |           |
| Initial Term B Loan, 3.28%, 10/10/13  | 402   | 306,324   |
| Synthetic Letter of Credit, 0.11%, 10/10/13   | 129   | 98,326    |
|   |       | 404,650   |

See Notes to Financial Statements.

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## Schedule of Investments (continued)

BlackRock Corporate High Yield Fund III, Inc. (CYE)  
(Percentages shown are based on Net Assets)

| Floating Rate Loan Interests   | Par<br>(000) | Value      |
|--|--------------|------------|
| <b>Specialty Retail 0.1%</b>   |              |            |
| Claire's Stores, Term Loan B, 5.27%, 5/29/14                           | USD 280      | \$ 182,400 |
| <b>Total Floating Rate Loan Interests</b><br>(Cost \$54,429,610) 19.1% |              | 41,258,888 |

| Other Interests (j)                           | Beneficial<br>Interest<br>(000) | Value |
|---|---------------------------------|-------|
| <b>Hotels, Restaurants &amp; Leisure 0.0%</b> |                                 |       |
| Buffets, Inc.                                 | 575                             | 58    |
| <b>Media 0.0%</b>                             |                                 |       |
| Adelphia Escrow                               | 750                             | 75    |
| Adelphia Recovery Trust                       | 941                             | 3,762 |
|   |                                 | 3,837 |
| <b>Total Other Interests 0.0%</b>             |                                 | 3,895 |

## Preferred Securities

| Preferred Stocks                                   | Shares | Value   |
|--|--------|---------|
| <b>Capital Markets 0.0%</b>                        |        |         |
| Marsico Parent Superholdco, LLC, 16.75% (b)        | 72     | 18,360  |
| <b>Diversified Financial Services 0.1%</b>         |        |         |
| Preferred Blocker, Inc., 7.00% (b)                 | 590    | 274,479 |
| <b>Media 0.0%</b>                                  |        |         |
| CMP Susquehanna Radio Holdings Corp., 0% (a)(b)(h) | 37,314 |         |
| <b>Total Preferred Securities 0.1%</b>             |        | 292,839 |

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Warrants (k)

|  |        |        |
|--|--------|--------|
| <b>Containers &amp; Packaging 0.0%</b>                     |        |        |
| MDP Acquisitions Plc (expires 10/01/13)                    | 700    | 28,916 |
| <b>Health Care Providers &amp; Services 0.0%</b>           |        |        |
| HealthSouth Corp. (expires 1/16/14)                        | 32,042 |        |
| <b>Hotels, Restaurants &amp; Leisure 0.0%</b>              |        |        |
| Buffets Restaurants Holdings, Inc. (expires 4/29/14)       | 485    | 5      |
| <b>Media 0.0%</b>  |        |        |
| CMP Susquehanna Radio Holdings Corp. (expires 3/26/19) (b) | 42,640 |        |
| <b>Other 0.0%</b>  |        |        |
| Turbo Cayman Ltd. (No Expiration)                          | 1      |        |
| <b>Total Warrants 0.0%</b>                                 |        | 28,921 |

|   |  |             |
|---|--|-------------|
| <b>Total Long-Term Investments</b><br>(Cost \$298,533,340) 119.4% |  | 256,971,953 |
|---|--|-------------|

| Short-Term Securities   | Shares    | Value        |
|---|-----------|--------------|
| BlackRock Liquidity Funds, TempFund, 0.22% (l)(m)             | 2,029,452 | \$ 2,029,452 |
| <b>Total Short-Term Securities</b><br>(Cost \$2,029,452) 0.9% |           | 2,029,452    |

| Options Purchased  | Contracts |        |
|--|-----------|--------|
| <b>Over-the-Counter Call Options</b>   |           |        |
| Marsico Parent Superholdco LLC, expiring December 2009 at USD 942.86, Broker The Goldman Sachs Group, Inc. | 19        | 19,000 |
| <b>Total Options Purchased</b><br>(Cost \$18,578) 0.0%   |           | 19,000 |

|   |                |
|---|----------------|
| <b>Total Investments (Cost \$300,581,370*) 120.3%</b> | 259,020,405    |
| <b>Liabilities in Excess of Other Assets (20.3)%</b>  | (43,675,127)   |
| <b>Net Assets 100.0%</b>                              | \$ 215,345,278 |

\* The cost and unrealized appreciation (depreciation) of investments as of August 31, 2009, as computed for federal income tax purposes, were as follows:

|                |                |
|----------------|----------------|
| Aggregate cost | \$ 302,252,091 |
|----------------|----------------|

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|                               |                 |
|-------------------------------|-----------------|
| Gross unrealized appreciation | \$ 9,573,366    |
| Gross unrealized depreciation | (52,805,052)    |
| Net unrealized depreciation   | \$ (43,231,686) |

- (a) Non-income producing security.
- (b) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional investors.
- (c) All, or a portion of the security has been pledged as collateral in connection with swaps.
- (d) Issuer filed for bankruptcy and/or is in default of interest payments.
- (e) Represents a payment-in-kind security which may pay interest/dividends in additional par/shares.
- (f) Convertible security.
- (g) Represents a zero-coupon bond. Rate shown reflects the current yield as of report date.
- (h) Variable rate security. Rate shown is as of report date.
- (i) Represents a step-down bond that pays an initial coupon rate for the first period and then a lower coupon rate for the following periods. Rate shown is as of report date.
- (j) Other interests represent beneficial interest in liquidation trusts and other reorganization entities and are non-income producing.
- (k) Warrants entitle the Fund to purchase a predetermined number of shares of common stock and are non-income producing. The purchase price and number of shares are subject to adjustment under certain conditions until the expiration date.
- (l) Investments in companies considered to be an affiliate of the Fund, for purposes of Section 2(a)(3) of the Investment Co. Act of 1940, were as follows:

| Affiliate   | Net<br>Activity | Income   |
|---|-----------------|----------|
| BlackRock Liquidity Funds, TempFund               | \$ 2,029,452    | \$ 4,405 |
| BlackRock Liquidity Series, LLC Cash Sweep Series | \$ (8,370,522)  | \$ 2,500 |

- (m) Represents the current yield as of report date.

See Notes to Financial Statements.



## Schedule of Investments (continued)

## BlackRock Corporate High Yield Fund III, Inc. (CYE)

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

Foreign currency exchange contracts as of August 31, 2009 were as follows:

| Currency Purchased |            | Currency Sold |           | Counterparty      | Settlement Date | Unrealized Appreciation (Depreciation) |
|--------------------|------------|---------------|-----------|-------------------|-----------------|--|
| USD                | 11,869,438 | EUR           | 8,503,500 | Citibank NA       | 9/16/09         | \$ (321,504)                           |
| USD                | 465,812    | EUR           | 330,000   | UBS AG            | 9/16/09         | (7,289)                                |
| USD                | 537,357    | CAD           | 583,500   | Barclays Bank Plc | 10/28/09        | 4,310                                  |
| USD                | 1,095,115  | GBP           | 670,000   | Citibank NA       | 10/28/09        | 4,477                                  |
| <b>Total</b>       |            |               |           |                   |                 | <b>\$ (320,006)</b>                    |

Credit default swaps on single-name issues buy protection outstanding as of August 31, 2009 were as follows:

| Issuer                  | Pay Fixed Rate | Counterparty                | Expiration     | Notional Amount (000) | Unrealized Appreciation (Depreciation) |
|-------------------------|----------------|-----------------------------|----------------|-----------------------|--|
| Black & Decker Corp.    | 2.93%          | Goldman Sachs International | March 2014     | USD 600               | \$ (35,219)                            |
| Macy's, Inc.            | 8.05%          | Goldman Sachs International | March 2014     | USD 600               | (112,690)                              |
| Masco Corp.             | 5.85%          | Goldman Sachs International | March 2014     | USD 750               | (99,209)                               |
| Louisiana-Pacific Corp. | 5.00%          | JPMorgan Chase Bank NA      | March 2014     | USD 500               | (95,335)                               |
| Mohawk Industries, Inc. | 4.70%          | Goldman Sachs International | March 2014     | USD 750               | (82,112)                               |
| Tyson Foods, Inc.       | 4.25%          | Goldman Sachs International | March 2014     | USD 400               | (37,313)                               |
| Centex Corp.            | 1.00%          | Deutsche Bank AG            | June 2014      | USD 250               | (8,534)                                |
| First Data Corp.        | 5.00%          | Credit Suisse International | June 2014      | USD 250               | (21,929)                               |
| Lennar Corp.            | 5.75%          | JPMorgan Chase Bank NA      | June 2014      | USD 250               | (30,077)                               |
| Standard Pacific Corp.  | 5.00%          | JPMorgan Chase Bank NA      | June 2014      | USD 525               | (1,923)                                |
| Brunswick Corp.         | 5.00%          | Goldman Sachs International | September 2014 | USD 500               | 2,820                                  |
| Centex Corp.            | 1.00%          | Deutsche Bank AG            | September 2014 | USD 188               | (1,501)                                |
| Limited Brands, Inc.    | 1.00%          | Goldman Sachs International | September 2014 | USD 850               | 9,048                                  |
| Limited Brands, Inc.    | 1.00%          | JPMorgan Chase Bank NA      | September 2014 | USD 100               | 1,143                                  |
| Pulte Homes, Inc.       | 1.00%          | JPMorgan Chase Bank NA      | September 2014 | USD 375               | 5,955                                  |
| Standard Pacific Corp.  | 5.00%          | Credit Suisse International | September 2014 | USD 565               | 22,516                                 |
| Meritage Homes Corp.    | 5.00%          | Credit Suisse International | June 2015      | USD 250               | (10,202)                               |
| <b>Total</b>            |                |                             |                |                       | <b>\$ (494,562)</b>                    |

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Credit default swaps on single-name issues sold protection outstanding as of August 31, 2009 were as follows:

| Issuer                  | Receive<br>Fixed<br>Rate | Counterparty                   | Expiration     | Rating <sup>1</sup> | Notional<br>Amount<br>(000) <sup>2</sup> | Unrealized<br>Appreciation<br>(Depreciation) |
|-------------------------|--------------------------|--------------------------------|----------------|---------------------|--|--|
| Ford Motor Co.          | 3.80%                    | UBS AG                         | March 2010     | CCC                 | USD 1,000                                | \$ (32,127)                                  |
| Ford Motor Co.          | 5.00%                    | Goldman Sachs<br>International | June 2010      | CCC                 | USD 4,000                                | (146,123)                                    |
| Beazer Homes USA, Inc.  | 5.00%                    | Credit Suisse<br>International | June 2011      | D                   | USD 175                                  | 2,818  |
| Beazer Homes USA, Inc.  | 5.00%                    | JPMorgan Chase<br>Bank NA      | September 2011 | D                   | USD 100                                  | 650  |
| Beazer Homes USA, Inc.  | 5.00%                    | Goldman Sachs<br>International | September 2011 | D                   | USD 200                                  | (652)  |
| Beazer Homes USA, Inc.  | 5.00%                    | Credit Suisse<br>International | September 2011 | D                   | USD 275                                  | 3,485  |
| D.R. Horton, Inc. 1.00% |                          | JPMorgan Chase<br>Bank NA      | September 2014 | BB                  | USD 188                                  | (12)   |
| <b>Total</b>            |                          |                                |                |                     |  | <b>\$ (171,961)</b>                          |

<sup>1</sup> Using S&P's rating of the issuer.

<sup>2</sup> The maximum potential amount the Fund may pay should a negative credit event take place as defined under the terms of the agreement.

#### Currency Abbreviations:

CAD Canadian Dollar  
 EUR Euro  
 GBP British Pound  
 USD US Dollar

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

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

Level 2 other observable inputs (including, but not limited to: quoted prices for 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 unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including the Fund's own assumptions used in determining the fair value of investments)

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

See Notes to Financial Statements.



Schedule of Investments (concluded)

BlackRock Corporate High Yield Fund III, Inc. (CYE)

The following table summarizes the inputs used as of August 31, 2009 in determining the fair valuation of the Fund's investments:

| Valuation Inputs             | Investments in Securities |  |
|------------------------------|---------------------------|--|
|                              | Assets                    |  |
| Level 1                      |                           |  |
| Long-Term Investments:       |                           |  |
| Common Stocks                | \$ 7,852,951              |  |
| Short-Term Securities        | 2,029,452                 |  |
| Total Level 1                | 9,882,403                 |  |
| Level 2                      |                           |  |
| Long-Term Investments:       |                           |  |
| Common Stocks                | 202,008                   |  |
| Corporate Bonds              | 205,688,430               |  |
| Floating Rate Loan Interests | 17,904,257                |  |
| Preferred Stocks             | 292,839                   |  |
| Warrants                     | 28,916                    |  |
| Total Level 2                | 224,116,450               |  |
| Level 3                      |                           |  |
| Long-Term Investments:       |                           |  |
| Common Stocks                | 392                       |  |
| Corporate Bonds              | 1,643,629                 |  |
| Floating Rate Loan Interests | 23,354,631                |  |
| Other Interests              | 3,895                     |  |
| Warrants                     | 5                         |  |
| Total Level 3                | 25,002,552                |  |
| <b>Total</b>                 | <b>\$ 259,001,405</b>     |  |

| Valuation Inputs | Other Financial Instruments <sup>1</sup> |                       |
|------------------|--|-----------------------|
|                  | Assets                                   | Liabilities           |
| Level 1          |  |                       |
| Level 2          | \$ 76,222                                | \$ (1,043,751)        |
| Level 3          |  |                       |
| <b>Total</b>     | <b>\$ 76,222</b>                         | <b>\$ (1,043,751)</b> |

<sup>1</sup> Other financial instruments are swaps, foreign currency exchange contracts and options purchased. Swaps and foreign currency exchange contracts are shown at the unrealized appreciation/depreciation on the instrument and options purchased are shown at market value.

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

|   | Investment in Securities |                     |                              |                 |             | Total                |
|---|--------------------------|---------------------|------------------------------|-----------------|-------------|----------------------|
|   | Common Stocks            | Corporate Bonds     | Floating Rate Loan Interests | Other Interests | Warrants    |                      |
| Balance as of February 28, 2009                               | \$ 381                   | \$ 1,607,922        | \$ 16,334,395                | \$ 3,837        |             | \$ 17,946,535        |
| Accrued discounts/premiums                                    |                          |                     |                              |                 |             |                      |
| Realized gain (loss)  |                          |                     | (1,297,443)                  |                 |             | (1,297,443)          |
| Change in unrealized appreciation (depreciation) <sup>2</sup> |                          | (295,960)           | 7,169,159                    |                 |             | 6,873,199            |
| Net purchases (sales)   |                          | 3,467               | (2,090,258)                  |                 |             | (2,086,791)          |
| Net transfer in/out of Level 3                                | 11                       | 328,200             | 3,238,778                    | 58              | \$ 5        | 3,567,052            |
| <b>Balance as of August 31, 2009</b>                          | <b>\$ 392</b>            | <b>\$ 1,643,629</b> | <b>\$ 23,354,631</b>         | <b>\$ 3,895</b> | <b>\$ 5</b> | <b>\$ 25,002,552</b> |

<sup>2</sup> Included in the related net change in unrealized appreciation/depreciation on the Statements of Operations.

See Notes to Financial Statements.

Schedule of Investments August 31, 2009 (Unaudited)

BlackRock Debt Strategies Fund, Inc. (DSU)  
(Percentages shown are based on Net Assets)

| Common Stocks                                 | Shares    | Value      |
|---|-----------|------------|
| <b>Airlines 0.0%</b>                          |           |            |
| Delta Air Lines, Inc. (a)                     | 14,829    | \$ 107,065 |
| <b>Building Products 0.8%</b>                 |           |            |
| Masonite Worldwide Holdings (a)               | 71,958    | 2,910,701  |
| Neenah Enterprises Inc. (a)                   | 144,858   | 28,972     |
|   |           | 2,939,673  |
| <b>Chemicals 0.1%</b>                         |           |            |
| GEO Specialty Chemicals, Inc. (a)             | 339,340   | 130,273    |
| GenTek, Inc. (a)                              | 403       | 11,054     |
| Wellman Holdings, Inc. (a)                    | 5,373     | 1,343      |
|   |           | 142,670    |
| <b>Communications Equipment 0.9%</b>          |           |            |
| Loral Space & Communications Ltd. (a)         | 150,354   | 3,103,307  |
| <b>Containers &amp; Packaging 0.5%</b>        |           |            |
| Smurfit Kappa Plc                             | 36,342    | 286,389    |
| Viskase Cos., Inc. (a)                        | 1,428,423 | 1,428,423  |
|   |           | 1,714,812  |
| <b>Diversified Financial Services 0.0%</b>    |           |            |
| Preferred Term Securities VI, Ltd. (a)(b)     | 35,000    | 350        |
| <b>Electrical Equipment 0.1%</b>              |           |            |
| Medis Technologies Ltd. (a)                   | 286,757   | 81,726     |
| SunPower Corp. Class B (a)                    | 4,892     | 104,640    |
|   |           | 186,366    |
| <b>Hotels, Restaurants &amp; Leisure 0.0%</b> |           |            |
| Buffets Restaurants Holdings, Inc. (a)        | 2,753     | 28         |
| HRP Corp. Class B (a)(b)(c)                   | 5,000     | 50         |
| Lodgian, Inc. (a)                             | 27,787    | 38,624     |
|   |           | 38,702     |
| <b>Metals &amp; Mining 0.0%</b>               |           |            |
| Euramax International                         | 2,337     | 25,126     |
| <b>Paper &amp; Forest Products 1.0%</b>       |           |            |
| Ainsworth Lumber Co. Ltd.                     | 1,190,019 | 1,717,497  |
| Ainsworth Lumber Co. Ltd. (a)(b)              | 1,335,501 | 1,921,321  |

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|                                      |         |                  |
|--------------------------------------|---------|------------------|
| Western Forest Products, Inc. (a)(b) | 211,149 | 50,147           |
|                                      |         | <u>3,688,965</u> |

**Specialty Retail 0.4%**

|                         |         |           |
|-------------------------|---------|-----------|
| Movie Gallery, Inc. (a) | 503,737 | 1,435,650 |
|-------------------------|---------|-----------|

**Total Common Stocks 3.8%**

13,382,686

**Corporate Bonds**

**Par  
(000)**

**Airlines 0.2%**

|   |     |     |         |
|---|-----|-----|---------|
| United Air Lines, Inc., 12.75%, 7/15/12 | USD | 800 | 768,000 |
|---|-----|-----|---------|

**Auto Components 0.4%**

|  |  |       |           |
|--|--|-------|-----------|
| Allison Transmission, Inc., 11.00%, 11/01/15 (b) |  | 216   | 194,400   |
| The Goodyear Tire & Rubber Co., 8.63%, 12/01/11  |  | 1,000 | 1,010,000 |
| Lear Corp., 8.75%, 12/01/16 (a)(d)               |  | 700   | 378,000   |
| Venture Holdings Co. LLC (a)(d):                 |  |       |           |
| 12.00%, 6/01/09                                  |  | 4,450 |           |
| Series B, 9.50%, 7/01/05 (e)                     |  | 1,800 | 180       |

1,582,580

**Corporate Bonds**

**Par  
(000)**

**Value**

**Building Products 2.3%**

|  |     |       |              |
|--|-----|-------|--------------|
| CPG International I, Inc.:                                       |     |       |              |
| 7.87%, 7/01/12 (f)   | USD | 7,500 | \$ 5,362,500 |
| 10.50%, 7/01/13  |     | 1,300 | 929,500      |
| Momentive Performance Materials, Inc. Series WI, 9.75%, 12/01/14 |     | 1,600 | 1,040,000    |
| Ply Gem Industries, Inc., 11.75%, 6/15/13                        |     | 1,050 | 876,750      |

8,208,750

**Capital Markets 1.3%**

|                              |  |       |           |
|------------------------------|--|-------|-----------|
| E*Trade Financial Corp. (b): |  |       |           |
| 12.50%, 11/30/17 (c)         |  | 731   | 740,138   |
| 3.14%, 8/31/19 (g)(h)        |  | 2,333 | 3,986,514 |

4,726,652

**Chemicals 2.9%**

|   |  |       |           |
|---|--|-------|-----------|
| American Pacific Corp., 9.00%, 2/01/15            |  | 1,490 | 1,344,725 |
| GEO Specialty Chemicals, Inc. (b):                |  |       |           |
| 7.50%, 3/31/15 (c)(h)                             |  | 4,144 | 2,693,802 |
| 10.00%, 3/31/15 (f)                               |  | 4,106 | 2,668,640 |
| Wellman Holdings, Inc. (h):                       |  |       |           |
| Second Lien Subordinate Note, 10.00%, 1/29/19 (b) |  | 2,978 | 2,978,000 |

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|   |     |            |
|---|-----|------------|
| Third Lien Subordinate Note, 5.00%, 1/29/19 | 930 | 465,269    |
|   |     | 10,150,436 |

**Commercial Banks 0.1%**

|                             |        |         |
|-----------------------------|--------|---------|
| Glitnir Banki HF (a)(c):    |        |         |
| 4.15%, 4/20/10 (b)          | 294    | 58,065  |
| 4.97%, 1/18/12 (b)          | 150    | 29,625  |
| 6.38%, 9/25/12 (b)          | 820    | 161,950 |
| Series EMTN, 5.07%, 1/27/10 | EUR 50 | 14,694  |
| Series EMTN, 3.00%, 6/30/10 | 75     | 22,042  |
| Series GMTN, 4.38%, 2/05/10 | 85     | 24,981  |
|                             |        | 311,357 |

**Commercial Services & Supplies 1.5%**

|   |           |           |
|---|-----------|-----------|
| Clean Harbors, Inc., 7.63%, 8/15/16 (b)         | USD 1,200 | 1,203,000 |
| RSC Equipment Rental, Inc., 10.00%, 7/15/17 (b) | 970       | 1,013,650 |
| West Corp., 11.00%, 10/15/16                    | 3,270     | 3,016,575 |
|   |           | 5,233,225 |

**Construction Materials 0.8%**

|                                |       |           |
|--------------------------------|-------|-----------|
| Nortek, Inc., 10.00%, 12/01/13 | 2,970 | 2,762,100 |
|--------------------------------|-------|-----------|

**Consumer Finance 0.6%**

|   |       |           |
|---|-------|-----------|
| Ford Motor Credit Co. LLC, 3.26%, 1/13/12 (f) | 2,680 | 2,231,100 |
|---|-------|-----------|

**Containers & Packaging 3.0%**

|   |       |            |
|---|-------|------------|
| Berry Plastics Holding Corp., 4.50%, 9/15/14 (f)          | 375   | 270,000    |
| Crown Americas LLC, 7.63%, 5/15/17 (b)                    | 710   | 704,675    |
| Graphic Packaging International, Inc., 9.50%, 6/15/17 (b) | 1,440 | 1,476,000  |
| Packaging Dynamics Finance Corp., 10.00%, 5/01/16 (b)     | 6,215 | 1,988,800  |
| Smurfit Kappa Funding Plc, 7.75%, 4/01/15                 | 3,325 | 2,693,250  |
| Solo Cup Co., 10.50%, 11/01/13 (b)                        | 440   | 462,000    |
| Wise Metals Group LLC, 10.25%, 5/15/12                    | 6,325 | 3,099,250  |
|   |       | 10,693,975 |

**Diversified Consumer Services 0.6%**

|  |       |           |
|--|-------|-----------|
| NBC Acquisition Corp., 11.00%, 3/15/13 | 3,875 | 2,131,250 |
|--|-------|-----------|

See Notes to Financial Statements.



## Schedule of Investments (continued)

BlackRock Debt Strategies Fund, Inc. (DSU)  
(Percentages shown are based on Net Assets)

| Corporate Bonds  |     | Par<br>(000) | Value        |
|--|-----|--------------|--------------|
| <b>Diversified Financial Services 5.8%</b>                     |     |              |              |
| Archimedes Funding III Ltd., 5.50%, 11/29/11 (b)               | USD | 5,744        | \$ 2,642,097 |
| FCE Bank Plc, 7.13%, 1/16/12                                   | EUR | 8,000        | 10,379,333   |
| GMAC LLC (b):  |     |              |              |
| 7.25%, 3/02/11   | USD | 800          | 751,000      |
| 6.88%, 9/15/11   |     | 900          | 830,250      |
| 6.88%, 8/28/12   |     | 1,000        | 870,000      |
| 6.75%, 12/01/14  |     | 4,290        | 3,517,800    |
| 8.00%, 11/01/31  |     | 2,160        | 1,668,600    |
|  |     |              | 20,659,080   |
| <b>Diversified Telecommunication Services 2.2%</b>             |     |              |              |
| Nordic Telephone Co. Holdings ApS, 8.88%, 5/01/16 (b)          |     | 2,600        | 2,639,000    |
| PAETEC Holding Corp., 8.88%, 6/30/17 (b)                       |     | 1,100        | 1,047,750    |
| Qwest Corp., 8.38%, 5/01/16 (b)(i)                             |     | 4,000        | 4,040,000    |
|  |     |              | 7,726,750    |
| <b>Electric Utilities 0.4%</b>                                 |     |              |              |
| NSG Holdings LLC, 7.75%, 12/15/25 (b)                          |     | 1,505        | 1,256,675    |
| <b>Electronic Equipment, Instruments &amp; Components 0.0%</b> |     |              |              |
| Muzak Holdings, LLC, 13.00%, 3/15/10 (a)(d)                    |     | 2,675        | 268          |
| <b>Food &amp; Staples Retailing 0.1%</b>                       |     |              |              |
| Duane Reade, Inc., 11.75%, 8/01/15 (b)                         |     | 280          | 282,800      |
| <b>Food Products 0.4%</b>                                      |     |              |              |
| Smithfield Foods, Inc., 10.00%, 7/15/14 (b)                    |     | 1,250        | 1,275,000    |
| <b>Health Care Equipment &amp; Supplies 0.6%</b>               |     |              |              |
| DJO Finance LLC, 10.88%, 11/15/14                              |     | 2,235        | 2,145,600    |
| <b>Health Care Providers &amp; Services 0.9%</b>               |     |              |              |
| Community Health Systems, Inc. Series WI, 8.88%, 7/15/15       |     | 3,010        | 3,021,287    |
| <b>Hotels, Restaurants &amp; Leisure 2.7%</b>                  |     |              |              |
| HRP Myrtle Beach Holdings LLC, 14.50%, 4/01/14 (a)(b)(c)(d)    |     | 6,892        | 689          |
| HRP Myrtle Beach Operations LLC (a)(b)(d):                     |     |              |              |
| 7.38%, 4/01/12   |     | 5,000        | 500          |
| 12.50%, 4/01/13  |     | 5,000        | 500          |
| Harrah's Operating Co., Inc. (b):                              |     |              |              |
| 10.00%, 12/15/15   |     | 1,160        | 829,400      |
| 10.00%, 12/15/18   |     | 3,240        | 2,268,000    |

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|   |       |           |
|---|-------|-----------|
| Little Traverse Bay Bands of Odawa Indians, 10.25%, 2/15/14 (a)(b)(d) | 2,560 | 1,126,400 |
| MGM Mirage, 11.13%, 11/15/17 (b)                                      | 1,340 | 1,450,550 |
| Shingle Springs Tribal Gaming Authority, 9.38%, 6/15/15 (b)           | 380   | 269,800   |
| Snoqualmie Entertainment Authority, 4.68%, 2/01/14 (b)(f)             | 1,015 | 497,350   |
| Travelport LLC, 4.99%, 9/01/14 (f)                                    | 2,160 | 1,566,000 |
| Tropicana Entertainment LLC Series WI, 9.63%, 12/15/14 (a)(d)         | 530   | 331       |
| Tunica-Biloxi Gaming Authority, 9.00%, 11/15/15 (b)                   | 1,860 | 1,655,400 |

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9,664,920

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**Household Durables 0.6%**

|  |       |           |
|--|-------|-----------|
| KB Home, 6.38%, 8/15/11                        | 180   | 178,200   |
| Standard Pacific Corp.:                        |       |           |
| 6.25%, 4/01/14                                 | 455   | 357,175   |
| 7.00%, 8/15/15                                 | 1,550 | 1,216,750 |
| Stanley-Martin Communities LLC, 9.75%, 8/15/15 | 2,250 | 551,250   |

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2,303,375

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| Corporate Bonds                            | Par<br>(000) | Value        |
|--|--------------|--------------|
| <b>IT Services 1.0%</b>                    |              |              |
| First Data Corp.:                          |              |              |
| 9.88%, 9/24/15                             | USD 1,275    | \$ 1,090,125 |
| 11.25%, 3/31/16 (b)                        | 1,890        | 1,445,850    |
| SunGard Data Systems, Inc., 4.88%, 1/15/14 | 1,265        | 1,138,500    |

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3,674,475

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**Independent Power Producers & Energy Traders 1.9%**

|   |       |           |
|---|-------|-----------|
| AES Eastern Energy LP Series 99-B, 9.67%, 1/02/29       | 1,010 | 868,600   |
| Calpine Construction Finance Co. LP, 8.00%, 6/01/16 (b) | 1,250 | 1,243,750 |
| Energy Future Holdings Corp., 11.25%, 11/01/17 (c)      | 3,392 | 1,941,574 |
| NRG Energy, Inc., 8.50%, 6/15/19                        | 800   | 778,000   |
| Texas Competitive Electric Holdings Co. LLC:            |       |           |
| 10.25%, 11/01/15  | 770   | 510,125   |
| 10.50%, 11/01/16 (c)                                    | 2,535 | 1,406,684 |

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6,748,733

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**Industrial Conglomerates 2.0%**

|                      |       |           |
|----------------------|-------|-----------|
| Sequa Corp. (b):     |       |           |
| 11.75%, 12/01/15     | 5,100 | 3,213,000 |
| 13.50%, 12/01/15 (c) | 7,792 | 4,071,062 |

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7,284,062

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**Insurance 1.0%**

|   |       |           |
|---|-------|-----------|
| Alliant Holdings I, Inc., 11.00%, 5/01/15 (b) | 2,500 | 2,281,250 |
| USI Holdings Corp., 4.32%, 11/15/14 (b)(f)    | 1,630 | 1,259,175 |

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3,540,425

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**Leisure Equipment & Products 0.6%**

|                                       |       |           |
|---------------------------------------|-------|-----------|
| Brunswick Corp., 11.25%, 11/01/16 (b) | 1,870 | 1,958,825 |
|---------------------------------------|-------|-----------|

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|  |       |            |
|--|-------|------------|
| <b>Machinery 2.0%</b>                                    |       |            |
| CPM Holdings, Inc., 10.63%, 9/01/14 (b)                  | 800   | 808,000    |
| ESCO Corp., 4.50%, 12/15/13 (b)(f)                       | 3,070 | 2,739,975  |
| RBS Global, Inc.:  |       |            |
| 9.50%, 8/01/14 (b)                                       | 660   | 607,200    |
| 8.88%, 9/01/16   | 1,685 | 1,352,213  |
| Titan International, Inc., 8.00%, 1/15/12                | 1,530 | 1,472,625  |
|  |       | 6,980,013  |
| <b>Marine 0.1%</b>                                       |       |            |
| Navios Maritime Holdings, Inc., 9.50%, 12/15/14          | 465   | 406,875    |
| <b>Media 6.1%</b>  |       |            |
| Affinion Group, Inc., 10.13%, 10/15/13                   | 1,080 | 1,073,250  |
| CSC Holdings, Inc., 8.50%, 4/15/14 (b)                   | 680   | 690,200    |
| Canadian Satellite Radio Holdings, Inc., 12.75%, 2/15/14 | 5,000 | 1,725,000  |
| Charter Communications Holdings LLC (a)(d):              |       |            |
| 10.00%, 4/01/09  | 2,402 | 3,002      |
| 11.13%, 1/15/11  | 1,319 | 65,950     |
| 10.00%, 5/15/11  | 1,978 | 2,473      |
| Intelstat Corp., 9.25%, 8/15/14                          | 4,500 | 4,567,500  |
| Local Insight Regatta Holdings, Inc., 11.00%, 12/01/17   | 2,665 | 1,012,700  |
| Network Communications, Inc., 10.75%, 12/01/13           | 20    | 4,050      |
| Nielsen Finance LLC, 11.63%, 2/01/14                     | 5,000 | 4,962,500  |
| TL Acquisitions, Inc., 10.50%, 1/15/15 (b)               | 5,230 | 4,759,300  |
| Virgin Media, Inc., 6.50%, 11/15/16 (b)(h)               | 3,000 | 2,718,750  |
|  |       | 21,584,675 |

See Notes to Financial Statements.

## Schedule of Investments (continued)

BlackRock Debt Strategies Fund, Inc. (DSU)  
(Percentages shown are based on Net Assets)

| Corporate Bonds                                      | Par<br>(000) | Value      |
|--|--------------|------------|
| <b>Metals &amp; Mining 1.9%</b>                      |              |            |
| Aleris International, Inc. (a)(d):                   |              |            |
| 9.00%, 12/15/14                                      | USD 1,100    | \$ 2,750   |
| 10.00%, 12/15/16                                     | 1,500        | 3,750      |
| RathGibson, Inc., 11.25%, 2/15/14 (a)(d)             | 4,440        | 1,598,400  |
| Ryerson, Inc., 7.86%, 11/01/14 (f)(i)                | 3,595        | 3,055,750  |
| Teck Resources Ltd., 10.75%, 5/15/19                 | 1,875        | 2,135,156  |
|  |              | 6,795,806  |
| <b>Oil, Gas &amp; Consumable Fuels 3.1%</b>          |              |            |
| Atlas Energy Operating Co. LLC, 12.13%, 8/01/17      | 1,440        | 1,519,200  |
| Atlas Energy Resources LLC, 10.75%, 2/01/18 (b)      | 525          | 530,250    |
| Chesapeake Energy Corp., 9.50%, 2/15/15              | 1,645        | 1,677,900  |
| Denbury Resources, Inc., 9.75%, 3/01/16              | 1,875        | 1,973,438  |
| Forest Oil Corp.:                                    |              |            |
| 8.50%, 2/15/14 (b)                                   | 2,265        | 2,276,325  |
| 7.25%, 6/15/19                                       | 700          | 658,000    |
| SandRidge Energy, Inc., 4.22%, 4/01/14 (f)           | 2,000        | 1,660,736  |
| Titan Petrochemicals Group Ltd., 8.50%, 3/18/12      | 1,760        | 668,800    |
|  |              | 10,964,649 |
| <b>Paper &amp; Forest Products 4.6%</b>              |              |            |
| Ainsworth Lumber Co. Ltd., 11.00%, 7/29/15 (b)(c)    | 10,267       | 4,070,085  |
| Clearwater Paper Corp., 10.63%, 6/15/16 (b)          | 640          | 685,600    |
| Georgia-Pacific LLC, 8.25%, 5/01/16 (b)              | 2,950        | 2,979,500  |
| NewPage Corp.:                                       |              |            |
| 6.73%, 5/01/12 (f)                                   | 8,000        | 3,420,000  |
| 10.00%, 5/01/12                                      | 2,720        | 1,475,600  |
| 12.00%, 5/01/13                                      | 2,145        | 681,038    |
| Verso Paper Holdings LLC:                            |              |            |
| 11.50%, 7/01/14 (b)                                  | 550          | 539,000    |
| Series B, 4.23%, 8/01/14 (f)                         | 4,400        | 2,464,000  |
|  |              | 16,314,823 |
| <b>Pharmaceuticals 2.1%</b>                          |              |            |
| Angiotech Pharmaceuticals, Inc., 4.11%, 12/01/13 (f) | 5,000        | 4,200,000  |
| Elan Finance Plc, 7.75%, 11/15/11                    | 3,525        | 3,419,250  |
|  |              | 7,619,250  |
| <b>Real Estate Investment Trusts (REITs) 0.3%</b>    |              |            |
| RAIT Financial Trust, 6.88%, 4/15/27 (b)(h)          | 3,500        | 1,229,375  |

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**Real Estate Management & Development 0.6%**

|                 |       |           |
|-----------------|-------|-----------|
| Realogy Corp.:  |       |           |
| 10.50%, 4/15/14 | 375   | 223,125   |
| 12.38%, 4/15/15 | 5,053 | 2,046,465 |
|                 |       | 2,269,590 |

**Semiconductors & Semiconductor Equipment 0.8%**

|   |       |           |
|---|-------|-----------|
| Spanision, Inc., 3.79%, 6/01/13 (a)(b)(d) | 3,370 | 2,990,875 |
|---|-------|-----------|

**Software 0.0%**

|  |       |        |
|--|-------|--------|
| BMS Holdings, Inc., 8.35%, 2/15/12 (b)(c)(f) | 1,627 | 26,118 |
|--|-------|--------|

**Specialty Retail 2.2%**

|  |       |           |
|--|-------|-----------|
| General Nutrition Centers, Inc.:         |       |           |
| 6.40%, 3/15/14 (f)                       | 365   | 321,200   |
| 10.75%, 3/15/15                          | 4,480 | 4,233,600 |
| Michaels Stores, Inc., 11.38%, 11/01/16  | 2,230 | 1,917,800 |
| United Auto Group, Inc., 7.75%, 12/15/16 | 1,380 | 1,214,400 |
|  |       | 7,687,000 |

**Textiles, Apparel & Luxury Goods 0.6%**

|                                    |     |       |           |
|------------------------------------|-----|-------|-----------|
| Levi Strauss & Co., 8.63%, 4/01/13 | EUR | 1,550 | 2,122,100 |
|------------------------------------|-----|-------|-----------|

| Corporate Bonds                                  |     | Par<br>(000) |    | Value       |
|--|-----|--------------|----|-------------|
| <b>Wireless Telecommunication Services 4.4%</b>  |     |              |    |             |
| Cricket Communications, Inc., 7.75%, 5/15/16 (b) | USD | 2,250        | \$ | 2,182,500   |
| Crown Castle International Corp., 9.00%, 1/15/15 |     | 385          |    | 400,400     |
| Digicel Group Ltd. (b):                          |     |              |    |             |
| 8.88%, 1/15/15                                   |     | 3,560        |    | 3,177,300   |
| 9.13%, 1/15/15 (c)                               |     | 7,248        |    | 6,387,300   |
| MetroPCS Wireless, Inc., 9.25%, 11/01/14         |     | 2,860        |    | 2,806,375   |
| Orascom Telecom Finance SCA, 7.88%, 2/08/14 (b)  |     | 755          |    | 679,500     |
|  |     |              |    | 15,633,375  |
| <b>Total Corporate Bonds 62.7%</b>               |     |              |    | 222,966,224 |

**Floating Rate Loan Interests**

**Aerospace & Defense 0.1%**

|   |     |         |
|---|-----|---------|
| IAP Worldwide Services, Inc., Term Loan (First Lien), 9.25%, 12/30/12 (c) | 275 | 198,458 |
|---|-----|---------|

**Airlines 0.8%**

|   |       |           |
|---|-------|-----------|
| Delta Air Lines, Inc., Credit-Linked Deposit Loan, 0.11% 2.28%, 4/30/12 | 1,960 | 1,750,117 |
| US Airways Group, Inc., Loan, 2.76%, 3/21/14                            | 2,197 | 1,183,286 |
|   |       | 2,933,403 |

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|  |     |        |            |
|--|-----|--------|------------|
| <b>Auto Components 2.8%</b>  |     |        |            |
| Allison Transmission, Inc., Term Loan, 3.03%, 8/07/14                  |     | 7,481  | 6,386,957  |
| Dana Holding Corp., Term Advance, 7.25%, 1/31/15                       |     | 2,883  | 2,207,550  |
| The Goodyear Tire & Rubber Co., Loan (Second Lien), 2.02%, 4/30/14     |     | 1,050  | 968,625    |
| Intermet Corp.:  |     |        |            |
| First Lien Credit Facility, 11.25%, 11/08/10 (a)(c)(d)                 |     | 373    | 74,679     |
| Letter of Credit, 0.16%, 11/09/10 (a)(d)                               |     | 751    | 277,946    |
| Synthetic Letter of Credit, 11.25%, 11/09/10 (c)                       |     | 84     | 31,098     |
| Term Loan B, 11.25%, 11/08/10 (c)                                      |     | 478    | 176,948    |
|  |     |        | 10,123,803 |
| <b>Beverages 0.2%</b>  |     |        |            |
| Culligan International Co., Loan (Second Lien), 5.28%, 4/24/13         | EUR | 1,500  | 537,604    |
| <b>Building Products 0.6%</b>  |     |        |            |
| Building Materials Corp. of America, Term Loan Advance, 3.06%, 2/22/14 | USD | 2,213  | 2,019,077  |
| <b>Chemicals 3.7%</b>  |     |        |            |
| Ashland, Inc., Term Loan, 7.65%, 5/13/14                               |     | 889    | 903,747    |
| Nalco Co., Term Loan, 6.50%, 5/06/16                                   |     | 1,725  | 1,748,719  |
| PQ Corp. (fka Niagara Acquisition, Inc.):                              |     |        |            |
| Term Loan (First Lien), 3.52% 3.75%, 7/31/14                           |     | 1,980  | 1,631,851  |
| Term Loan (Second Lien), 6.77%, 7/30/15                                |     | 10,165 | 5,590,947  |
| Solutia Inc., Loan, 7.25%, 2/28/14                                     |     | 3,217  | 3,184,494  |
|  |     |        | 13,059,758 |
| <b>Commercial Services &amp; Supplies 0.4%</b>                         |     |        |            |
| Casella Waste Systems, Term Loan B, 7.00%, 12/21/12                    |     | 390    | 390,975    |
| John Maneely Co., Term Loan, 3.52% 3.76%, 12/09/13                     |     | 1,269  | 994,594    |
|  |     |        | 1,385,569  |

See Notes to Financial Statements.

## Schedule of Investments (continued)

BlackRock Debt Strategies Fund, Inc. (DSU)  
(Percentages shown are based on Net Assets)

| Floating Rate Loan Interests   | Par<br>(000) | Value      |
|--|--------------|------------|
| <b>Communications Equipment 0.2%</b>   |              |            |
| Safenet, Inc., Term Loan (First Lien), 2.77%, 4/12/14  | USD 980      | \$ 903,234 |
| <b>Computers &amp; Peripherals 0.3%</b>  |              |            |
| Intergraph Corp., Second Lien Term Loan, 6.26% 6.37%, 11/28/14                                 | 1,000        | 932,500    |
| <b>Construction Materials 0.5%</b>   |              |            |
| Headwaters Inc., Term Loan B1 (First Lien), 9.75%, 4/30/11                                     | 1,846        | 1,785,700  |
| <b>Containers &amp; Packaging 0.5%</b>   |              |            |
| Graham Packaging Co., L.P., Term Loan B, 2.56%, 10/07/11                                       | 898          | 873,017    |
| Smurfit-Stone Container Enterprises, Inc., US Term Loan, Debtor in Possession, 10.00%, 7/28/10 | 1,018        | 1,028,157  |
|  |              | 1,901,174  |
| <b>Distributors 0.3%</b>   |              |            |
| Keystone Automotive Operations, Inc. Loan, 3.77% 5.75%, 1/12/12                                | 1,656        | 902,296    |
| <b>Diversified Consumer Services 1.2%</b>  |              |            |
| Coinmach Service Corp., Term Loan, 3.28% 3.43%, 11/14/14                                       | 5,184        | 4,406,579  |
| <b>Diversified Telecommunication Services 1.0%</b>   |              |            |
| Hawaiian Telecom Communications, Inc., Tranche C Term Loan, 4.75%, 5/30/14                     | 4,553        | 2,763,735  |
| Integra Telecom Holdings, Inc., Term Loan (First Lien), 10.50%, 8/31/13                        | 699          | 685,378    |
| PAETEC Holding Corp., Incremental Term Loan, 2.76%, 2/28/13                                    | 253          | 238,509    |
|  |              | 3,687,622  |
| <b>Electrical Equipment 0.1%</b>   |              |            |
| Generac Acquisition Corp., Term Loan (First Lien), 2.78%, 11/10/13                             | 427          | 357,987    |
| <b>Energy Equipment &amp; Services 1.1%</b>  |              |            |
| Dresser, Inc.:   |              |            |
| Term B Loan, 2.68%, 5/04/14  | 162          | 150,733    |
| Term Loan (Second Lien), 6.02%, 5/04/15  | 2,500        | 2,078,125  |
| MEG Energy Corp.:  |              |            |
| Delayed Draw Term Loan, 2.60%, 4/02/13   | 1,233        | 1,144,975  |
| Initial Term Loan, 2.60%, 4/03/13  | 698          | 648,515    |
|  |              | 4,022,348  |
| <b>Food &amp; Staples Retailing 0.7%</b>   |              |            |
| DS Waters of America, Inc., Term Loan, 4.27%, 10/29/12   | 1,000        | 843,333    |
| McJunkin Corp., Term Loan, 3.51%, 1/31/14  | 349          | 332,522    |

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|  |     |           |
|--|-----|-----------|
| Rite Aid Corp., Tranche 4 Term Loan, 9.50%, 6/04/15            | 750 | 776,250   |
| Wm. Bolthouse Farms, Inc., Loan (Second Lien), 5.76%, 12/16/13 | 750 | 681,875   |
|  |     | 2,633,980 |

**Food Products 0.7%**

|   |       |           |
|---|-------|-----------|
| Dole Food Co., Inc.:                                      |       |           |
| Credit-Linked Deposit, 0.51% 6.86%, 4/12/13               | 288   | 290,084   |
| Tranche B Term Loan, 8.00%, 4/12/13                       | 504   | 507,094   |
| Solvest, Ltd. (Dole), Tranche C Term Loan, 8.00%, 4/12/13 | 1,877 | 1,889,477 |
|   |       | 2,686,655 |

|  |                      |              |
|--|----------------------|--------------|
|  | <b>Par<br/>(000)</b> | <b>Value</b> |
|--|----------------------|--------------|

**Floating Rate Loan Interests**

**Health Care Equipment & Supplies 0.9%**

|  |       |              |
|--|-------|--------------|
| DJO Finance LLC (ReAble Therapeutics Finance LLC), Term Loan, 3.26% 3.60%, 5/20/14 USD | 3,448 | \$ 3,292,363 |
|--|-------|--------------|

**Health Care Providers & Services 3.2%**

|  |       |            |
|--|-------|------------|
| CCS Medical, Inc. (Chronic Care), Loan Debtor in Possession, 11.00%, 11/14/09      | 31    | 30,309     |
| CCS Medical, Inc. (Chronic Care), Term Loan (First Lien), 4.35%,<br>9/30/12 (a)(c) | 819   | 369,724    |
| CHS/Community Health Systems, Inc.:  |       |            |
| Delayed Draw Term Loan, 2.51%, 7/25/14   | 123   | 114,635    |
| Funded Term Loan, 2.51% 2.62%, 7/25/14   | 2,442 | 2,274,825  |
| DaVita, Inc., Tranche B-1 Term Loan, 1.77% 2.10%, 10/05/12                         | 925   | 887,614    |
| Fresenius AG:  |       |            |
| Term Loan B1, 6.75%, 7/06/14   | 403   | 405,388    |
| Term Loan B2, 6.75%, 7/06/14   | 281   | 282,862    |
| HCA Inc., Tranche A-1 Term Loan, 2.10%, 11/17/12                                   | 5,447 | 5,085,842  |
| Rotech Healthcare, Inc., Term Loan, 6.26%, 9/26/11                                 | 3,800 | 1,824,183  |
|  |       | 11,275,382 |

**Hotels, Restaurants & Leisure 1.9%**

|  |       |           |
|--|-------|-----------|
| Golden Nugget, Inc., Second Lien Term Loan, 3.52%, 12/31/14                  | 500   | 210,000   |
| Green Valley Ranch Gaming, LLC, Loan (Second Lien) Term Loan, 3.88%, 8/16/14 | 750   | 153,750   |
| Harrah's Operating Co., Inc.:  |       |           |
| Term B-1 Loan, 3.50%, 1/28/15  | 487   | 391,498   |
| Term B-2 Loan, 3.50%, 1/28/15  | 613   | 493,529   |
| Term B-3 Loan, 3.50% 3.60%, 1/28/15  | 429   | 344,965   |
| QCE, LLC (Quiznos), Term Loan (Second Lien), 6.35%, 11/05/13                 | 6,000 | 2,760,000 |
| VML US Finance LLC (aka Venetian Macau):                                     |       |           |
| New Project Term Loan, 6.10%, 5/25/13  | 998   | 912,356   |
| Term B Funded Project Loan, 6.10%, 5/27/13                                   | 221   | 202,001   |
| Term B Delayed Draw Project Loan, 6.10%, 5/25/12                             | 1,275 | 1,166,552 |
|  |       | 6,634,651 |

**Household Durables 0.7%**

|  |       |           |
|--|-------|-----------|
| American Residential Services LLC, Term Loan (Second Lien),<br>12.00%, 4/17/15 (f) | 3,060 | 2,669,614 |
|--|-------|-----------|

**IT Services 1.9%**

|   |       |        |
|---|-------|--------|
| Audio Visual Services Group, Inc., Loan (Second Lien), 7.10%, 8/28/14 (f) | 1,040 | 83,184 |
|---|-------|--------|



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|  |       |                  |
|--|-------|------------------|
| Ceridian Corp. US, Term Loan, 3.27%, 11/09/14  | 3,460 | 2,961,910        |
| First Data Corp., Initial Tranche B-2, Term Loan, 3.01% 3.02%, 9/24/14                         | 2,470 | 2,055,288        |
| RedPrairie Corp. Term Loan:  |       |                  |
| 3.44% 5.25%, 7/20/12   | 777   | 672,523          |
| 3.69%, 7/20/12   | 260   | 224,516          |
| SunGard Data Systems, Inc. (Solar Capital Corp.), Tranche B US Term Loan, 3.95% 4.09%, 2/28/16 | 719   | 694,118          |
|  |       | <u>6,691,539</u> |

**Independent Power Producers & Energy Traders 0.7%**

|   |       |                  |
|---|-------|------------------|
| Texas Competitive Electric Holdings Co., LLC (TXU) Initial Tranche: |       |                  |
| B-2 Term Loan, 3.78% 3.79%, 10/10/14                                | 2,947 | 2,240,062        |
| B-3 Term Loan, 3.78%, 10/10/14                                      | 198   | 150,211          |
|   |       | <u>2,390,273</u> |

See Notes to Financial Statements.

## Schedule of Investments (continued)

BlackRock Debt Strategies Fund, Inc. (DSU)  
(Percentages shown are based on Net Assets)

| Floating Rate Loan Interests  | Par<br>(000) | Value        |
|---|--------------|--------------|
| <b>Industrial Conglomerates 0.3%</b>  |              |              |
| Sequa Corp., Term Loan, 3.65% 3.88%, 12/03/14   | USD 1,394    | \$ 1,188,031 |
| <b>Insurance 0.2%</b>   |              |              |
| Alliant Holdings I, Inc., Term Loan, 3.60%, 8/21/14   | 597          | 549,205      |
| <b>Internet &amp; Catalog Retail 0.4%</b>   |              |              |
| FTD Group, Inc., Tranche B Term Loan, 6.75%, 8/04/14  | 1,354        | 1,340,766    |
| <b>Life Sciences Tools &amp; Services 0.3%</b>  |              |              |
| Life Technologies Corp., Term B Facility, 5.25%, 11/20/15   | 996          | 1,005,559    |
| <b>Machinery 2.2%</b>   |              |              |
| Navistar International Corp.:   |              |              |
| Revolving Credit-Linked Deposit, 3.36% 3.51%, 1/19/12   | 1,867        | 1,736,000    |
| Term Advance, 3.51%, 1/19/12  | 5,133        | 4,774,000    |
| Oshkosh Truck Corp., Term B Loan, 6.60% 6.64%, 12/06/13   | 1,464        | 1,456,679    |
|   |              | 7,966,679    |
| <b>Media 11.1%</b>  |              |              |
| Affinion Group Holdings, Inc., Loan, 8.27%, 3/01/12   | 4,191        | 3,666,776    |
| Cengage Learning Acquisitions, Inc. (Thomson Learning), Tranche 1 Incremental Term Loan, 7.50%, 7/03/14 | 2,200        | 2,112,000    |
| Cequel Communications, LLC:   |              |              |
| Term Loan, 2.27% 4.25%, 11/05/13  | 1,562        | 1,474,984    |
| Tranche B Term Loan (Second Lien), 6.27% 6.28%, 5/05/14   | 6,691        | 6,172,322    |
| Charter Communications, Term Loan B1, 7.94%, 3/25/14 (a)(d)   | 3,270        | 3,268,365    |
| EB Sports Corp, Loan, 7.57%, 5/01/12 (c)  | 2,908        | 1,599,194    |
| Ellis Communications KDOC, LLC, Loan, 10.00%, 12/30/11  | 6,303        | 1,764,771    |
| HMH Publishing Co. Ltd. (fka Education Media):  |              |              |
| Mezzanine, 17.50%, 11/14/14   | 20,360       | 3,054,055    |
| Tranche A Term Loan, 5.26%, 6/12/14   | 5,082        | 3,932,042    |
| Lamar Media Corp., Term Loan, 5.50%, 9/30/12  | 1,208        | 1,190,319    |
| Lavena Holding 3 GmbH (Prosiebensat.1 Media AG):  |              |              |
| Facility B1, 3.53%, 6/30/15   | EUR 337      | 272,803      |
| Facility C1, 3.78%, 6/30/16   | 674          | 545,605      |
| Mediacom Illinois, LLC (fka Mediacom Communications, LLC), Tranche D Term Loan, 5.50%, 3/31/17          | USD 1,000    | 997,500      |
| Multicultural Radio Broadcasting, Inc., Term Loan, 3.03%, 12/18/12                                      | 396          | 277,375      |
| Newsday, LLC Fixed Rate Term Loan, 9.75%, 8/01/13   | 4,250        | 4,324,375    |
| Penton Media, Inc., Loan (Second Lien), 5.49%, 2/01/14  | 1,000        | 210,000      |
| United Pan Europe Communications Term Loan, 3.76%, 12/31/16   | 3,000        | 2,947,500    |
| Virgin Media Investment Holdings Ltd. C Facility, 4.19%, 7/17/13  | GBP 505      | 723,460      |
| World Color Press Inc. and World Color (USA) Corp. (fka Quebecor World Inc.), Advance, 9.00%, 6/30/12   | USD 800      | 794,000      |

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39,327,446

| Floating Rate Loan Interests  | Par<br>(000) | Value        |
|---|--------------|--------------|
| <b>Metals &amp; Mining 1.3%</b>                                     |              |              |
| Euramax (1st Lien Term Loan), 8.75%, 6/29/13                        | USD 2,526    | \$ 1,086,340 |
| RathGibson, Inc., Loan Debtor in Possession, 10.50% 10.75%, 2/10/10 | 3,665        | 3,665,418    |
|   |              | 4,751,758    |
| <b>Multi-Utilities 0.8%</b>   |              |              |
| Energy Transfer Equity, L.P., Term Loan, 2.21%, 11/01/12            | 750          | 726,428      |
| FirstLight Power Resources, Inc. (fka NE Energy, Inc.):             |              |              |
| First Lien Term Loan B, 3.13%, 11/01/13                             | 664          | 611,659      |
| Second Lien Term Loan, 5.13%, 5/01/14                               | 750          | 579,375      |
| Synthetic Letter of Credit, 0.48% 2.65%, 11/01/13                   | 86           | 78,810       |
| USPF Holdings, LLC, Term Loan, 2.02%, 4/11/14                       | 886          | 823,944      |
|   |              | 2,820,216    |
| <b>Multiline Retail 0.3%</b>  |              |              |
| Dollar General Corp., Tranche B-2 Term Loan, 3.01%, 7/07/14         | 1,250        | 1,201,215    |
| <b>Oil, Gas &amp; Consumable Fuels 2.5%</b>                         |              |              |
| Big West Oil, LLC (a)(d):   |              |              |
| Delayed Advance Loan, 4.50%, 5/15/14                                | 956          | 879,335      |
| Initial Advance Loan, 4.50%, 5/15/14                                | 889          | 817,527      |
| ScorpionDrilling Ltd., Loan (Second Lien), 8.10%, 5/08/14           | 3,500        | 2,905,000    |
| Turbo Beta Ltd., Dollar Facility, 14.50%, 3/15/18                   | 6,033        | 4,222,964    |
|   |              | 8,824,826    |
| <b>Paper &amp; Forest Products 0.5%</b>                             |              |              |
| Georgia-Pacific LLC, Term B Loan, 2.34% 2.65%, 12/20/12             | 909          | 877,697      |
| Verso Paper Finance Holdings LLC, Loan, 6.73% 7.48%, 2/01/13        | 3,935        | 786,911      |
|   |              | 1,664,608    |
| <b>Pharmaceuticals 0.3%</b>   |              |              |
| Warner Chilcott Co., Inc.:  |              |              |
| Tranche B Acquisition Date Term Loan, 2.26% 2.60%, 1/18/12          | 738          | 733,608      |
| Tranche C Acquisition Date Term Loan, 2.26%, 1/18/12                | 259          | 257,283      |
|   |              | 990,891      |
| <b>Real Estate Management &amp; Development 0.3%</b>                |              |              |
| Enclave First Lien Term Loan, 6.14%, 3/01/12                        | 4,000        | 527,196      |
| Georgian Towers, Term Loan, 6.14%, 3/01/12                          | 4,000        | 496,500      |
|   |              | 1,023,696    |
| <b>Software 1.2%</b>  |              |              |
| Aspect Software, Inc., Loan (Second Lien), 7.31%, 7/11/12           | 7,000        | 4,235,000    |

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|  |              |       |             |
|--|--------------|-------|-------------|
| <b>Specialty Retail</b>  | <b>0.3%</b>  |       |             |
| Adesa, Inc. (KAR Holdings, Inc.), Initial Term Loan, 2.52%, 10/20/13 |              | 1,000 | 938,333     |
| <b>Total Floating Rate Loan Interests</b>                            | <b>46.5%</b> |       | 165,259,798 |

| <b>Other Interests (j)</b>     |             | <b>Beneficial<br/>Interest<br/>(000)</b> |               |
|--------------------------------|-------------|--|---------------|
| <b>Airlines</b>                | <b>0.0%</b> |  |               |
| Delta Air Lines, Inc. Default: |             |  |               |
| 8.33% Escrow                   |             | 5,505                                    | 33,030        |
| 10.00% Escrow                  |             | 4,200                                    | 25,200        |
|                                |             |  | <u>58,230</u> |

See Notes to Financial Statements.

SEMI-ANNUAL REPORT

AUGUST 31, 2009

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## Schedule of Investments (continued)

BlackRock Debt Strategies Fund, Inc. (DSU)  
(Percentages shown are based on Net Assets)

| Other Interests (j)                           |     | Beneficial<br>Interest<br>(000) |    | Value   |
|---|-----|---------------------------------|----|---------|
| <b>Diversified Financial Services 0.1%</b>    |     |                                 |    |         |
| J.G. Wentworth LLC Preferred Equity Interests | USD | 1                               | \$ | 457,129 |
| <b>Hotels, Restaurants &amp; Leisure 0.0%</b> |     |                                 |    |         |
| Buffets, Inc.                                 |     | 1,440                           |    | 144     |
| <b>Media 0.0%</b>                             |     |                                 |    |         |
| Adelphia Escrow                               |     | 7,500                           |    | 750     |
| Adelphia Preferred Escrow                     |     | 5                               |    | 1       |
| Adelphia Recovery Trust                       |     | 9,406                           |    | 37,624  |
| Adelphia Recovery Trust Series ACC-6B INT     |     | 500                             |    | 50      |
|   |     |                                 |    | 38,425  |
| <b>Specialty Retail 0.0%</b>                  |     |                                 |    |         |
| Movie Gallery, Inc. Default Escrow            |     | 21,700                          |    | 217     |
| <b>Total Other Interests 0.1%</b>             |     |                                 |    | 554,145 |

| Warrants (k)   |  | Shares  |  |        |
|--|--|---------|--|--------|
| <b>Building Products 0.0%</b>                        |  |         |  |        |
| Neenah Enterprises Inc. (expires 9/30/13)            |  | 130,547 |  | 19,582 |
| <b>Chemicals 0.0%</b>                                |  |         |  |        |
| GenTek Inc. Tranche C (expires 11/10/10)             |  | 231     |  | 554    |
| <b>Health Care Providers &amp; Services 0.0%</b>     |  |         |  |        |
| HealthSouth Corp. (expires 1/16/14)                  |  | 126,761 |  | 1      |
| <b>Hotels, Restaurants &amp; Leisure 0.0%</b>        |  |         |  |        |
| Buffets Restaurants Holdings, Inc. (expires 4/29/14) |  | 1,216   |  | 12     |
| <b>Other 0.0%</b>                                    |  |         |  |        |
| Turbo Cayman Ltd. (No Expiration)                    |  | 4       |  |        |
| <b>Specialty Retail 0.0%</b>                         |  |         |  |        |
| Movie Gallery, Inc. (expires 5/15/15)                |  | 62,323  |  | 31,162 |
| <b>Total Warrants 0.0%</b>                           |  |         |  | 51,311 |

|   |     |                |
|---|-----|----------------|
| <b>Total Long-Term Investments</b><br>(Cost \$596,239,724) 113.1% |     | 402,214,164    |
| <b>Short-Term Securities</b>                                      |     |                |
| BlackRock Liquidity Funds, TempFund, 0.22% (l)(m)                 | 501 | 501            |
| <b>Total Short-Term Securities</b><br>(Cost \$501) 0.0%           |     | 501            |
| <b>Total Investments (Cost \$596,240,225*) 113.1%</b>             |     | 402,214,665    |
| <b>Liabilities in Excess of Other Assets (13.1)%</b>              |     | (46,621,927)   |
| <b>Net Assets 100.0%</b>  |     | \$ 355,592,738 |

\* The cost and unrealized appreciation (depreciation) of investments as of August 31, 2009, as computed for federal income tax purposes, were as follows:

|                               |                  |
|-------------------------------|------------------|
| Aggregate cost                | \$ 597,627,814   |
| Gross unrealized appreciation | \$ 13,474,246    |
| Gross unrealized depreciation | (208,887,395)    |
| Net unrealized depreciation   | \$ (195,413,149) |

- (a) Non-income producing security.
- (b) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional investors.
- (c) Represents a payment-in-kind security which may pay interest/dividends in additional par/shares.
- (d) Issuer filed for bankruptcy and/or is in default of interest payments.
- (e) As a result of bankruptcy proceedings, the company did not repay the principal amount of the security upon maturity.
- (f) Variable rate security. Rate shown is as of report date.
- (g) Represents a zero-coupon bond. Rate shown reflects the current yield as of report date.
- (h) Convertible security.
- (i) All or a portion of security held as collateral for swaps.
- (j) Other interests represent beneficial interest in liquidation trusts and other reorganization entities and are non-income producing.
- (k) Warrants entitle the Fund to purchase a predetermined number of shares of common stock and are non-income producing. The purchase price and number of shares are subject to adjustment under certain conditions until the expiration date.

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

| Affiliate   | Net<br>Activity | Income   |
|---|-----------------|----------|
| BlackRock Liquidity Funds, TempFund               | \$ 501          | \$ 5,118 |
| BlackRock Liquidity Series, LLC Cash Sweep Series | \$ (4,725,260)  | \$ 809   |

- (m) Represents the current yield as of report date.

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

Foreign currency exchange contracts as of August 31, 2009 were as follows:

| Currency<br>Purchased |            | Currency<br>Sold |            | Counterparty      | Settlement<br>Date | Unrealized<br>Appreciation<br>(Depreciation) |
|-----------------------|------------|------------------|------------|-------------------|--------------------|--|
| USD                   | 442,981    | GBP              | 271,000    | Citibank, NA      | 9/01/09            | \$ 2,703                                     |
| USD                   | 14,053,566 | EUR              | 10,037,000 | Citibank, NA      | 9/16/09            | (335,860)                                    |
| USD                   | 1,473,473  | CAD              | 1,600,00   | Barclays Bank Plc | 10/28/09           | 11,819                                       |
| GBP                   | 271,000    | USD              | 442,950    | Citibank, NA      | 10/28/09           | (1,811)                                      |
| <b>Total</b>          |            |                  |            |                   |                    | <b>\$ (323,149)</b>                          |

See Notes to Financial Statements.

## Schedule of Investments (continued)

BlackRock Debt Strategies Fund, Inc. (DSU)

Credit default swaps on single-name issues buy protection outstanding as of August 31, 2009 were as follows:

| Issuer                   | Pay Fixed Rate | Counterparty                | Expiration     | Notional Amount (000) | Unrealized Appreciation (Depreciation) |
|--------------------------|----------------|-----------------------------|----------------|-----------------------|--|
| First Data Corp.         | 5.00%          | JPMorgan Chase Bank NA      | December 2013  | USD 750               | \$ (57,490)                            |
| First Data Corp.         | 5.00%          | JPMorgan Chase Bank NA      | December 2013  | USD 1,000             | (76,761)                               |
| Masco Corp.              | 5.30%          | JPMorgan Chase Bank NA      | March 2014     | USD 1,500             | (165,240)                              |
| Masco Corp.              | 6.25%          | JPMorgan Chase Bank NA      | March 2014     | USD 1,500             | (222,548)                              |
| Host Hotels & Resorts LP | 5.00%          | Goldman Sachs Bank USA      | March 2014     | USD 2,500             | (347,933)                              |
| Mohawk Industries, Inc.  | 4.45%          | JPMorgan Chase Bank NA      | March 2014     | USD 1,500             | (148,846)                              |
| Mohawk Industries, Inc.  | 5.20%          | JPMorgan Chase Bank NA      | March 2014     | USD 1,500             | (194,978)                              |
| Lennar Corp.             | 5.75%          | JPMorgan Chase Bank NA      | June 2014      | USD 850               | (102,263)                              |
| Brunswick Corp.          | 5.00%          | Goldman Sachs Bank USA      | September 2014 | USD 325               | 1,823                                  |
| Standard Pacific Corp.   | 5.00%          | Credit Suisse International | September 2014 | USD 935               | 37,282                                 |
| <b>Total</b>             |                |                             |                |                       | <b>\$ (1,276,954)</b>                  |

Credit default swaps on single-name issues sold protection outstanding as of August 31, 2009 were as follows:

| Issuer <sup>1</sup>            | Receive Fixed Rate | Counterparty     | Expiration | Rating <sup>1</sup> | Notional Amount (000) <sup>2</sup> | Unrealized Depreciation |
|--------------------------------|--------------------|------------------|------------|---------------------|------------------------------------|-------------------------|
| BAA Ferrovial Junior Term Loan | 2.00%              | Deutsche Bank AG | March 2012 | A                   | GBP 900                            | \$ (288,675)            |

<sup>1</sup> Using S&P's ratings of the issuer.<sup>2</sup> The maximum potential amount the Fund may pay should a negative credit event take place as defined under the term of the agreement.

## Currency Abbreviations:

|     |                 |
|-----|-----------------|
| CAD | Canadian Dollar |
| EUR | Euro            |
| GBP | British Pound   |
| USD | US Dollar       |



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

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

Level 2 other observable inputs (including, but not limited to: quoted prices for 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 unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including the Fund's own assumptions used in determining the fair value of investments)

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

The following table summarizes the inputs used as of August 31, 2009 in determining the fair valuation of the Fund's investments:

| Valuation Inputs             | Investments in Securities |
|------------------------------|---------------------------|
|                              | Assets                    |
| <b>Level 1</b>               |                           |
| Long-Term Investments:       |                           |
| Common Stocks                | \$ 11,017,806             |
| Warrants                     | 554                       |
| Short-Term Securities        | 501                       |
| <b>Total Level 1</b>         | <b>11,018,861</b>         |
| <b>Level 2</b>               |                           |
| Long-Term Investments:       |                           |
| Corporate Bonds              | 209,320,768               |
| Floating Rate Loan Interests | 88,300,804                |
| Common Stocks                | 2,208,060                 |
| Other Interests              | 58,230                    |
| Warrants                     | 19,582                    |
| <b>Total Level 2</b>         | <b>299,907,444</b>        |
| <b>Level 3</b>               |                           |
| Long-Term Investments:       |                           |
| Common Stocks                | 156,820                   |
| Corporate Bonds              | 13,645,456                |
| Floating Rate Loan Interests | 76,958,994                |
| Other Interests              | 495,915                   |
| Warrants                     | 31,175                    |
| <b>Total Level 3</b>         | <b>91,288,360</b>         |
| <b>Total</b>                 | <b>\$ 402,214,665</b>     |

| Valuation Inputs | Other Financial Instruments <sup>1</sup> |                       |
|------------------|--|-----------------------|
|                  | Assets                                   | Liabilities           |
| Level 1          |  |                       |
| Level 2          | \$ 53,627                                | \$ (1,653,730)        |
| Level 3          |  | (288,675)             |
| <b>Total</b>     | <b>\$ 53,627</b>                         | <b>\$ (1,942,405)</b> |

<sup>1</sup> Other financial instruments are swaps and foreign currency exchange contracts which are shown at the unrealized appreciation/depreciation on the instrument.

See Notes to Financial Statements.

## Schedule of Investments (concluded)

BlackRock Debt Strategies Fund, Inc. (DSU)

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

|   | Investments in Securities |                      |                              |                   |                  |                      |
|---|---------------------------|----------------------|------------------------------|-------------------|------------------|----------------------|
|   | Common Stocks             | Corporate Bonds      | Floating Rate Loan Interests | Other Interests   | Warrants         | Total                |
| Balance, as of February 28, 2009                              | \$ 131,666                | \$ 12,983,142        | \$ 92,859,804                | \$ 38,643         | \$ 31,161        | \$ 106,044,416       |
| Accrued discounts/premiums                                    |                           | (2,643,682)          | (1,817,087)                  |                   |                  | (4,460,769)          |
| Realized gain (loss)  |                           |                      | (18,402,047)                 |                   |                  | (18,402,047)         |
| Change in unrealized appreciation (depreciation) <sup>1</sup> |                           | (690,975)            | 41,670,966                   |                   |                  | 40,979,991           |
| Net purchases (sales)   |                           | (4,791,037)          | (33,329,576)                 |                   |                  | (38,120,613)         |
| Net transfers in/out of Level 3                               | 25,154                    | 8,788,008            | (4,023,066)                  | 457,272           | 14               | 5,247,382            |
| <b>Balance, as of August 31, 2009</b>                         | <b>\$ 156,820</b>         | <b>\$ 13,645,456</b> | <b>\$ 76,958,994</b>         | <b>\$ 495,915</b> | <b>\$ 31,175</b> | <b>\$ 91,288,360</b> |

<sup>1</sup> Included in the related net change in unrealized appreciation/depreciation on the Statements of Operations.

The following is a reconciliation of other financial instruments for unobservable inputs (Level 3) used in determining fair value:

|  | Other Financial Instruments <sup>2</sup> |
|--|--|
| Balance, as of February 28, 2009                 | \$ (249,620)                             |
| Accrued discounts/premiums                       |  |
| Realized gain (loss)                             |  |
| Change in unrealized appreciation (depreciation) | (39,055)                                 |
| Net purchases (sales)                            |  |
| Net transfers in/out of Level 3                  |  |
| <b>Balance, as of August 31, 2009</b>            | <b>\$ (288,675)</b>                      |

<sup>2</sup> Other financial instruments are swaps.

See Notes to Financial Statements.

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Schedule of Investments August 31, 2009 (Unaudited)

**BlackRock Floating Rate Income Strategies Fund II, Inc. (FRB)**  
(Percentages shown are based on Net Assets)

| Common Stocks                     | Shares | Value      |
|-----------------------------------|--------|------------|
| <b>Building Products 0.3%</b>     |        |            |
| Masonite Worldwide Holdings (a)   | 10,036 | \$ 405,956 |
| <b>Chemicals 0.0%</b>             |        |            |
| GEO Specialty Chemicals, Inc. (a) | 10,732 | 4,120      |
| Wellman Holdings, Inc. (a)(b)     | 181    | 45         |
|                                   |        | 4,165      |
| <b>Electrical Equipment 0.1%</b>  |        |            |
| Medis Technologies Ltd. (a)       | 13,053 | 3,720      |
| SunPower Corp. Class B (a)        | 5,332  | 114,051    |
|                                   |        | 117,771    |
| <b>Total Common Stocks 0.4%</b>   |        | 527,892    |

| Corporate Bonds  | Par<br>(000) |           |
|--|--------------|-----------|
| <b>Auto Components 1.6%</b>                                      |              |           |
| The Goodyear Tire & Rubber Co., 5.01%, 12/01/09 (c)              | USD 2,000    | 1,992,500 |
| <b>Building Products 1.9%</b>                                    |              |           |
| CPG International I, Inc., 7.87%, 7/01/12 (c)                    | 3,000        | 2,145,000 |
| Momentive Performance Materials, Inc. Series WI, 9.75%, 12/01/14 | 400          | 260,000   |
|  |              | 2,405,000 |
| <b>Capital Markets 0.4%</b>                                      |              |           |
| E*Trade Financial Corp. (b):                                     |              |           |
| 12.50%, 11/30/17 (d)   | 15           | 15,188    |
| 4.00%, 8/31/19 (e)(f)  | 46           | 78,603    |
| Marsico Parent Co., LLC, 10.63%, 1/15/16                         | 663          | 278,460   |
| Marsico Parent Holdco, LLC, 12.50%, 7/15/16 (b)(d)               | 276          | 66,210    |
| Marsico Parent Superholdco, LLC, 14.50%, 1/15/18 (b)(d)          | 190          | 49,521    |
|  |              | 487,982   |
| <b>Chemicals 0.8%</b>  |              |           |
| GEO Specialty Chemicals, Inc. (b):                               |              |           |
| 7.50%, 3/31/15 (d)(e)  | 698          | 453,469   |
| 10.00%, 3/31/15 (c)  | 691          | 448,864   |

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|   |     |                      |    |              |
|---|-----|----------------------|----|--------------|
| Wellman Holdings, Inc., Third Lien Subordinate Note, 5.00%, 1/29/19 (b) |     | 186                  |    | 92,951       |
|   |     |                      |    | 995,284      |
| <b>Commercial Services &amp; Supplies 0.3%</b>                          |     |                      |    |              |
| Clean Harbors, Inc., 7.63%, 8/15/16 (b)                                 |     | 400                  |    | 401,000      |
| <b>Construction Materials 1.0%</b>                                      |     |                      |    |              |
| Nortek, Inc., 10.00%, 12/01/13  |     | 1,310                |    | 1,218,300    |
| <b>Containers &amp; Packaging 1.4%</b>                                  |     |                      |    |              |
| Clondalkin Acquisition BV, 2.63%, 12/15/13 (b)(c)                       |     | 1,500                |    | 1,200,000    |
| Crown European Holdings SA, 6.25%, 9/01/11                              | EUR | 11                   |    | 15,770       |
| Owens Brockway Glass Container, Inc., 6.75%, 12/01/14                   |     | 113                  |    | 157,138      |
| Packaging Dynamics Finance Corp., 10.00%, 5/01/16 (b)                   | USD | 1,240                |    | 396,800      |
|   |     |                      |    | 1,769,708    |
| <b>Diversified Financial Services 2.1%</b>                              |     |                      |    |              |
| FCE Bank Plc, 7.13%, 1/16/12  | EUR | 2,000                |    | 2,594,833    |
| <b>Diversified Telecommunication Services 1.6%</b>                      |     |                      |    |              |
| PAETEC Holding Corp., 8.88%, 6/30/17 (b)                                | USD | 650                  |    | 619,125      |
| Qwest Corp., 3.88%, 6/15/13 (c)   |     | 1,500                |    | 1,387,500    |
|   |     |                      |    | 2,006,625    |
| <b>Corporate Bonds</b>  |     |                      |    |              |
|   |     | <b>Par<br/>(000)</b> |    | <b>Value</b> |
| <b>Food &amp; Staples Retailing 0.2%</b>                                |     |                      |    |              |
| AmeriQual Group LLC, 9.50%, 4/01/12 (b)                                 | USD | 250                  | \$ | 162,500      |
| Duane Reade, Inc., 11.75%, 8/01/15 (b)                                  |     | 100                  |    | 101,000      |
|   |     |                      |    | 263,500      |
| <b>Food Products 0.4%</b>   |     |                      |    |              |
| Smithfield Foods, Inc., 10.00%, 7/15/14 (b)                             |     | 460                  |    | 469,200      |
| <b>Health Care Equipment &amp; Supplies 0.5%</b>                        |     |                      |    |              |
| DJO Finance LLC, 10.88%, 11/15/14                                       |     | 700                  |    | 672,000      |
| <b>Hotels, Restaurants &amp; Leisure 4.2%</b>                           |     |                      |    |              |
| American Real Estate Partners LP, 7.13%, 2/15/13                        |     | 4,000                |    | 3,800,000    |
| Harrah's Operating Co., Inc., 10.00%, 12/15/18 (b)                      |     | 226                  |    | 158,200      |
| Little Traverse Bay Bands of Odawa Indians, 10.25%, 2/15/14 (a)(b)(g)   |     | 1,565                |    | 688,600      |
| Travelport LLC, 4.99%, 9/01/14 (c)                                      |     | 815                  |    | 590,875      |
|   |     |                      |    | 5,237,675    |
| <b>IT Services 2.0%</b>   |     |                      |    |              |
| First Data Corp., 9.88%, 9/24/15  |     | 3,000                |    | 2,565,000    |
| <b>Independent Power Producers &amp; Energy Traders 1.5%</b>            |     |                      |    |              |
| Calpine Construction Finance Co. LP, 8.00%, 6/01/16 (b)                 |     | 1,215                |    | 1,208,925    |

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|   |       |           |
|---|-------|-----------|
| Texas Competitive Electric Holdings Co. LLC, 10.25%, 11/01/15 (c) | 995   | 659,188   |
|   |       | 1,868,113 |
| <b>Industrial Conglomerates 0.5%</b>                              |       |           |
| Sequa Corp. (b):  |       |           |
| 11.75%, 12/01/15  | 320   | 201,600   |
| 13.50%, 12/01/15 (d)  | 850   | 444,115   |
|   |       | 645,715   |
| <b>Machinery 0.2%</b>   |       |           |
| CPM Holdings, Inc., 10.63%, 9/01/14 (b)                           | 300   | 303,000   |
| <b>Media 1.1%</b>   |       |           |
| CSC Holdings, Inc., 8.50%, 4/15/14 (b)                            | 230   | 233,450   |
| Local Insight Regatta Holdings, Inc., 11.00%, 12/01/17            | 748   | 284,240   |
| TL Acquisitions, Inc., 10.50%, 1/15/15 (b)                        | 1,000 | 910,000   |
|   |       | 1,427,690 |
| <b>Metals &amp; Mining 0.4%</b>                                   |       |           |
| FMG Finance Property Ltd., 4.36%, 9/01/11 (b)(c)                  | 180   | 180,000   |
| Ryerson, Inc., 7.86%, 11/01/14 (c)                                | 450   | 382,500   |
|   |       | 562,500   |
| <b>Oil, Gas &amp; Consumable Fuels 0.7%</b>                       |       |           |
| SandRidge Energy, Inc., 4.22%, 4/01/14 (c)                        | 1,000 | 830,368   |
| <b>Paper &amp; Forest Products 3.1%</b>                           |       |           |
| NewPage Corp.:  |       |           |
| 6.73%, 5/01/12 (c)  | 2,000 | 855,000   |
| 10.00%, 5/01/12   | 2,000 | 1,085,000 |
| Verso Paper Holdings LLC Series B, 4.23%, 8/01/14 (c)             | 3,500 | 1,960,000 |
|   |       | 3,900,000 |
| <b>Pharmaceuticals 1.3%</b>                                       |       |           |
| Angiotech Pharmaceuticals, Inc., 4.11%, 12/01/13 (c)              | 500   | 420,000   |
| Elan Finance Plc, 4.44%, 11/15/11 (c)                             | 1,250 | 1,175,000 |
|   |       | 1,595,000 |
| <b>Real Estate Management &amp; Development 0.1%</b>              |       |           |
| Realogy Corp., 10.50%, 4/15/14                                    | 235   | 139,825   |

See Notes to Financial Statements.

## Schedule of Investments (continued)

BlackRock Floating Rate Income Strategies Fund II, Inc. (FRB)  
(Percentages shown are based on Net Assets)

| Corporate Bonds  |     | Par<br>(000) | Value             |
|--|-----|--------------|-------------------|
| <b>Semiconductors &amp; Semiconductor Equipment 1.6%</b>     |     |              |                   |
| Avago Technologies Finance Property Ltd., 5.86%, 6/01/13 (c) | USD | 600          | \$ 564,000        |
| Spansion, Inc., 3.793%, 6/01/13 (a)(b)(g)                    |     | 1,690        | 1,499,875         |
|  |     |              | <u>2,063,875</u>  |
| <b>Specialty Retail 0.6%</b>                                 |     |              |                   |
| General Nutrition Centers, Inc., 6.40%, 3/15/14 (c)          |     | 135          | 118,800           |
| Michaels Stores, Inc., 11.38%, 11/01/16                      |     | 750          | 645,000           |
|  |     |              | <u>763,800</u>    |
| <b>Wireless Telecommunication Services 2.3%</b>              |     |              |                   |
| Cricket Communications, Inc., 7.75%, 5/15/16 (b)             |     | 1,250        | 1,212,500         |
| Crown Castle International Corp., 9.00%, 1/15/15             |     | 135          | 140,400           |
| Digicel Group Ltd., 9.13%, 1/15/15 (b)(d)                    |     | 1,249        | 1,100,681         |
| iPCS, Inc., 2.61%, 5/01/13 (c)                               |     | 500          | 410,000           |
|  |     |              | <u>2,863,581</u>  |
| <b>Total Corporate Bonds 31.8%</b>                           |     |              | <u>40,042,074</u> |

## Floating Rate Loan Interests

|   |  |       |                  |
|---|--|-------|------------------|
| <b>Aerospace &amp; Defense 0.8%</b>                                       |  |       |                  |
| Hawker Beechcraft Acquisition Co. LLC:                                    |  |       |                  |
| Letter of Credit Facility Deposit, 0.40%, 3/26/14                         |  | 72    | 53,546           |
| Term Loan, 2.26% 2.60%, 3/26/14   |  | 1,214 | 905,076          |
| IAP Worldwide Services, Inc., Term Loan (First Lien), 7.25%, 12/30/12 (c) |  | 100   | 72,167           |
|   |  |       | <u>1,030,789</u> |
| <b>Airlines 0.3%</b>  |  |       |                  |
| US Airways Group, Inc., Loan, 2.76%, 3/21/14                              |  | 730   | 393,105          |
| <b>Auto Components 3.7%</b>   |  |       |                  |
| Allison Transmission, Inc., Term Loan, 3.03%, 8/07/14                     |  | 2,895 | 2,471,519        |
| Dana Holding Corp., Term Advance, 7.25%, 1/31/15                          |  | 1,547 | 1,184,886        |
| Delphi Corp. (a)(g):  |  |       |                  |
| Initial Tranche Term Loan C, 10.50%, 12/31/09                             |  | 1,134 | 623,955          |
| Subsequent Tranche Term Loan C, 8.50%, 12/31/09                           |  | 116   | 63,545           |

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|   |  |       |           |
|---|--|-------|-----------|
| <b>GPX International Tire Corp.:</b>        |  |       |           |
| Term Loan, 12.00%, 4/11/12 (c)              |  | 22    | 6,626     |
| Tranche B Term Loan, 10.25%, 3/30/12 (a)(g) |  | 1,280 | 384,097   |
|   |  |       | 4,734,628 |

**Beverages 0.1%**

|  |     |     |         |
|--|-----|-----|---------|
| Culligan International Co., Loan (Second Lien), 5.28%, 4/24/13 | EUR | 500 | 179,201 |
|--|-----|-----|---------|

**Building Products 1.1%**

|  |     |       |           |
|--|-----|-------|-----------|
| Building Materials Corp. of America, Term Loan Advance, 3.06%, 2/22/14 | USD | 1,476 | 1,347,192 |
|--|-----|-------|-----------|

**Capital Markets 0.4%**

|   |  |     |         |
|---|--|-----|---------|
| RiskMetrics Group Holdings, LLC, Term B Loan (First Lien), 2.60%, 1/10/14 |  | 483 | 469,240 |
|---|--|-----|---------|

**Chemicals 5.9%**

|  |  |       |           |
|--|--|-------|-----------|
| Ashland, Inc., Term Loan Borrowing, 7.65%, 5/13/14                       |  | 600   | 610,029   |
| Edwards (Cayman Islands II) Ltd., Term Loan (First Lien), 2.85%, 5/31/14 |  | 345   | 213,974   |
| Huish Detergents Inc., Tranche B Term Loan, 2.02%, 4/26/14               |  | 735   | 700,700   |
| Nalco Co., Term Loan B, 6.50%, 5/06/16                                   |  | 1,275 | 1,292,531 |

**Floating Rate Loan Interests**

|   |     | <b>Par<br/>(000)</b> | <b>Value</b> |
|---|-----|----------------------|--------------|
| <b>Chemicals (concluded)</b>  |     |                      |              |
| PQ Corp. (fka Niagara Acquisition, Inc.), Term Loan (First Lien),<br>3.52% 3.75%, 7/31/14 | USD | 1,980                | \$ 1,631,851 |
| Solutia Inc., Loan, 7.25%, 2/28/14  |     | 2,975                | 2,944,469    |
|   |     |                      | 7,393,554    |

**Commercial Services & Supplies 1.7%**

|  |  |     |           |
|--|--|-----|-----------|
| Casella Waste Systems, Inc., Term B Loan, 7.00%, 4/09/14                 |  | 500 | 501,250   |
| John Maneely Co., Term Loan, 3.52% 3.76%, 12/09/13                       |  | 540 | 423,093   |
| Synagro Technologies, Inc., Term Loan (First Lien), 2.26% 2.27%, 4/02/14 |  | 980 | 771,750   |
| West Corp., Term B-2 Loan, 2.64% 2.65%, 10/24/13                         |  | 454 | 430,540   |
|  |  |     | 2,126,633 |

**Computers & Peripherals 0.7%**

|  |  |     |         |
|--|--|-----|---------|
| <b>Intergraph Corp.:</b>                       |  |     |         |
| Initial Term Loan (First Lien), 2.37%, 5/29/14 |  | 419 | 401,943 |
| Second Lien Term Loan, 6.26% 6.37%, 11/28/14   |  | 500 | 466,250 |
|  |  |     | 868,193 |

**Construction & Engineering 0.2%**

|   |  |      |         |
|---|--|------|---------|
| Brand Energy & Infrastructure Services, Inc. (FR Brand Acquisition Corp.), Term B Loan (First Lien), 2.31% 2.63%, 2/07/14 |  | 1274 | 246,869 |
|---|--|------|---------|

**Construction Materials 0.8%**

|  |  |       |         |
|--|--|-------|---------|
| Headwaters Inc., Term Loan B1 (First Lien), 9.75%, 4/30/11 |  | 1,012 | 979,576 |
|--|--|-------|---------|

**Containers & Packaging 1.6%**

|                                  |  |     |         |
|----------------------------------|--|-----|---------|
| <b>Graham Packaging Co., LP:</b> |  |     |         |
| B Term Loan, 2.56%, 10/07/11     |  | 48  | 46,327  |
| C Term Loan, 6.75%, 4/27/14      |  | 477 | 475,530 |



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|  |         |           |
|--|---------|-----------|
| Graphic Packaging International, Inc., Incremental Term Loan, 3.08% 3.35%, 5/16/14             | 970     | 946,198   |
| Smurfit-Stone Container Enterprises, Inc., US Term Loan, Debtor in Possession, 10.00%, 1/28/10 | 578     | 583,510   |
|  |         | 2,051,565 |
| <b>Distributors 0.4%</b>   |         |           |
| Keystone Automotive Operations, Inc., Loan, 3.77% 5.75%, 1/12/12                               | 946     | 515,598   |
| <b>Diversified Consumer Services 1.0%</b>  |         |           |
| Coinmach Service Corp., Term Loan, 3.28% 3.43%, 11/14/14                                       | 1,481   | 1,259,023 |
| <b>Diversified Telecommunication Services 1.0%</b>   |         |           |
| Integra Telecom Holdings, Inc., Term Loan (First Lien), 10.50%, 8/31/13                        | 399     | 391,378   |
| PAETEC Holding Corp., Incremental Term Loan, 2.76%, 2/28/13                                    | 84      | 79,503    |
| Wind Finance SL SA, Euro Facility (Second Lien), 7.70%, 12/17/14                               | EUR 525 | 754,903   |
|  |         | 1,225,784 |
| <b>Electrical Equipment 0.5%</b>   |         |           |
| Baldor Electric Co., Term Loan, 5.25%, 1/31/14   | USD 500 | 493,214   |
| Generac Acquisition Corp., Term Loan (First Lien), 2.78%, 11/10/13                             | 188     | 157,265   |
|  |         | 650,479   |

See Notes to Financial Statements.

## Schedule of Investments (continued)

BlackRock Floating Rate Income Strategies Fund II, Inc. (FRB)  
(Percentages shown are based on Net Assets)

| Floating Rate Loan Interests  |     | Par<br>(000) | Value      |
|---|-----|--------------|------------|
| <b>Energy Equipment &amp; Services 1.2%</b>                                       |     |              |            |
| Dresser, Inc.:  |     |              |            |
| Term B Loan, 2.68%, 5/04/14   | USD | 234          | \$ 217,900 |
| Term Loan (Second Lien), 6.02%, 5/04/15   |     | 500          | 415,625    |
| MEG Energy Corp.:   |     |              |            |
| Delayed Draw Term Loan, 2.60%, 4/02/13  |     | 493          | 457,990    |
| Initial Term Loan, 2.60%, 4/03/13   |     | 484          | 449,283    |
|   |     |              | 1,540,798  |
| <b>Food &amp; Staples Retailing 2.6%</b>  |     |              |            |
| AB Acquisitions UK Topco 2 Ltd. (fka Alliance Boots), Facility B1, 3.53%, 7/09/15 | GBP | 1,500        | 2,092,284  |
| DSW Holdings, Inc., Loan, 2.52%, 10/27/12   | USD | 461          | 414,787    |
| Rite Aid Corp., Tranche 4 Term Loan, 9.50%, 6/04/15                               |     | 500          | 517,500    |
| Wm. Bolthouse Farms, Inc., Term Loan (First Lien), 2.56%, 12/16/12                |     | 213          | 205,138    |
|   |     |              | 3,229,709  |
| <b>Food Products 3.2%</b>   |     |              |            |
| Dole Food Co., Inc.:  |     |              |            |
| Credit-Linked Deposit, 0.51%, 4/12/13   |     | 614          | 617,988    |
| Tranche B Term Loan, 8.00%, 4/12/13   |     | 203          | 204,124    |
| Solvest, Ltd. (Dole), Tranche C Term Loan, 8.00%, 4/12/13                         |     | 1,251        | 1,258,840  |
| Wm. Wrigley Jr. Co., Tranche B Term Loan, 6.50%, 10/06/14                         |     | 1,999        | 2,021,850  |
|   |     |              | 4,102,802  |
| <b>Health Care Equipment &amp; Supplies 1.4%</b>                                  |     |              |            |
| Biomet, Inc., Dollar Term Loan,   |     |              |            |
| 3.26% 3.61%, 3/25/15  |     | 1,225        | 1,175,362  |
| DJO Finance LLC (ReAble Therapeutics Finance LLC), Term Loan,                     |     |              |            |
| 3.26% 3.60%, 5/20/14  |     | 493          | 470,337    |
| Hologic, Inc., Tranche B Term Loan, 3.56%, 3/31/13                                |     | 141          | 136,067    |
|   |     |              | 1,781,766  |
| <b>Health Care Providers &amp; Services 6.8%</b>                                  |     |              |            |
| CCS Medical, Inc. (Chronic Care), Term Loan (First Lien), 4.35%, 9/30/12 (a)(g)   |     | 250          | 112,812    |
| CHS/Community Health Systems, Inc.:   |     |              |            |
| Delayed Draw Term Loan, 2.51%, 7/25/14  |     | 132          | 122,863    |
| Funded Term Loan, 2.51% 2.62%, 7/25/14  |     | 2,526        | 2,352,896  |
| DaVita, Inc., Tranche B-1 Term Loan, 1.77% 2.10%, 10/05/12                        |     | 550          | 527,771    |
| Fresenius AG:   |     |              |            |
| Term Loan B1, 6.75%, 7/06/14  |     | 835          | 838,695    |
| Term Loan B2, 6.75%, 7/06/14  |     | 505          | 507,879    |
| HCA Inc.:   |     |              |            |

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|   |       |           |
|---|-------|-----------|
| Tranche A-1 Term Loan, 2.10%, 11/17/12  | 1,866 | 1,742,449 |
| Tranche B-1 Term Loan, 2.85%, 11/18/13  | 1,549 | 1,457,627 |
| Vanguard Health Holding Co. II, LLC (Vanguard Health System, Inc.), Replacement Term Loan, 2.51%, 9/23/11 | 938   | 912,646   |
|   |       | 8,575,638 |

**Hotels, Restaurants & Leisure 1.9%**

|   |       |           |
|---|-------|-----------|
| Harrah's Operating Co., Inc.:                                 |       |           |
| Term B-1 Loan, 3.50%, 1/28/15                                 | 139   | 111,857   |
| Term B-2 Loan, 3.50%, 1/28/15                                 | 1,488 | 1,198,571 |
| Term B-3 Loan, 3.50% 3.60%, 1/28/15                           | 122   | 98,561    |
| Lake at Las Vegas Joint Venture/LLV-1, LLC (a)(g):            |       |           |
| Revolving Loan Credit-Linked Deposit Account, 14.35%, 6/20/12 | 60    | 1,204     |
| Term Loan, 14.35% 15.00%, 6/20/12                             | 608   | 12,153    |

| Floating Rate Loan Interests                                | Par<br>(000) | Value      |
|---|--------------|------------|
| <b>Hotels, Restaurants &amp; Leisure (concluded)</b>        |              |            |
| QCE, LLC (Quiznos), Term Loan (Second Lien), 2.88%, 5/15/13 | USD 456      | \$ 339,427 |
| VML US Finance LLC (aka Venetian Macau), Term B:            |              |            |
| Delayed Draw Project Loan, 2.85%, 5/25/12                   | 225          | 205,647    |
| Funded Project Loan, 2.85%, 5/27/13                         | 523          | 478,621    |
|   |              | 2,446,041  |

**Household Durables 3.1%**

|   |       |           |
|---|-------|-----------|
| American Residential Services LLC, Term Loan (Second Lien), 12.00%, 4/17/15 | 1,020 | 889,871   |
| Jarden Corp., Term Loan B3, 3.10%, 1/24/12                                  | 723   | 713,747   |
| Simmons Bedding Co., Tranche D Term Loan, 10.50%, 12/19/11                  | 1,686 | 1,638,280 |
| Yankee Candle Co., Inc., Term Loan, 2.27%, 2/06/14                          | 710   | 658,850   |
|   |       | 3,900,748 |

**IT Services 4.1%**

|   |       |           |
|---|-------|-----------|
| Audio Visual Services Group, Inc., Tranche B Term Loan (First Lien), 2.85%, 2/28/14 | 500   | 310,000   |
| Ceridian Corp. US, Term Loan, 3.27%, 11/09/14                                       | 1,730 | 1,480,955 |
| First Data Corp.:   |       |           |
| Initial Tranche B-1 Term Loan, 3.01% 3.02%, 9/24/14                                 | 420   | 349,912   |
| Initial Tranche B-2 Term Loan, 3.01% 3.02%, 9/24/14                                 | 1,732 | 1,441,112 |
| Initial Tranche B-3 Term Loan, 3.01% 3.02%, 9/24/14                                 | 121   | 100,816   |
| SunGard Data Systems, Inc.:   |       |           |
| (Solar Capital Corp.), Additional Term Loan B, 6.75%, 2/28/14                       | 971   | 965,526   |
| Term Loan B, 3.95% 4.09%, 2/28/16   | 602   | 581,267   |
|   |       | 5,229,588 |

**Independent Power Producers & Energy Traders 1.8%**

|  |       |           |
|--|-------|-----------|
| Texas Competitive Electric Holdings Co., LLC (TXU):  |       |           |
| Initial Tranche B-1 Term Loan, 3.78% 3.79%, 10/10/14 | 1,357 | 1,030,977 |
| Initial Tranche B-2 Term Loan, 3.78% 3.79%, 10/10/14 | 734   | 558,139   |
| Initial Tranche B-3 Term Loan, 3.78% 3.79%, 10/10/14 | 973   | 736,032   |
|  |       | 2,325,148 |

**Industrial Conglomerates 0.6%**

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|  |       |           |
|--|-------|-----------|
| Sequa Corp., Term Loan, 3.65% 3.88%, 12/03/14                              | 922   | 785,907   |
| <b>Insurance 0.6%</b>  |       |           |
| Alliant Holdings I, Inc., Term Loan, 3.60%, 8/21/14                        | 832   | 765,625   |
| <b>Internet &amp; Catalog Retail 0.4%</b>                                  |       |           |
| FTD Group, Inc., Tranche B Term Loan, 6.75%, 8/04/14                       | 472   | 467,344   |
| <b>Leisure Equipment &amp; Products 2.3%</b>                               |       |           |
| 24 Hour Fitness Worldwide, Inc., Tranche B Term Loan, 2.77% 3.08%, 6/08/12 | 1,935 | 1,683,450 |
| True Temper Sports, Inc., Term Loan, 7.50%, 3/15/11                        | 1,515 | 1,161,332 |
|  |       | 2,844,782 |
| <b>Life Sciences Tools &amp; Services 1.1%</b>                             |       |           |
| Life Technologies Corp., Term B Facility, 5.25%, 11/20/15                  | 1,374 | 1,387,671 |

See Notes to Financial Statements.

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## Schedule of Investments (continued)

BlackRock Floating Rate Income Strategies Fund II, Inc. (FRB)  
(Percentages shown are based on Net Assets)

| Floating Rate Loan Interests  | Par<br>(000) | Value      |
|---|--------------|------------|
| <b>Machinery 3.3%</b>   |              |            |
| Blount, Inc., Term Loan B, 2.02% 3.25%, 8/09/10   | USD 1,005    | \$ 944,906 |
| Navistar Financial Corp., Tranche A Term loan, 2.31%, 1/19/12   | 995          | 964,974    |
| Navistar International Corp.:   |              |            |
| Revolving Credit-Linked Deposit, 3.51%, 1/19/12   | 400          | 372,000    |
| Term Advance, 3.51%, 1/19/12  | 1,100        | 1,023,000  |
| Oshkosh Truck Corp., Term B Loan, 6.60% 6.64%, 12/06/13   | 816          | 811,984    |
|   |              | 4,116,864  |
| <b>Media 22.9%</b>  |              |            |
| Affinion Group Holdings, Inc., Loan, 8.27%, 3/01/12   | 314          | 275,008    |
| AlixPartners, LLP, Tranche C Term Loan, 2.28% 2.51%, 10/12/13   | 1,085        | 1,054,705  |
| Bresnan Communications, LLC, Additional Term Loan B (First Lien), 2.51% 2.61%, 6/30/13                  | 499          | 477,865    |
| Catalina Marketing Corp., Initial Term Loan, 3.03%, 10/01/14  | 860          | 808,400    |
| Cengage Learning Acquisitions, Inc. (Thomson Learning), Tranche 1 Incremental Term Loan, 7.50%, 7/03/14 | 1,975        | 1,896,000  |
| Cequel Communications, LLC:   |              |            |
| Term Loan, 2.27% 4.25%, 11/05/13  | 1,479        | 1,396,328  |
| Tranche A Term Loan (Second Lien), 4.79%, 5/05/14   | 1,000        | 901,250    |
| Charter Communications, Term Loan B1, 7.94%, 3/25/14 (a)(g)   | 750          | 749,625    |
| HMH Publishing Co. Ltd. (fka Education Media):  |              |            |
| Mezzanine, 17.50%, 11/14/14   | 5,090        | 763,514    |
| Tranche A Term Loan, 5.26%, 6/12/14   | 1,317        | 1,018,732  |
| Harland Clarke Holdings Corp. (fka Clarke American Corp.), Tranche B Term Loan, 2.76% 3.10%, 6/30/14    | 730          | 596,319    |
| Hanley-Wood, LLC (FSC Acquisition), Term Loan, 2.52% 2.54%, 3/08/14                                     | 1,985        | 415,342    |
| Insight Midwest Holdings, LLC, B Term Loan, 2.28%, 4/07/14  | 1,175        | 1,121,286  |
| Intelsat Subsidiary Holding Co. Ltd., Tranche B Term Loan, 2.78%, 7/13/13                               | 936          | 892,593    |
| Knology, Inc., Term Loan, 2.51%, 6/30/12  | 483          | 458,659    |
| Lamar Advertising Co.:  |              |            |
| Term Loan E, 5.50%, 3/31/13   | 740          | 728,767    |
| Term Loan Incremental, 5.50%, 9/28/12   | 49           | 48,584     |
| Term Loan Incremental, 5.50%, 9/28/13   | 247          | 244,715    |
| Lavena Holding 3 GmbH (Prosiebensat.1 Media AG), Facility B1, 3.53%, 6/30/15                            | EUR 337      | 272,803    |
| MCC Iowa LLC (Mediacom Broadband Group):  |              |            |
| Tranche D-1 Term Loan, 2.01%, 1/31/15   | USD 39       | 36,105     |
| Tranche E Term Loan, 6.50%, 11/30/15  | 474          | 474,396    |
| MCNA Cable Holdings LLC (OneLink Communications), Loan, 8.31%, 3/01/13 (d)                              | 1,236        | 469,840    |
| Mediacom Illinois, LLC (fka Meidacom Communications, LLC), Tranche D Term Loan, 5.75%, 3/31/17          | 500          | 498,750    |
| Metro-Goldwyn-Mayer Inc., Tranche B Term Loan, 3.51%, 4/09/12   | 898          | 499,487    |
| Multicultural Radio Broadcasting, Inc., Term Loan, 3.03%, 12/18/12                                      | 317          | 221,900    |
| Newsday, LLC, Fixed Rate Term Loan, 9.75%, 8/01/13  | 1,000        | 1,017,500  |

## Floating Rate Loan Interests

Value

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|   |     |       | Par<br>(000) |            |
|---|-----|-------|--------------|------------|
| <b>Media (concluded)</b>  |     |       |              |            |
| NextMedia Operating, Inc.:  |     |       |              |            |
| Delay Draw Term Loan, 8.25%, 11/15/12   | USD | 280   | \$           | 181,817    |
| Initial Term Loan (First Lien), 8.25%, 11/15/12   |     | 527   |              | 342,506    |
| Nielsen Co., Term Loan B, 4.03%, 5/01/16  |     | 3,000 |              | 2,811,876  |
| Penton Media, Inc., Term Loan (First Lien), 2.51% 2.74%, 2/01/13                                      |     | 489   |              | 327,463    |
| Sunshine Acquisition Ltd. (aka HIT Entertainment), Term Facility, 2.73%, 6/01/12                      |     | 750   |              | 623,437    |
| TWCC Holding Corp., Term Loan, 7.25%, 9/14/15   |     | 1,494 |              | 1,502,700  |
| UPC Financing Partnership, Facility U, 4.54%, 12/31/17  | EUR | 3,000 |              | 3,924,506  |
| Virgin Media Investment Holdings Ltd., C Facility, 3.62%, 7/17/13                                     | GBP | 300   |              | 429,778    |
| Virgin Media NTL, Term Loan A, 4.53%, 3/03/11   |     | 500   |              | 756,589    |
| World Color Press Inc. and World Color (USA) Corp. (fka Quebecor World Inc.), Advance, 9.00%, 6/30/12 |     | 650   |              | 645,125    |
|   |     |       |              | 28,884,270 |
| <b>Multi-Utilities 0.5%</b>   |     |       |              |            |
| FirstLight Power Resources, Inc. (fka NE Energy, Inc.):   |     |       |              |            |
| First Lien Term Loan B, 3.13%, 11/01/13   | USD | 664   |              | 611,659    |
| Synthetic Letter of Credit, 0.48%, 11/01/13   |     | 86    |              | 78,810     |
|   |     |       |              | 690,469    |
| <b>Multiline Retail 0.9%</b>  |     |       |              |            |
| Dollar General Corp., Tranche B-2 Term Loan, 3.01%, 7/07/14   |     | 1,125 |              | 1,081,093  |
| <b>Oil, Gas &amp; Consumable Fuels 1.3%</b>   |     |       |              |            |
| Big West Oil, LLC, Initial Advance Loan, 4.50%, 5/15/14 (a)(g)  |     | 349   |              | 321,174    |
| Coffeyville Resources, LLC:   |     |       |              |            |
| Funded Letter of Credit, 3.15%, 12/28/10  |     | 65    |              | 63,405     |
| Tranche D Term Loan, 8.75%, 12/30/13  |     | 520   |              | 507,988    |
| Vulcan Energy Corp. (fka Plains Resources Inc), Term B3 Loan, 5.50%, 8/12/11                          |     | 750   |              | 739,688    |
|   |     |       |              | 1,632,255  |
| <b>Paper &amp; Forest Products 2.9%</b>   |     |       |              |            |
| Georgia-Pacific LLC, Term B Loan, 2.34% 2.65%, 12/20/12   |     | 2,321 |              | 2,242,079  |
| NewPage Corp., Term Loan, 4.06%, 12/22/14   |     | 1,219 |              | 1,128,647  |
| Verso Paper Finance Holdings LLC, Loan, 6.73% 7.48%, 2/01/13  |     | 1,218 |              | 243,568    |
|   |     |       |              | 3,614,294  |
| <b>Pharmaceuticals 0.9%</b>   |     |       |              |            |
| Catalent Pharma Solutions, Inc. (fka Cardinal Health 409, Inc.), Euro Term Loan, 2.74%, 4/15/14       | EUR | 490   |              | 586,561    |
| Warner Chilcott Co., Inc., Tranche B Acquisition Date Term Loan, 2.26% 2.60%, 1/18/12                 | USD | 369   |              | 366,804    |
| Warner Chilcott Corp., Tranche C Acquisition Date Term Loan, 2.26%, 1/18/12                           |     | 129   |              | 128,641    |
|   |     |       |              | 1,082,006  |
| <b>Real Estate Management &amp; Development 0.3%</b>  |     |       |              |            |
| Mattamy Funding Partnership, Loan, 2.63%, 4/11/13   |     | 484   |              | 387,000    |
| <b>Specialty Retail 0.4%</b>  |     |       |              |            |
| Adesa, Inc. (KAR Holdings, Inc.), Initial Term Loan, 2.52%, 10/20/13                                  |     | 500   |              | 469,166    |

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**Wireless Telecommunication Services 0.4%**

|   |     |         |
|---|-----|---------|
| Ntelos, Term Loan B Advance, 5.75%, 7/31/15 | 500 | 498,750 |
|---|-----|---------|

**Total Floating Rate Loan Interests 85.1%**

107,311,163

See Notes to Financial Statements.

|    |                    |                 |
|----|--------------------|-----------------|
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|----|--------------------|-----------------|

## Schedule of Investments (continued)

BlackRock Floating Rate Income Strategies Fund II, Inc. (FRB)  
(Percentages shown are based on Net Assets)

| Other Interests (h)                           | Beneficial<br>Interest<br>(000) | Value   |
|---|---------------------------------|---------|
| <b>Diversified Financial Services 0.1%</b>    |                                 |         |
| J.G. Wentworth LLC Preferred Equity Interests | (i) \$                          | 114,284 |
| <b>Total Other Interests 0.1%</b>             |                                 | 114,284 |

| Preferred Stocks                            | Shares |        |
|---|--------|--------|
| <b>Capital Markets 0.0%</b>                 |        |        |
| Marsico Parent Superholdco, LLC, 16.75% (b) | 44     | 11,220 |
| <b>Total Preferred Stocks 0.0%</b>          |        | 11,220 |

|   |             |
|---|-------------|
| <b>Total Long-Term Investments</b><br>(Cost \$172,951,012) 117.3% | 148,006,633 |
|---|-------------|

| Short-Term Securities   |           |           |
|---|-----------|-----------|
| BlackRock Liquidity Funds, TempFund, 0.22% (j)(k)             | 2,466,296 | 2,466,296 |
| <b>Total Short-Term Securities</b><br>(Cost \$2,466,296) 2.0% |           | 2,466,296 |

| Options Purchased   | Contracts |        |
|---|-----------|--------|
| <b>Over-the-Counter Call Options</b>  |           |        |
| Marsico Parent Superholdco LLC, expiring December 2019 at USD 942.86, Broker, Goldman Sachs & Co. | 11        | 11,000 |
| <b>Total Options Purchased</b><br>(Cost \$10,756) 0.0%  |           | 11,000 |

|   |              |
|---|--------------|
| <b>Total Investments (Cost \$175,428,064*) 119.3%</b> | 150,483,929  |
| <b>Liabilities in Excess of Other Assets (19.3)%</b>  | (24,286,853) |



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Net Assets 100.0%

\$ 126,197,076

\* The cost and unrealized appreciation (depreciation) of investments as of August 31, 2009, as computed for federal income tax purposes, were as follows:

|                               |                 |
|-------------------------------|-----------------|
| Aggregate cost                | \$ 175,460,244  |
| Gross unrealized appreciation | \$ 3,185,591    |
| Gross unrealized depreciation | (28,161,906)    |
| Net unrealized depreciation   | \$ (24,976,315) |

- (a) Non-income producing security.
- (b) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional investors.
- (c) Variable rate security. Rate shown is as of report date.
- (d) Represents a payment-in-kind security which may pay interest/dividends in additional par/shares.
- (e) Convertible security.
- (f) Represents a zero-coupon bond. Rate shown reflects the current yield as of report date.
- (g) Issuer filed for bankruptcy and/or is in default of interest payments.
- (h) Other interests represent beneficial interest in liquidation trusts and other reorganization entities and are non-income producing.
- (i) Amount is less than \$1,000.
- (j) Investments in companies considered to be an affiliate of the Fund, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, were as follows:

| Affiliate   | Net Activity   | Income   |
|---|----------------|----------|
| BlackRock Liquidity Funds, TempFund               | \$ 2,466,296   | \$ 5,138 |
| BlackRock Liquidity Series, LLC Cash Sweep Series | \$ (4,108,178) | \$ 790   |

- (k) Represents the current yield as of report date.

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

Foreign currency exchange contracts as of August 31,2009 were as follows:

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| Currency Purchased |           | Currency Sold |           | Counterparty           | Settlement Date | Unrealized Appreciation (Depreciation) |
|--------------------|-----------|---------------|-----------|------------------------|-----------------|--|
| USD                | 237,098   | EUR           | 170,000   | Citibank NA            | 9/15/09         | \$ (6,621)                             |
| USD                | 7,210,302 | EUR           | 5,164,000 | Deutsche Bank AG       | 9/16/09         | (193,005)                              |
| USD                | 503,681   | EUR           | 355,000   | Citibank NA            | 9/16/09         | (5,260)                                |
| USD                | 311,727   | EUR           | 219,000   | Royal Bank of Scotland | 9/16/09         | (2,240)                                |
| USD                | 2,821,964 | GBP           | 1,726,500 | Citibank NA            | 10/28/09        | 11,537                                 |
| USD                | 729,311   | GBP           | 440,000   | Deutsche Bank AG       | 10/28/09        | 13,071                                 |
| <b>Total</b>       |           |               |           |                        |                 | <b>\$ (182,518)</b>                    |

Credit default swaps on single-name issues buy protection outstanding as of August 31, 2009 were as follows:

| Issuer                   | Pay Fixed Rate | Counterparty           | Expiration    | Notional Amount (000) | Unrealized Depreciation |
|--------------------------|----------------|------------------------|---------------|-----------------------|-------------------------|
| First Data Corp.         | 5.00%          | JPMorgan Chase Bank NA | December 2013 | USD 1,500             | \$ (136,946)            |
| First Data Corp.         | 5.00%          | JPMorgan Chase Bank NA | December 2013 | USD 1,500             | (115,142)               |
| Masco Corp.              | 5.30%          | JPMorgan Chase Bank NA | March 2014    | USD 500               | (55,080)                |
| Host Hotels & Resorts LP | 5.00%          | Goldman Sachs Bank USA | March 2014    | USD 1,225             | (170,487)               |
| Mohawk Industries, Inc.  | 4.45%          | JPMorgan Chase Bank NA | March 2014    | USD 500               | (49,616)                |
| <b>Total</b>             |                |                        |               |                       | <b>\$ (527,271)</b>     |

Credit default swaps on single-name issues sold protection outstanding as of August 31, 2009 were as follows:

| Issuer <sup>1</sup> | Receive Fixed Rate | Counterparty | Expiration | Notional Amount (000) <sup>2</sup> | Unrealized Depreciation |
|---------------------|--------------------|--------------|------------|------------------------------------|-------------------------|
| Ford Motor Co.      | 3.80%              | UBS AG       | March 2010 | USD 5,000                          | \$ (160,635)            |

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- <sup>1</sup> Using Standard and Poor's ratings of the issuer.
- <sup>2</sup> The maximum potential amount the Fund may pay should a negative credit event take place as defined under the terms of the agreement.

Currency Abbreviations:

|     |               |
|-----|---------------|
| EUR | Euro          |
| GBP | British Pound |
| USD | US Dollar     |

See Notes to Financial Statements.

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## Schedule of Investments (concluded)

## BlackRock Floating Rate Income Strategies Fund II, Inc. (FRB)

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

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

Level 2 other observable inputs (including, but not limited to: quoted prices for 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 unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including the Fund's own assumptions used in determining the fair value of investments)

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

The following table summarizes the inputs used as of August 31, 2009 in determining the fair valuation of the Fund's investments:

| Valuation Inputs             | Investments in Securities |
|------------------------------|---------------------------|
|                              | Assets                    |
| Level 1                      |                           |
| Long-Term Investments:       |                           |
| Common Stocks                | \$ 523,727                |
| Short-Term Securities        | 2,466,296                 |
| Total Level 1                | 2,990,023                 |
| Level 2                      |                           |
| Long-Term Investments:       |                           |
| Corporate Bonds              | 39,046,790                |
| Floating Rate Loan Interests | 79,615,012                |
| Preferred Stocks             | 11,220                    |
| Total Level 2                | 118,673,022               |
| Level 3                      |                           |
| Long-Term Investments:       |                           |
| Common Stocks                | 4,165                     |
| Corporate Bonds              | 995,284                   |
| Floating Rate Loan Interests | 27,696,151                |
| Other Interests              | 114,284                   |
| Total Level 3                | 28,809,884                |
| <b>Total</b>                 | <b>\$ 150,472,929</b>     |

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| Valuation Inputs | Other Financial Instruments <sup>1</sup> |                     |
|------------------|--|---------------------|
|                  | Assets                                   | Liabilities         |
| Level 1          |  |                     |
| Level 2          | \$ 35,608                                | \$ (895,032)        |
| Level 3          |  | (34,095)            |
| <b>Total</b>     | <b>\$ 35,608</b>                         | <b>\$ (929,127)</b> |

<sup>1</sup> Other financial instruments are swaps, foreign currency exchange contracts, unfunded loan commitments and options purchased. Swaps and foreign currency exchange contracts are shown at the unrealized appreciation/depreciation on the instrument and options purchased are shown at market value.

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

|   | Investment in Securities |                   |                              |                   |                      |
|---|--------------------------|-------------------|------------------------------|-------------------|----------------------|
|   | Common Stocks            | Corporate Bonds   | Floating Rate Loan Interests | Other Interests   | Total                |
| Balance as of February 28, 2009                               | \$ 4,165                 | \$ 1,437,808      | \$ 35,230,878                |                   | \$ 36,672,851        |
| Accrued discounts/premiums                                    |                          |                   |                              |                   |                      |
| Realized gain (loss)  |                          | (238,708)         | (5,476,678)                  |                   | (5,715,386)          |
| Change in unrealized appreciation (depreciation) <sup>2</sup> |                          | 164,301           | 13,598,153                   |                   | 13,762,454           |
| Net purchases (sales)   |                          | (816,981)         | (15,649,956)                 |                   | (16,466,937)         |
| Net transfers in/out of Level 3                               |                          | 448,864           | (6,246)                      | \$ 114,284        | 556,902              |
| <b>Balance as of August 31, 2009</b>                          | <b>\$ 4,165</b>          | <b>\$ 995,284</b> | <b>\$ 27,696,151</b>         | <b>\$ 114,284</b> | <b>\$ 28,809,884</b> |

<sup>2</sup> Included in the related net change in unrealized appreciation/depreciation on the Statements of Operations.

The following is a reconciliation of other financial instruments for unobservable inputs (Level 3) used in determining fair value:

|  | Other Financial Instruments <sup>3</sup> |
|--|--|
| Balance, as of August 31, 2008                   |  |
| Accrued discounts/premiums                       |  |
| Realized gain (loss)                             |  |
| Change in unrealized appreciation (depreciation) |  |
| Net purchases (sales)                            |  |
| Net transfers in/out of Level 3                  | \$ (34,095)                              |
| <b>Balance, as of August 31, 2009</b>            | <b>\$ (34,095)</b>                       |

<sup>3</sup> Other financial instruments are unfunded loan commitments.

See Notes to Financial Statements.

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SEMI-ANNUAL REPORT

AUGUST 31, 2009

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Schedule of Investments August 31, 2009 (Unaudited)

**BlackRock Senior High Income Fund, Inc. (ARK)**  
(Percentages shown are based on Net Assets)

| Common Stocks (a)                             |     | Par<br>(000) | Value        |
|---|-----|--------------|--------------|
| <b>Building Products 0.8%</b>                 |     |              |              |
| Masonite Worldwide Holdings                   | USD | 40,055       | \$ 1,620,225 |
| <b>Capital Markets 0.5%</b>                   |     |              |              |
| E*Trade Financial Corp.                       |     | 476,000      | 837,760      |
| <b>Chemicals 0.0%</b>                         |     |              |              |
| GEO Specialty Chemicals, Inc. (b)             |     | 142,466      | 54,693       |
| Wellman Holdings, Inc.                        |     | 5,131        | 1,283        |
|   |     |              | 55,976       |
| <b>Containers &amp; Packaging 0.1%</b>        |     |              |              |
| Smurfit Kappa Plc                             |     | 18,171       | 143,194      |
| <b>Hotels, Restaurants &amp; Leisure 0.0%</b> |     |              |              |
| Lodgian, Inc.                                 |     | 41,866       | 58,194       |
| <b>Metals &amp; Mining 0.0%</b>               |     |              |              |
| Euramax International                         |     | 935          | 10,050       |
| <b>Paper &amp; Forest Products 0.6%</b>       |     |              |              |
| Ainsworth Lumber Co. Ltd.                     |     | 375,634      | 542,134      |
| Ainsworth Lumber Co. Ltd. (b)                 |     | 421,556      | 606,472      |
|   |     |              | 1,148,606    |
| <b>Total Common Stocks 2.0%</b>               |     |              | 3,874,005    |

**Corporate Bonds**

|   |  |       |           |
|---|--|-------|-----------|
| <b>Aerospace &amp; Defense 2.4%</b>                 |  |       |           |
| Moog, Inc., 7.25%, 6/15/18                          |  | 5,000 | 4,750,000 |
| <b>Airlines 0.3%</b>                                |  |       |           |
| United Air Lines, Inc., 12.75%, 7/15/12             |  | 600   | 576,000   |
| <b>Auto Components 2.3%</b>                         |  |       |           |
| The Goodyear Tire & Rubber Co., 8.63%, 12/01/11     |  | 4,000 | 4,040,000 |
| Lear Corp., 8.75%, 12/01/16 (a)(c)                  |  | 1,015 | 548,100   |
| Venture Holdings Co. LLC (a)(c):<br>12.00%, 6/01/09 |  | 700   |           |
| Series B, 9.50%, 7/01/05 (d)                        |  | 3,325 | 333       |

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|  |     |              |    |              |
|--|-----|--------------|----|--------------|
|  |     |              |    | 4,588,433    |
| <b>Building Products 2.5%</b>                                    |     |              |    |              |
| CPG International I, Inc.:                                       |     |              |    |              |
| 7.87%, 7/01/12 (e)   |     | 3,500        |    | 2,502,500    |
| 10.50%, 7/01/13  |     | 1,500        |    | 1,072,500    |
| Momentive Performance Materials, Inc. Series WI, 9.75%, 12/01/14 |     | 1,175        |    | 763,750      |
| Ply Gem Industries, Inc., 11.75%, 6/15/13                        |     | 725          |    | 605,375      |
|  |     |              |    | 4,944,125    |
| <b>Chemicals 3.1%</b>  |     |              |    |              |
| American Pacific Corp., 9.00%, 2/01/15                           |     | 610          |    | 550,525      |
| GEO Specialty Chemicals, Inc. (b):                               |     |              |    |              |
| 7.50%, 3/31/15 (f)(g)  |     | 1,857        |    | 1,206,895    |
| 10.00%, 3/31/15  |     | 1,839        |    | 1,195,168    |
| Wellman Holdings, Inc. (f):                                      |     |              |    |              |
| Second Lien Subordinate Note, 10.00%, 1/29/19 (b)                |     | 2,383        |    | 2,383,000    |
| Third Lien Subordinate Note, 5.00%, 1/29/19                      |     | 1,599        |    | 799,584      |
|  |     |              |    | 6,135,172    |
| <b>Commercial Services &amp; Supplies 0.7%</b>                   |     |              |    |              |
| Clean Harbors, Inc., 7.63%, 8/15/16 (b)                          |     | 700          |    | 701,750      |
| RSC Equipment Rental, Inc., 10.00%, 7/15/17 (b)                  |     | 550          |    | 574,750      |
|  |     |              |    | 1,276,500    |
| <b>Construction Materials 1.2%</b>                               |     |              |    |              |
| Nortek, Inc., 10.00%, 12/01/13                                   |     | 2,570        |    | 2,390,100    |
| <b>Consumer Finance 0.6%</b>                                     |     |              |    |              |
| Ford Motor Credit Co. LLC, 3.26%, 1/13/12 (e)                    |     | 1,340        |    | 1,115,550    |
| <b>Corporate Bonds</b>   |     |              |    |              |
|  |     | <b>Par</b>   |    | <b>Value</b> |
|  |     | <b>(000)</b> |    |              |
| <b>Containers &amp; Packaging 3.2%</b>                           |     |              |    |              |
| Berry Plastics Holding Corp., 4.50%, 9/15/14 (e)                 | USD | 100          | \$ | 72,000       |
| Clondalkin Acquisition BV, 2.63%, 12/15/13 (b)(e)                |     | 2,000        |    | 1,600,000    |
| Crown Americas LLC, 7.63%, 5/15/17 (b)                           |     | 400          |    | 397,000      |
| Graphic Packaging International, Inc., 9.50%, 6/15/17 (b)        |     | 815          |    | 835,375      |
| Packaging Dynamics Finance Corp., 10.00%, 5/01/16 (b)            |     | 4,285        |    | 1,371,200    |
| Smurfit Kappa Funding Plc, 7.75%, 4/01/15                        |     | 1,050        |    | 850,500      |
| Solo Cup Co., 10.50%, 11/01/13 (b)                               |     | 250          |    | 262,500      |
| Wise Metals Group LLC, 10.25%, 5/15/12                           |     | 2,000        |    | 980,000      |
|  |     |              |    | 6,368,575    |
| <b>Diversified Financial Services 0.3%</b>                       |     |              |    |              |
| Highland Legacy Ltd., 6.73%, 6/01/11 (b)(c)                      |     | 4,000        |    | 600,000      |
| <b>Diversified Telecommunication Services 2.5%</b>               |     |              |    |              |
| Nordic Telephone Co. Holdings ApS, 8.88%, 5/01/16 (b)            |     | 1,200        |    | 1,218,000    |
| PAETEC Holding Corp., 8.88%, 6/30/17 (b)                         |     | 600          |    | 571,500      |
| Qwest Corp., 8.38%, 5/01/16 (b)                                  |     | 3,000        |    | 3,030,000    |



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|   |       |           |
|---|-------|-----------|
|   |       | 4,819,500 |
| <b>Electric Utilities 0.4%</b>  |       |           |
| NSG Holdings LLC, 7.75%, 12/15/25 (b)                                 | 1,000 | 835,000   |
| <b>Food &amp; Staples Retailing 0.1%</b>                              |       |           |
| Duane Reade, Inc., 11.75%, 8/01/15 (b)                                | 155   | 156,550   |
| <b>Food Products 0.7%</b>   |       |           |
| Smithfield Foods, Inc., 10.00%, 7/15/14 (b)                           | 750   | 765,000   |
| Tyson Foods, Inc., 10.50%, 3/01/14                                    | 630   | 702,450   |
|   |       | 1,467,450 |
| <b>Health Care Providers &amp; Services 1.0%</b>                      |       |           |
| Community Health Systems, Inc. Series WI, 8.88%, 7/15/15              | 1,880 | 1,887,050 |
| <b>Hotels, Restaurants &amp; Leisure 3.7%</b>                         |       |           |
| American Real Estate Partners LP, 7.13%, 2/15/13                      | 3,000 | 2,850,000 |
| Harrah's Operating Co., Inc., 10.00%, 12/15/18 (b)                    | 2,654 | 1,857,800 |
| Little Traverse Bay Bands of Odawa Indians, 10.25%, 2/15/14 (a)(b)(c) | 1,210 | 532,400   |
| MGM Mirage, 11.13%, 11/15/17 (b)                                      | 750   | 811,875   |
| Shingle Springs Tribal Gaming Authority, 9.38%, 6/15/15 (b)           | 190   | 134,900   |
| Snoqualmie Entertainment Authority, 4.68%, 2/01/14 (b)(e)             | 500   | 245,000   |
| Tropicana Entertainment LLC Series WI, 9.63%, 12/15/14 (a)(c)         | 220   | 138       |
| Tunica-Biloxi Gaming Authority, 9.00%, 11/15/15 (b)                   | 845   | 752,050   |
|   |       | 7,184,163 |
| <b>Household Durables 0.1%</b>  |       |           |
| KB Home, 6.38%, 8/15/11   | 106   | 104,940   |
| <b>IT Services 2.4%</b>   |       |           |
| First Data Corp., 9.88%, 9/24/15                                      | 5,480 | 4,685,400 |
| <b>Independent Power Producers &amp; Energy Traders 3.1%</b>          |       |           |
| AES Eastern Energy LP Series 99-B, 9.67%, 1/02/29                     | 570   | 490,200   |
| Calpine Construction Finance Co. LP, 8.00%, 6/01/16 (b)               | 750   | 746,250   |
| Dynegy Holdings, Inc., 8.38%, 5/01/16                                 | 1,260 | 1,020,600 |
| Energy Future Holdings Corp., 11.25%, 11/01/17 (g)                    | 1,590 | 910,113   |
| NRG Energy, Inc., 8.50%, 6/15/19                                      | 500   | 486,250   |
| Texas Competitive Electric Holdings Co. LLC:<br>10.25%, 11/01/15      | 2,575 | 1,705,937 |
| 10.50%, 11/01/16 (g)  | 1,267 | 703,342   |
|   |       | 6,062,692 |

See Notes to Financial Statements.

## Schedule of Investments (continued)

BlackRock Senior High Income Fund, Inc. (ARK)  
(Percentages shown are based on Net Assets)

| Corporate Bonds  |     | Par<br>(000) | Value        |
|--|-----|--------------|--------------|
| <b>Industrial Conglomerates 1.8%</b>                   |     |              |              |
| Sequa Corp. (b):                                       |     |              |              |
| 11.75%, 12/01/15                                       | USD | 2,550        | \$ 1,606,500 |
| 13.50%, 12/01/15 (g)                                   |     | 3,837        | 2,004,689    |
|  |     |              | 3,611,189    |
| <b>Machinery 1.6%</b>                                  |     |              |              |
| CPM Holdings, Inc., 10.63%, 9/01/14 (b)                |     | 400          | 404,000      |
| ESCO Corp., 4.50%, 12/15/13 (b)(e)                     |     | 1,540        | 1,374,450    |
| RBS Global, Inc., 8.88%, 9/01/16                       |     | 835          | 670,087      |
| Titan International, Inc., 8.00%, 1/15/12              |     | 770          | 741,125      |
|  |     |              | 3,189,662    |
| <b>Marine 0.1%</b>                                     |     |              |              |
| Navios Maritime Holdings, Inc., 9.50%, 12/15/14        |     | 324          | 283,500      |
| <b>Media 3.8%</b>                                      |     |              |              |
| Affinion Group, Inc., 10.13%, 10/15/13                 |     | 515          | 511,781      |
| CSC Holdings, Inc., 8.50%, 4/15/14 (b)                 |     | 390          | 395,850      |
| Charter Communications Holdings LLC (a)(c):            |     |              |              |
| 10.00%, 4/01/09  |     | 1,121        | 1,401        |
| 11.13%, 1/15/11  |     | 1,319        | 65,950       |
| 10.00%, 5/15/11  |     | 660          | 825          |
| Intelstat Corp., 9.25%, 8/15/14                        |     | 3,500        | 3,552,500    |
| Local Insight Regatta Holdings, Inc., 11.00%, 12/01/17 |     | 1,244        | 472,720      |
| Nielsen Finance LLC, 11.63%, 2/01/14                   |     | 2,500        | 2,481,250    |
|  |     |              | 7,482,277    |
| <b>Metals &amp; Mining 1.8%</b>                        |     |              |              |
| Aleris International, Inc., 9.00%, 12/15/14 (a)(c)     |     | 840          | 2,100        |
| RathGibson, Inc., 11.25%, 2/15/14 (a)(c)               |     | 2,175        | 783,000      |
| Ryerson, Inc., 7.86%, 11/01/14 (e)                     |     | 1,800        | 1,530,000    |
| Teck Resources Ltd., 10.75%, 5/15/19                   |     | 1,075        | 1,224,156    |
|  |     |              | 3,539,256    |
| <b>Oil, Gas &amp; Consumable Fuels 6.5%</b>            |     |              |              |
| Atlas Energy Operating Co. LLC, 12.13%, 8/01/17        |     | 825          | 870,375      |
| Atlas Energy Resources LLC, 10.75%, 2/01/18 (b)        |     | 300          | 303,000      |
| Chesapeake Energy Corp.:                               |     |              |              |
| 9.50%, 2/15/15   |     | 935          | 953,700      |
| 6.875%, 1/15/16  |     | 4,000        | 3,670,000    |
| Denbury Resources, Inc., 9.75%, 3/01/16                |     | 1,895        | 1,994,487    |

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|  |       |            |
|--|-------|------------|
| Forest Oil Corp.:                          |       |            |
| 8.50%, 2/15/14 (b)                         | 1,285 | 1,291,425  |
| 7.25%, 6/15/19                             | 400   | 376,000    |
| Sabine Pass LNG LP, 7.50%, 11/30/16        | 2,985 | 2,417,850  |
| SandRidge Energy, Inc., 4.22%, 4/01/14 (e) | 1,000 | 830,368    |
|  |       | 12,707,205 |

**Paper & Forest Products 3.9%**

|   |       |           |
|---|-------|-----------|
| Ainsworth Lumber Co. Ltd., 11.00%, 7/29/15 (b)(g) | 3,241 | 1,284,737 |
| Clearwater Paper Corp., 10.63%, 6/15/16 (b)       | 365   | 391,006   |
| Georgia-Pacific LLC, 8.25%, 5/01/16 (b)           | 1,630 | 1,646,300 |
| NewPage Corp., 6.73%, 5/01/12 (e)                 | 5,175 | 2,212,312 |
| Verso Paper Holdings LLC:                         |       |           |
| 11.50%, 7/01/14 (b)                               | 315   | 308,700   |
| Series B, 4.23%, 8/01/14 (e)                      | 3,300 | 1,848,000 |
|   |       | 7,691,055 |

**Pharmaceuticals 2.0%**

|  |       |           |
|--|-------|-----------|
| Angiotech Pharmaceuticals, Inc., 4.11%, 12/01/13 (e) | 2,690 | 2,259,600 |
| Elan Finance Plc, 7.75%, 11/15/11                    | 1,650 | 1,600,500 |
|  |       | 3,860,100 |

| Corporate Bonds  | Par<br>(000) | Value      |
|--|--------------|------------|
| <b>Semiconductors &amp; Semiconductor Equipment 1.4%</b> |              |            |
| Avago Technologies Finance Pte. Ltd., 5.86%, 6/01/13 (e) | USD 766      | \$ 720,040 |
| Spanion, Inc., 3.79%, 6/01/13 (a)(b)(c)                  | 2,180        | 1,934,750  |
|  |              | 2,654,790  |

**Specialty Retail 0.4%**

|  |     |         |
|--|-----|---------|
| United Auto Group, Inc., 7.75%, 12/15/16 | 915 | 805,200 |
|--|-----|---------|

**Textiles, Apparel & Luxury Goods 1.1%**

|                                  |       |           |
|----------------------------------|-------|-----------|
| Quiksilver, Inc., 6.88%, 4/15/15 | 3,525 | 2,238,375 |
|----------------------------------|-------|-----------|

**Wireless Telecommunication Services 3.4%**

|  |       |           |
|--|-------|-----------|
| Cricket Communications, Inc.:                    |       |           |
| 9.38%, 11/01/14                                  | 260   | 245,050   |
| 7.75%, 5/15/16 (b)                               | 1,250 | 1,212,500 |
| Crown Castle International Corp., 9.00%, 1/15/15 | 225   | 234,000   |
| Digicel Group Ltd., 12.00%, 4/01/14 (b)          | 800   | 848,000   |
| MetroPCS Wireless, Inc., 9.25%, 11/01/14         | 2,000 | 1,962,500 |
| Nextel Communications, Inc.:                     |       |           |
| Series E, 6.88%, 10/31/13                        | 690   | 617,550   |
| Series F, 5.95%, 3/15/14                         | 100   | 84,000    |
| Orascom Telecom Finance SCA, 7.88%, 2/08/14 (b)  | 395   | 355,500   |
| Sprint Capital Corp.:                            |       |           |
| 7.63%, 1/30/11                                   | 1,040 | 1,041,300 |
| 6.88%, 11/15/28                                  | 170   | 123,675   |
|  |       | 6,724,075 |

**Total Corporate Bonds 58.4%**

114,733,884

**Floating Rate Loan Interests****Aerospace & Defense 0.9%**

Hawker Beechcraft Acquisition Co., LLC:

Letter of Credit Facility Deposit, 0.40% 2.10%, 3/26/14 121 90,520

Term Loan, 2.26% 2.60%, 3/26/14 2,051 1,528,693

IAP Worldwide Services, Inc. Term Loan (First Lien), 9.25%, 12/30/12 (g) 150 108,250

1,727,463

**Airlines 0.5%**

Delta Air Lines, Inc. Credit-Linked Deposit Loan, 0.11% 2.28%, 4/30/12 1,225 1,093,823

**Auto Components 3.1%**

Allison Transmission, Inc. Term Loan, 3.03%, 8/07/14 5,067 4,325,547

Dana Holding Corp., Term Advance, 7.25%, 1/31/15 1,507 1,153,947

The Goodyear Tire &amp; Rubber Co. Loan (Second Lien), 2.02%, 4/30/14 500 461,250

Intermet Corp.:

First Lien Credit Facility, 5.60%, 11/08/10 (a)(c)(g) 144 28,723

Letter of Credit, 5.12%, 11/09/10 (a)(c) 289 106,902

Letter of Credit Term Loan, 11.25%, 11/08/10 (g) 184 68,057

Synthetic Letter of Credit, 5.60%, 11/09/10 (g) 32 11,961

6,156,387

**Building Products 0.6%**

Building Materials Corp. of America, Term Loan Advance, 3.06%, 2/22/14 1,229 1,121,614

**Chemicals 3.6%**

Ashland Inc., Term Loan B, 7.65%, 5/13/14 444 451,874

Nalco Co., Term Loan, 6.50%, 5/06/16 1,025 1,039,094

PQ Corp. (fka Niagara Acquisition, Inc.) Term Loan (First Lien), 3.52% 3.75%, 7/31/14 4,950 4,079,627

Solutia Inc., Loan, 7.25%, 2/28/14 1,485 1,469,767

7,040,362

See Notes to Financial Statements.

## Schedule of Investments (continued)

BlackRock Senior High Income Fund, Inc. (ARK)  
(Percentages shown are based on Net Assets)

| Floating Rate Loan Interests   | Par<br>(000) | Value      |
|--|--------------|------------|
| <b>Commercial Services &amp; Supplies 0.5%</b>   |              |            |
| Casella Waste Systems, Inc., Term Loan B, 7.00%, 12/21/12  | USD 220      | \$ 220,550 |
| John Maneely Co., Term Loan, 3.52% 3.76%, 12/09/13   | 868          | 680,419    |
|  |              | 900,969    |
| <b>Construction &amp; Engineering 0.2%</b>   |              |            |
| Brand Energy & Infrastructure Services, Inc. (FR Brand Acquisition Corp.), Synthetic Letter of Credit Term Loan (First Lien), 2.13%, 2/07/14 | 500          | 450,000    |
| <b>Construction Materials 0.4%</b>   |              |            |
| Headwaters Inc., Term Loan B1 (First Lien), 9.75%, 4/30/11   | 735          | 710,868    |
| <b>Containers &amp; Packaging 0.6%</b>   |              |            |
| Graham Packaging Co., L.P. Term Loan B, 2.56%, 10/07/11  | 598          | 582,011    |
| Smurfit-Stone Container Enterprises, Inc., US Term Loan, Debtor in Possession, 10.00%, 7/28/10   | 582          | 587,518    |
|  |              | 1,169,529  |
| <b>Distributors 0.4%</b>   |              |            |
| Keystone Automotive Operations, Inc., Loan, 3.77% 5.75%, 1/12/12   | 1,419        | 773,397    |
| <b>Diversified Consumer Services 0.8%</b>  |              |            |
| Coinmach Corp., Term Loan, 3.28% 3.43%, 11/14/14   | 1,975        | 1,678,697  |
| <b>Diversified Telecommunication Services 0.3%</b>   |              |            |
| Integra Telecom Holdings, Inc., Term Loan (First Lien), 10.50%, 8/31/13  | 375          | 367,127    |
| PAETEC Holding Corp., Incremental Term Loan, 2.76%, 2/28/13  | 148          | 139,130    |
|  |              | 506,257    |
| <b>Electrical Equipment 0.2%</b>   |              |            |
| Generac Acquisition Corp., Term Loan (First Lien), 2.78%, 11/10/13   | 554          | 464,084    |
| <b>Energy Equipment &amp; Services 1.0%</b>  |              |            |
| Dresser, Inc.:   |              |            |
| Term B Loan, 2.68%, 5/04/14  | 206          | 191,867    |
| Term Loan (Second Lien), 6.02%, 5/04/15  | 1,000        | 831,250    |
| MEG Energy Corp.:  |              |            |
| Delayed Draw Term Loan, 2.60%, 4/02/13   | 493          | 457,990    |
| Initial Term Loan, 2.60%, 4/03/13  | 484          | 449,283    |
|  |              | 1,930,390  |

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| <b>Food &amp; Staples Retailing 0.6%</b>                            |     |         |
|---|-----|---------|
| McJunkin Corp., Term Loan, 3.51%, 1/31/14                           | 349 | 332,522 |
| Rite Aid Corp., Tranche 4 Term Loan, 9.50%, 6/04/15                 | 500 | 517,500 |
| Wm. Bolthouse Farms, Inc., Term Loan (Second Lien), 5.76%, 12/16/13 | 375 | 340,938 |

1,190,960

| <b>Food Products 1.3%</b>                                 |     |         |
|---|-----|---------|
| Dole Food Co. Inc., Credit Linked Deposit, 7.37%, 4/12/13 | 828 | 833,057 |
| Solvest, Ltd. (Dole) Tranche C Term Loan, 8.00%, 4/12/13  | 703 | 707,781 |
| Wm. Wrigley Jr. Co., Tranche B Term Loan, 6.50%, 10/06/14 | 987 | 998,444 |

2,539,282

| <b>Health Care Equipment &amp; Supplies 0.5%</b>                                   |     |         |
|--|-----|---------|
| DJO Finance LLC (ReAble Therapeutics Finance LLC), Term Loan, 3.26% 3.60%, 5/20/14 | 985 | 940,675 |

| <b>Floating Rate Loan Interests</b> | <b>Par (000)</b> | <b>Value</b> |
|-------------------------------------|------------------|--------------|
|-------------------------------------|------------------|--------------|

| <b>Health Care Providers &amp; Services 3.0%</b>                               |         |            |
|--|---------|------------|
| CCS Medical, Inc. (Chronic Care) Term Loan (First Lien), 4.35%, 9/30/12 (a)(c) | USD 250 | \$ 112,813 |
| CHS/Community Health Systems, Inc.:  |         |            |
| Delayed Draw Term Loan, 2.51%, 7/25/14   | 73      | 68,329     |
| Funded Term Loan, 2.51% 2.62%, 7/25/14   | 1,397   | 1,301,069  |
| DaVita Inc., Tranche B-1, Term Loan, 1.77% 2.10%, 10/05/12                     | 550     | 527,771    |
| Fresenius AG:  |         |            |
| Term Loan B1, 6.75%, 7/06/14   | 645     | 648,245    |
| Term Loan B2, 6.75%, 7/06/14   | 347     | 349,217    |
| HCA Inc., Tranche A-1 Term Loan, 2.10%, 11/17/12                               | 3,066   | 2,862,889  |

5,870,333

| <b>Hotels, Restaurants &amp; Leisure 1.3%</b>               |     |         |
|---|-----|---------|
| Harrah's Operating Co., Inc., Term B-2 Loan, 3.50%, 1/28/15 | 875 | 705,042 |
| QCE, LLC (Quiznos), Term Loan (First Lien), 2.88%, 11/05/13 | 970 | 722,650 |
| VML US Finance LLC (aka Venetian Macau):                    |     |         |
| New Project Term Loan, 6.10%, 5/25/13                       | 998 | 912,356 |
| Term B Delayed Draw Loan Project, 6.10%, 5/25/12            | 249 | 228,089 |

2,568,137

| <b>IT Services 2.4%</b>  |       |           |
|--|-------|-----------|
| Audio Visual Services Group, Inc.:   |       |           |
| Second Lien, 7.10%, 8/28/14 (e)  | 520   | 41,592    |
| Term Loan B, 2.85%, 2/28/14  | 1,000 | 620,000   |
| Ceridian Corp., US Term Loan, 3.27%, 11/09/14                                      | 1,483 | 1,269,390 |
| First Data Corp.:  |       |           |
| Initial Tranche B-2 Term Loan, 3.01% 3.02%, 9/24/14                                | 1,227 | 1,021,356 |
| Initial Tranche B-3 Term Loan, 3.01% 3.02%, 9/24/14                                | 391   | 325,086   |
| RedPrairie Corp., Term Loan:   |       |           |
| B, 3.44% 5.25%, 7/20/12  | 605   | 523,238   |
| C, 3.69%, 7/20/12  | 260   | 224,516   |
| SunGard Data Systems, Inc. (Solar Capital Corp.), New US Term Loan, 6.75%, 2/28/14 | 750   | 745,580   |

4,770,758

| <b>Independent Power Producers &amp; Energy Traders 0.3%</b> |  |  |
|--|--|--|
|--|--|--|

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|  |       |           |
|--|-------|-----------|
| <b>Texas Competitive Electric Holdings Co., LLC (TXU) Initial Tranche:</b> |       |           |
| Term Loan B-2, 3.78% 3.79%, 10/10/14                                       | 486   | 369,579   |
| Term Loan B-3, 3.78% 3.79%, 10/10/14                                       | 228   | 172,742   |
|  |       | 542,321   |
| <b>Industrial Conglomerates 0.2%</b>                                       |       |           |
| Sequa Corp., Term Loan, 3.65% 3.88%, 12/03/14                              | 450   | 383,625   |
| <b>Insurance 0.1%</b>  |       |           |
| Alliant Holdings I, Inc., Term Loan, 3.60%, 8/21/14                        | 143   | 131,580   |
| <b>Internet &amp; Catalog Retail 0.4%</b>                                  |       |           |
| FTD Group, Inc., Tranche B Term Loan, 6.75%, 8/04/14                       | 708   | 701,016   |
| <b>Leisure Equipment &amp; Products 0.8%</b>                               |       |           |
| Fender Musical Instruments Corp.:  |       |           |
| Delayed Draw Term Loan, 2.54%, 6/09/14                                     | 661   | 528,441   |
| Term Initial, 2.85%, 6/09/14   | 1,308 | 1,046,206 |
|  |       | 1,574,647 |
| <b>Life Sciences Tools &amp; Services 0.3%</b>                             |       |           |
| Life Technologies Corp., Term B Facility, 5.25%, 11/20/15                  | 597   | 603,335   |

See Notes to Financial Statements.

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## Schedule of Investments (continued)

BlackRock Senior High Income Fund, Inc. (ARK)  
(Percentages shown are based on Net Assets)

| Floating Rate Loan Interests   | Par<br>(000) | Value      |
|--|--------------|------------|
| <b>Machinery 2.8%</b>  |              |            |
| LN Acquisition Corp., (Lincoln Industrial) Initial Term Loan (Second Lien), 6.07%, 1/09/15 USD         | 1,000        | \$ 740,000 |
| Navistar International Corp.:  |              |            |
| Revolving Credit Linked Deposit, 3.36% 3.51%, 1/19/12  | 1,067        | 992,000    |
| Term Advance, 3.51%, 1/19/12   | 2,933        | 2,728,000  |
| Oshkosh Truck Corp., Term B Loan, 6.60% 6.64%, 12/06/13  | 1,032        | 1,026,883  |
|  |              | 5,486,883  |
| <b>Media 12.8%</b>   |              |            |
| Affinion Group Holdings, Inc., Loan, 8.27%, 3/01/12  | 2,095        | 1,833,388  |
| Cengage Learning Acquisitions, Inc. (Thomson Learning) Tranche 1 Incremental Term Loan, 7.50%, 7/03/14 | 4,100        | 3,936,000  |
| Cequel Communications, LLC:  |              |            |
| Second Lien Tranche A Term Loan, 6.27% 6.28%, 5/05/14  | 4,243        | 3,914,428  |
| Term Loan, 2.27% 4.25%, 11/05/13   | 1,614        | 1,524,463  |
| Charter Communications, Term Loan B1, 7.94%, 3/25/14 (a)(c)  | 1,000        | 999,500    |
| Ellis Communications KDOC, LLC Loan, 10.00%, 12/30/11  | 3,879        | 1,086,013  |
| HMH Publishing Co. Ltd., (fka Education Media) Tranche A Term Loan, 5.26%, 6/12/14                     | 4,663        | 3,607,811  |
| Hanley-Wood, LLC (FSC Acquisition), Term Loan, 2.52% 2.54%, 3/08/14                                    | 985          | 415,342    |
| Lamar Media Corp., Term Loan, 5.50%, 9/28/12   | 750          | 738,750    |
| MCC Iowa LLC (Mediacom Broadband Group) Tranche D-1 Term Loan, 2.01%, 1/31/15                          | 269          | 250,906    |
| Mediacom Illinois, LLC (fka Mediacom Communications, LLC), Tranche D Term Loan, 5.50%, 3/31/17         | 500          | 498,750    |
| Newsday, LLC Fixed Rate Term Loan, 9.75%, 8/01/13  | 3,250        | 3,306,875  |
| Penton Media, Inc., Term Loan (First Lien), 2.51% 2.74%, 2/01/13                                       | 733          | 491,194    |
| Quebecor Media Exit Term Loan, 9.00%, 6/30/12  | 500          | 496,250    |
| Sunshine Acquisition Ltd. (aka HIT Entertainment) Term Facility, 2.73%, 7/31/14                        | 500          | 415,625    |
| United Pan Europe Communications Term Loan, 3.76%, 12/31/16  | 1,750        | 1,719,375  |
|  |              | 25,234,670 |
| <b>Metals &amp; Mining 1.3%</b>  |              |            |
| Euramax International Plc, Domestic Loan (Second Lien):  |              |            |
| 10.00%, 6/29/13  | 865          | 372,080    |
| 14.00%, 6/29/13 (g)  | 827          | 355,490    |
| RathGibson, Inc., Debtor in Possession Loan, 10.50% 10.75%, 2/10/10                                    | 1,796        | 1,795,560  |
|  |              | 2,523,130  |
| <b>Multi-Utilities 0.4%</b>  |              |            |
| FirstLight Power Resources, Inc. (fka NE Energy, Inc.):  |              |            |
| First Lien Term Loan B, 3.13%, 11/01/13  | 797          | 733,991    |
| Synthetic Letter of Credit, 3.15%, 11/01/13  | 103          | 94,572     |
|  |              | 828,563    |



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|  |     |         |
|--|-----|---------|
| <b>Multiline Retail 0.4%</b>                               |     |         |
| Dollar General Corp. Tranche B-2 Term Loan, 3.01%, 7/07/14 | 750 | 720,729 |

| <b>Floating Rate Loan Interests</b>                      | <b>Par<br/>(000)</b> | <b>Value</b> |
|--|----------------------|--------------|
| <b>Oil, Gas &amp; Consumable Fuels 1.3%</b>              |                      |              |
| Big West Oil, LLC (a)(c):                                |                      |              |
| Delayed Advance Loan, 4.50%, 5/15/14                     | USD 547              | \$ 503,198   |
| Initial Advance Loan, 4.50%, 5/15/14                     | 434                  | 398,977      |
| ScorpionDrilling Ltd. Loan (Second Lien), 8.10%, 5/08/14 | 2,000                | 1,660,000    |
|  |                      | 2,562,175    |

|   |     |         |
|---|-----|---------|
| <b>Paper &amp; Forest Products 0.2%</b>                 |     |         |
| Georgia-Pacific LLC, Term B Loan, 2.34% 2.65%, 12/20/12 | 517 | 499,164 |

|  |     |         |
|--|-----|---------|
| <b>Pharmaceuticals 0.2%</b>                                |     |         |
| Warner Chilcott Co., Inc.:                                 |     |         |
| Tranche B Acquisition Date Term Loan, 2.26% 2.60%, 1/18/12 | 369 | 366,804 |
| Tranche C Acquisition Date Term Loan, 2.26%, 1/18/12       | 129 | 128,641 |
|  |     | 495,445 |

|  |       |           |
|--|-------|-----------|
| <b>Real Estate Management &amp; Development 1.1%</b>       |       |           |
| Realogy Corp., Synthetic Letter of Credit, 4.24%, 10/10/13 | 2,940 | 2,240,700 |

|  |     |         |
|--|-----|---------|
| <b>Specialty Retail 0.4%</b>   |     |         |
| Adesa, Inc. (KAR Holdings, Inc.), Initial Term Loan, 2.52%, 10/20/13 | 750 | 703,750 |

|   |       |         |
|---|-------|---------|
| <b>Wireless Telecommunication Services 0.5%</b>               |       |         |
| Digicel International Finance Ltd., Tranche A, 3.13%, 3/01/12 | 1,000 | 950,000 |

|   |  |            |
|---|--|------------|
| <b>Total Floating Rate Loan Interests 45.7%</b> |  | 89,785,718 |
|---|--|------------|

| <b>Other Interests (h)</b>                    | <b>Beneficial<br/>Interest<br/>(000)</b> |         |
|---|--|---------|
| <b>Diversified Financial Services 0.2%</b>    |  |         |
| J.G. Wentworth LLC Preferred Equity Interests | (i)                                      | 365,704 |
| <b>Media 0.0%</b>                             |  |         |
| Adelphia Preferred Escrow                     | 3  |         |
| Adelphia Recovery Trust Series ACC-6B INT     | 250                                      | 25      |
|   |  | 25      |
| <b>Total Other Interests 0.2%</b>             |  | 365,729 |

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|  |             |
|--|-------------|
| <b>Total Long-Term Investments (Cost \$268,836,015) 106.3%</b> | 208,759,336 |
|--|-------------|

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| Short-Term Securities                                      | Shares                |
|--|-----------------------|
| BlackRock Liquidity Funds, TempFund, 0.22% (j)(k)          | 1,492,725             |
| <b>Total Short-Term Securities (Cost \$1,492,725) 0.8%</b> | <b>1,492,725</b>      |
| <b>Total Investments (Cost \$270,328,740*) 107.1%</b>      | <b>210,252,061</b>    |
| <b>Liabilities in Excess of Other Assets (7.1)%</b>        | <b>(13,938,584)</b>   |
| <b>Net Assets 100.0%</b>                                   | <b>\$ 196,313,477</b> |

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\* The cost and unrealized appreciation (depreciation) of investments as of August 31, 2009, as computed for federal income tax purposes, were as follows:

|                               |                 |
|-------------------------------|-----------------|
| Aggregate cost                | \$ 271,030,531  |
| Gross unrealized appreciation | \$ 6,526,537    |
| Gross unrealized depreciation | (67,305,007)    |
| Net unrealized depreciation   | \$ (60,778,470) |

See Notes to Financial Statements.

## Schedule of Investments (continued)

BlackRock Senior High Income Fund, Inc. (ARK)

- (a) Non-income producing security.
- (b) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional investors.
- (c) Issuer filed for bankruptcy and/or is in default of interest payments.
- (d) As a result of bankruptcy proceedings, the company did not repay the principal amount of the security upon maturity.
- (e) Variable rate security. Rate shown is as of report date.
- (f) Convertible security.
- (g) Represents a payment-in-kind security which may pay interest/dividends in additional par/shares.
- (h) Other interests represent beneficial interest in liquidation trusts and other reorganization entities and are non-income producing.
- (i) Amount is less than \$1,000.
- (j) Investments in companies considered to be an affiliate of the Fund, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, were as follows:

| Affiliate   | Net<br>Activity | Income   |
|---|-----------------|----------|
| BlackRock Liquidity Funds, TempFund               | \$ 1,492,725    | \$ 4,710 |
| BlackRock Liquidity Series, LLC Cash Sweep Series | \$ (4,346,896)  | \$ 1,683 |

- (k) Represents the current yield as of report date.

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

Foreign currency exchange contracts as of August 31, 2009 were as follows:

| Currency<br>Purchased | Currency<br>Sold | Counterparty      | Settlement<br>Date | Unrealized<br>Appreciation |
|-----------------------|------------------|-------------------|--------------------|----------------------------|
| USD 552,552           | CAD 600,000      | Barclays Bank Plc | 10/28/09           | \$4,432                    |

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Credit default swaps on single-name issues buy protection outstanding as of August 31, 2009 were as follows:

| Issuer                   | Pay Fixed Rate | Counterparty           | Expiration    | Notional Amount (000) | Unrealized Depreciation |
|--------------------------|----------------|------------------------|---------------|-----------------------|-------------------------|
| First Data Corp.         | 5.00%          | JPMorgan Chase Bank NA | December 2013 | USD 5,000             | \$ (420,147)            |
| Masco Corp.              | 5.30%          | JPMorgan Chase Bank NA | March 2014    | USD 1,000             | (110,160)               |
| Host Hotels & Resorts LP | 5.00%          | Goldman Sachs Bank USA | March 2014    | USD 2,500             | (347,933)               |
| Mohawk Industries, Inc.  | 4.45%          | JPMorgan Chase Bank NA | March 2014    | USD 1,000             | (99,231)                |
| Lennar Corp.             | 5.75%          | JPMorgan Chase Bank NA | June 2014     | USD 550               | (66,170)                |
| <b>Total</b>             |                |                        |               |                       | <b>\$ (1,043,641)</b>   |

Credit default swaps on single-name issues sold protection outstanding as of August 31, 2009 were as follows:

| Issuer         | Receive Fixed Rate | Counterparty     | Expiration | Rating <sup>1</sup> | Notional Amount (000) <sup>2</sup> | Unrealized Depreciation |
|----------------|--------------------|------------------|------------|---------------------|------------------------------------|-------------------------|
| Ford Motor Co. | 2.05%              | Deutsche Bank AG | March 2010 | CCC                 | USD 5,000                          | \$(123,489)             |

<sup>1</sup> Using Standard and Poor's ratings of the issuer.

<sup>2</sup> The maximum potential amount the Fund may pay should a negative credit event take place as defined under the terms of the agreement. See Note 2 of the Notes to Financial Statements.

Currency Abbreviations:

CAD Canadian Dollar

USD US Dollar

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

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

Level 2 other observable inputs (including, but not limited to: quoted prices for 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

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are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market-corroborated inputs)

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

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

See Notes to Financial Statements.

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Schedule of Investments (concluded)

BlackRock Senior High Income Fund, Inc. (ARK)

The following table summarizes the inputs used as of August 31, 2009 in determining the fair valuation of the Fund's investments:

| Valuation Inputs             | Investments in Securities |                    |
|------------------------------|---------------------------|--------------------|
|                              | Assets                    |                    |
| Level 1                      |                           |                    |
| Long-Term Investments:       |                           |                    |
| Common Stocks                | \$                        | 3,143,313          |
| Short-Term Securities        |                           | 1,492,725          |
| Total Level 1                |                           | 4,636,038          |
| Level 2                      |                           |                    |
| Long-Term Investments:       |                           |                    |
| Corporate Bonds              |                           | 108,482,954        |
| Floating Rate Loan Interests |                           | 53,344,126         |
| Common Stocks                |                           | 664,666            |
| Total Level 2                |                           | 162,491,746        |
| Level 3                      |                           |                    |
| Long-Term Investments:       |                           |                    |
| Corporate Bonds              |                           | 6,250,930          |
| Floating Rate Loan Interests |                           | 36,441,592         |
| Common Stocks                |                           | 66,026             |
| Other Interests              |                           | 365,729            |
| Total Level 3                |                           | 43,124,277         |
| <b>Total</b>                 | <b>\$</b>                 | <b>210,252,061</b> |

| Valuation Inputs | Other Financial Instruments <sup>1</sup> |                       |
|------------------|--|-----------------------|
|                  | Assets                                   | Liabilities           |
| Level 1          |  |                       |
| Level 2          | \$ 4,432                                 | \$ (1,167,130)        |
| Level 3          |  | (4,099)               |
| <b>Total</b>     | <b>\$ 4,432</b>                          | <b>\$ (1,171,229)</b> |

<sup>1</sup> Other financial instruments are foreign currency exchange contracts and swaps which are shown at the unrealized appreciation/depreciation on the instrument.

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

|   | Investment in Securities |                                       |                  |                    |                      |
|---|--------------------------|---------------------------------------|------------------|--------------------|----------------------|
|   | Corporate<br>Bonds       | Floating<br>Rate<br>Loan<br>Interests | Common<br>Stocks | Other<br>Interests | Total                |
| Balance, as of February 28, 2009                              | \$ 8,229,614             | \$ 44,351,082                         | \$ 55,976        | \$ 25              | \$ 52,636,697        |
| Realized gain (loss)  | 172                      | (7,504,296)                           |                  |                    | (7,504,124)          |
| Change in unrealized appreciation (depreciation) <sup>2</sup> | (835,551)                | 22,719,592                            |                  |                    | 21,884,041           |
| Net purchases (sales)   | (3,545,368)              | (24,510,761)                          |                  |                    | (28,056,129)         |
| Net transfers in/out of Level 3                               | 2,402,063                | 1,385,975                             | 10,050           | 365,704            | 4,163,792            |
| <b>Balance, as of August 31, 2009</b>                         | <b>\$ 6,250,930</b>      | <b>\$ 36,441,592</b>                  | <b>\$ 66,026</b> | <b>\$ 365,729</b>  | <b>\$ 43,124,277</b> |

<sup>2</sup> Included in the related net change in unrealized appreciation/depreciation on the Statements of Operations.

The following is a reconciliation of other financial instruments for unobservable inputs (Level 3) used in determining fair value:

|  | Other Financial<br>Instruments <sup>3</sup> |
|--|---|
| Balance, as of August 31, 2008                   |   |
| Accrued discounts/premiums                       |   |
| Realized gain (loss)                             |   |
| Change in unrealized appreciation (depreciation) |   |
| Net purchases (sales)                            |   |
| Net transfers in/out of Level <sup>3</sup>       | \$ (4,099)                                  |
| <b>Balance, as of August 31, 2009</b>            | <b>\$ (4,099)</b>                           |

<sup>3</sup> Other financial instruments are unfunded loan commitments.

See Notes to Financial Statements.

## Statements of Assets and Liabilities

| August 31, 2009 (Unaudited)                                    | BlackRock<br>Corporate<br>High Yield<br>Fund, Inc.<br>(COY) | BlackRock<br>Corporate<br>High Yield<br>Fund III, Inc.<br>(CYE) | BlackRock<br>Debt Strategies<br>Fund, Inc.<br>(DSU) | BlackRock<br>Floating<br>Rate Income<br>Strategies<br>Fund II, Inc.<br>(FRB) | BlackRock<br>Senior High<br>Income<br>Fund, Inc.<br>(ARK) |
|--|---|---|---|--|---|
| <b>Assets</b>  |   |   |   |  |   |
| Investments at value unaffiliated                              | \$ 233,316,691  | \$ 256,990,953  | \$ 402,214,164                                      | \$ 148,017,633   | \$ 208,759,336  |
| Investments at value affiliated                                | 2,032,607   | 2,029,452   | 501   | 2,466,296  | 1,492,725   |
| Unrealized appreciation on foreign currency exchange contracts | 8,514   | 8,787   | 14,522  | 24,608   | 4,432   |
| Unrealized appreciation on unfunded loan commitments           |   |   | 4,235   |  |   |
| Unrealized appreciation on swaps                               | 424,847   | 48,435  | 39,105  |  |   |
| Foreign currency at value <sup>3</sup>                         | 2,178,629   | 1,013,695   | 442,658   | 2,254,775  |   |
| Cash   | 143,188   |   | 2,760,445   |  | 13,320  |
| Cash collateral on swaps                                       | 400,000   |   |   |  | 400,000   |
| Interest receivable  | 5,248,188   | 5,350,191   | 8,007,955   | 2,039,078  | 3,312,672   |
| Swap premiums paid   | 868,510   | 213,215   | 848,008   | 791,608  | 1,398,411   |
| Investments sold receivable                                    | 733,027   | 693,563   | 1,996,988   | 5,011,355  | 3,081,547   |
| Swaps receivable   | 51,197  | 54,705  | 5,836   | 37,472   | 20,215  |
| Dividends receivable   |   | 74,479  | 64,897  |  |   |
| Commitment fees receivable                                     |   |   | 11,182  |  |   |
| Principal paydown receivable                                   |   | 3,134   |   |  |   |
| Income receivable affiliated                                   |   |   | 223   |  |   |
| Prepaid expenses   | 15,942  | 16,667  | 35,069  | 10,399   | 16,808  |
| Other assets   |   | 8,399   | 46,699  | 38,882   | 2,674   |
| <b>Total assets</b>  | <b>245,421,340</b>  | <b>266,505,675</b>  | <b>416,492,487</b>                                  | <b>160,692,106</b>   | <b>218,502,140</b>  |
| <b>Liabilities</b>   |   |   |   |  |   |
| Loan payable   | 38,000,000  | 46,000,000  | 48,000,000  | 24,000,000   | 16,000,000  |
| Unrealized depreciation on swaps                               | 703,291   | 714,958   | 1,604,734   | 687,906  | 1,167,130   |
| Unrealized depreciation on foreign currency exchange contracts | 305,379   | 328,793   | 337,671   | 207,126  |   |
| Unrealized depreciation on unfunded loan commitments           |   |   |   | 34,095   | 4,099   |
| Investments purchased payable                                  | 3,438,546   | 3,768,436   | 10,069,458  | 9,305,205  | 4,677,975   |
| Swaps payable  | 106,181   | 63,802  | 134,941   | 51,278   | 99,425  |
| Investment advisory fees payable                               | 102,300   | 133,054   | 199,974   | 92,944   | 89,850  |
| Interest payable   | 43,570  | 51,495  | 44,213  | 22,840   | 18,663  |
| Income dividends payable                                       | 205   | 98,659  |   | 92,794   | 130,682   |
| Officers and Directors fees payable                            | 381   | 402   | 47,868  | 384  | 147   |
| Other affiliates payable                                       | 746   | 798   | 1,233   | 458  | 692   |
| Other accrued expenses payable                                 | 13,694  |   | 12,153  |  |   |
| Other liabilities  | 57,307  |   | 447,504   |  |   |
| <b>Total liabilities</b>                                       | <b>42,771,600</b>   | <b>51,160,397</b>   | <b>60,899,749</b>                                   | <b>34,495,030</b>  | <b>22,188,663</b>   |
| <b>Net Assets</b>  | <b>\$ 202,649,740</b>                                       | <b>\$ 215,345,278</b>   | <b>\$ 355,592,738</b>                               | <b>\$ 126,197,076</b>  | <b>\$ 196,313,477</b>                                     |

Net Assets Consist of



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|  |                       |                       |                       |                       |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Paid-in capital <sup>4</sup>   | \$ 414,571,967        | \$ 492,246,502        | \$ 973,182,878        | \$ 200,169,626        | \$ 456,503,852        |
| Undistributed (distributions in excess of) net investment income                           | 2,944,433             | 801,924               | (2,042,874)           | (35,175)              | 1,738,295             |
| Accumulated net realized loss  | (176,350,864)         | (235,178,483)         | (419,762,484)         | (48,055,638)          | (200,685,194)         |
| Net unrealized appreciation/depreciation   | (38,515,796)          | (42,524,665)          | (195,784,782)         | (25,881,737)          | (61,243,476)          |
| <b>Net Assets</b>  | <b>\$ 202,649,740</b> | <b>\$ 215,345,278</b> | <b>\$ 355,592,738</b> | <b>\$ 126,197,076</b> | <b>\$ 196,313,477</b> |
| Net asset value  | \$ 5.85               | \$ 5.77               | \$ 3.31               | \$ 12.02              | \$ 3.47               |
| <sup>1</sup> Investments at cost unaffiliated  | \$ 271,279,887        | \$ 298,551,918        | \$ 596,239,724        | \$ 172,961,768        | \$ 268,836,015        |
| <sup>2</sup> Investments at cost affiliated  | \$ 2,032,607          | \$ 2,029,452          | \$ 501                | \$ 2,466,296          | \$ 1,492,725          |
| <sup>3</sup> Foreign currency at cost  | \$ 2,177,436          | \$ 1,021,732          | \$ 347,867            | \$ 2,246,984          |                       |
| <sup>4</sup> Shares outstanding, 200 million shares authorized, par value \$0.10 per share | 34,622,785            | 37,319,241            | 107,524,535           | 10,496,930            | 56,509,502            |

See Notes to Financial Statements.

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## Statements of Operations

| Six Months Ended August 31, 2009 (Unaudited)     | BlackRock<br>Corporate<br>High Yield<br>Fund, Inc.<br>(COY) | BlackRock<br>Corporate<br>High Yield<br>Fund III, Inc.<br>(CYE) | BlackRock<br>Debt Strategies<br>Fund, Inc.<br>(DSU) | BlackRock<br>Floating<br>Rate Income<br>Strategies<br>Fund II, Inc.<br>(FRB) | BlackRock<br>Senior High<br>Income<br>Fund, Inc.<br>(ARK) |
|--|---|---|---|--|---|
| <b>Investment Income</b>                         |   |   |   |  |   |
| Interest   | \$ 12,422,979   | \$ 13,254,487   | \$ 23,409,710                                       | \$ 5,777,937   | \$ 11,244,814   |
| Dividends  | 308   | 10,555  |   |  |   |
| Income affiliated                                | 5,376   | 6,905   | 8,083   | 5,928  | 6,393   |
| Foreign taxes withheld                           | (1,022)   |   |   |  |   |
| Facility and other fees                          | 34,911  | 56,205  | 185,316   | 104,932  | 265,124   |
| <b>Total income</b>                              | <b>12,462,552</b>   | <b>13,328,152</b>   | <b>23,603,109</b>                                   | <b>5,888,797</b>   | <b>11,516,331</b>   |
| <b>Expenses</b>                                  |   |   |   |  |   |
| Investment advisory                              | 536,832   | 688,892   | 1,082,939   | 495,334  | 501,685   |
| Borrowing cost <sup>1</sup>                      | 122,914   | 127,481   | 214,152   | 91,905   | 142,502   |
| Professional                                     | 58,640  | 68,755  | 121,974   | 62,699   | 69,154  |
| Accounting services                              | 28,957  | 26,985  | 59,792  | 12,111   | 26,348  |
| Transfer agent                                   | 22,384  | 20,431  | 59,346  | 12,645   | 31,144  |
| Custodian  | 12,600  | 12,735  | 11,682  | 6,024  | 7,530   |
| Officer and Directors                            | 11,904  | 12,103  | 27,954  | 7,729  | 11,341  |
| Printing   | 7,754   | 8,483   | 21,507  | 10,736   | 12,252  |
| Registration                                     | 5,906   | 6,235   | 19,297  | 4,621  | 9,789   |
| Miscellaneous                                    | 31,834  | 32,964  | 39,617  | 18,899   | 28,488  |
| <b>Total expenses excluding interest expense</b> | <b>839,725</b>  | <b>1,005,064</b>  | <b>1,658,260</b>                                    | <b>722,703</b>   | <b>840,233</b>  |
| Interest expense                                 | 264,501   | 301,602   | 387,555   | 140,035  | 194,751   |
| <b>Total expenses</b>                            | <b>1,104,226</b>  | <b>1,306,666</b>  | <b>2,045,815</b>                                    | <b>862,738</b>   | <b>1,034,984</b>  |
| Less fees waived by advisor                      | (687)   | (684)   | (858)   | (750)  | (719)   |
| <b>Total expenses after fees waived</b>          | <b>1,103,539</b>  | <b>1,305,982</b>  | <b>2,044,957</b>                                    | <b>861,988</b>   | <b>1,034,265</b>  |
| <b>Net investment income</b>                     | <b>11,359,013</b>   | <b>12,022,170</b>   | <b>21,558,152</b>                                   | <b>5,026,809</b>   | <b>10,482,066</b>   |
| <b>Realized and Unrealized Gain (Loss)</b>       |   |   |   |  |   |
| Net realized gain (loss) from:                   |   |   |   |  |   |
| Investments                                      | (13,697,155)  | (13,644,799)  | (67,658,498)  | (12,632,241)   | (29,883,203)  |
| Swaps  | 276,184   | 387,617   | 974,384   | 283,947  | 271,306   |
| Foreign currency                                 | (635,980)   | (673,759)   | (792,779)   | (616,065)  | (65,836)  |
|  | (14,056,951)  | (13,930,941)  | (67,476,893)  | (12,964,359)   | (29,677,733)  |

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|   |                      |                      |                       |                      |                      |
|---|----------------------|----------------------|-----------------------|----------------------|----------------------|
| Net change in unrealized appreciation/depreciation on:      |                      |                      |                       |                      |                      |
| Investments   | 70,526,678           | 76,580,656           | 174,831,383           | 44,785,632           | 81,070,194           |
| Swaps   | 3,021,095            | 2,859,061            | (3,024,391)           | 2,212,257            | (716,431)            |
| Foreign currency  | (583,483)            | (588,454)            | (438,975)             | (467,421)            | (6,971)              |
| Unfunded corporate loans                                    |                      |                      | 4,235                 | 142,565              | (4,099)              |
|   | 72,964,290           | 78,851,263           | 171,372,252           | 46,673,033           | 80,342,693           |
| Total realized and unrealized gain                          | 58,907,339           | 64,920,322           | 103,895,359           | 33,708,674           | 50,664,960           |
| <b>Net Increase in Net Assets Resulting from Operations</b> | <b>\$ 70,266,352</b> | <b>\$ 76,942,492</b> | <b>\$ 125,453,511</b> | <b>\$ 38,735,483</b> | <b>\$ 61,147,026</b> |

<sup>1</sup> See Note 8 of the Notes to Financial Statements for details of borrowings.

See Notes to Financial Statements.

## Statements of Changes in Net Assets

|   | BlackRock Corporate<br>High Yield Fund, Inc. (COY)       |  |                               | BlackRock Corporate<br>High Yield Fund III, Inc. (CYE)   |  |                               |
|---|--|--|-------------------------------|--|--|-------------------------------|
|   | Six Months<br>Ended<br>August 31,<br>2009<br>(Unaudited) | Period<br>June 1,<br>2008 to<br>February 28,<br>2009 | Year Ended<br>May 31,<br>2008 | Six Months<br>Ended<br>August 31,<br>2009<br>(Unaudited) | Period<br>June 1,<br>2008 to<br>February 28,<br>2009 | Year Ended<br>May 31,<br>2008 |
| <b>Increase (Decrease) in Net Assets:</b>                       |  |  |                               |  |  |                               |
| <b>Operations</b>   |  |  |                               |  |  |                               |
| Net investment income   | \$ 11,359,013  | \$ 17,171,877  | \$ 25,842,085                 | \$ 12,022,170  | \$ 18,684,715  | \$ 27,155,524                 |
| Net realized loss   | (14,056,951)   | (34,537,665)   | (9,129,906)                   | (13,930,941)   | (36,996,389)   | (9,283,103)                   |
| Net change in unrealized appreciation/depreciation              | 72,964,290   | (86,397,451)   | (36,722,065)                  | 78,851,263   | (93,986,807)   | (40,223,490)                  |
| Net increase (decrease) in net assets resulting from operations | 70,266,352   | (103,763,239)  | (20,009,886)                  | 76,942,492   | (112,298,481)  | (22,351,069)                  |
| <b>Dividends to Shareholders From</b>                           |  |  |                               |  |  |                               |
| Net investment income   | (12,657,926)   | (19,134,959)   | (26,113,293)                  | (12,874,191)   | (20,800,925)   | (28,767,885)                  |
| <b>Capital Share Transactions</b>                               |  |  |                               |  |  |                               |
| Reinvestment of dividends                                       | 241,282  |  |                               | 15,864   |  |                               |
| <b>Net Assets</b>   |  |  |                               |  |  |                               |
| Total increase (decrease) in net assets                         | 57,849,708   | (122,898,198)  | (46,123,179)                  | 64,084,165   | (133,099,406)  | (51,118,954)                  |
| Beginning of period   | 144,800,032  | 267,698,230  | 313,821,409                   | 151,261,113  | 284,360,519  | 335,479,473                   |
| End of period   | \$ 202,649,740   | \$ 144,800,032                                       | \$ 267,698,230                | \$ 215,345,278   | \$ 151,261,113                                       | \$ 284,360,519                |
| Undistributed net investment income                             | \$ 2,944,433   | \$ 4,243,346   | \$ 5,504,375                  | \$ 801,924   | \$ 1,653,945   | \$ 3,076,301                  |

| Increase (Decrease) in Net Assets: | BlackRock Debt<br>Strategies Fund, Inc. (DSU) |                                    | BlackRock Floating Rate Income<br>Strategies Fund II, Inc. (FRB) |                                    |
|------------------------------------|---|------------------------------------|--|------------------------------------|
|                                    | Six Months<br>Ended<br>August 31,<br>2009     | Year Ended<br>February 28,<br>2009 | Six Months<br>Ended<br>August 31,<br>2009                        | Year Ended<br>February 28,<br>2009 |
|                                    |   |                                    |  |                                    |

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(Unaudited)

(Unaudited)

**Operations**

|   |               |               |              |               |
|---|---------------|---------------|--------------|---------------|
| Net investment income   | \$ 21,558,152 | \$ 55,149,566 | \$ 5,026,809 | \$ 14,429,059 |
| Net realized loss   | (67,476,893)  | (103,719,990) | (12,964,359) | (31,870,409)  |
| Net change in unrealized appreciation/depreciation              | 171,372,252   | (229,565,826) | 46,673,033   | (41,438,156)  |
| Net increase (decrease) in net assets resulting from operations | 125,453,511   | (278,136,250) | 38,735,483   | (58,879,506)  |

**Dividends to Shareholders From**

|                       |              |              |             |              |
|-----------------------|--------------|--------------|-------------|--------------|
| Net investment income | (22,851,943) | (65,857,392) | (6,194,238) | (16,017,675) |
|-----------------------|--------------|--------------|-------------|--------------|

**Capital Share Transactions**

|                           |         |           |  |  |
|---------------------------|---------|-----------|--|--|
| Reinvestment of dividends | 911,221 | 1,869,284 |  |  |
|---------------------------|---------|-----------|--|--|

**Net Assets**

|  |                |                |                |               |
|--|----------------|----------------|----------------|---------------|
| Total increase (decrease) in net assets                          | 103,512,789    | (342,124,358)  | 32,541,245     | (74,897,181)  |
| Beginning of period  | 252,079,949    | 594,204,307    | 93,655,831     | 168,553,012   |
| End of period  | \$ 355,592,738 | \$ 252,079,949 | \$ 126,197,076 | \$ 93,655,831 |
| Undistributed (distributions in excess of) net investment income | \$ (2,042,874) | \$ (749,083)   | \$ (35,175)    | \$ 1,132,254  |

See Notes to Financial Statements.

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## Statements of Changes in Net Assets (concluded)

|  | BlackRock Senior High<br>Income Fund, Inc. (ARK)         |                                    |
|--|--|------------------------------------|
|  | Six Months<br>Ended<br>August 31,<br>2009<br>(Unaudited) | Year Ended<br>February 28,<br>2009 |
| <b>Increase (Decrease) in Net Assets:</b>                        |  |                                    |
| <b>Operations</b>  |  |                                    |
| Net investment income  | \$ 10,482,066  | \$ 23,218,610                      |
| Net realized loss  | (29,677,733)   | (55,099,290)                       |
| Net change in unrealized appreciation/depreciation               | 80,342,693   | (82,255,118)                       |
| Net increase (decrease) in net assets resulting from operations  | 61,147,026   | (114,135,798)                      |
| <b>Dividends and Distributions to Shareholders From</b>          |  |                                    |
| Net investment income  | (8,476,425)  | (24,063,310)                       |
| Tax return of capital  |  | (3,089,535)                        |
| Total dividends and distributions to shareholders                | (8,476,425)  | (27,152,845)                       |
| <b>Capital Share Transactions</b>                                |  |                                    |
| Reinvestment of dividends  |  | 239,560                            |
| <b>Net Assets</b>  |  |                                    |
| Total increase (decrease) in net assets                          | 52,670,601   | (141,049,083)                      |
| Beginning of period  | 143,642,876  | 284,691,959                        |
| End of period  | \$ 196,313,477   | \$ 143,642,876                     |
| Undistributed (distributions in excess of) net investment income | \$ 1,738,295   | \$ (267,346)                       |

See Notes to Financial Statements.



## Statements of Cash Flows

| August 31, 2009 (Unaudited)  | BlackRock<br>Corporate<br>High Yield<br>Fund, Inc.<br>(COY) | BlackRock<br>Corporate<br>High Yield<br>Fund III, Inc.<br>(CYE) | BlackRock<br>Debt<br>Strategies<br>Fund, Inc.<br>(DSU) | BlackRock<br>Floating<br>Rate Income<br>Strategies<br>Fund II, Inc.<br>(FRB) | BlackRock<br>Senior High<br>Income<br>Fund, Inc.<br>(ARK) |
|--|---|---|--|--|---|
| <b>Cash Provided by Operating Activities</b>   |   |   |  |  |   |
| Net increase in net assets resulting from operations   | \$ 70,266,352   | \$ 76,942,492   | \$ 125,453,511   | \$ 38,735,483  | \$ 61,147,026   |
| Adjustments to reconcile net decrease/increase in net assets resulting from operations to net cash provided by operating activities: |   |   |  |  |   |
| (Increase) decrease in interest receivable   | (177,678)   | 262,345   | 1,609,251  | 3,562  | 369,236   |
| Increase in swaps receivable   | (8,486)   | (8,421)   | (5,836)  | (526)  |   |
| (Increase) decrease in commitment fees receivable  |   | 64  | (8,580)  |  |   |
| (Increase) decrease in dividends receivable  | 296   | (61,148)  | 11,488   |  |   |
| Decrease (increase) in prepaid expenses  | (9)   | 24,839  | 39,650   |  | (2,674)   |
| (Increase) decrease in other assets  | 23,985  |   |  | (30,686)   |   |
| Increase in other liabilities  | 57,307  |   | 447,504  |  |   |
| Increase in investment advisor payable   | 27,605  | 37,362  | 33,009   | 22,761   | 15,350  |
| Increase in interest expense payable   | 32,152  | 41,161  | 13,846   | 14,629   | 3,664   |
| Decrease in other affiliates payable   | (939)   | (1,067)   | (1,079)  | (302)  | (1,231)   |
| (Decrease) increase in accrued expenses payable  | (95,702)  | (95,146)  | (153,416)  | (79,219)   | (107,969)   |
| (Decrease) increase in swaps payable   | 105,521   | 63,143  | 6,482  | (7,886)  | (8,011)   |
| Increase in Officers and Directors payable   | 257   | 271   | 23,161   | 251  | 30  |
| Swap premium received  | 2,611,387   | 3,481,938   |  |  |   |
| Swap premium paid  | (3,235,128)   | (3,380,907)   | (175,737)  |  | (166,551)   |
| Net realized and unrealized gain   | (59,405,538)  | (65,313,092)  | (102,770,526)  | (34,080,401)   | (50,049,353)  |
| Amortization of premium and discount on investments  | (1,222,929)   | (2,254,241)   | (1,919,514)  | (865,854)  | (755,308)   |
| Cash collateral on swaps   | 2,100,000   |   |  |  | 1,100,000   |
| Paid-in-kind income  | (440,662)   | (561,361)   | (1,655,298)  | (139,965)  | (479,665)   |
| Proceeds from sales and paydowns of long-term securities   | 85,360,454  | 90,845,908  | 150,575,288  | 49,239,008   | 89,510,159  |
| Purchases of long-term securities  | (84,650,957)  | (94,463,454)  | (109,824,171)  | (44,256,041)   | (64,020,280)  |
| Net proceeds from sales of short-term investments  | 5,078,656   | 6,341,070   | 4,724,759  | 1,641,882  | 2,854,171   |
| Cash provided by operating activities  | 16,425,944  | 11,901,756  | 66,423,792   | 10,196,696   | 39,408,594  |
| <b>Cash Used for Financing Activities</b>  |   |   |  |  |   |
| Cash receipts from borrowings  | 38,000,000  | 50,000,000  | 88,000,000   | 50,000,000   | 55,000,000  |
| Cash payments from borrowings  | (38,700,000)  | (48,200,000)  | (130,000,000)  | (52,000,000)   | (86,000,000)  |
| Cash dividends paid to shareholders  | (12,544,037)  | (12,897,461)  | (22,328,536)   | (6,210,627)  | (8,517,697)   |
| Increase in bank overdraft   | (926,999)   |   |  |  |   |
| Cash used for financing activities   | (14,171,036)  | (11,097,461)  | (64,328,536)   | (8,210,627)  | (39,517,697)  |
| <b>Cash Impact from Foreign Exchange Fluctuations</b>  |   |   |  |  |   |
| Cash impact from foreign exchange fluctuations   | (1)   | (8,037)   | 149,502  | 13,521   |   |



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| <b>Cash</b>                                    |              |              |              |              |           |
|--|--------------|--------------|--------------|--------------|-----------|
| Net increase (decrease) in cash                | 2,254,907    | 796,258      | 2,244,758    | 1,999,590    | (109,103) |
| Cash and foreign currency at beginning of year | 66,910       | 217,437      | 958,345      | 255,185      | 122,423   |
| Cash and foreign currency at end of year       | \$ 2,321,817 | \$ 1,013,695 | \$ 3,203,103 | \$ 2,254,775 | \$ 13,320 |

| <b>Cash Flow Information</b> |            |            |            |            |            |
|------------------------------|------------|------------|------------|------------|------------|
| Cash paid for interest       | \$ 232,349 | \$ 260,441 | \$ 373,709 | \$ 125,406 | \$ 191,087 |

| <b>Noncash Financing Activities:</b>                                    |         |        |
|---|---------|--------|
| Capital shares issued in reinvestment of dividends paid to shareholders | 241,282 | 15,864 |

A Statement of Cash Flows is presented when a Fund had a significant amount of borrowing during the period, based on the average borrowings outstanding in relation to average total assets.

See Notes to Financial Statements.

## Financial Highlights

## BlackRock Corporate High Yield Fund, Inc. (COY)

|   | Six Months<br>Ended<br>August 31,<br>2009<br>(Unaudited) | Period<br>June 1,<br>2008 to<br>February 28,<br>2009 | Year Ended May 31, |            |            |            |            |
|---|--|--|--------------------|------------|------------|------------|------------|
|   |  |  | 2008               | 2007       | 2006       | 2005       | 2004       |
| <b>Per Share Operating Performance</b>  |  |  |                    |            |            |            |            |
| Net asset value, beginning of period  | \$ 4.19  | \$ 7.74  | \$ 9.07            | \$ 8.52    | \$ 8.53    | \$ 8.48    | \$ 8.01    |
| Net investment income <sup>1</sup>  | 0.33   | 0.50   | 0.75               | 0.73       | 0.74       | 0.87       | 0.91       |
| Net realized and unrealized gain (loss)   | 1.70   | (3.50)   | (1.32)             | 0.49       | 0.02       | 0.07       | 0.56       |
| Net increase (decrease) from investment operations                                  | 2.03   | (3.00)   | (0.57)             | 1.22       | 0.76       | 0.94       | 1.47       |
| Dividends from net investment income  | (0.37)   | (0.55)   | (0.76)             | (0.67)     | (0.77)     | (0.89)     | (1.00)     |
| Net asset value, end of period  | \$ 5.85  | \$ 4.19  | \$ 7.74            | \$ 9.07    | \$ 8.52    | \$ 8.53    | \$ 8.48    |
| Market price, end of period   | \$ 6.06  | \$ 3.91  | \$ 7.28            | \$ 8.47    | \$ 7.42    | \$ 8.46    | \$ 8.23    |
| <b>Total Investment Return<sup>2</sup></b>  |  |  |                    |            |            |            |            |
| Based on net asset value  | 49.85% <sup>3</sup>                                      | (38.98)% <sup>3</sup>                                | (5.49)%            | 15.60%     | 9.75%      | 11.31%     | 18.65%     |
| Based on market price   | 66.35% <sup>3</sup>                                      | (39.46)% <sup>3</sup>                                | (4.81)%            | 23.96%     | (3.63)%    | 13.75%     | 6.75%      |
| <b>Ratios to Average Net Assets</b>   |  |  |                    |            |            |            |            |
| Total expenses  | 1.27% <sup>4</sup>                                       | 2.29% <sup>4</sup>                                   | 2.33%              | 3.25%      | 2.39%      | 1.69%      | 1.39%      |
| Total expenses after fees waived and paid indirectly                                | 1.27% <sup>4</sup>                                       | 2.29% <sup>4</sup>                                   | 2.33%              | 3.25%      | 2.39%      | 1.69%      | 1.39%      |
| Total expenses after fees waived and paid indirectly and excluding interest expense | 0.97% <sup>4</sup>                                       | 1.17% <sup>4</sup>                                   | 0.83%              | 0.91%      | 0.90%      | 0.87%      | 0.91%      |
| Net investment income   | 13.08% <sup>4</sup>                                      | 11.45% <sup>4</sup>                                  | 9.15%              | 8.36%      | 8.55%      | 9.85%      | 10.72%     |
| <b>Supplemental Data</b>  |  |  |                    |            |            |            |            |
| Net assets, end of period (000)   | \$ 202,650   | \$ 144,800   | \$ 267,698         | \$ 313,821 | \$ 294,759 | \$ 294,218 | \$ 291,654 |

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|  |    |        |    |        |    |        |    |         |    |         |    |         |    |         |
|--|----|--------|----|--------|----|--------|----|---------|----|---------|----|---------|----|---------|
| Amount of loan outstanding, end of period (000)            | \$ | 38,000 | \$ | 38,700 | \$ | 64,700 | \$ | 126,200 | \$ | 127,700 | \$ | 100,600 | \$ | 100,400 |
| Average amount of loan outstanding during the period (000) | \$ | 40,999 | \$ | 59,553 | \$ | 81,598 | \$ | 125,974 | \$ | 101,539 | \$ | 104,938 | \$ | 101,764 |
| Portfolio turnover   |    | 41%    |    | 37%    |    | 38%    |    | 62%     |    | 57%     |    | 57%     |    | 83%     |
| Asset coverage, end of period per \$1,000                  | \$ | 6,333  | \$ | 4,742  | \$ | 5,138  | \$ | 3,487   | \$ | 3,308   | \$ | 3,925   | \$ | 3,905   |

<sup>1</sup> Based on average shares outstanding.

<sup>2</sup> Total investment returns based on market value, which can be significantly greater or lesser than the net asset value, may result in substantially different returns. Where applicable, total investment returns exclude the effects of any sales charges and include the reinvestment of dividends and distributions.

<sup>3</sup> Aggregate total investment return.

<sup>4</sup> Annualized.

See Notes to Financial Statements.

## Financial Highlights

## BlackRock Corporate High Yield Fund III, Inc. (CYE)

|   | Six Months<br>Ended<br>August 31,<br>2009<br>(Unaudited) | Period<br>June 1,<br>2008 to<br>February 28,<br>2009 | Year Ended May 31, |         |         |         |                   |
|---|--|--|--------------------|---------|---------|---------|-------------------|
|   |  |  | 2008               | 2007    | 2006    | 2005    | 2004              |
| <b>Per Share Operating Performance</b>  |  |  |                    |         |         |         |                   |
| Net asset value, beginning of period  | \$ 4.05  | \$ 7.62  | \$ 8.99            | \$ 8.46 | \$ 8.46 | \$ 8.43 | \$ 7.86           |
| Net investment income <sup>1</sup>  | 0.32   | 0.50   | 0.73               | 0.71    | 0.72    | 0.85    | 0.88              |
| Net realized and unrealized gain (loss)   | 1.75   | (3.51)   | (1.33)             | 0.49    | 0.02    | 0.07    | 0.58              |
| Net increase (decrease) from investment operations                                  | 2.07   | (3.01)   | (0.60)             | 1.20    | 0.74    | 0.92    | 1.46              |
| Dividends from net investment income  | (0.35)   | (0.56)   | (0.77)             | (0.67)  | (0.74)  | (0.89)  | (0.89)            |
| Capital charges with respect to issuance of Common Shares                           |  |  |                    |         |         |         | 0.00 <sub>2</sub> |
| Net asset value, end of period  | \$ 5.77  | \$ 4.05  | \$ 7.62            | \$ 8.99 | \$ 8.46 | \$ 8.46 | \$ 8.43           |
| Market price, end of period   | \$ 5.62  | \$ 3.57  | \$ 7.03            | \$ 8.53 | \$ 7.36 | \$ 8.38 | \$ 7.97           |
| <b>Total Investment Return<sup>3</sup></b>  |  |  |                    |         |         |         |                   |
| Based on net asset value  | 52.83% <sup>4</sup>                                      | (39.69)% <sup>4</sup>                                | (5.69)%            | 15.51%  | 9.78%   | 11.24%  | 19.33%            |
| Based on market price   | 68.87% <sup>4</sup>                                      | (42.38)% <sup>4</sup>                                | (8.30)%            | 25.98%  | (3.59)% | 16.55%  | 6.07%             |
| <b>Ratios to Average Net Assets</b>   |  |  |                    |         |         |         |                   |
| Total expenses  | 1.43% <sup>5</sup>                                       | 2.45% <sup>5</sup>                                   | 2.47%              | 3.38%   | 2.49%   | 1.81%   | 1.51%             |
| Total expenses after fees waived and paid indirectly                                | 1.43% <sup>5</sup>                                       | 2.45% <sup>5</sup>                                   | 2.47%              | 3.38%   | 2.49%   | 1.81%   | 1.51%             |
| Total expenses after fees waived and paid indirectly and excluding interest expense | 1.10% <sup>5</sup>                                       | 1.29% <sup>5</sup>                                   | 0.96%              | 1.04%   | 1.00%   | 0.99%   | 1.01%             |
| Net investment income   | 13.13% <sup>5</sup>                                      | 11.80% <sup>5</sup>                                  | 9.01%              | 8.25%   | 8.45%   | 9.71%   | 10.48%            |

**Supplemental Data**

|  |    |         |    |         |    |         |    |         |    |         |    |         |    |         |
|--|----|---------|----|---------|----|---------|----|---------|----|---------|----|---------|----|---------|
| Net assets, end of period (000)                            | \$ | 215,345 | \$ | 151,261 | \$ | 284,361 | \$ | 335,479 | \$ | 315,699 | \$ | 315,626 | \$ | 313,583 |
| Amount of loan outstanding, end of period (000)            | \$ | 46,000  | \$ | 44,200  | \$ | 71,700  | \$ | 129,700 | \$ | 141,000 | \$ | 107,800 | \$ | 109,600 |
| Average amount of loan outstanding during the period (000) | \$ | 46,385  | \$ | 65,500  | \$ | 88,466  | \$ | 134,704 | \$ | 109,144 | \$ | 112,501 | \$ | 112,297 |
| Portfolio turnover   |    | 40%     |    | 37%     |    | 38%     |    | 62%     |    | 56%     |    | 55%     |    | 83%     |
| Asset coverage, end of period per \$1,000                  | \$ | 5,861   | \$ | 4,422   | \$ | 4,966   | \$ | 3,587   | \$ | 3,239   | \$ | 3,928   | \$ | 3,861   |

<sup>1</sup> Based on average shares outstanding.

<sup>2</sup> Amount is less than \$0.01 per share.

<sup>3</sup> Total investment returns based on market value, which can be significantly greater or lesser than the net asset value, may result in substantially different returns. Where applicable, total investment returns exclude the effects of any sales charges and include the reinvestment of dividends and distributions.

<sup>4</sup> Aggregate total investment return.

<sup>5</sup> Annualized.

See Notes to Financial Statements.

## Financial Highlights

BlackRock Debt Strategies Fund, Inc. (DSU)

|   | Six Months<br>Ended<br>August 31,<br>2009<br>(Unaudited) | Year<br>Ended<br>February 28,<br>2009 | Year<br>Ended<br>February 29,<br>2008 | Year Ended February 28, |            |            |
|---|--|---------------------------------------|---------------------------------------|-------------------------|------------|------------|
|   |  |                                       |                                       | 2007                    | 2006       | 2005       |
| <b>Per Share Operating Performance</b>                          |  |                                       |                                       |                         |            |            |
| Net asset value, beginning of period                            | \$ 2.35  | \$ 5.57                               | \$ 7.01                               | \$ 6.69                 | \$ 7.06    | \$ 6.71    |
| Net investment income <sup>1</sup>                              | 0.20   | 0.52                                  | 0.66                                  | 0.68                    | 0.63       | 0.67       |
| Net realized and unrealized gain (loss)                         | 0.97   | (3.12)                                | (1.43)                                | 0.28                    | (0.35)     | 0.34       |
| Net increase (decrease) from investment operations              | 1.17   | (2.60)                                | (0.77)                                | 0.96                    | 0.28       | 1.01       |
| Dividends from net investment income                            | (0.21)   | (0.62)                                | (0.67)                                | (0.64)                  | (0.65)     | (0.66)     |
| Net asset value, end of period                                  | \$ 3.31  | \$ 2.35                               | \$ 5.57                               | \$ 7.01                 | \$ 6.69    | \$ 7.06    |
| Market price, end of period                                     | \$ 3.35  | \$ 2.07                               | \$ 5.43                               | \$ 7.28                 | \$ 6.77    | \$ 6.71    |
| <b>Total Investment Return<sup>2</sup></b>                      |  |                                       |                                       |                         |            |            |
| Based on net asset value  | 51.87% <sup>3</sup>                                      | (50.19)%                              | (11.72)%                              | 15.35%                  | 4.57%      | 15.95%     |
| Based on market price   | 74.49% <sup>3</sup>                                      | (54.99)%                              | (17.13)%                              | 18.37%                  | 11.34%     | 10.53%     |
| <b>Ratios to Average Net Assets</b>                             |  |                                       |                                       |                         |            |            |
| Total expenses  | 1.36% <sup>4</sup>                                       | 2.42%                                 | 3.13%                                 | 3.16%                   | 2.63%      | 1.83%      |
| Total expenses after fees waived                                | 1.36% <sup>4</sup>                                       | 2.42%                                 | 3.13%                                 | 3.16%                   | 2.63%      | 1.83%      |
| Total expenses after fees waived and excluding interest expense | 1.10% <sup>4</sup>                                       | 1.20%                                 | 0.99%                                 | 0.99%                   | 1.02%      | 1.02%      |
| Net investment income   | 14.31% <sup>4</sup>                                      | 11.79%                                | 9.90%                                 | 9.97%                   | 9.55%      | 9.84%      |
| <b>Supplemental Data</b>  |  |                                       |                                       |                         |            |            |
| Net assets, end of period (000)                                 | \$ 355,593   | \$ 252,080                            | \$ 594,204                            | \$ 745,944              | \$ 708,411 | \$ 745,256 |

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|  |           |            |            |            |            |            |
|--|-----------|------------|------------|------------|------------|------------|
| Amount of loan outstanding, end of period (000)            | \$ 48,000 | \$ 90,000  | \$ 199,000 | \$ 298,600 | \$ 259,900 | \$ 298,400 |
| Average amount of loan outstanding during the period (000) | \$ 59,497 | \$ 163,286 | \$ 272,846 | \$ 283,906 | \$ 294,371 | \$ 304,549 |
| Portfolio turnover   | 32%       | 44%        | 51%        | 65%        | 46%        | 60%        |
| Asset coverage, end of period per \$1,000                  | \$ 8,408  | \$ 3,801   | \$ 3,986   | \$ 3,498   | \$ 3,726   | \$ 3,498   |

<sup>1</sup> Based on average shares outstanding.

<sup>2</sup> Total investment returns based on market value, which can be significantly greater or lesser than the net asset value, may result in substantially different returns. Where applicable, total investment returns exclude the effects of any sales charges and include the reinvestment of dividends and distributions.

<sup>3</sup> Aggregate total investment return.

<sup>4</sup> Annualized.

See Notes to Financial Statements.

## Financial Highlights

## BlackRock Floating Rate Income Strategies Fund II Inc. (FRB)

|   | Six Months<br>Ended<br>August 31,<br>2009<br>(Unaudited) | Year<br>Ended<br>February 28,<br>2009 | Year<br>Ended<br>February 29,<br>2008 | Year Ended<br>February 28, |          | Period<br>July 30,<br>2004 <sup>1</sup> to<br>February 28,<br>2005 |
|---|--|---------------------------------------|---------------------------------------|----------------------------|----------|--|
|   |  |                                       |                                       | 2007                       | 2006     |  |
| <b>Per Share Operating Performance</b>  |  |                                       |                                       |                            |          |  |
| Net asset value, beginning of period  | \$ 8.92  | \$ 16.06                              | \$ 19.28                              | \$ 19.39                   | \$ 19.74 | \$ 19.10   |
| Net investment income <sup>2</sup>  | 0.48   | 1.37                                  | 1.55                                  | 1.55                       | 1.33     | 0.58   |
| Net realized and unrealized gain (loss)   | 3.21   | (6.98)                                | (3.27)                                | (0.12)                     | (0.31)   | 0.57   |
| Net increase (decrease) from investment operations                                  | 3.69   | (5.61)                                | (1.72)                                | 1.43                       | 1.02     | 1.15   |
| Dividends and distributions to shareholders from:                                   |  |                                       |                                       |                            |          |  |
| Net investment income   | (0.59)   | (1.53)                                | (1.50)                                | (1.54)                     | (1.27)   | (0.47)   |
| Net realized gain   |  |                                       |                                       |                            | (0.10)   | (0.01)   |
| Total dividends and distributions   | (0.59)   | (1.53)                                | (1.50)                                | (1.54)                     | (1.37)   | (0.48)   |
| Capital charges resulting from issuance of Common Shares                            |  |                                       |                                       |                            |          | (0.03)   |
| Net asset value, end of period  | \$ 12.02   | \$ 8.92                               | \$ 16.06                              | \$ 19.28                   | \$ 19.39 | \$ 19.74   |
| Market price, end of period   | \$ 11.45   | \$ 8.28                               | \$ 14.75                              | \$ 18.50                   | \$ 17.76 | \$ 19.44   |
| <b>Total Investment Return<sup>3</sup></b>  |  |                                       |                                       |                            |          |  |
| Based on net asset value  | 42.76% <sup>4</sup>                                      | (36.46)%                              | (8.98)%                               | 8.31%                      | 6.07%    | 5.97% <sup>4</sup>   |
| Based on market price   | 46.51% <sup>4</sup>                                      | (35.78)%                              | (12.88)%                              | 13.47%                     | (1.35)%  | (0.34)% <sup>4</sup>   |
| <b>Ratios to Average Net Assets</b>   |  |                                       |                                       |                            |          |  |
| Total expenses  | 1.56% <sup>5</sup>                                       | 2.48%                                 | 2.78%                                 | 2.87%                      | 2.46%    | 1.48% <sup>5</sup>   |
| Total expenses after fees waived and paid indirectly                                | 1.56% <sup>5</sup>                                       | 2.48%                                 | 2.78%                                 | 2.87%                      | 2.46%    | 1.30% <sup>5</sup>   |
| Total expenses after fees waived and paid indirectly and excluding interest expense | 1.31% <sup>5</sup>                                       | 1.38%                                 | 1.20%                                 | 1.22%                      | 1.25%    | 0.92% <sup>5</sup>   |



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|                       |                    |        |       |       |       |                    |
|-----------------------|--------------------|--------|-------|-------|-------|--------------------|
| Net investment income | 9.11% <sup>5</sup> | 10.08% | 8.39% | 8.03% | 6.88% | 5.11% <sup>5</sup> |
|-----------------------|--------------------|--------|-------|-------|-------|--------------------|

**Supplemental Data**

|  |            |           |            |            |            |            |
|--|------------|-----------|------------|------------|------------|------------|
| Net assets, end of period (000)                            | \$ 126,197 | \$ 93,656 | \$ 168,553 | \$ 202,364 | \$ 203,557 | \$ 207,255 |
| Amount of loan outstanding, end of period (000)            | \$ 24,000  | \$ 26,000 | \$ 50,000  | \$ 47,000  | \$ 61,400  | \$ 60,300  |
| Average amount of loan outstanding during the period (000) | \$ 21,639  | \$ 45,165 | \$ 55,269  | \$ 61,022  | \$ 63,725  | \$ 29,072  |
| Portfolio turnover   | 38%        | 47%       | 65%        | 65%        | 72%        | 30%        |
| Asset coverage, end of period per \$1,000                  | \$ 6,258   | \$ 4,602  | \$ 4,371   | \$ 5,306   | \$ 4,315   | \$ 4,437   |

<sup>1</sup> Commencement of operations.

<sup>2</sup> Based on average shares outstanding.

<sup>3</sup> Total investment returns based on market value, which can be significantly greater or lesser than the net asset value, may result in substantially different returns. Where applicable, total investment returns exclude the effects of any sales charges and include the reinvestment of dividends and distributions.

<sup>4</sup> Aggregate total investment return.

<sup>5</sup> Annualized.

See Notes to Financial Statements.

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## Financial Highlights

## BlackRock Senior High Income Fund, Inc. (ARK)

|   | Six Months<br>Ended<br>August 31,<br>2009<br>(Unaudited) | Year<br>Ended<br>February 28,<br>2009 | Year<br>Ended<br>February 29,<br>2008 | Year Ended February 28, |         |         |
|---|--|---------------------------------------|---------------------------------------|-------------------------|---------|---------|
|   |  |                                       |                                       | 2007                    | 2006    | 2005    |
| <b>Per Share Operating Performance</b>                          |  |                                       |                                       |                         |         |         |
| Net asset value, beginning of period                            | \$ 2.54  | \$ 5.04                               | \$ 6.17                               | \$ 6.00                 | \$ 6.28 | \$ 6.10 |
| Net investment income <sup>1</sup>                              | 0.19   | 0.41                                  | 0.54                                  | 0.57                    | 0.55    | 0.57    |
| Net realized and unrealized gain (loss)                         | 0.89   | (2.43)                                | (1.11)                                | 0.16                    | (0.27)  | 0.16    |
| Net increase (decrease) from investment operations              | 1.08   | (2.02)                                | (0.57)                                | 0.73                    | 0.28    | 0.73    |
| Dividends and distributions to shareholders from:               |  |                                       |                                       |                         |         |         |
| Net investment income   | (0.15)   | (0.43)                                | (0.56)                                | (0.56)                  | (0.56)  | (0.55)  |
| Tax return of capital   |  | (0.05)                                |                                       |                         |         |         |
| Total dividends and distributions                               | (0.15)   | (0.48)                                | (0.56)                                | (0.56)                  | (0.56)  | (0.55)  |
| Net asset value, end of period                                  | \$ 3.47  | \$ 2.54                               | \$ 5.04                               | \$ 6.17                 | \$ 6.00 | \$ 6.28 |
| Market price, end of period                                     | \$ 3.18  | \$ 2.21                               | \$ 4.91                               | \$ 6.53                 | \$ 5.88 | \$ 6.21 |
| <b>Total Investment Return<sup>2</sup></b>                      |  |                                       |                                       |                         |         |         |
| Based on net asset value  | 43.72% <sup>3</sup>                                      | (42.15)%                              | (9.76)%                               | 12.82%                  | 5.07%   | 12.88%  |
| Based on market price   | 51.37% <sup>3</sup>                                      | (48.33)%                              | (16.94)%                              | 21.84%                  | 4.13%   | 11.44%  |
| <b>Ratios to Average Net Assets</b>                             |  |                                       |                                       |                         |         |         |
| Total expenses  | 1.21% <sup>4</sup>                                       | 2.24%                                 | 2.70%                                 | 3.03%                   | 2.39%   | 1.69%   |
| Total expenses after fees waived                                | 1.21% <sup>4</sup>                                       | 2.24%                                 | 2.70%                                 | 3.03%                   | 2.39%   | 1.69%   |
| Total expenses after fees waived and excluding interest expense | 0.98% <sup>4</sup>                                       | 1.05%                                 | 0.86%                                 | 0.90%                   | 0.91%   | 0.91%   |
| Net investment income   | 12.28% <sup>4</sup>                                      | 9.96%                                 | 9.16%                                 | 9.42%                   | 9.23%   | 9.28%   |

**Supplemental Data**

|  |            |            |            |            |            |            |
|--|------------|------------|------------|------------|------------|------------|
| Net assets, end of period (000)                            | \$ 196,313 | \$ 143,643 | \$ 284,692 | \$ 347,449 | \$ 335,690 | \$ 349,791 |
| Amount of loan outstanding, end of period (000)            | \$ 16,000  | \$ 47,000  | \$ 91,500  | \$ 132,000 | \$ 141,700 | \$ 147,500 |
| Average amount of loan outstanding during the period (000) | \$ 29,913  | \$ 79,422  | \$ 109,978 | \$ 131,575 | \$ 128,461 | \$ 137,934 |
| Portfolio turnover   | 35%        | 49%        | 48%        | 62%        | 48%        | 54%        |
| Asset coverage, end of period per \$1,000                  | \$ 13,270  | \$ 4,056   | \$ 4,112   | \$ 3,632   | \$ 3,369   | \$ 3,371   |

<sup>1</sup> Based on average shares outstanding.

<sup>2</sup> Total investment returns based on market value, which can be significantly greater or lesser than the net asset value, may result in substantially different returns. Where applicable, total investment returns exclude the effects of any sales charges and include the reinvestment of dividends and distributions.

<sup>3</sup> Aggregate total investment return.

<sup>4</sup> Annualized.

See Notes to Financial Statements.

## Notes to Financial Statements (Unaudited)

**1. Organization and Significant Accounting Policies:**

BlackRock Corporate High Yield Fund, Inc. ( COY ), BlackRock Corporate High Yield Fund III, Inc. ( CYE ), BlackRock Debt Strategies Fund, Inc. ( DSU ) and BlackRock Floating Rate Income Strategies Fund II, Inc. ( FRB ) (the Funds or individually as the Fund ) are registered under the investment Company Act of 1940, as amended (the 1940 Act ), as diversified, closed-end management investment companies. BlackRock Senior High Income Fund, Inc. ( ARK ) is registered under the 1940 Act as a non-diversified, closed-end management investment company. Each of the Funds is organized as a Maryland corporation. The Funds' financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, which may require the use of management accruals and estimates. Actual results may differ from these estimates. The Funds determine and make available for publication the net asset values of their Common Shares on a daily basis.

The following is a summary of significant accounting policies followed by the Funds:

**Valuation of Investments:** The Funds value their bond investments on the basis of last available bid prices or current market quotations provided by dealers or pricing services selected under the supervision of each Fund's Board of Directors (the Board ). Floating rate loan interests are valued at the mean between the last available bid prices from one or more brokers or dealers as obtained from a pricing service. In determining the value of a particular investment, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, pricing matrixes, market transactions in comparable investments, various relationships observed in the market between investments and calculated yield measures based on valuation technology commonly employed in the market for such investments. Swap agreements are valued utilizing quotes received daily by the Funds' pricing service or through brokers which are derived using daily swap curves and trades of underlying securities. Short-term securities with maturities less than 60 days may be valued at amortized cost, which approximates fair value. The Funds value their investments in Cash Sweep Series, each of BlackRock Liquidity Series, LLC at fair value, which is ordinarily based upon their pro-rata ownership in the net assets of the underlying fund.

Equity investments traded on a recognized securities exchange or the NASDAQ Global Market System are valued at the last reported sale price that day or the NASDAQ official closing price, if applicable. For equity investments traded on more than one exchange, the last reported sale price on the exchange where the stock is primarily traded is used. Equity investments traded on a recognized exchange for which there were no sales on that day are valued at the last available bid price. If no bid price is available, the prior day's price will be used, unless it is determined that such prior day's price no longer reflects the fair value of the security.

Exchange-traded options are valued at the mean between the last bid and ask prices at the close of the options market in which the options trade. An exchange-traded option for which there is no mean price is valued at the last bid price. If no bid price is available, the prior day's price will be used, unless it is determined that such prior day's price no longer reflects the fair value of the option. Over-the-counter ( OTC ) options are valued by an independent pricing service using a mathematical model which incorporates a number of market data factors, such as the trades and prices of the underlying securities.

In the event that application of these methods of valuation results in a price for an investment which is deemed not to be representative of the market value of such investment or are not available, the investment will be valued by a method approved by the Board as reflecting fair value ( Fair Value Assets ). When determining the price for Fair Value Assets, the investment advisor and/or sub-advisor seeks to determine the price that the Funds might reasonably expect to receive from the current sale of that asset in an arm's-length transaction. Fair value determinations shall be based upon all available factors that the investment advisor and/or sub-advisor deems relevant. The pricing of all Fair Value Assets is subsequently reported to the Board or a committee thereof.

Generally, trading in foreign securities is substantially completed each day at various times prior to the close of business on the New York Stock Exchange ( NYSE ). The values of such securities used in computing the net assets of each Fund are determined as of such times. Foreign currency exchange rates will be determined as of the close of business on the NYSE. Occasionally, events affecting the values of such securities and such exchange rates may occur between the times at which they are determined and the close of business on the NYSE that may not be reflected in the computation of the Fund's net assets. If events (for example, a company announcement, market volatility or a natural disaster) occur during such periods that are expected to materially affect the value of such securities, those securities will be valued at their fair value as determined in good faith by the Board or by the investment advisor using a pricing service and/or procedures approved by the Board. Foreign currency exchange contracts are valued at the mean between the bid and ask prices. Interpolated values are derived when the settlement date of the contract is an interim date for which quotations are not available.

**Foreign Currency Transactions:** Foreign currency amounts are translated into United States dollars on the following basis: (i) market value of investment securities, assets and liabilities at the current rate of exchange; and (ii) purchases and sales of investment securities, income and expenses at the rates of exchange prevailing on the respective dates of such transactions.

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The Funds report foreign currency related transactions as components of realized gains for financial reporting purposes, whereas such components are treated as ordinary income for federal income tax purposes.

**Capital Trusts:** These securities are typically issued by corporations, generally in the form of interest-bearing notes with preferred securities characteristics, or by an affiliated business trust of a corporation, generally in the form of beneficial interests in subordinated debentures or similarly structured securities. The securities can be structured as either fixed or adjustable coupon securities that can have either a perpetual or stated maturity date. Dividends can be deferred without creating an event of default or acceleration, although maturity cannot take place unless all cumulative payment obligations have been met. The deferral of payments does not affect the purchase or sale of these securities in the open market. Payments on these securities are treated as interest rather than dividends for Federal income tax purposes. These securities can have a rating that is slightly below that of the issuing company's senior debt securities.

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## Notes to Financial Statements (continued)

**Preferred Stock:** Certain Funds may invest in preferred stocks. Preferred stock has a preference over common stock in liquidation (and generally in receiving dividends as well) but is subordinated to the liabilities of the issuer in all respects. As a general rule, the market value of preferred stock with a fixed dividend rate and no conversion element varies inversely with interest rates and perceived credit risk, while the market price of convertible preferred stock generally also reflects some element of conversion value. Because preferred stock is junior to debt securities and other obligations of the issuer, deterioration in the credit quality of the issuer will cause greater changes in the value of a preferred stock than in a more senior debt security with similar stated yield characteristics. Unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Preferred stock also may be subject to optional or mandatory redemption provisions.

**Floating Rate Loans:** The Funds may invest in floating rate loans, which are generally non-investment grade, made by banks, other financial institutions and privately and publicly offered corporations. Floating rate loans are senior in the debt structure of a corporation. Floating rate loans generally pay interest at rates that are periodically determined by reference to a base lending rate plus a premium. The base lending rates are generally (i) the lending rate offered by one or more European banks, such as LIBOR (London InterBank Offered Rate), (ii) the prime rate offered by one or more US banks or (iii) the certificate of deposit rate. The Funds consider these investments to be investments in debt securities for purposes of their investment policies.

The Funds earn and/or pay facility and other fees on floating rate loans. Other fees earned/paid include commitment, amendment, consent, commissions and prepayment penalty fees. Facility, amendment and consent fees are typically amortized as premium and/or accreted as discount over the term of the loan. Commitment, commission and various other fees are recorded as income. Prepayment penalty fees are recognized on the accrual basis. When a Fund buys a floating rate loan it may receive a facility fee and when it sells a floating rate loan it may pay a facility fee. On an ongoing basis, the Funds may receive a commitment fee based on the undrawn portion of the underlying line of credit portion of a floating rate loan. In certain circumstances, the Funds may receive a prepayment penalty fee upon the prepayment of a floating rate loan by a borrower. Other fees received by the Funds may include covenant waiver fees and covenant modification fees.

The Funds may invest in multiple series or tranches of a loan. A different series or tranche may have varying terms and carry different associated risks.

Floating rate loans are usually freely callable at the issuer's option. The Funds may invest in such loans in the form of participations in loans (Participations) and assignments of all or a portion of loans from third parties. Participations typically will result in the Funds having a contractual relationship only with the lender, not with the borrower. The Funds will have the right to receive payments of principal, interest and any fees to which they are entitled only from the lender selling the Participation and only upon receipt by the lender of the payments from the borrower.

In connection with purchasing Participations, the Funds generally will have no right to enforce compliance by the borrower with the terms of the loan agreement relating to the loans, nor any rights of offset against the borrower, and the Funds may not benefit directly from any collateral supporting the loan in which it has purchased the Participation.

As a result, the Funds will assume the credit risk of both the borrower and the lender that is selling the Participation. The Funds' investments in loan participation interests involve the risk of insolvency of the financial intermediaries who are parties to the transactions. In the event of the insolvency of the lender selling the Participation, the Funds may be treated as general creditor of the lender and may not benefit from any offset between the lender and the borrower.

**Zero-Coupon Bonds:** Certain Funds may invest in zero-coupon bonds, which are normally issued at a significant discount from face value and do not provide for periodic interest payments. Zero-coupon bonds may experience greater volatility in market value than similar maturity debt obligations which provide for regular interest payments.

**Segregation and Collateralization:** In cases in which the 1940 Act and the interpretive positions of the Securities and Exchange Commission (SEC) require that each Fund either delivers collateral or segregates assets in connection with certain investments (e.g., foreign currency exchange contracts and swaps) each Fund will, consistent with SEC rules and/or certain interpretive letters issued by the SEC, segregate collateral or designate on its books and records cash or other liquid securities having a market value at least equal to the amount that would otherwise be required to be physically segregated. Furthermore, based on requirements and agreements with certain exchanges and third party broker-dealers, each party has requirements to deliver/deposit securities as collateral for certain investments (e.g., swaps). As part of these agreements, when the value of these investments achieves a previously agreed upon value (minimum transfer amount), each party may be

required to deliver additional collateral.

**Investment Transactions and Investment Income:** For financial reporting purposes, investment transactions are recorded on the dates the transactions are entered into (the trade dates). Realized gains and losses on security transactions are determined on the identified cost basis. Dividend income is recorded on the ex-dividend dates. Interest income is recorded on the accrual basis. Each Fund amortizes all premiums and discounts on debt securities.

**Dividends and Distributions:** Dividends from net investment income are declared and paid monthly. Distributions of capital gains are recorded on the ex-dividend dates. If the total dividends and distributions made in any tax year exceed net investment income and accumulated realized capital gains, a portion of the total distribution may be treated as a tax return of capital.

**Income Taxes:** It is each Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable income to its shareholders. Therefore, no federal income tax provision is required. Under the applicable foreign tax laws, a withholding tax may be imposed on interest, dividends and capital gains at various rates.

Each Fund files US federal and various state and local tax returns. No income tax returns are currently under examination. The statute of limitations on the Funds' US federal tax returns remains open for each of the three years

## Notes to Financial Statements (continued)

ended May 31, 2008 and the period ended February 28, 2009 for Corporate High Yield and Corporate High Yield III, and for each of the four years ended February 28, 2009 for Debt Strategies, Floating Rate Income Strategies II and Senior High Income. The statutes of limitations on the Funds' state and local tax returns may remain open for an additional year depending upon the jurisdiction.

**Recent Accounting Pronouncement:** In June 2009, Statement of Financial Accounting Standards No. 166, Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140 (FAS 166), was issued. FAS 166 is intended to improve the relevance, representational faithfulness and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. FAS 166 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2009. Earlier application is prohibited. The recognition and measurement provisions of FAS 166 must be applied to transfers occurring on or after the effective date. Additionally, the disclosure provisions of FAS 166 should be applied to transfers that occurred both before and after the effective date of FAS 166. The impact of FAS 166 on the Funds' financial statement disclosures, if any, is currently being assessed.

**Deferred Compensation and BlackRock Closed-End Share Equivalent Investment Plan:** Under the deferred compensation plan approved by each Fund's Board, non-interested Directors (Independent Directors) may defer a portion of their annual complex-wide compensation. Deferred amounts earn an approximate return as though equivalent dollar amounts have been invested in common shares of other certain BlackRock Closed-End Funds selected by the Independent Directors. This has approximately the same economic effect for the Independent Directors as if the Independent Directors had invested the deferred amounts directly in other certain BlackRock Closed-End Funds.

The deferred compensation plan is not funded and obligations thereunder represent general unsecured claims against the general assets of each Fund. Each Fund may, however, elect to invest in Common Shares of other certain BlackRock Closed-End Funds selected by the Independent Directors in order to match its deferred compensation obligations. Investments to cover each Fund's deferred compensation liability, if any, are included in other assets in the Statements of Assets and Liabilities. Dividends and distributions from the BlackRock Closed-End Fund investments under the plan are included in income affiliated in the Statements of Operations.

**Other:** Expenses directly related to a Fund are charged to that Fund. Other operating expenses shared by several funds are pro-rated among those funds on the basis of relative net assets or other appropriate methods.

## 2. Derivative Financial Instruments:

The Funds may engage in various portfolio investment strategies both to increase the returns of the Funds and to economically hedge, or protect, their exposure to certain risks such as credit risk, equity risk, interest rate risk and foreign currency exchange rate risk. Losses may arise if the value of the contract decreases due to an unfavorable change in the value of the underlying security or if the counterparty does not perform under the contract. The Funds may mitigate counterparty risk through master netting agreements included within an International Swap and Derivatives Association, Inc. (ISDA) Master Agreement between a Fund and each of its counterparties. The ISDA Master Agreement allows each Fund to offset with its counterparty certain derivative financial instrument's payables and/or receivables with collateral held with each counterparty. The amount of collateral moved to/from applicable counterparties is based upon minimum transfer amounts of up to \$500,000. To the extent amounts due to the Funds from their counterparties are not fully collateralized contractually or otherwise, the Funds bear the risk of loss from counterparty non-performance. See Note 1 Segregation and Collateralization for information with respect to collateral practices.

The Funds' maximum risk of loss from counterparty credit risk on over-the-counter derivatives is generally the aggregate unrealized gain in excess of any collateral pledged by the counterparty to the Funds. For over-the-counter purchased options, the Funds bear the risk of loss in the amount of the premiums paid and change in market value of the options should the counterparty not perform under the contracts. Options written by the Funds do not give rise to counterparty credit risk, as written options obligate the Funds to perform and not the counterparty. Certain ISDA Master Agreements allow counterparties to over-the-counter derivatives to terminate derivative contracts prior to maturity in the event a Fund's net assets decline by a stated percentage or a Fund fails to meet the terms of its ISDA Master Agreements, which would cause the Fund to accelerate payment of any net liability owed to the counterparty. Counterparty risk related to exchange-traded options is minimal because of the protection against defaults provided by the exchange on which they trade.

**Foreign Currency Exchange Contracts:** The Funds may enter into foreign currency exchange contracts as an economic hedge against either specific transactions or portfolio positions (foreign currency exchange rate risk). A foreign currency exchange contract is an agreement between two parties to buy and sell a currency at a set exchange rate on a future date. Foreign currency exchange contracts, when used by a Fund, help to



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manage the overall exposure to the foreign currency backing some of the investments held by a Fund. The contract is marked-to-market daily and the change in market value is recorded by a Fund as an unrealized gain or loss. When the contract is closed, a Fund records a realized gain or loss equal to the difference between the value at the time it was opened and the value at the time it was closed. The use of foreign currency exchange contracts involves the risk that counterparties may not meet the terms of the agreement or unfavorable movements in the value of a foreign currency relative to the US dollar.

**Options:** The Funds may purchase and write call and put options to increase or decrease their exposure to underlying instruments. A call option gives the purchaser of the option the right (but not the obligation) to buy, and obligates the seller to sell (when the option is exercised), the underlying instrument at the exercise price at any time or at a specified time during the option period. A put option gives the holder the right to sell and obligates the writer to buy the underlying instrument at the exercise price at any time or at a specified time during the option period. When a Fund purchases (writes) an option, an amount equal to the premium paid (received) a Fund is reflected as an asset (liability) and an equivalent liability (asset). The amount of the asset (liability) is subsequently marked-to-market to reflect the current market value of the option purchased (written). When an instrument is purchased

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**Notes to Financial Statements (continued)**

or sold through an exercise of an option, the related premium paid (or received) is added to (or deducted from) the basis of the instrument acquired or deducted from (or added to) the proceeds of the instrument sold. When an option expires (or a Fund enters into a closing transaction), a Fund realizes a gain or loss on the option to the extent of the premiums received or paid (or gain or loss to the extent the cost of the closing transaction exceeds the premium received or paid). When a Fund writes a call option, such option is covered, meaning that a Fund holds the underlying instrument subject to being called by the option counterparty, or cash in an amount sufficient to cover the obligation. When a Fund writes a put option, such option is covered by cash in an amount sufficient to cover the obligation.

In purchasing and writing options, a Fund bears the risk of an unfavorable change in the value of the underlying instrument or the risk that the Funds may not be able to enter into a closing transaction due to an illiquid market. Exercise of a written option could result in the Funds purchasing a security at a price different from the current market value. The Funds may execute transactions in both listed and over-the-counter options.

**Swaps:** The Funds may enter into swap agreements, in which a Fund and a counterparty agree to make periodic net payments on a specified notional amount. These periodic payments received or made by the Funds are recorded in the Statements of Operations as realized gains or losses, respectively. Swaps are marked-to-market daily and changes in value are recorded as unrealized appreciation (depreciation). When the swap is terminated, the Fund will record a realized gain or loss equal to the difference between the proceeds from (or cost of) the closing transaction and the Fund's basis in the contract, if any. Swap transactions involve, to varying degrees, elements of interest rate, credit and market risk in excess of the amounts recognized in the Statements of Assets and Liabilities. Such risks involve the possibility that there will be no liquid market for these agreements, that the counterparty to the agreements may default on its obligation to perform or disagree as to the meaning of the contractual terms in the agreements, and that there may be unfavorable changes in interest rates and/or market values associated with these transactions.

**Credit default swaps** The Funds may enter into credit default swaps to manage their exposure to the market or certain sectors of the market, to reduce its risk exposure to defaults of corporate and/or sovereign issuers or to create exposure to corporate and/or sovereign issuers to which it is not otherwise exposed (credit risk). The Funds enter into credit default agreements to provide a measure of protection against the default of an issuer (as buyer of protection) and/or gain credit exposure to an issuer to which it is not otherwise exposed (as seller of protection). The Funds may either buy or sell (write) credit default swaps on single-name issuers (corporate or sovereign) or traded indexes. Credit default swaps on single-name issuers are agreements in which the buyer pays fixed periodic payments to the seller in consideration for a guarantee from the seller to make a specific payment should a negative credit event take place (e.g., bankruptcy, failure to pay, obligation accelerators, repudiation, moratorium or restructuring). Credit default swaps on traded indexes are agreements in which the buyer pays fixed periodic payments to the seller in consideration for a guarantee from the seller to make a specific payment should a write-down, principal or interest shortfall or default of all or individual underlying securities included in the index occurs. As a buyer, a Fund will either receive from the seller an amount equal to the notional amount of the swap and deliver the referenced security or underlying securities comprising of an index or receive a net settlement of cash equal to the notional amount of the swap less the recovery value of the security or underlying securities comprising of an index. As a seller (writer), a Fund will either pay the buyer an amount equal to the notional amount of the swap and take delivery of the referenced security or underlying securities comprising of an index or pay a net settlement of cash equal to the notional amount of the swap less the recovery value of the security or underlying securities comprising of an index.

## Notes to Financial Statements (continued)

**Derivatives Not Accounted for as Hedging Instruments under Financial Accounting Standards Board Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities :****Values of Derivative Instruments as of August 31, 2009\***

|   |  | Asset Derivatives |           |           |           |          |
|---|--|-------------------|-----------|-----------|-----------|----------|
|   |  | COY               | CYE       | DSU       | FRB       | ARK      |
| Statements of Assets and Liabilities Location |  | Value             |           |           |           |          |
| Foreign currency exchange contracts           | Unrealized appreciation on foreign currency exchange contracts | \$ 8,514          | \$ 8,787  | \$ 14,522 | \$ 24,608 | \$ 4,432 |
| Credit contracts                              | Unrealized appreciation on swaps                               | 424,847           | 48,435    | 39,105    |           |          |
| Equity contracts                              | Investments at value unaffiliated                              | 17,000            |           |           | 11,000    |          |
| <b>Total</b>                                  |  | \$ 450,361        | \$ 57,222 | \$ 53,627 | \$ 35,608 | \$ 4,432 |

|   |  | Liability Derivatives |              |              |            |              |
|---|--|-----------------------|--------------|--------------|------------|--------------|
|   |  | COY                   | CYE          | DSU          | FRB        | ARK          |
| Statements of Assets and Liabilities Location |  | Value                 |              |              |            |              |
| Foreign currency exchange contracts           | Unrealized depreciation on foreign currency exchange contracts | \$ 305,379            | \$ 328,793   | \$ 337,671   | \$ 207,126 |              |
| Credit contracts                              | Unrealized depreciation on swaps                               | 703,291               | 714,958      | 1,604,734    | 687,906    | \$ 1,167,130 |
| <b>Total</b>                                  |  | \$ 1,008,670          | \$ 1,043,751 | \$ 1,942,405 | \$ 895,032 | \$ 1,167,130 |

\* For open derivative instruments as of August 31, 2009, see the Schedule of Investments, which is also indicative of activity for the six months ended August 31, 2009.

**The Effect of Derivative Instruments on the Statements of Operations  
Year Ended August 31, 2009**

**Net Realized Gain (Loss) From Derivatives Recognized in Income**

|                                     | COY          | CYE          | DSU          | FRB          | ARK         |
|-------------------------------------|--------------|--------------|--------------|--------------|-------------|
| Foreign currency exchange contracts | \$ (617,619) | \$ (661,372) | \$ (769,955) | \$ (623,206) | \$ (65,836) |
| Credit contracts:                   |              |              |              |              |             |

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|              |                     |                     |                   |                     |                   |
|--------------|---------------------|---------------------|-------------------|---------------------|-------------------|
| Swaps        | 276,184             | 387,617             | 974,384           | 283,947             | 271,306           |
| <b>Total</b> | <b>\$ (341,435)</b> | <b>\$ (273,755)</b> | <b>\$ 204,429</b> | <b>\$ (339,259)</b> | <b>\$ 205,470</b> |

**Net Change in Unrealized Appreciation/Depreciation on Derivatives Recognized in Income**

|                                     | COY                 | CYE                 | DSU                   | FRB                 | ARK                 |
|-------------------------------------|---------------------|---------------------|-----------------------|---------------------|---------------------|
| Foreign currency exchange contracts | \$ (583,791)        | \$ (623,902)        | \$ (625,053)          | \$ (432,478)        | \$ (6,971)          |
| Credit contracts:                   |                     |                     |                       |                     |                     |
| Swaps                               | 3,021,095           | 2,859,061           | (3,024,391)           | 2,212,257           | (716,431)           |
| Equity contracts:                   |                     |                     |                       |                     |                     |
| Options                             | (10,455)            |                     |                       | (6,765)             |                     |
| <b>Total</b>                        | <b>\$ 2,426,849</b> | <b>\$ 2,235,159</b> | <b>\$ (3,649,444)</b> | <b>\$ 1,773,014</b> | <b>\$ (723,402)</b> |

**3. Investment Advisory Agreement and Other Transactions with Affiliates:**

The PNC Financial Services Group, Inc. ( PNC ) and Bank of America Corporation ( BAC ) are the largest stockholders of BlackRock, Inc. ( BlackRock ). Due to the ownership structure, PNC is an affiliate for 1940 Act purposes, but BAC is not.

Each Fund entered into an Investment Advisory Agreement with BlackRock Advisors, LLC (the Manager ), the Funds investment advisor, an indirect, wholly owned subsidiary of BlackRock, to provide investment advisory and administration services.

The Manager is responsible for the management of each Fund s portfolio and provides the necessary personnel, facilities, equipment and certain other services necessary to the operations of each Fund. For such services, each Fund pays the Manager a monthly fee at the following annual rates of the average daily value of each Fund s net assets, plus the proceeds of any outstanding borrowings used for leverage:

|     |       |
|-----|-------|
| COY | 0.50% |
| CYE | 0.60% |
| DSU | 0.60% |
| FRB | 0.75% |
| ARK | 0.50% |

**Notes to Financial Statements (continued)**

The Manager has entered into a separate sub-advisory agreement with BlackRock Financial Management, Inc. ( BFM ), an affiliate of the Manager, under which the Manager pays BFM, for services it provides, a monthly fee that is a percentage of the investment advisory fee paid by the Funds to the Manager.

The Manager has agreed to waive its advisory fee by the amount of investment advisory fees the Funds pay to the Manager indirectly through its investment in affiliated money market funds. This amount is shown as fees waived by advisor in the Statements of Operations.

For the six months ended August 31, 2009, the Funds reimbursed the Manager for certain accounting services, which are included in accounting services in the Statements of Operations were as follows:

|     | <b>Reimbursement<br/>to Manager</b> |
|-----|-------------------------------------|
| COY | \$2,181                             |
| CYE | \$2,242                             |
| DSU | \$4,232                             |
| FRB | \$1,528                             |
| ARK | \$1,979                             |

Certain officers and/or directors of the Funds are officers and/or directors of BlackRock or its affiliates. The Funds reimburse the Manager for compensation paid to the Funds Chief Compliance Officer.

**4. Investments:**

Purchases and sales (including paydowns) of investments, excluding short-term securities, for the six months ended August 31, 2009 were as follows:

|     | <b>Purchases</b> | <b>Sales</b>   |
|-----|------------------|----------------|
| COY | \$ 86,948,446    | \$ 84,639,100  |
| CYE | \$ 97,047,976    | \$ 91,160,449  |
| DSU | \$ 115,195,401   | \$ 148,776,628 |
| FRB | \$ 52,942,447    | \$ 49,540,382  |
| ARK | \$ 66,767,286    | \$ 86,318,320  |

**5. Market and Credit Risk:**

In the normal course of business, the Funds invest in securities and enter into transactions where risks exist due to fluctuations in the market (market risk) or failure of the issuer of a security to meet all its obligations (credit risk). The value of securities held by the Funds may decline in response to certain events, including those directly involving the issuers whose securities are owned by the Funds; conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; and currency and interest rate and price fluctuations. Similar to credit risk, the Funds may be exposed to counterparty risk, or the risk that an entity with which the Funds have unsettled or open transactions may default. Financial assets, which potentially expose the Funds to credit and counter-party risks, consist principally of investments and cash due from counterpar-ties. The extent of the Funds exposure to credit and counterparty risks with respect to these financial assets is approximated by their value recorded in the Funds Statements of Assets and Liabilities.

**6. Capital Share Transactions:**

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Each Fund is authorized to issue 200 million shares, par value \$0.10 per share, all of which were initially classified as Common Shares. At August 31, 2009, the shares owned by affiliates of the Manager of Floating Rate Income Strategies II were 8,182. The Board is authorized, however, to classify and reclassify any unissued shares without approval of shareholders. Shares issued and outstanding during the six months ended August 31, 2009 and the period ended February 28, 2009 increased by the following amounts as a result of dividend reinvestment.

|     | August 31,<br>2009 | February 28,<br>2009 |
|-----|--------------------|----------------------|
| COY | 41,825             |                      |
| CYE | 2,744              |                      |
| DSU | 289,050            | 499,727              |
| ARK |                    | 75,664               |

Shares issued and outstanding remained constant for COY and CYE for the year ended May 31, 2008 and for FRB for the six months ended August 31, 2009 and the year ended February 28, 2009.

### 7. Commitments:

The Funds may invest in floating rate loans. In connection with these investments, the Funds may also enter into unfunded corporate loans ( commitments ). Commitments may obligate the Funds to furnish temporary financing to a borrower until permanent financing can be arranged. As of August 31, 2009, the Funds had the following unfunded loan commitments:

#### DSU

| Borrower  | Unfunded<br>Commitment<br>(000) | Value of<br>Underlying Loans<br>(000) |
|---|---------------------------------|---------------------------------------|
| Smurfit-Stone Container Enterprises, Inc., Debtor in Possession Term Loan | \$697                           | \$666                                 |
| Big West Oil LLC, Delayed Advance Loan                                    | \$162                           | \$149                                 |

#### FRB

| Borrower  | Unfunded<br>Commitment<br>(000) | Value of<br>Underlying Loans<br>(000) |
|---|---------------------------------|---------------------------------------|
| Big West Oil, LLC, Initial Advance Loan                                   | \$441                           | \$407                                 |
| Smurfit-Stone Container Enterprises, Inc., Debtor in Possession Term Loan | \$403                           | \$384                                 |
| Vought Aircraft Industries, Inc.  | \$370                           | \$346                                 |

#### ARK

| Borrower  | Unfunded<br>Commitment<br>(000) | Value of<br>Underlying Loans<br>(000) |
|---|---------------------------------|---------------------------------------|
| Smurfit-Stone Container Enterprises, Inc., Debtor in Possession Term Loan | \$398                           | \$380                                 |



## Notes to Financial Statements (continued)

**8. Borrowings:**

On May 16, 2008, the Funds renewed their revolving credit and security Agreements ( Citicorp Agreement ) pursuant to a commercial paper asset securitization program with Citicorp North America, Inc. ( Citicorp ), as Agent, certain secondary backstop lenders and certain asset securitization conduits, as lenders (the Lenders ). The agreement was renewed for one year and at the time of renewal had maximum limits as follows:

|     | Maximum<br>Limit |
|-----|------------------|
| COY | \$ 135,000,000   |
| CYE | \$ 143,000,000   |
| DSU | \$ 309,000,000   |
| FRB | \$ 88,000,000    |
| ARK | \$ 148,000,000   |

Under the Citicorp Agreement, the conduits funded advances to each Fund through the issuance of highly rated commercial paper as shown in the Statements of Assets and Liabilities as loan payable. Each Fund had granted a security interest in substantially all of its assets to, and in favor of, the Lenders as security for its obligations to the Lenders. The interest rate on each Fund's borrowings was based on the interest rate carried by the commercial paper plus a program fee. In addition, each Fund paid a liquidity fee to the secondary backstop lenders and the agent. Under the Citicorp Agreement, the Funds were subject to certain conditions and covenants, which included among other things limitations on asset declines over prescribed time periods. As a result of the decline in net assets attributable to market conditions, certain terms of the facility were renegotiated effective December 5, 2008, for COY, CYE, DSU and ARK and effective December 31, 2008 for FRB, which included waivers of certain financial covenants by the Lenders, an increase in program and liquidity fees under the facility and a reduction of the maximum limits to as follows:

|     | Maximum<br>Limit |
|-----|------------------|
| COY | \$ 81,000,000    |
| CYE | \$ 85,000,000    |
| DSU | \$ 174,000,000   |
| FRB | \$ 88,000,000    |
| ARK | \$ 91,000,000    |

On March 5, 2009, the Funds terminated their revolving credit agreement with Citicorp and entered into a senior committed secured, 364-day revolving line of credit and a separate security agreement (the SSB Agreement ) with State Street Bank and Fund Company ( SSB ). The SSB Agreement has the same maximum limits as the renegotiated limits under the Citigroup Agreement except for DSU which was lowered to \$135,000,000 and FRB which lowered to \$58,000,000. The Funds have granted a security interest in substantially all of its assets to SSB.

Advances are made by SSB to the Funds, at the Funds option (a) the higher of 1.0% above the Fed Effective Rate or 1.0% above the Overnight LIBOR Rate and (b) 1.0% above 7-day, 30-day, or 60-day LIBOR Rate. In addition, the Funds pay a facility fee and a commitment fee based upon SSBs total commitment to the Funds. The fees associated with each of the agreements are included in the Statements of Operations as borrowing costs. Advances to the Funds as of August 31, 2009 are shown in the Statements of Assets and Liabilities as loan payable.

The Funds may not declare dividends or make other distributions on shares or purchase any such shares if, at the time of the declaration, distribution or purchase, asset coverage with respect to the outstanding short-term borrowings is less than 300%.

For the six months ended August 31, 2009, the daily weighted average interest rates under the revolving credit agreement were as follows:



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|     | <b>Daily Weighted<br/>Average<br/>Interest Rate</b> |
|-----|---|
| COY | 1.29%   |
| CYE | 1.30%   |
| DSU | 1.30%   |
| FRB | 1.29%   |
| ARK | 1.30%   |

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## Notes to Financial Statements (concluded)

**9. Capital Loss Carryforwards:**

As of February 28, 2009, the Funds had capital loss carryforwards available to offset future realized capital gains through the indicated expiration dates:

| Expires February 28, | COY                   | CYE                   | DSU                   | FRB                  | ARK                   |
|----------------------|-----------------------|-----------------------|-----------------------|----------------------|-----------------------|
| 2010                 | \$ 33,478,307         | \$ 52,918,036         | \$ 90,564,493         |                      | \$ 54,958,583         |
| 2011                 | 77,885,783            | 119,513,437           | 85,285,305            |                      | 30,706,546            |
| 2012                 | 6,647,369             | 1,938,881             | 17,223,475            |                      | 22,345,071            |
| 2013                 |                       |                       | 21,126,025            |                      |                       |
| 2014                 |                       |                       | 20,233,987            | \$ 203,838           | 4,906,362             |
| 2015                 |                       |                       | 3,578,574             | 1,315,945            | 1,585,622             |
| 2016                 | 454,146               | 363,401               |                       |                      |                       |
| 2017                 | 23,362,414            | 24,709,530            | 56,690,782            | 12,168,927           | 27,675,242            |
| <b>Total</b>         | <b>\$ 141,828,019</b> | <b>\$ 199,443,285</b> | <b>\$ 294,702,641</b> | <b>\$ 13,688,710</b> | <b>\$ 142,177,426</b> |

**10. Subsequent Events:**

Each Fund paid a net investment income dividend on September 30, 2009 to shareholders of record on September 15, 2009 as follows:

|     | Common Dividend<br>Per Share |
|-----|------------------------------|
| COY | \$0.061                      |
| CYE | \$0.055                      |
| DSU | \$0.031                      |
| FRB | \$0.081                      |
| ARK | \$0.025                      |

Management's evaluation of the impact of all subsequent events on the Funds' financial statements was completed through October 29, 2009, the date the financial statements were issued.

### Disclosure of Investment Advisory Agreements and Sub-Advisory Agreements

The Board of Directors (each, a Board and, collectively, the Boards, and the members of which are referred to as Board Members) of each of BlackRock Corporate High Yield Fund, Inc. (COY), BlackRock Corporate High Yield Fund III, Inc. (CYE), BlackRock Debt Strategies Fund, Inc. (DSU), BlackRock Floating Rate Income Strategies Fund II, Inc. (FRB) and BlackRock Senior High Income Fund, Inc. (ARK) and together with COY, CYE, DSU and FRB, each a Fund, and, collectively, the Funds) met on April 14, 2009 and May 28-29, 2009 to consider the approval of its respective Fund's investment advisory agreement (each, an Advisory Agreement) with BlackRock Advisors, LLC (the Manager), each Fund's investment advisor. Each Board also considered the approval of the sub-advisory agreement (each, a Sub-Advisory Agreement) between its respective Fund, the Manager and BlackRock Financial Management, Inc. (the Sub-Advisor). The Manager and the Sub-Advisor are referred to herein as BlackRock. The Advisory Agreements and the Sub-Advisory Agreements are referred to herein as the Agreements. Unless otherwise indicated, references to actions taken by the Board or the Boards shall mean each Board acting independently with respect to its respective Fund.

### Activities and Composition of the Boards

Each Board consists of twelve individuals, ten of whom are not interested persons of the Funds as defined in the Investment Company Act of 1940, as amended (the 1940 Act) (the Independent Board Members). The Board Members of each Fund are responsible for the oversight of the operations of such Fund and perform the various duties imposed on the directors of investment companies by the 1940 Act. The Independent Board Members have retained independent legal counsel to assist them in connection with their duties. The Chairman of each Board is an Independent Board Member. Each Board has established five standing committees: an Audit Committee, a Governance and Nominating Committee, a Compliance Committee, a Performance Oversight Committee and an Executive Committee, each of which is composed of Independent Board Members (except for the Executive Committee, which has one interested Board Member) and is chaired by an Independent Board Member. In addition, each Board has established an Ad Hoc Committee on Auction Market Preferred Shares.

### The Agreements

Pursuant to the 1940 Act, each Board is required to consider the continuation of the Agreements on an annual basis. In connection with this process, each Board assessed, among other things, the nature, scope and quality of the services provided to its respective Fund by the personnel of BlackRock and its affiliates, including investment management, administrative and shareholder services, oversight of fund accounting and custody, marketing services and assistance in meeting applicable legal and regulatory requirements.

Throughout the year, the Boards, acting directly and through their committees, consider at each of their meetings factors that are relevant to their annual consideration of the renewal of the Agreements, including the services and support provided by BlackRock to the Funds and their shareholders. Among the matters the Boards considered were: (a) investment performance for one-, three- and five-year periods, as applicable, against peer funds, and applicable benchmarks, if any, as well as senior management and portfolio managers' analysis of the reasons for any outperformance or underperformance against its peers; (b) fees, including advisory and other amounts paid to BlackRock and its affiliates by the Funds for services such as call center and fund accounting; (c) the Funds' operating expenses; (d) the resources devoted to, and compliance reports relating to, the Funds' investment objectives, policies and restrictions; (e) the Funds' compliance with their Code of Ethics and compliance policies and procedures; (f) the nature, cost and character of non-investment management services provided by BlackRock and its affiliates; (g) BlackRock's and other service providers' internal controls; (h) BlackRock's implementation of the proxy voting policies approved by the Boards; (i) execution quality of portfolio transactions; (j) BlackRock's implementation of the Funds' valuation and liquidity procedures; and (k) periodic updates on BlackRock's business.

### Board Considerations in Approving the Agreements

**The Approval Process:** Prior to the April 14, 2009 meeting, each Board requested and received materials specifically relating to the Agreements. Each Board is engaged in an ongoing process with BlackRock to continuously review the nature and scope of the information provided to better assist their deliberations. The materials provided in connection with the April meeting included: (a) information independently compiled and prepared by Lipper, Inc. (Lipper) on Fund fees and expenses, and the investment performance of each Fund as compared with a peer group of funds as determined by Lipper (collectively, Peers); (b) information on the profitability of the Agreements to BlackRock and a discussion of fall-out benefits to BlackRock and its affiliates and significant shareholders; (c) a general analysis provided by BlackRock concerning investment advisory fees charged to other clients, such as institutional clients and open-end funds, under similar investment mandates, as well as the performance of such other clients; (d) the impact of economies of scale; (e) a summary of aggregate amounts paid by each Fund to BlackRock; and (f) an internal comparison of management fees classified by Lipper, if applicable.

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### Disclosure of Investment Advisory Agreements and Sub-Advisory Agreements (continued)

At an in-person meeting held on April 14, 2009, each Board reviewed materials relating to its consideration of the Agreements. As a result of the discussions that occurred during the April 14, 2009 meeting, the Boards presented BlackRock with questions and requests for additional information and BlackRock responded to these requests with additional written information in advance of the May 28, 2009 Board meeting.

At an in-person meeting held on May 28, 2009, each Fund's Board, including the Independent Board Members, unanimously approved the continuation of the Advisory Agreement between the Manager and such Fund and the Sub-Advisory Agreement between such Fund, the Manager and the Sub-Advisor, each for a one-year term ending June 30, 2010. The Boards considered all factors they believed relevant with respect to the Funds, including, among other factors: (a) the nature, extent and quality of the services provided by BlackRock; (b) the investment performance of the Funds and BlackRock portfolio management; (c) the advisory fee and the cost of the services and profits to be realized by BlackRock and certain affiliates from the relationship with the Funds; (d) economies of scale; and (e) other factors.

Each Board also considered other matters it deemed important to the approval process, such as services related to the valuation and pricing of its respective Fund's portfolio holdings, direct and indirect benefits to BlackRock and its affiliates and significant shareholders from their relationship with such Fund and advice from independent legal counsel with respect to the review process and materials submitted for the Board's review. The Boards noted the willingness of BlackRock personnel to engage in open, candid discussions with the Boards. The Boards did not identify any particular information as controlling, and each Board Member may have attributed different weights to the various items considered.

**A. Nature, Extent and Quality of the Services:** Each Board, including its Independent Board Members, reviewed the nature, extent and quality of services provided by BlackRock, including the investment advisory services and the resulting performance of its respective Fund. Throughout the year, each Board compared its respective Fund's performance to the performance of a comparable group of closed-end funds, and the performance of at least one relevant benchmark, if any. The Boards met with BlackRock's senior management personnel responsible for investment operations, including the senior investment officers. Each Board also reviewed the materials provided by its respective Fund's portfolio management team discussing such Fund's performance and such Fund's investment objective, strategies and outlook.

Each Board considered, among other factors, the number, education and experience of BlackRock's investment personnel generally and its respective Fund's portfolio management team, investments by portfolio managers in the funds they manage, BlackRock's portfolio trading capabilities, BlackRock's use of technology, BlackRock's commitment to compliance and BlackRock's approach to training and retaining portfolio managers and other research, advisory and management personnel. Each Board also reviewed a general description of BlackRock's compensation structure with respect to its respective Fund's portfolio management team and BlackRock's ability to attract and retain high-quality talent.

In addition to advisory services, each Board considered the quality of the administrative and non-investment advisory services provided to its respective Fund. BlackRock and its affiliates and significant shareholders provide the Funds with certain administrative and other services (in addition to any such services provided to the Funds by third parties) and officers and other personnel as are necessary for the operations of the Funds. In addition to investment advisory services, BlackRock and its affiliates provide the Funds with other services, including: (i) preparing disclosure documents, such as the prospectus and the statement of additional information in connection with the initial public offering and periodic shareholder reports; (ii) preparing communications with analysts to support secondary market trading of the Funds; (iii) assisting with daily accounting and pricing; (iv) preparing periodic filings with regulators and stock exchanges; (v) overseeing and coordinating the activities of other service providers; (vi) organizing Board meetings and preparing the materials for such Board meetings; (vii) providing legal and compliance support; and (viii) performing other administrative functions necessary for the operation of the Funds, such as tax reporting, fulfilling regulatory filing requirements, and call center services. The Boards reviewed the structure and duties of BlackRock's fund administration, accounting, legal and compliance departments and considered BlackRock's policies and procedures for assuring compliance with applicable laws and regulations.

**B. The Investment Performance of the Funds and BlackRock:** Each Board, including its Independent Board Members, also reviewed and considered the performance history of its respective Fund. In preparation for the April 14, 2009 meeting, the Boards were provided with reports, independently prepared by Lipper, which included a comprehensive analysis of each Fund's performance. The Boards also reviewed a narrative and statistical analysis of the Lipper data that was prepared by BlackRock, which analyzed various factors that affect Lipper's rankings. In connection with its review, each Board received and reviewed information regarding the investment performance of its respective Fund as compared to a representative group of similar funds as determined by Lipper and to all funds in such Fund's applicable Lipper category. Each Board was provided with a description of the methodology used by Lipper to select peer funds. Each Board regularly reviews the performance of its respective Fund throughout the year.



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Disclosure of Investment Advisory Agreements and Sub-Advisory Agreements (continued)

The Board of COY noted that although COY underperformed its Peers in at least two of the one-, three- and five-year periods reported, such underperformance was not greater than 10% of the median return of its Peers for any of the periods. The Board concluded that BlackRock was committed to providing the resources necessary to assist the portfolio managers and to continue improving COY's performance. Based on its review, the Board generally was satisfied with BlackRock's efforts to manage COY.

The Board of CYE noted that CYE performed below the median of its Lipper performance universe in the one-, three- and five-year periods reported. The Board and BlackRock reviewed the reasons for CYE's underperformance during these periods compared with its Peers. The Board was informed that, among other things, exposure to senior bank loans negatively impacted returns. Additionally, CYE's underweight to BB-rated credits and overweight to CCC-rated credits subtracted from returns as higher quality below investment-grade bonds strongly outperformed their lower quality counterparts.

The Board of DSU noted that DSU performed below the median of its Lipper performance universe in the one-, three- and five-year periods reported. The Board and BlackRock reviewed the reasons for DSU's underperformance during these periods compared with its Peers. The Board was informed that, among other things, the pressure on bank loan and high yield prices during the period negatively impacted performance.

The Board of ARK noted that ARK performed below the median of its Lipper performance universe in the one-, three- and five-year periods reported. The Board and BlackRock reviewed the reasons for ARK's underperformance during these periods compared with its Peers. The Board was informed that, among other things, ARK was underweight higher-rated BB-rated securities as a function of its bottom-up security selection process, which impacted performance as higher-rated credits outperformed lower-rated ones by a substantial margin.

For CYE, DSU and ARK, the Board of each respective Fund and BlackRock discussed BlackRock's commitment to providing the resources necessary to assist the portfolio managers and to improve each such Fund's performance.

The Board of FRB noted that in general FRB performed better than its Peers in that FRB's performance was at or above the median of its Lipper Performance Universe in each of the one-year, three-year and since inception periods reported.

**C. Consideration of the Advisory Fees and the Cost of the Services and Profits to be realized by BlackRock and its Affiliates from their Relationship with the Funds:** Each Board, including its Independent Board Members, reviewed its respective Fund's contractual advisory fee rates compared with the other funds in its respective Lipper category. Each Board also compared its respective Fund's total expenses, as well as actual management fees, to those of other comparable funds. Each Board considered the services provided and the fees charged by BlackRock to other types of clients with similar investment mandates, including separately managed institutional accounts.

The Boards received and reviewed statements relating to BlackRock's financial condition and profitability with respect to the services it provided the Funds. The Boards were also provided with a profitability analysis that detailed the revenues earned and the expenses incurred by BlackRock for services provided to the Funds. The Boards reviewed BlackRock's profitability with respect to the Funds and other funds the Boards currently oversee for the year ended December 31, 2008 compared to available aggregate profitability data provided for the year ended December 31, 2007. The Boards reviewed BlackRock's profitability with respect to other fund complexes managed by the Manager and/or its affiliates. The Boards reviewed BlackRock's assumptions and methodology of allocating expenses in the profitability analysis, noting the inherent limitations in allocating costs among various advisory products. The Boards recognized that profitability may be affected by numerous factors including, among other things, fee waivers by the Manager, the types of funds managed, expense allocations and business mix, and therefore comparability of profitability is somewhat limited.

The Boards noted that, in general, individual fund or product line profitability of other advisors is not publicly available. Nevertheless, to the extent such information is available, the Boards considered BlackRock's overall operating margin compared to the operating margin for leading investment management firms whose operations include advising closed-end funds, among other product types. The comparison indicated that operating margins for BlackRock with respect to its registered funds are generally consistent with margins earned by similarly situated publicly traded competitors. In addition, the Boards considered, among other things, certain third-party data comparing BlackRock's operating margin with that of other publicly-traded asset management firms, which concluded that larger asset bases do not, in themselves, translate to higher profit margins.

In addition, the Boards considered the cost of the services provided to the Funds by BlackRock, and BlackRock's and its affiliates' profits relating to the management and distribution of the Funds and the other funds advised by BlackRock and its affiliates. As part of their analysis, the Boards reviewed BlackRock's methodology in allocating its costs to the management of the Funds. The Boards also considered whether BlackRock has

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the financial resources necessary to attract and retain high-quality investment management personnel to perform its obligations under the Agreements and to continue to provide the high quality of services that is expected by the Boards.

Each Board noted that its respective Fund paid contractual management fees, which do not take into account any expense reimbursement or fee waivers, lower than or equal to the median contractual management fees paid by such Fund's Peers.

**D. Economies of Scale:** Each Board, including its Independent Board Members, considered the extent to which economies of scale might be realized as the assets of its respective Fund increase and whether there should be changes in the advisory fee rate or structure in order to enable such Fund to participate in these economies of scale, for example through the use of breakpoints in the advisory fee based upon the assets of such Fund. The Boards considered that the funds in the BlackRock fund complex share some common resources and, as a result, an increase in the overall size of the complex could permit each fund to incur lower expenses than it would otherwise as a stand-alone entity. The Boards also considered BlackRock's overall operations and its efforts to expand the scale of, and improve the quality of, its operations.



#### Disclosure of Investment Advisory Agreements and Sub-Advisory Agreements (concluded)

The Boards noted that most closed-end fund complexes do not have fund level breakpoints because closed-end funds generally do not experience substantial growth after the initial public offering and each fund is managed independently, consistent with its own investment objectives. The Boards noted that only one closed-end fund in the Fund Complex has breakpoints in its fee structure. Information provided by Lipper also revealed that only one closed-end fund complex used a complex-level breakpoint structure.

**E. Other Factors:** The Boards also took into account other ancillary or fallout benefits that BlackRock or its affiliates and significant shareholders may derive from their relationship with the Funds, both tangible and intangible, such as BlackRock's ability to leverage its investment professionals who manage other portfolios, an increase in BlackRock's profile in the investment advisory community, and the engagement of BlackRock's affiliates and significant shareholders as service providers to the Funds, including for administrative and distribution services. The Boards also noted that BlackRock may use third-party research obtained by soft dollars generated by certain mutual fund transactions to assist itself in managing all or a number of its other client accounts.

In connection with their consideration of the Agreements, the Boards also received information regarding BlackRock's brokerage and soft dollar practices. The Boards received reports from BlackRock, which included information on brokerage commissions and trade execution practices throughout the year.

#### Conclusion

Each Board, including its Independent Board Members, unanimously approved the continuation of the Advisory Agreement between its respective Fund and the Manager for a one-year term ending June 30, 2010 and the Sub-Advisory Agreement between such Fund, the Manager and Sub-Advisor for a one-year term ending June 30, 2010. Based upon its evaluation of all these factors in their totality, each Board, including its Independent Board Members, was satisfied that the terms of the Agreements were fair and reasonable and in the best interest of its respective Fund and its shareholders. In arriving at a decision to approve the Agreements, each Board did not identify any single factor or group of factors as all-important or controlling, but considered all factors together, and different Board Members may have attributed different weights to the various factors considered. The Independent Board Members were also assisted by the advice of independent legal counsel in making this determination. The contractual fee arrangements for each Fund reflects the results of several years of review by such Fund's Board Members and predecessor Board Members, and discussions between such Board Members (and predecessor Board Members) and BlackRock. Certain aspects of the arrangements may be the subject of more attention in some years than in others, and the Board Members' conclusions may be based in part on their consideration of these arrangements in prior years.

## Officers and Directors

Richard E. Cavanagh, Chairman of the Board and Director  
Karen P. Robards, Vice Chair of the Board, Chair of the Audit Committee and Director  
G. Nicholas Beckwith, III, Director  
Richard S. Davis, Director  
Kent Dixon, Director  
Frank J. Fabozzi, Director  
Kathleen F. Feldstein, Director  
James T. Flynn, Director  
Henry Gabbay, Director  
Jerrold B. Harris, Director  
R. Glenn Hubbard, Director  
W. Carl Kester, Director  
Anne F. Ackerley, Fund President and Chief Executive Officer  
Brendan Kyne, Vice President  
Neal J. Andrews, Chief Financial Officer  
Jay M. Fife, Treasurer  
Brian P. Kindelan, Chief Compliance Officer of the Funds  
Howard B. Surloff, Secretary

### **Investment Advisor**

BlackRock Advisors, LLC  
Wilmington, DE 19809

### **Sub-Advisor**

BlackRock Financial Management, Inc.  
New York, NY 10022

### **Custodians**

JPMorgan Chase Bank, N.A.<sup>1</sup>  
Brooklyn, NY 11245

State Street Bank and Trust Company<sup>2</sup>  
Boston, MA 02101

The Bank of New York Mellon<sup>3</sup>  
New York, NY 10286

### **Transfer Agents**

BNY Mellon Shareowner Services<sup>3</sup>  
Jersey City, NJ 07310

Computershare Trust Company, N.A.<sup>1,2</sup>  
Providence, RI 02940

### **Accounting Agent**

State Street Bank and Trust Company  
Princeton, NJ 08540

### **Legal Counsel**

Skadden, Arps, Slate, Meagher & Flom LLP  
New York, NY 10036

### **Independent Registered Public Accounting Firm**

Deloitte & Touche LLP  
Princeton, NJ 08540

**Address of the Funds**

100 Bellevue Parkway  
Wilmington, DE 19809

- <sup>1</sup> For COY.
- <sup>2</sup> For CYE and FRB.
- <sup>3</sup> For DSU and ARK.

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Effective July 31, 2009, Donald C. Burke, President and Chief Executive Officer of the Funds retired. The Funds Board of Directors wishes Mr. Burke well in his retirement.

Effective August 1, 2009, Anne F. Ackerley became President and Chief Executive Officer of the Funds, and Brendan Kyne became Vice President of the Funds.

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## Additional Information

## Proxy Results

The Annual Meeting of Stockholders was held on August 26, 2009 for stockholders of record on June 29, 2009 to elect director nominees of each Fund:

Approved the Directors as follows:

|     | G. Nicholas Beckwith, III |                | Richard E. Cavanagh |                | Richard S. Davis |                |
|-----|---------------------------|----------------|---------------------|----------------|------------------|----------------|
|     | Votes For                 | Votes Withheld | Votes For           | Votes Withheld | Votes For        | Votes Withheld |
| COY | 26,670,834                | 1,648,421      | 26,722,046          | 1,597,209      | 26,777,710       | 1,541,545      |
| CYE | 28,776,142                | 1,387,718      | 28,770,167          | 1,393,693      | 28,870,031       | 1,293,829      |
| DSU | 88,758,407                | 3,699,027      | 88,878,010          | 3,579,424      | 88,952,077       | 3,505,357      |
| FRB | 7,977,862                 | 228,382        | 7,971,452           | 234,792        | 7,988,624        | 217,620        |
| ARK | 47,083,324                | 1,913,792      | 47,135,216          | 1,861,900      | 47,059,502       | 1,937,614      |

|     | Kent Dixon |                | Frank J. Fabozzi |                | Kathleen F. Feldstein |                |
|-----|------------|----------------|------------------|----------------|-----------------------|----------------|
|     | Votes For  | Votes Withheld | Votes For        | Votes Withheld | Votes For             | Votes Withheld |
| COY | 26,638,222 | 1,681,033      | 26,774,192       | 1,545,063      | 26,549,392            | 1,769,863      |
| CYE | 28,823,011 | 1,340,849      | 28,867,410       | 1,296,450      | 28,711,394            | 1,452,466      |
| DSU | 88,671,374 | 3,786,060      | 88,895,092       | 3,562,342      | 88,368,815            | 4,088,619      |
| FRB | 7,950,205  | 256,039        | 7,972,163        | 234,081        | 7,970,077             | 236,167        |
| ARK | 47,071,664 | 1,925,452      | 47,095,945       | 1,901,171      | 46,972,864            | 2,024,252      |

|     | James T. Flynn |                | Henry Gabbay |                | Jerrold B. Harris |                |
|-----|----------------|----------------|--------------|----------------|-------------------|----------------|
|     | Votes For      | Votes Withheld | Votes For    | Votes Withheld | Votes For         | Votes Withheld |
| COY | 26,495,906     | 1,823,349      | 26,697,583   | 1,621,672      | 26,627,684        | 1,691,571      |
| CYE | 28,777,421     | 1,386,439      | 28,885,028   | 1,278,832      | 28,847,723        | 1,316,137      |
| DSU | 88,674,548     | 3,782,886      | 88,911,501   | 3,545,933      | 88,653,555        | 3,803,879      |
| FRB | 7,985,949      | 220,295        | 7,979,862    | 226,382        | 7,990,624         | 215,620        |
| ARK | 47,046,551     | 1,950,565      | 47,078,056   | 1,919,060      | 46,996,096        | 2,001,020      |

|     | R. Glenn Hubbard |                | W. Carl Kester |                | Karen P. Robards |                |
|-----|------------------|----------------|----------------|----------------|------------------|----------------|
|     | Votes For        | Votes Withheld | Votes For      | Votes Withheld | Votes For        | Votes Withheld |
| COY | 26,725,170       | 1,594,085      | 26,732,347     | 1,586,908      | 26,658,979       | 1,660,276      |
| CYE | 28,812,143       | 1,351,717      | 28,865,727     | 1,298,133      | 28,741,180       | 1,422,680      |

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|     |            |           |            |           |            |           |
|-----|------------|-----------|------------|-----------|------------|-----------|
| DSU | 88,821,475 | 3,635,959 | 88,897,867 | 3,559,567 | 88,660,254 | 3,797,180 |
| FRB | 7,972,788  | 233,456   | 7,980,365  | 225,879   | 7,980,573  | 225,671   |
| ARK | 47,110,141 | 1,886,975 | 47,096,675 | 1,900,441 | 47,171,393 | 1,825,723 |

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### Portfolio Management Change

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COY, CYE, DSU, FRB and ARK are managed by a team of financial professionals. The portfolio managers are primarily responsible for the day-to-day management of the Funds portfolio. Effective May 8, 2009, James E. Keenan, Mitchell Garfin and Derek Schoenhofen are the portfolio managers for COY and CYE; Leland T. Hart, James E. Keenan and C. Adrian Marshall are the portfolio managers for DSU and ARK and Leland T. Hart and C. Adrian Marshall are the portfolio managers for FRA.

Mr. Garfin is Managing Director of BlackRock, Inc. since 2009; Director thereof from 2005 to 2009 and Vice President from 2001 to 2005.

Mr. Hart is Managing Director of BlackRock, Inc. since 2009; Partner of R3 Capital Partners in 2009 and Managing Director there of from 2008 to 2009; Managing Director of Lehman Brothers from 2006 to 2008 and Executive Director thereof of from 2003 to 2006.

Mr. Keenan is Managing Director of BlackRock, Inc. since 2008 and Director thereof from 2004 to 2008; Head of the Leveraged Finance Portfolio team; and senior high yield trader at Columbia Management Group from 2003 to 2004.

Mr. Marshall is Director of BlackRock, Inc. since 2007 and Vice President thereof from 2004 to 2007.

Mr. Schoenhofen is Director of BlackRock, Inc. since 2006 and Vice President thereof from 2000 to 2006.

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Additional Information (continued)

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**General Information**

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**Electronic Delivery**

Electronic copies of most financial reports are available on the Funds' website or shareholders can sign up for e-mail notifications of quarterly statements, annual and semi-annual reports by enrolling in the Funds' electronic delivery program.

**Shareholders Who Hold Accounts with Investment Advisors, Banks or Brokerages:**

Please contact your financial advisor to enroll. Please note that not all investment advisors, banks or brokerages may offer this service.

**Householding**

The Funds will mail only one copy of shareholder documents, including annual and semi-annual reports and proxy statements, to shareholders with multiple accounts at the same address. This practice is commonly called "householding" and it is intended to reduce expenses and eliminate duplicate mailings of shareholder documents. Mailings of your shareholder documents may be householded indefinitely unless you instruct us otherwise. If you do not want the mailing of these documents to be combined with those for other members of your household, please contact the Funds at (800) 441-7762.

**Availability of Quarterly Schedule of Investments**

Each Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year on Form N-Q. The Funds' Forms N-Q are available on the SEC's website at <http://www.sec.gov> and may also be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling (202) 551-8090. Each Fund's Forms N-Q may also be obtained upon request and without charge by calling (800) 441-7762.

**Availability of Proxy Voting Policies and Procedures**

A description of the policies and procedures that the Funds use to determine how to vote proxies relating to portfolio securities is available (1) without charge, upon request, by calling toll-free (800) 441-7762; (2) at [www.blackrock.com](http://www.blackrock.com); and (3) on the SEC's website at <http://www.sec.gov>.

**Availability of Proxy Voting Record**

Information about how the Funds voted proxies relating to securities held in the Funds' portfolios during the most recent 12-month period ended June 30 is available upon request and without charge (1) at [www.blackrock.com](http://www.blackrock.com) or by calling (800) 441-7762 and (2) on the SEC's website at <http://www.sec.gov>.

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**Section 19 Notices**

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These amounts and sources of distributions reported are only estimates and are not being provided for tax reporting purposes. The actual amounts and sources of the amounts for tax reporting purposes will depend upon each Fund's investment experience during the year and may be subject to changes based on the tax regulations. The Funds will send you a Form 1099-DIV each calendar year that will tell you how to report these distributions for federal income tax purposes.

|     | Total Cumulative Distributions<br>for the Fiscal Year-to-Date |                                     |                         | % Breakdown of the Total Cumulative<br>Distributions<br>for the Fiscal Year-to-Date |                             |                                     |                         |                              |
|-----|---|-------------------------------------|-------------------------|---|-----------------------------|-------------------------------------|-------------------------|------------------------------|
|     | Net<br>Investment<br>Income                                   | Net<br>Realized<br>Capital<br>Gains | Return<br>of<br>Capital | Total Per<br>Common<br>Share  | Net<br>Investment<br>Income | Net<br>Realized<br>Capital<br>Gains | Return<br>of<br>Capital | Total Per<br>Common<br>Share |
| COY | \$0.366000  |                                     |                         | \$0.366000  | 100%                        | 0%                                  | 0%                      | 100%                         |
| CYE | \$0.345000  |                                     |                         | \$0.345000  | 100%                        | 0%                                  | 0%                      | 100%                         |
| DSU | \$0.201899  |                                     | \$ 0.011101             | \$0.213000  | 95%                         | 0%                                  | 5%                      | 100%                         |
| FRB | \$0.581870  |                                     | \$ 0.008230             | \$0.590100  | 99%                         | 0%                                  | 1%                      | 100%                         |
| ARK | \$0.150000  |                                     |                         | \$0.150000  | 100%                        | 0%                                  | 0%                      | 100%                         |

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Additional Information (concluded)

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**BlackRock Privacy Principles**

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BlackRock is committed to maintaining the privacy of its current and former fund investors and individual clients (collectively, Clients ) and to safeguarding their non-public personal information. The following information is provided to help you understand what personal information BlackRock collects, how we protect that information and why in certain cases we share such information with select parties.

If you are located in a jurisdiction where specific laws, rules or regulations require BlackRock to provide you with additional or different privacy-related rights beyond what is set forth below, then BlackRock will comply with those specific laws, rules or regulations.

BlackRock obtains or verifies personal non-public information from and about you from different sources, including the following: (i) information we receive from you or, if applicable, your financial intermediary, on applications, forms or other documents; (ii) information about your transactions with us, our affiliates, or others; (iii) information we receive from a consumer reporting agency; and (iv) from visits to our websites.

BlackRock does not sell or disclose to non-affiliated third parties any non-public personal information about its Clients, except as permitted by law or as is necessary to respond to regulatory requests or to service Client accounts. These non-affiliated third parties are required to protect the confidentiality and security of this information and to use it only for its intended purpose.

We may share information with our affiliates to service your account or to provide you with information about other BlackRock products or services that may be of interest to you. In addition, BlackRock restricts access to non-public personal information about its Clients to those BlackRock employees with a legitimate business need for the information. BlackRock maintains physical, electronic and procedural safeguards that are designed to protect the non-public personal information of its Clients, including procedures relating to the proper storage and disposal of such information.



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This report is transmitted to shareholders only. It is not a prospectus. Past performance results shown in this report should not be considered a representation of future performance. The Funds have leveraged their Common Shares, which creates risks for Common Shareholders, including the likelihood of greater volatility of net asset value and market price of the Common Shares, and the risk that fluctuations in short-term interest rates may reduce the yield to Common Shareholders. Statements and other information herein are as dated and are subject to change.

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- Item 2 – Code of Ethics – Not Applicable to this semi-annual report
  - Item 3 – Audit Committee Financial Expert – Not Applicable to this semi-annual report
  - Item 4 – Principal Accountant Fees and Services – Not Applicable to this semi-annual report
  - Item 5 – Audit Committee of Listed Registrants – Not Applicable to this semi-annual report
  - Item 6 – Investments
    - (a) The registrant’s Schedule of Investments is included as part of the Report to Stockholders filed under Item 1 of this form.
    - (b) Not Applicable due to no such divestments during the semi-annual period covered since the previous Form N-CSR filing.
  - Item 7 – Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies – Not Applicable to this semi-annual report
  - Item 8 – Portfolio Managers of Closed-End Management Investment Companies – Not Applicable to this semi-annual report
  - Item 9 – Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers – Not Applicable
  - Item 10 – Submission of Matters to a Vote of Security Holders – The registrant’s Nominating and Governance Committee will consider nominees to the board of directors recommended by shareholders when a vacancy becomes available. Shareholders who wish to recommend a nominee should send nominations that include biographical information and set forth the qualifications of the proposed nominee to the registrant’s Secretary. There have been no material changes to these procedures.
  - Item 11 – Controls and Procedures
    - 11(a) – The registrant’s principal executive and principal financial officers or persons performing similar functions have concluded that the registrant’s disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the “1940 Act”)) are effective as of a date within 90 days of the filing of this report based on the evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act and Rule 13(a)-15(b) under the Securities Exchange Act of 1934, as amended.
    - 11(b) – There were no changes in the registrant’s internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the second fiscal quarter of the period covered by this report that have materially affected, or are reasonably likely to materially affect, the registrant’s internal control over financial reporting.
  - Item 12 – Exhibits attached hereto
    - 12(a)(1) – Code of Ethics – Not Applicable to this semi-annual report
    - 12(a)(2) – Certifications – Attached hereto
    - 12(a)(3) – Not Applicable
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12(b) – Certifications – Attached hereto

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BlackRock Debt Strategies Fund, Inc.

By: /s/ Anne F. Ackerley

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Anne F. Ackerley  
Chief Executive Officer of  
BlackRock Debt Strategies Fund, Inc.

Date: October 22, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Anne F. Ackerley

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Anne F. Ackerley  
Chief Executive Officer (principal executive officer) of  
BlackRock Debt Strategies Fund, Inc.

Date: October 22, 2009

By: /s/ Neal J. Andrews

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Neal J. Andrews  
Chief Financial Officer (principal financial officer) of  
BlackRock Debt Strategies Fund, Inc.

Date: October 22, 2009