

Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

BLACKROCK DEBT STRATEGIES FUND

Form N-CSRS

November 05, 2007

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.

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

Name and address of agent for service: Robert C. Doll, Jr., Chief Executive  
Officer, BlackRock Debt Strategies Fund, Inc., 800 Scudders Mill Road,  
Plainsboro, NJ, 08536. Mailing address: P.O. Box 9011, Princeton, NJ,  
08543-9011

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

Date of fiscal year end: 02/31/08

Date of reporting period: 03/01/07 - 08/31/07

Item 1 - Report to Stockholders

EQUITIES      FIXED INCOME      REAL ESTATE  
LIQUIDITY      ALTERNATIVES      BLACKROCK SOLUTIONS

BlackRock Debt Strategies  
Fund, Inc. (DSU)

BLACKROCK

SEMI-ANNUAL REPORT  
AUGUST 31, 2007 | (UNAUDITED)

NOT FDIC INSURED  
MAY LOSE VALUE  
NO BANK GUARANTEE

BlackRock Debt Strategies Fund, Inc.

The Benefits and Risks of Leveraging

BlackRock Debt Strategies Fund, Inc. utilizes leveraging through borrowings or issuance of short-term debt securities or shares of Preferred Stock. 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 the Fund on its longer-term portfolio investments. To the extent that the total assets of the Fund (including the assets obtained from leverage) are invested in higher-yielding portfolio investments, the Fund's Common Stock shareholders will benefit from the

## Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

incremental yield.

Leverage creates risks for holders of Common Stock including the likelihood of greater net asset value and market price volatility. In addition, there is the risk that fluctuations in interest rates on borrowings (or in the dividend rates on any Preferred Stock, if the Fund were to issue Preferred Stock) may reduce the Common Stock's yield and negatively impact its net asset value and market price. If the income derived from securities purchased with assets received from leverage exceeds the cost of leverage, the 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, the Fund's net income will be less than if leverage had not been used, and therefore the amount available for distribution to Common Stock shareholders will be reduced.

### Proxy Results

During the six-month period ended August 31, 2007, the shareholders of BlackRock Debt Strategies Fund, Inc. voted on the following proposal, which was approved at an annual shareholders' meeting on August 16, 2007. This proposal was part of the reorganization of the Fund's Board of Directors to take effect on or about November 1, 2007. A description of the proposal and number of shares voted are as follows:

|   |                           | Shares Voted<br>For | Shares Withh<br>From Votin |
|---|---------------------------|---------------------|----------------------------|
| To elect the Fund's Board of Directors: | G. Nicholas Beckwith, III | 91,318,812          | 2,952,837                  |
|   | Richard E. Cavanagh       | 91,339,560          | 2,932,088                  |
|   | Richard S. Davis          | 91,342,214          | 2,929,434                  |
|   | Kent Dixon                | 91,318,797          | 2,952,852                  |
|   | Frank J. Fabozzi          | 91,339,429          | 2,932,219                  |
|   | Kathleen F. Feldstein     | 91,284,804          | 2,986,845                  |
|   | James T. Flynn            | 91,312,677          | 2,958,972                  |
|   | Henry Gabbay              | 91,349,383          | 2,922,265                  |
|   | Jerrold B. Harris         | 91,315,357          | 2,956,292                  |
|   | R. Glenn Hubbard          | 91,326,907          | 2,944,741                  |
|   | W. Carl Kester            | 91,347,650          | 2,923,998                  |
|   | Karen P. Robards          | 91,343,952          | 2,927,697                  |
|   | Robert S. Salomon, Jr.    | 91,311,768          | 2,959,880                  |

2      BLACKROCK DEBT STRATEGIES FUND, INC.      AUGUST 31, 2007

### A Letter to Shareholders

Dear Shareholder

Financial markets embarked on a wild ride during the August reporting period. Subprime mortgage troubles intensified in the final months of the period, spawning a widespread credit and liquidity crisis that crept into other areas of the market. The U.S. Federal Reserve Board (the Fed) and other countries' central banks stepped in to inject liquidity into the markets and bolster investor confidence. In August, the Fed cut the discount rate, the rate charged to banks to borrow money directly from the Fed, from 6.25% to 5.75%. Another50%

## Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

cut in the discount rate came on September 18, along with a 50% cut in the more widely followed federal funds rate. This brought the target short-term interest rate, which had remained unchanged at 5.25% for over a year, to 4.75%.

Although heightened volatility has been a recurring theme throughout the past year, the global economy (excluding the U.S. housing market) remained quite healthy. In general, equity market fundamentals also held firm -- second-quarter corporate earnings exceeded expectations (although future earnings could be at risk if the economy weakens), dividend payouts and share buybacks continued to grow, and valuations remained attractive. These tailwinds generally prevailed over such headwinds as a slowing U.S. economy and troubled housing market, although the more recent credit crunch dampened corporate merger-and-acquisition activity, a key source of strength for equity markets. Stocks recorded their second-worst day of the year in August, yet remained comfortably in the black year-to-date.

Meanwhile, mixed economic signals and the credit market debacle made for a volatile backdrop for fixed income, with investors fleeing from bonds associated with the housing and credit markets in favor of higher-quality Treasury issues. As a result, the 10-year Treasury yield, which touched 5.30% in June ( its highest level in five years), fell to 4.54% by period-end, while prices correspondingly rose.

Against this backdrop, financial markets posted mixed results for the six- and 12-month periods ended August 31, 2007:

| Total Returns as of August 31, 2007  | 6-month | 1 |
|--|---------|---|
| U.S. equities (S&P 500 Index)  | +5.70%  |   |
| Small cap U.S. equities (Russell 2000 Index)                                     | +0.54   |   |
| International equities (MSCI Europe, Australasia, Far East Index)                | +5.83   |   |
| Fixed income (Lehman Brothers U.S. Aggregate Bond Index)                         | +1.54   |   |
| Tax-exempt fixed income (Lehman Brothers Municipal Bond Index)                   | -0.57   |   |
| High yield bonds (Lehman Brothers U.S. Corporate High Yield 2% Issuer Cap Index) | -1.71   |   |

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

As you navigate market volatility, we encourage you to review your investment goals with your financial professional and to make portfolio changes, as needed. For more market insight, we invite you to visit [www.blackrock.com/funds](http://www.blackrock.com/funds). We thank you for entrusting BlackRock with your investment assets, and we look forward to continuing to serve you in the months and years ahead.

Sincerely,

/s/ Robert C. Doll, Jr.  
Robert C. Doll, Jr.  
Fund President and Director

THIS PAGE NOT PART OF YOUR FUND REPORT

# Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

BLACKROCK DEBT STRATEGIES FUND, INC.      AUGUST 31, 2007      3

Fund Summary as of August 31, 2007 (Unaudited)

Fund Information

|  |                |
|--|----------------|
| Symbol on New York Stock Exchange .....                        | DSU            |
| Initial Offering Date .....                                    | March 27, 1998 |
| Yield on Closing Market Price as of 8/31/07 (\$6.41)* .....    | 9.92%          |
| Current Monthly Distribution per share of Common Stock** ..... | \$.053         |
| Current Annualized Distribution per share of Common Stock** .. | \$.636         |
| Leverage as of 8/31/07*** .....                                | 26%            |

- \* 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.
- \*\* The distribution is not constant and is subject to change. A portion of the distribution may be deemed a tax return of capital or net realized gain at fiscal year end.
- \*\*\* As a percentage of managed assets, which is the total assets of the Fund (including any assets attributable to any borrowing that may be outstanding) minus the sum of accrued liabilities (other than debt representing financial leverage).

The table below summarizes the changes in the Fund's market price and net asset value:

|                       | 8/31/07 | 2/28/07 | Change   | High   | Low    |
|-----------------------|---------|---------|----------|--------|--------|
| Market Price .....    | \$6.41  | \$7.28  | (11.95%) | \$7.44 | \$4.75 |
| Net Asset Value ..... | \$6.47  | \$7.01  | (7.70%)  | \$7.08 | \$6.36 |

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

Portfolio Composition

| Asset Mix                          | 8/31/07 | 2/28/07 |
|------------------------------------|---------|---------|
| Corporate Bonds .....              | 63%     | 70%     |
| Floating Rate Loan Interests ..... | 33      | 28      |
| Common Stocks .....                | 3       | 2       |
| Preferred Stocks .....             | 1       | --*     |
| Warrants .....                     | --*     | --*     |
| Other Interests .....              | --*     | --*     |

\* Amount is less than 1%.

Credit Quality Allocations\*

| Credit Rating | 8/31/07 | 2/28/07 |
|---------------|---------|---------|
| BBB/Baa ..... | 2%      | 1%      |
| BB/Ba .....   | 12      | 11      |
| B/B .....     | 56      | 62      |
| CCC/Caa ..... | 17      | 15      |

Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

|                      |     |     |
|----------------------|-----|-----|
| CC/Ca .....          | 1   | 1   |
| D .....              | --+ | --+ |
| NR (Not Rated) ..... | 8   | 8   |
| Other** .....        | 4   | 2   |

\* Using the higher of S&P's or Moody's ratings.

\*\* Includes portfolio holdings in common stocks, preferred stocks, warrants and other interests.

+ Amount is less than 1%.

4 BLACKROCK DEBT STRATEGIES FUND, INC. AUGUST 31, 2007

Schedule of Investments as of August 31, 2007 (Unaudited) (in U.S. dollars)

| Face Amount                 | Corporate Bonds  | Value        |
|-----------------------------|--|--------------|
| =====                       |  |              |
| Aerospace & Defense -- 3.3% |  |              |
| USD 5,000,000               | Alliant Techsystems, Inc., 3%<br>due 8/15/2024 (a) (m)                   | \$ 7,400,000 |
| 7,500,000                   | L-3 Communications Corp., 3%<br>due 8/01/2035 (a) (m)                    | 8,540,625    |
| 7,170,000                   | Vought Aircraft Industries, Inc., 8%<br>due 7/15/2011                    | 6,954,900    |
|                             |  | -----        |
|                             |  | 22,895,525   |
| =====                       |  |              |
| Auto Components -- 2.0%     |  |              |
| 245,000                     | Compagnie Generale de Geophysique SA,<br>7.50% due 5/15/2015             | 246,225      |
| 4,500,000                   | The Goodyear Tire & Rubber Co. (m):<br>9.135% due 12/01/2009 (b)         | 4,500,000    |
| 2,000                       | 8.625% due 12/01/2011  | 2,031        |
| 1,020,000                   | Lear Corp., 8.75% due 12/01/2016   | 943,500      |
| 9,350,000                   | Metaldyne Corp., 11% due 6/15/2012                                       | 8,368,250    |
| 4,450,000                   | Venture Holdings Co. LLC:<br>12% due 6/01/2009 (e)                       | 0            |
| 1,800,000                   | Series B, 9.50% due 7/01/2005 (m)  | 5,400        |
|                             |  | -----        |
|                             |  | 14,065,406   |
| =====                       |  |              |
| Biotechnology -- 0.7%       |  |              |
| 5,000,000                   | Angiotech Pharmaceuticals, Inc., 9.371%<br>due 12/01/2013 (b)            | 4,950,000    |
| =====                       |  |              |
| Building Products -- 1.9%   |  |              |
| 3,000,000                   | CPG International I, Inc.:<br>12.13% due 7/01/2012 (b)                   | 3,015,000    |
| 1,300,000                   | 10.50% due 7/01/2013   | 1,274,000    |
| 5,900,000                   | Goodman Global Holding Co., Inc., 7.875%<br>due 12/15/2012               | 5,841,000    |
| 2,270,000                   | Masonite International Corp., 11%<br>due 4/06/2015                       | 1,850,050    |
| 1,050,000                   | Momentive Performance Materials, Inc.,<br>10.125% due 12/01/2014 (g) (m) | 976,500      |
|                             |  | -----        |
|                             |  | 12,956,550   |
| =====                       |  |              |
| Capital Markets -- 0.2%     |  |              |

Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

|  |  |  |              |
|--|--|--|--------------|
| 2,000,000                              | Pennant CBO Ltd., 13.43%                 |  |              |
|  | due 3/14/2011 (m)                        |  | 1,700,000    |
| =====                                  |  |  |              |
| Chemicals -- 5.9%                      |  |  |              |
| 1,490,000                              | American Pacific Corp., 9% due 2/01/2015 |  | 1,467,650    |
| 3,550,000                              | ArCo Chemical Co., 9.80% due 2/01/2020   |  | 3,692,000    |
| 9,783,000                              | GEO Specialty Chemicals, Inc., 13.85%    |  |              |
|  | due 12/31/2009 (a) (m)                   |  | 8,070,975    |
| 3,100,000                              | Hexion U.S. Finance Corp., 10.058%       |  |              |
|  | due 11/15/2014 (b)                       |  | 3,162,000    |
| 2,515,000                              | Ineos Group Holdings Plc, 8.50%          |  |              |
|  | due 2/15/2016 (m)                        |  | 2,313,800    |
| 6,360,000                              | MacDermid, Inc., 9.50% due 4/15/2017 (m) |  | 5,914,800    |
| 14,060,000                             | NOVA Chemicals Corp., 8.484%             |  |              |
|  | due 11/15/2013 (b)                       |  | 13,638,200   |
| 2,500,000                              | PolyOne Corp., 6.89% due 9/22/2008       |  | 2,500,000    |
|  |  |  | -----        |
|  |  |  | 40,759,425   |
| =====                                  |  |  |              |
| Commercial Banks -- 0.2%               |  |  |              |
| 1,500,000                              | Investcorp SA, 7.54% due 10/21/2008      |  | 1,506,723    |
| =====                                  |  |  |              |
| Commercial Services & Supplies -- 1.4% |  |  |              |
| 1,090,000                              | PNA Intermediate Holding Corp., 12.558%  |  |              |
|  | due 2/15/2013 (b) (m)                    |  | 1,049,125    |
| 4,280,000                              | Sally Holdings LLC, 10.50%               |  |              |
|  | due 11/15/2016 (m)                       |  | 4,087,400    |
| 3,270,000                              | West Corp., 11% due 10/15/2016           |  | 3,319,050    |
| 1,395,000                              | Yankee Acquisition Corp., 9.75%          |  |              |
|  | due 2/15/2017                            |  | 1,248,525    |
|  |  |  | -----        |
|  |  |  | 9,704,100    |
| =====                                  |  |  |              |
|  | Face                                     |  |              |
|  | Amount                                   | Corporate Bonds                            | Value        |
| =====                                  |  |  |              |
| Communications Equipment -- 0.3%       |  |  |              |
| USD                                    | 983,000                                  | Loral Spacecom Corp., 14%                  |              |
|  |  | due 11/15/2015 (g)                         | \$ 1,059,183 |
|  | 630,000                                  | Nortel Networks Ltd., 9.61%                |              |
|  |  | due 7/15/2011 (b) (m)                      | 631,575      |
|  |  |  | -----        |
|  |  |  | 1,690,758    |
| =====                                  |  |  |              |
| Computers & Peripherals -- 0.4%        |  |  |              |
|  | 2,700,000                                | Viasystems, Inc., 10.50% due 1/15/2011     | 2,700,000    |
| =====                                  |  |  |              |
| Construction Materials -- 0.7%         |  |  |              |
|  | 5,850,000                                | Nortek, Inc., 8.50% due 9/01/2014          | 5,060,250    |
| =====                                  |  |  |              |
| Containers & Packaging -- 2.7%         |  |  |              |
|  |  | Berry Plastics Holding Corp.:              |              |
|  | 665,000                                  | 8.875% due 9/15/2014                       | 663,338      |
|  | 375,000                                  | 9.569% due 9/15/2014 (b)                   | 371,250      |
| 1,100,000                              | Graham Packing Co., Inc., 9.875%         |  |              |
|  |  | due 10/15/2014                             | 1,078,000    |
| 705,000                                | Graphic Packaging International          |  |              |
|  |  | Corp., 9.50% due 8/15/2013                 | 712,050      |
| 6,215,000                              | Packaging Dynamics Finance Corp., 10%    |  |              |
|  |  | due 5/01/2016 (m)                          | 6,222,769    |
|  |  | Smurfit-Stone Container Enterprises, Inc.: |              |

Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

|  |   |            |
|--|---|------------|
| 1,600,000                                      | 8.375% due 7/01/2012  | 1,568,000  |
| 2,600,000                                      | 8% due 3/15/2017  | 2,479,750  |
| 6,325,000                                      | Wise Metals Group LLC, 10.25%<br>due 5/15/2012                    | 5,692,500  |
|  |   | -----      |
|  |   | 18,787,657 |
| =====  |   |            |
| Distributors -- 0.3%                           |   |            |
| 2,000,000                                      | Buhrmann US, Inc., 7.875% due 3/01/2015                           | 1,840,000  |
| =====  |   |            |
| Diversified Consumer Services -- 0.5%          |   |            |
| 3,875,000                                      | NBC Acquisition Corp., 11%<br>due 3/15/2013 (i)                   | 3,448,750  |
| =====  |   |            |
| Diversified Financial Services -- 1.2%         |   |            |
| 5,743,690                                      | Archimedes Funding III Ltd., 5.50%<br>due 11/29/2011 (b) (m)      | 2,871,836  |
|  | Ford Motor Credit Co. LLC:  |            |
| 760,000  | 5.80% due 1/12/2009   | 716,127    |
| 4,480,000                                      | 8.11% due 1/13/2012 (b)   | 4,102,824  |
| 750,000  | 9.81% due 4/15/2012 (b)   | 755,516    |
|  |   | -----      |
|  |   | 8,446,303  |
| =====  |   |            |
| Diversified Telecommunication Services -- 1.3% |   |            |
| 2,675,000                                      | Qwest Corp., 8.944% due 6/15/2013 (b)                             | 2,822,125  |
| 6,000,000                                      | Time Warner Telecom Holdings, Inc., 9.25%<br>due 2/15/2014        | 6,210,000  |
|  |   | -----      |
|  |   | 9,032,125  |
| =====  |   |            |
| Electric Utilities -- 0.8%                     |   |            |
| 5,380,000                                      | NSG Holdings LLC, 7.75%<br>due 12/15/2025 (l) (m)                 | 5,225,325  |
| =====  |   |            |
| Electronic Equipment & Instruments -- 1.4%     |   |            |
| 2,675,000                                      | Muzak Holdings, LLC, 13% due 3/15/2010 (i)                        | 2,113,250  |
|  | NXP BV:   |            |
| 5,520,000                                      | 8.11% due 10/15/2013 (b)  | 5,002,500  |
| 2,300,000                                      | 9.50% due 10/15/2015  | 1,989,500  |
| 375,000  | Sanmina-SCI Corp., 8.125% due 3/01/2016                           | 324,375    |
|  |   | -----      |
|  |   | 9,429,625  |
| =====  |   |            |
| Energy Equipment & Services -- 2.1%            |   |            |
| 670,000  | Compagnie Generale de Geophysique-Veritas,<br>7.75% due 5/15/2017 | 676,700    |
| 8,000,000                                      | Ocean RIG ASA, 9.36% due 4/04/2011 (b)                            | 7,900,000  |
| 6,300,000                                      | SemGroup LP, 8.75% due 11/15/2015 (m)                             | 6,063,750  |
|  |   | -----      |
|  |   | 14,640,450 |
| =====  |   |            |

BLACKROCK DEBT STRATEGIES FUND, INC. AUGUST 31, 2007 5

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

| Face<br>Amount | Corporate Bonds | Value |
|----------------|-----------------|-------|
|----------------|-----------------|-------|

Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

|  |           |  |              |
|--|-----------|--|--------------|
| =====                                    |           |  |              |
| Food & Staples Retailing -- 0.4%         |           |  |              |
| USD                                      | 2,900,000 | Rite Aid Corp., 9.375% due 12/15/2015 (m)                            | \$ 2,639,000 |
| =====                                    |           |  |              |
| Gas Utilities -- 0.4%                    |           |  |              |
|  | 2,900,000 | El Paso Performance-Linked Trust, 7.75% due 7/15/2011 (m)            | 2,971,169    |
| =====                                    |           |  |              |
| Health Care Providers & Services -- 2.4% |           |  |              |
|  | 3,975,000 | Community Health Systems, Inc., 8.875% due 7/15/2015 (m)             | 3,970,031    |
|  |           | Tenet Healthcare Corp.:  |              |
|  | 2,990,000 | 6.50% due 6/01/2012  | 2,481,700    |
|  | 6,000,000 | 7.375% due 2/01/2013   | 4,980,000    |
|  |           | Universal Hospital Services, Inc. (m):                               |              |
|  | 1,000,000 | 8.50% due 6/01/2015 (g)  | 927,826      |
|  | 930,000   | 8.759% due 6/01/2015 (b)   | 897,450      |
|  | 4,100,000 | Vanguard Health Holding Co. I, LLC, 11.25% due 10/01/2015 (i)        | 2,972,500    |
|  |           |  | -----        |
|  |           |  | 16,229,507   |
| =====                                    |           |  |              |
| Hotels, Restaurants & Leisure -- 6.0%    |           |  |              |
|  | 1,250,000 | Galaxy Entertainment Finance Co. Ltd., 9.875% due 12/15/2012 (m)     | 1,268,750    |
|  |           | HRP Myrtle Beach (m):  |              |
|  | 5,976,698 | Holdings LLC, 14.50% due 4/01/2014 (g)                               | 5,767,514    |
|  | 5,000,000 | Operations LLC, 10.07% due 4/01/2012 (b)                             | 4,750,000    |
|  | 5,000,000 | Operations LLC, 12.50% due 4/01/2013                                 | 4,900,000    |
|  | 2,560,000 | Little Traverse Bay Bands of Odawa Indians, 10.25% due 2/15/2014 (m) | 2,572,800    |
|  | 915,000   | Penn National Gaming, Inc., 6.75% due 3/01/2015                      | 917,288      |
|  | 2,700,000 | Pinnacle Entertainment, Inc., 7.50% due 6/15/2015 (m)                | 2,484,000    |
|  | 1,370,000 | Shingle Springs Tribal Gaming Authority, 9.375% due 6/15/2015 (m)    | 1,349,450    |
|  | 1,015,000 | Snoqualmie Entertainment Authority, 9.063% due 2/01/2014 (b) (m)     | 990,894      |
|  | 3,400,000 | Station Casinos, Inc., 7.75% due 8/15/2016                           | 3,255,500    |
|  | 2,600,000 | Travelport LLC, 10.246% due 9/01/2014 (b)                            | 2,600,000    |
|  | 3,265,000 | Tropicana Entertainment, LLC, 9.625% due 12/15/2014 (m)              | 2,416,100    |
|  | 3,000,000 | Tunica-Biloxi Gaming Authority, 9% due 11/15/2015 (m)                | 3,000,000    |
|  | 5,300,000 | Universal City Florida Holding Co. I, 10.106% due 5/01/2010 (b)      | 5,353,000    |
|  |           |  | -----        |
|  |           |  | 41,625,296   |
| =====                                    |           |  |              |
| Household Durables -- 0.6%               |           |  |              |
|  | 175,000   | Fedders North America, Inc., 9.875% due 3/01/2014                    | 28,000       |
|  | 2,610,000 | Jarden Corp., 7.50% due 5/01/2017                                    | 2,440,350    |
|  | 2,250,000 | Stanley-Martin Communities LLC, 9.75% due 8/15/2015                  | 1,676,250    |
|  |           |  | -----        |
|  |           |  | 4,144,600    |
| =====                                    |           |  |              |
| IT Services -- 0.7%                      |           |  |              |



## Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

|                                      |            |  |              |
|--------------------------------------|------------|--|--------------|
|                                      | 4,818,000  | SunGard Data Systems, Inc., 10.25%<br>due 8/15/2015 (m)              | 4,962,540    |
| =====                                |            |  |              |
| Insurance -- 0.2%                    |            |  |              |
|                                      | 1,630,000  | USI Holdings Corp., 9.433%<br>due 11/15/2014 (b) (m)                 | 1,515,900    |
| =====                                |            |  |              |
| Leisure Equipment & Products -- 0.2% |            |  |              |
|                                      | 2,000,000  | True Temper Sports, Inc., 8.375%<br>due 9/15/2011                    | 1,560,000    |
| =====                                |            |  |              |
|                                      | Face       |  |              |
|                                      | Amount     | Corporate Bonds  | Value        |
| =====                                |            |  |              |
| Machinery -- 1.7%                    |            |  |              |
| USD                                  | 3,070,000  | Esco Corp., 9.235% due 12/15/2013 (b) (m)                            | \$ 3,008,600 |
|                                      | 3,815,000  | Invensys Plc, 9.875% due 3/15/2011 (m)                               | 4,053,438    |
|                                      |            | RBS Global, Inc.:  |              |
|                                      | 1,480,000  | 9.50% due 8/01/2014  | 1,494,800    |
|                                      | 1,685,000  | 8.875% due 9/01/2016   | 1,647,088    |
|                                      | 1,530,000  | Titan International, Inc., 8%<br>due 1/15/2012                       | 1,507,968    |
|                                      |            |  | -----        |
|                                      |            |  | 11,711,894   |
| =====                                |            |  |              |
| Marine -- 0.5%                       |            |  |              |
|                                      | 1,500,000  | Navios Maritime Holdings, Inc., 9.50%<br>due 12/15/2014 (m)          | 1,531,875    |
|                                      | 1,760,000  | Titan Petrochemicals Group Ltd., 8.50%<br>due 3/18/2012 (m)          | 1,548,800    |
|                                      |            |  | -----        |
|                                      |            |  | 3,080,675    |
| =====                                |            |  |              |
| Media -- 11.6%                       |            |  |              |
|                                      |            | Affinion Group, Inc.:  |              |
|                                      | 280,000    | 10.125% due 10/15/2013   | 280,000      |
|                                      | 800,000    | 11.50% due 10/15/2015  | 800,000      |
|                                      | 5,950,000  | Cablevision Systems Corp. Series B, 9.82%<br>due 4/01/2009 (b)       | 6,098,750    |
|                                      | 2,000,000  | Cadmus Communications Corp., 8.375%<br>due 6/15/2014                 | 1,900,000    |
|                                      | 5,000,000  | Canadian Satellite Radio Holdings,<br>Inc., 12.75% due 2/15/2014 (m) | 4,906,250    |
|                                      |            | Charter Communications Holdings LLC:                                 |              |
|                                      | 3,750,000  | 10% due 4/01/2009  | 3,740,625    |
|                                      | 1,319,000  | 11.125% due 1/15/2011  | 1,282,728    |
|                                      | 1,978,000  | 10% due 5/15/2011  | 1,888,990    |
|                                      |            | Intelsat Bermuda Ltd. (b):   |              |
|                                      | 8,605,000  | 11.409% due 6/15/2013  | 8,841,638    |
|                                      | 2,880,000  | 8.886% due 1/15/2015   | 2,901,600    |
|                                      | 10,350,000 | Intelsat Intermediate Holding Co. Ltd.,<br>9.25% due 2/01/2015 (i)   | 8,383,500    |
|                                      | 4,125,000  | Liberty Media Corp., 0.75%<br>due 3/30/2023 (a)                      | 4,666,406    |
|                                      | 3,875,000  | Mediacom LLC, 9.50% due 1/15/2013                                    | 3,875,000    |
|                                      | 750,000    | NTL Cable Plc, 8.75% due 4/15/2014                                   | 759,375      |
|                                      | 580,000    | Network Communications, Inc., 10.75%<br>due 12/01/2013               | 580,000      |
|                                      | 4,325,000  | Nielsen Finance LLC, 10% due 8/01/2014                               | 4,433,125    |
|                                      | 2,800,000  | Paxson Communications Corp., 8.61%<br>due 1/15/2012 (b) (m)          | 2,761,500    |

Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

|                         |   |            |
|-------------------------|---|------------|
| 3,235,000               | Sinclair Broadcast Group, Inc. Class A,<br>4.875% due 7/15/2018 (a) (i) | 3,000,463  |
| 5,795,000               | Sirius Satellite Radio, Inc., 9.625%<br>due 8/01/2013                   | 5,476,275  |
| 5,230,000               | TL Acquisitions, Inc., 10.50%<br>due 1/15/2015 (m)                      | 4,929,275  |
| 3,485,000               | Umbrella Acquisition, 9.75%<br>due 3/15/2015 (g) (m)                    | 3,319,463  |
| 2,800,000               | XM Satellite Radio, Inc., 9.856%<br>due 5/01/2013 (b)                   | 2,604,000  |
| 2,685,000               | Young Broadcasting, Inc., 10%<br>due 3/01/2011                          | 2,416,500  |
|                         |   | -----      |
|                         |   | 79,845,463 |
| =====                   |   |            |
| Metals & Mining -- 3.5% |   |            |
| 2,735,000               | Aleris International, Inc., 9%<br>due 12/15/2014 (g)                    | 2,550,513  |
| 4,000,000               | Compass Minerals International, Inc.<br>Series B, 12% due 6/01/2013 (i) | 4,020,000  |
| 10,360,000              | Freeport-McMoRan Copper & Gold, Inc.,<br>8.564% due 4/01/2015 (b)       | 10,670,800 |
| 2,854,000               | Indalex Holding Corp. Series B, 11.50%<br>due 2/01/2014                 | 2,675,625  |
| 4,550,000               | RathGibson, Inc., 11.25% due 2/15/2014                                  | 4,555,688  |
|                         |   | -----      |
|                         |   | 24,472,626 |
| =====                   |   |            |

6 BLACKROCK DEBT STRATEGIES FUND, INC. AUGUST 31, 2007

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

| Face<br>Amount                      | Corporate Bonds   | Value        |
|-------------------------------------|---|--------------|
| =====                               |   |              |
| Multi-Utilities -- 0.9%             |   |              |
| USD 4,142,000                       | CenterPoint Energy, Inc. Series B, 3.75%<br>due 5/15/2023 (a) | \$ 6,052,498 |
| =====                               |   |              |
| Oil, Gas & Consumable Fuels -- 1.0% |   |              |
| 480,000                             | Berry Petroleum Co., 8.25% due 11/01/2016                     | 472,800      |
| 3,000,000                           | Chaparral Energy, Inc., 8.50%<br>due 12/01/2015               | 2,685,000    |
| 2,445,000                           | Compton Petroleum Finance Corp., 7.625%<br>due 12/01/2013     | 2,322,750    |
| 1,425,000                           | Williams Cos., Inc., 8.625% due 6/01/2010                     | 1,486,460    |
|                                     |   | -----        |
|                                     |   | 6,967,010    |
| =====                               |   |              |
| Paper & Forest Products -- 9.3%     |   |              |
| 6,500,000                           | Abitibi-Consolidated, Inc., 9.194%<br>due 6/15/2011 (b)       | 5,590,000    |
|                                     | Ainsworth Lumber Co. Ltd. (b):                                |              |
| 9,725,000                           | 9.11% due 10/01/2010  | 7,488,250    |
| 8,000,000                           | 9.36% due 4/01/2013   | 6,080,000    |
|                                     | Boise Cascade LLC:  |              |
| 2,150,000                           | 8.235% due 10/15/2012 (b)                                     | 2,128,500    |
| 900,000                             | 7.125% due 10/15/2014   | 828,000      |

Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

|  |   |                 |
|--|---|-----------------|
| 7,600,000  | Bowater, Inc., 8.694% due 3/15/2010 (b)                                     | 6,840,087       |
| 3,775,000  | Domtar, Inc., 7.125% due 8/15/2015  | 3,510,750       |
|  | NewPage Corp.:  |                 |
| 8,000,000  | 11.606% due 5/01/2012 (b)   | 8,480,000       |
| 4,725,000  | 12% due 5/01/2013   | 4,937,625       |
| 13,625,000                                       | Smurfit Kappa Funding Plc, 7.75%<br>due 4/01/2015                           | 13,148,125      |
|  | Verso Paper Holdings LLC Series B:  |                 |
| 4,400,000  | 9.106% due 8/01/2014 (b)  | 4,378,000       |
| 530,000  | 11.375% due 8/01/2016   | 540,600         |
|  |   | -----           |
|  |   | 63,949,937      |
| =====  |   |                 |
| Pharmaceuticals -- 1.2%                          |   |                 |
|  | Elan Finance Plc:   |                 |
| 3,525,000  | 7.75% due 11/15/2011  | 3,436,875       |
| 4,825,000  | 9.558% due 11/15/2011 (b)   | 4,728,500       |
|  |   | -----           |
|  |   | 8,165,375       |
| =====  |   |                 |
| Real Estate Investment Trusts (REITs) -- 0.3%    |   |                 |
| 3,500,000  | RAIT Financial Trust, 6.875%<br>due 4/15/2027 (a) (m)                       | 2,209,375       |
| =====  |   |                 |
| Real Estate Management & Development -- 2.3%     |   |                 |
|  | Realogy Corp. (m):  |                 |
| 4,770,000  | 10.50% due 4/15/2014  | 4,018,725       |
| 7,540,000  | 11% due 4/15/2014 (g)   | 6,107,400       |
| 7,410,000  | 12.375% due 4/15/2015   | 5,455,613       |
|  |   | -----           |
|  |   | 15,581,738      |
| =====  |   |                 |
| Road & Rail -- 0.8%                              |   |                 |
| 1,250,000  | Atlantic Express Transportation Corp.,<br>12.609% due 4/15/2012 (b) (g) (m) | 1,212,500       |
| 790,000  | Britannia Bulk Plc, 11% due 12/01/2011                                      | 782,100         |
| 5,060,000  | St. Acquisition Corp., 13.107%<br>due 5/15/2015 (b) (m)                     | 3,516,700       |
|  |   | -----           |
|  |   | 5,511,300       |
| =====  |   |                 |
|  | Face  |                 |
|  | Amount  | Corporate Bonds |
|  |   | Value           |
| =====  |   |                 |
| Semiconductors & Semiconductor Equipment -- 3.2% |   |                 |
|  | Amkor Technology, Inc.:   |                 |
| USD 3,000,000                                    | 7.125% due 3/15/2011  | \$ 2,820,000    |
| 210,000  | 7.75% due 5/15/2013   | 194,775         |
| 2,645,000  | 9.25% due 6/01/2016   | 2,565,650       |
|  | Freescale Semiconductor, Inc.:  |                 |
| 8,990,000  | 9.125% due 12/15/2014 (g)   | 8,046,050       |
| 5,470,000  | 9.569% due 12/15/2014 (b)   | 5,032,400       |
| 3,370,000  | Spansion, Inc., 8.746%<br>due 6/01/2013 (b) (m)                             | 3,201,500       |
|  |   | -----           |
|  |   | 21,860,375      |
| =====  |   |                 |
| Software -- 0.3%                                 |   |                 |
| 2,416,832  | BMS Holdings, Inc., 12.40%<br>due 2/15/2012 (b) (g) (m)                     | 2,113,534       |
| =====  |   |                 |

Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

|   |  |             |
|---|--|-------------|
| Specialty Retail -- 4.1%                    |  |             |
| 2,215,000                                   | Buffets, Inc., 12.50% due 11/01/2014                           | 1,705,550   |
|   | Claire's Stores, Inc. (m):                                     |             |
| 500,000                                     | 9.25% due 6/01/2015  | 433,750     |
| 610,000                                     | 9.625% due 6/01/2015 (g)                                       | 476,993     |
| 1,110,000                                   | 10.50% due 6/01/2017   | 821,400     |
|   | General Nutrition Centers, Inc. (g) (m):                       |             |
| 5,560,000                                   | 10.009% due 3/15/2014  | 5,026,029   |
| 4,480,000                                   | 10.75% due 3/15/2015   | 4,008,533   |
|   | Michaels Stores, Inc. (m):                                     |             |
| 3,790,000                                   | 10% due 11/01/2014   | 3,799,475   |
| 8,660,000                                   | 11.375% due 11/01/2016   | 8,421,850   |
| 8,000,000                                   | Movie Gallery, Inc., 11% due 5/01/2012 (e)                     | 2,000,000   |
| 1,380,000                                   | United Auto Group, Inc., 7.75%<br>due 12/15/2016               | 1,317,900   |
|   |  | -----       |
|   |  | 28,011,480  |
| =====                                       |  |             |
| Wireless Telecommunication Services -- 3.7% |  |             |
| 1,905,000                                   | Centennial Communications Corp., 11.11%<br>due 1/01/2013 (b)   | 1,952,625   |
|   | Cricket Communications, Inc.:                                  |             |
| 5,250,000                                   | 9.375% due 11/01/2014  | 5,145,000   |
| 1,000,000                                   | 9.375% due 11/01/2014 (m)                                      | 980,000     |
|   | Digicel Group Ltd. (m):  |             |
| 3,560,000                                   | 8.875% due 1/15/2015   | 3,253,128   |
| 7,748,000                                   | 9.125% due 1/15/2015 (g)                                       | 7,080,122   |
| 2,150,000                                   | FiberTower Corp., 9% due 11/15/2012 (a) (m)                    | 2,246,750   |
| 1,250,000                                   | iPCS, Inc., 7.481% due 5/01/2013 (b) (m)                       | 1,206,250   |
| 2,600,000                                   | Nordic Telephone Co. Holdings ApS, 8.875%<br>due 5/01/2016 (m) | 2,691,000   |
|   | Orascom Telecom Finance SCA:                                   |             |
| 620,000                                     | 7.875% due 2/08/2014   | 565,754     |
| 755,000                                     | 7.875% due 2/08/2014 (m)                                       | 688,938     |
|   |  | -----       |
|   |  | 25,809,567  |
| -----                                       |  |             |
|   | Total Corporate Bonds<br>(Cost -- \$602,872,636) -- 82.6%      | 569,829,831 |
| =====                                       |  |             |

BLACKROCK DEBT STRATEGIES FUND, INC. AUGUST 31, 2007 7

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

|                             | Face<br>Amount | Floating Rate Loan Interests**                                   | Value     |
|-----------------------------|----------------|--|-----------|
| =====                       |                |  |           |
| Aerospace & Defense -- 0.2% |                |  |           |
|                             |                | Hawker Beechcraft:   |           |
| USD                         | 39,007         | Letter of Credit, 5.26% due 3/31/2014                            | \$ 37,057 |
|                             | 459,840        | Term Loan B, 7.36% - 7.508%<br>due 3/31/2014                     | 436,848   |
|                             | 1,145,200      | IAP Worldwide Services Inc. Term Loan,<br>11.687% due 12/31/2012 | 983,727   |
|                             |                |  | -----     |
|                             |                |  | 1,457,632 |
| =====                       |                |  |           |
| Airlines -- 0.7%            |                |  |           |

Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

|                         |   |            |
|-------------------------|---|------------|
| 1,890,000               | Delta Airlines First Lien Term Loan, 7.36%<br>due 5/15/2012                   | 1,794,319  |
| 1,492,500               | United Air Lines, Inc. Term Loan B, 7.625%<br>due 1/30/2014                   | 1,399,529  |
| 2,000,000               | US Airways Group, Inc. Term Loan B, 7.86%<br>due 3/22/2014                    | 1,878,750  |
|                         |   | -----      |
|                         |   | 5,072,598  |
| =====                   |   |            |
| Auto Components -- 1.2% |   |            |
| 1,000,000               | Delphi Automotive Systems Term Loan B,<br>7.625% due 12/31/2007               | 980,000    |
| 2,000,000               | Goodyear Tire & Rubber Co. First Lien Term<br>Loan, 7.10% due 4/30/2014       | 1,880,000  |
| 1,685,185               | Intermet Corp.:<br>Letter of Credit, 10.21%<br>due 11/08/2010                 | 1,617,778  |
| 1,162,530               | Term Loan B, 10.36% due 11/08/2010  | 1,116,029  |
| 86,538                  | Metaldyne Corp.:<br>Letter of Credit, 5.17% - 9.125%<br>due 1/15/2012         | 84,375     |
| 588,462                 | Term Loan B, 9.125% due 1/15/2014   | 573,750    |
| 1,000,000               | TRW Automotive, Inc. Term Loan B, 6.875%<br>due 2/09/2014                     | 970,000    |
| 1,250,000               | Visteon Corp. Term Loan B, 8.38%<br>due 6/13/2013                             | 1,150,781  |
|                         |   | -----      |
|                         |   | 8,372,713  |
| =====                   |   |            |
| Beverages -- 0.4%       |   |            |
| 1,500,000               | Culligan International:<br>Second Lien Term Loan, 7.815%<br>due 10/24/2012    | 1,736,868  |
| 1,000,000               | Term Loan B, 7.61% - 7.815%<br>due 10/24/2012                                 | 910,000    |
|                         |   | -----      |
|                         |   | 2,646,868  |
| =====                   |   |            |
| Chemicals -- 2.3%       |   |            |
| 400,000                 | Arizona Chemical Second Lien Term Loan,<br>11.01% due 2/28/2014               | 370,667    |
| 2,000,000               | Flint Group Term Loan, 7.933%<br>due 12/20/2014                               | 1,895,500  |
| 2,000,000               | Huish Detergents, Inc.:<br>First Lien Term Loan, 7.51%<br>due 4/15/2014       | 1,835,000  |
| 1,500,000               | Second Lien Term Loan, 9.57%<br>due 10/15/2014                                | 1,372,500  |
| 677,316                 | Huntsman ICI Holdings Term Loan B, 7.25%<br>due 4/19/2014                     | 662,782    |
| 636,000                 | NuSil Technology Term Loan, 8.07%<br>due 10/31/2013                           | 623,280    |
| 620,000                 | Rockwood Specialties Group, Inc. Tranche D<br>Term Loan, 6.857% due 7/30/2012 | 599,463    |
| 10,000,000              | Wellman, Inc. Second Lien Term Loan,<br>12.106% due 2/10/2010                 | 8,700,000  |
|                         |   | -----      |
|                         |   | 16,059,192 |
| =====                   |   |            |
| Face                    |   |            |
| Amount                  | Floating Rate Loan Interests**  | Value      |

Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

|  |           |  |            |
|--|-----------|--|------------|
| =====                                  |           |  |            |
| Commercial Services & Supplies -- 5.7% |           |  |            |
| Aramark Corp.:                         |           |  |            |
| USD                                    | 533,316   | Letter of Credit, 5.36% due 1/30/2014  | \$ 513,183 |
|  | 7,580,509 | Term Loan B, 7.36% due 1/30/2014   | 7,294,345  |
| Euramax International Plc:             |           |  |            |
|  | 2,538,314 | First Lien Term Loan, 8.375%<br>due 6/29/2012                                    | 2,346,672  |
|  | 6,000,000 | Second Lien Term Loan, 13.36%<br>due 6/29/2013                                   | 5,340,000  |
|  | 1,500,000 | Jason, Inc. Term Loan B, 8.03% - 9.50%<br>due 4/30/2010                          | 1,425,000  |
|  | 1,410,788 | John Maneely Co. Term Loan B, 8.61%<br>due 12/15/2013                            | 1,262,067  |
|  | 3,019,996 | NES Rentals Holdings, Inc. Term Loan C,<br>12.125% due 7/12/2013                 | 2,957,081  |
| RiskMetrics Group, Inc.:               |           |  |            |
|  | 250,000   | Second Lien Term Loan, 10.86%<br>due 6/15/2014                                   | 242,813    |
|  | 748,125   | Term Loan, 7.61% due 1/15/2014   | 727,552    |
|  | 8,670,000 | Service Master Bridge Loan, 9.86%<br>due 6/19/2008                               | 7,542,900  |
|  | 7,000,359 | Waste Services, Inc. Term Loan D,<br>7.82% due 3/31/2011                         | 6,790,348  |
|  | 2,970,112 | West Corp. Term Loan, 7.735% - 7.88%<br>due 10/31/2013                           | 2,864,920  |
|  |           |  | -----      |
|  |           |  | 39,306,881 |
| =====                                  |           |  |            |
| Communications Equipment -- 0.1%       |           |  |            |
|  | 1,000,000 | SafeNet, Inc. First Lien Term Loan, 7.86%<br>due 5/11/2015                       | 930,000    |
| =====                                  |           |  |            |
| Computers & Peripherals -- 0.4%        |           |  |            |
| Intergraph Corp. Term Loan:            |           |  |            |
|  | 430,893   | 7.503% due 5/15/2014   | 412,041    |
|  | 1,000,000 | 11.506% due 11/15/2014   | 956,250    |
|  | 1,500,000 | Reynolds and Reynolds Co. Third Lien Term<br>Loan, 12.86% due 10/31/2014         | 1,462,500  |
|  |           |  | -----      |
|  |           |  | 2,830,791  |
| =====                                  |           |  |            |
| Construction Materials -- 0.3%         |           |  |            |
|  | 2,453,125 | Headwaters, Inc. Term Loan B-1, 7.36%<br>due 4/30/2011                           | 2,391,797  |
| =====                                  |           |  |            |
| Containers & Packaging -- 1.6%         |           |  |            |
|  | 2,239,574 | Anchor Glass Container Corp. Term Loan B,<br>7.61% - 7.791% due 5/03/2013        | 2,172,387  |
|  | 8,590,000 | Berry Plastics Corp. Term Loan B, 11.61%<br>due 6/15/2014                        | 7,387,400  |
|  | 750,000   | Consolidated Container Second Lien Term<br>Loan, 10.86% - 11.065% due 10/15/2014 | 675,000    |
|  | 495,000   | Graham Packaging Term Loan B, 7.625%<br>due 4/15/2011                            | 480,975    |
|  |           |  | -----      |
|  |           |  | 10,715,762 |
| =====                                  |           |  |            |
| Distributors -- 0.2%                   |           |  |            |
|  | 1,741,250 | Keystone Automotive Operations, Inc. Term<br>Loan B, 8.828% - 9% due 1/15/2012   | 1,588,891  |
| =====                                  |           |  |            |

Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

8 BLACKROCK DEBT STRATEGIES FUND, INC. AUGUST 31, 2007

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

|  | Face<br>Amount   | Floating Rate Loan Interests** | Value        |
|--|--|--------------------------------|--------------|
| =====  |  |                                |              |
| Diversified Financial Services -- 0.5%         |  |                                |              |
| USD 4,000,000                                  | JG Wentworth Manufacturing Term Loan B,<br>7.61% due 4/15/2014                 |                                | \$ 3,710,000 |
| =====  |  |                                |              |
| Diversified Telecommunication Services -- 0.9% |  |                                |              |
| 995,000  | Kentucky Data Link, Inc. Term Loan B,<br>7.815% due 2/26/2014                  |                                | 957,688      |
| 258,716  | Transaction Network Services Term Loan B,<br>7.541% due 5/15/2014              |                                | 250,954      |
| 3,161,871                                      | Winstar Communications Debtor In<br>Possession, 6.366% due 12/31/2006 (n)      |                                | 5,051,089    |
|  |  |                                | -----        |
|  |  |                                | 6,259,731    |
| =====  |  |                                |              |
| Electrical Equipment -- 0.4%                   |  |                                |              |
| 4,000,000                                      | Generac Portable Products, Inc. Second<br>Lien Term Loan, 11.36% due 5/15/2014 |                                | 2,663,332    |
| =====  |  |                                |              |
| Electronic Equipment & Instruments -- 0.2%     |  |                                |              |
| 1,500,000                                      | CoCreate Software, Inc. Second Lien Term<br>Loan, 12.608% due 5/30/2014        |                                | 1,440,000    |
| =====  |  |                                |              |
| Energy Equipment & Services -- 0.9%            |  |                                |              |
|  | Dresser, Inc.:   |                                |              |
| 3,000,000                                      | First Lien Term Loan, 8.01% - 8.038%<br>due 5/15/2014                          |                                | 2,881,875    |
| 2,500,000                                      | Second Lien Term Loan, 11.129%<br>due 5/04/2015                                |                                | 2,362,500    |
| 1,234,375                                      | MEG Energy Corp. Term Loan B, 7.36%<br>due 4/03/2013                           |                                | 1,191,172    |
|  |  |                                | -----        |
|  |  |                                | 6,435,547    |
| =====  |  |                                |              |
| Food & Staples Retailing -- 1.3%               |  |                                |              |
| 1,000,000                                      | Bolthouse Farms, Inc. Second Lien Term<br>Loan, 10.86% due 12/01/2013          |                                | 967,500      |
| 1,000,000                                      | DS Waters LP Term Loan B, 7.61% - 7.753%<br>due 3/31/2012                      |                                | 940,000      |
|  | Dole Food Co., Inc.:   |                                |              |
| 323,981  | Letter of Credit, 5.23% due 4/12/2013  |                                | 304,542      |
| 719,846  | Term Loan B, 7.438% - 9.25%<br>due 4/12/2013                                   |                                | 676,655      |
| 2,399,487                                      | Term Loan C, 7.438% - 9.25%<br>due 4/04/2013                                   |                                | 2,255,517    |
| 969,217  | Eight O'Clock Coffee Second Lien Term<br>Loan, 8.125% due 7/21/2012            |                                | 920,756      |
| 497,500  | McJunkin Corp. Term Loan B, 7.815%<br>due 1/30/2014                            |                                | 483,197      |
|  | Sturm Foods, Inc.:   |                                |              |
| 997,500  | First Lien Term Loan, 7.875% - 7.938%<br>due 1/30/2014                         |                                | 927,675      |

Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

|  |  |                                |              |
|--|--|--------------------------------|--------------|
| 1,250,000                                | Second Lien Term Loan, 11.438%             |                                | 1,165,625    |
|  | due 6/30/2014                              |                                | -----        |
|  |  |                                | 8,641,467    |
| =====                                    |  |                                |              |
| Food Products -- 0.3%                    |  |                                |              |
| 1,937,500                                | Jetro Holdings, Inc. Term Loan, 7.82%      |                                | 1,860,000    |
|  | due 5/11/2014                              |                                | -----        |
| =====                                    |  |                                |              |
| Health Care Providers & Services -- 0.5% |  |                                |              |
| 488,011                                  | CCS Medical First Lien Term Loan, 8.82%    |                                | 471,541      |
|  | due 10/31/2012                             |                                | -----        |
| 3,147,392                                | Rotech Healthcare, Inc. Term Loan B,       |                                | 2,706,757    |
|  | 11.36% due 9/26/2011                       |                                | -----        |
|  |  |                                | 3,178,298    |
| =====                                    |  |                                |              |
|  | Face                                       |                                |              |
|  | Amount                                     | Floating Rate Loan Interests** | Value        |
| =====                                    |  |                                |              |
| Hotels, Restaurants & Leisure -- 2.8%    |  |                                |              |
| USD 1,500,000                            | Golden Nugget, Inc. Term Loan Second Lien, |                                | \$ 1,402,500 |
|  | 8.84% due 11/30/2014                       |                                | -----        |
|  | Green Valley Ranch Gaming LLC Term Loan:   |                                |              |
| 480,568                                  | 7.36% - 7.565% due 2/16/2014               |                                | 456,540      |
| 750,000                                  | 8.791% due 8/30/2014                       |                                | 705,000      |
| 3,200,000                                | Las Vegas Sands Term Loan B, 7.11%         |                                | 3,036,400    |
|  | due 5/04/2014                              |                                | -----        |
|  | OSI Restaurant Partners, Inc.:             |                                |              |
| 75,188                                   | Revolving Credit, 5.18% due 6/14/2013      |                                | 71,170       |
| 924,812                                  | Term Loan B, 7.625% due 5/15/2014          |                                | 875,393      |
| 6,000,000                                | QCE LLC Second Lien Term Loan, 11.11%      |                                | 5,715,000    |
|  | due 11/05/2013                             |                                | -----        |
| 1,031,315                                | Tropicana Opco Term Loan B, 7.61%          |                                | 979,381      |
|  | due 12/15/2011                             |                                | -----        |
|  | Venetian Macau US Finance Co. LLC:         |                                |              |
| 2,500,000                                | Delay Draw Term Loan, 7.61% - 7.76%        |                                | 2,414,285    |
|  | due 5/25/2012                              |                                | -----        |
| 3,500,000                                | Term Loan B, 7.61% due 5/25/2013           |                                | 3,379,999    |
|  |  |                                | -----        |
|  |  |                                | 19,035,668   |
| =====                                    |  |                                |              |
| Household Durables -- 0.4%               |  |                                |              |
| 3,000,000                                | American Residential Services Second Lien  |                                | 2,970,000    |
|  | Term Loan, 12% due 4/17/2015               |                                | -----        |
| =====                                    |  |                                |              |
| Household Products -- 0.8%               |  |                                |              |
|  | Spectrum Brands, Inc.:                     |                                |              |
| 281,917                                  | Letter of Credit, 5.17% due 4/15/2013      |                                | 273,225      |
| 4,203,182                                | Term Loan B-1, 9.34% - 9.53%               |                                | 4,073,585    |
|  | due 4/15/2013                              |                                | -----        |
| 1,014,901                                | Term Loan B-2, 9.565% due 4/15/2013        |                                | 954,007      |
|  |  |                                | -----        |
|  |  |                                | 5,300,817    |
| =====                                    |  |                                |              |
| IT Services -- 0.9%                      |  |                                |              |
| 3,686,354                                | Activant Solutions Term Loan B, 7.375%     |                                | 3,437,525    |
|  | due 5/02/2013                              |                                | -----        |
| 1,000,000                                | Audio Visual Services Corp. Second Lien    |                                | 950,000      |
|  | Term Loan, 10.86% due 2/28/2014            |                                | -----        |
| 894,231                                  | RedPrairie Corp. Term Loan, 8.50% - 10.25% |                                |              |



Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

|                   |  |            |
|-------------------|--|------------|
|                   | due 7/31/2012                                | 1,145,021  |
| 950,000           | Verifone, Inc. Term Loan B, 7.09% - 7.11%    |            |
|                   | due 10/31/2013                               | 912,000    |
|                   |  | -----      |
|                   |  | 6,444,546  |
| =====             |  |            |
| Insurance -- 0.1% |  |            |
| 1,000,000         | USI Holdings Corp., Term Loan B, 7.95%       |            |
|                   | due 5/15/2014                                | 935,000    |
| =====             |  |            |
| Machinery -- 1.7% |  |            |
| 997,500           | Harrington Holdings, Inc. Term Loan, 7.61%   |            |
|                   | due 1/15/2014                                | 947,625    |
| 1,000,000         | Maxim Crane Term Loan B, 7.32%               |            |
|                   | due 6/14/2014                                | 920,000    |
| 1,866,667         | Navistar International Transportation Corp.: |            |
|                   | Revolving Credit, 5.17% - 8.61%              |            |
|                   | due 1/19/2012                                | 1,792,000  |
| 5,133,333         | Term Loan, 8.61% due 1/19/2012               | 4,928,000  |
| 1,990,000         | OshKosh Truck Corp. Term Loan B, 7.11%       |            |
|                   | due 11/30/2013                               | 1,908,535  |
| 1,093,086         | Rexnord Corp. Term Loan,                     |            |
|                   | 11.61% due 3/02/2013 (g)                     | 1,032,966  |
|                   |  | -----      |
|                   |  | 11,529,126 |
| =====             |  |            |

BLACKROCK DEBT STRATEGIES FUND, INC. AUGUST 31, 2007 9

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

|               | Face<br>Amount | Floating Rate Loan Interests**              | Value        |
|---------------|----------------|---|--------------|
| =====         |                |   |              |
| Media -- 8.9% |                |   |              |
| USD           | 4,000,000      | Affinion Group, Inc. Term Loan, 11.678%     |              |
|               |                | due 3/01/2012                               | \$ 3,693,332 |
|               | 9,055,466      | Cequel Communications LLC Second Lien       |              |
|               |                | Term Loan, 9.856% due 3/31/2015             | 8,738,525    |
|               | 1,593,818      | Cequel Communications LLC Term Loan B,      |              |
|               |                | 7.36% - 7.505% due 4/04/2013                | 1,503,060    |
| 13,500,000    |                | Charter Communications, Inc. Term Loan B,   |              |
|               |                | 7.361% due 4/30/2014                        | 12,751,479   |
|               | 973,460        | ClientLogic Holding Corp. Term Loan B,      |              |
|               |                | 7.86% - 8.065% due 1/30/2014                | 934,522      |
|               | 3,808,979      | Easton-Bell Sports Inc. Term Loan B,        |              |
|               |                | 11.36% due 5/01/2012                        | 3,630,433    |
|               | 6,500,000      | Ellis Communications Term Loan, 10%         |              |
|               |                | due 1/15/2008                               | 6,305,000    |
|               |                | GateHouse Media, Inc.:                      |              |
|               | 591,667        | Delay Draw Term Loan, 7.36% - 7.51%         |              |
|               |                | due 9/15/2014                               | 535,458      |
|               | 2,000,000      | Term Loan B, 7.51% due 9/15/2014            | 1,810,000    |
|               |                | Insight Midwest Holdings LLC:               |              |
|               | 6,750,000      | Delay Draw Term Loan, 7.11%                 |              |
|               |                | due 4/03/2014                               | 6,559,103    |
|               | 1,250,000      | Term Loan B, 7.36% due 4/06/2014            | 1,214,649    |
|               | 1,000,000      | Local TV LLC Term Loan, 7.31% due 5/15/2013 | 940,000      |
|               | 485,000        | Multicultural Radio Broadcasting Inc. Term  |              |

Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

|                             |  |  |              |
|-----------------------------|--|--|--------------|
|                             |  | Loan, 8.288% due 12/15/2012                | 470,450      |
| 997,498                     | NEP Supershooters, LP Term Loan B, 7.61%     | due 2/13/2014                              | 949,286      |
| 992,500                     | Nielsen Finance LLC Term Loan B, 7.36%       | due 8/15/2013                              | 953,076      |
| 1,000,000                   | Penton Media Term Loan, 10.36% due 2/15/2014 |  | 937,500      |
| 1,500,000                   | Persona Communications Second Lien           | Term Loan, 11.565% due 4/30/2014           | 1,500,000    |
|                             | ProSiebenSat. 1 Media AG Term Loan B:        |  |              |
| EUR                         | 500,000                                      | 6.796% due 6/30/2015                       | 620,675      |
|                             | 1,000,000                                    | 7.039% due 6/30/2016                       | 1,222,194    |
|                             |  | Riverdeep Group Ltd.:                      |              |
| USD                         | 963,550                                      | Bridge Loan, 11.55% due 12/21/2007         | 958,732      |
|                             | 997,494                                      | Term Loan B, 8.11% due 12/21/2013          | 976,048      |
|                             | 4,697,987                                    | Univision Communications, Inc. Delay Draw  |              |
|                             |  | Term Loan, 7.61% due 9/30/2014             | 4,337,806    |
|                             |  |  | -----        |
|                             |  |  | 61,541,328   |
| =====                       |  |  |              |
| Multi-Utilities             | --   | 0.6%                                       |              |
|                             |  | Brand Energy Term Loan B:                  |              |
| 498,750                     |  | 7.625% - 7.813% due 2/15/2014              | 472,981      |
| 500,000                     |  | 11.375% - 11.563% due 2/15/2015            | 484,167      |
|                             |  | Coletto Creek:                             |              |
| 464,633                     |  | Letter of Credit, 8.11% due 7/31/2013      | 446,048      |
| 31,847                      |  | Term Loan B, 5.26% due 7/31/2013           | 30,573       |
| 750,000                     |  | Energy Transfer Equity LP Term Loan B,     |              |
|                             |  | 7.106% due 11/01/2012                      | 726,563      |
| 750,000                     |  | NE Energy Second Lien Term Loan, 9.875%    |              |
|                             |  | due 10/31/2014                             | 723,750      |
| 1,000,000                   |  | USPF Holdings Term Loan, 7.082% - 7.09%    |              |
|                             |  | due 4/15/2014                              | 950,000      |
|                             |  |  | -----        |
|                             |  |  | 3,834,082    |
| =====                       |  |  |              |
| Oil, Gas & Consumable Fuels | --   | 3.1%                                       |              |
| 787,500                     |  | Big West Oil & Gas Term Loan B, 7.61%      |              |
|                             |  | due 5/15/2014                              | 744,188      |
| 373,106                     |  | Carrizo Oil & Gas, Inc. Second Lien Term   |              |
|                             |  | Loan, 10.11% due 7/21/2010                 | 367,509      |
| 6,400,000                   |  | Frontier Drilling Term Loan B, 9.18%       |              |
|                             |  | due 6/21/2013                              | 6,272,000    |
|                             |  |  |              |
|                             | Face   |  |              |
|                             | Amount                                       | Floating Rate Loan Interests**             | Value        |
| =====                       |  |  |              |
| Oil, Gas & Consumable Fuels | (concluded)                                  |  |              |
| USD                         | 2,000,000                                    | Petroleum Geo-Services ASA Term Loan B,    |              |
|                             |  | 7.11% due 6/30/2015                        | \$ 1,931,666 |
|                             | 2,000,000                                    | SandRidge Energy, Inc. Term Loan B, 8.985% |              |
|                             |  | due 3/01/2014                              | 1,975,000    |
|                             | 8,000,000                                    | Scorpion Drilling Ltd. Second Lien Term    |              |
|                             |  | Loan, 12.86% due 5/05/2015                 | 8,520,000    |
|                             |  | Western Refining Co. L.P.:                 |              |
|                             | 187,500                                      | Delay Draw Term Loan, 7.07%                |              |
|                             |  | due 3/15/2014                              | 178,125      |
|                             | 1,205,357                                    | Term Loan B, 7.07% due 3/15/2014           | 1,145,089    |
|                             |  |  | -----        |
|                             |  |  | 21,133,577   |
| =====                       |  |  |              |
| Paper & Forest Products     | --   | 1.0%                                       |              |
| 6,695,000                   |  | Verso Paper Holdings LLC Term Loan B,      |              |

Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

|  |  |             |
|--|--|-------------|
|  | 11.606% due 2/01/2013  | 6,661,525   |
| =====  |  |             |
| Pharmaceuticals -- 0.4%                      |  |             |
| 3,000,000                                    | Pharmaceutical Technologies & Services (PTS)<br>Term Loan, 7.61% due 4/15/2014 | 2,737,500   |
| =====  |  |             |
| Real Estate Management & Development -- 0.6% |  |             |
| 4,000,000                                    | Enclave First Lien Term Loan, 6.14%<br>due 3/01/2012                           | 3,788,280   |
| 445,174                                      | Yellowstone Club Term Loan B, 7.883%<br>due 10/15/2010                         | 426,625     |
|  |  | -----       |
|  |  | 4,214,905   |
| =====  |  |             |
| Road & Rail -- 0.6%                          |  |             |
| 4,418,605                                    | Swift Transportation Co., Inc. Term Loan B,<br>8.375% due 5/15/2014            | 3,905,861   |
| =====  |  |             |
| Software -- 1.1%                             |  |             |
| 8,000,000                                    | Aspect Software Second Lien Term Loan,<br>12.438% due 7/11/2010                | 7,520,000   |
| =====  |  |             |
| Specialty Retail -- 0.9%                     |  |             |
| 2,000,000                                    | ADESA, Inc. Term Loan B, 7.61%<br>due 10/30/2013                               | 1,871,250   |
| 1,500,000                                    | Burlington Coat Factory Warehouse Corp.<br>Term Loan B, 7.76% due 4/15/2013    | 1,404,107   |
| 3,500,000                                    | Claire's Stores Term Loan B, 8.11%<br>due 5/24/2014                            | 3,203,960   |
|  |  | -----       |
|  |  | 6,479,317   |
| =====  |  |             |
| Textiles, Apparel & Luxury Goods -- 0.3%     |  |             |
| 997,500                                      | David's Bridal, Inc. Term Loan B, 7.36%<br>due 1/30/2014                       | 927,675     |
| 300,000                                      | Gold Toe Investment Corp. Second Lien Term<br>Loan, 11.36% due 4/30/2014       | 291,000     |
| 745,733                                      | Renfro Corp. Term Loan B, 8.61% - 8.76%<br>due 9/30/2013                       | 719,631     |
|  |  | -----       |
|  |  | 1,938,306   |
| =====  |  |             |
| Wireless Telecommunication Services -- 1.0%  |  |             |
| 4,750,000                                    | Centennial Cellular Operating Co. Term Loan,<br>7.36% - 7.541% due 2/09/2011   | 4,609,875   |
| 2,000,000                                    | IPC Systems First Lien Term Loan, 7.61%<br>due 5/25/2014                       | 1,776,663   |
| 609,626                                      | NG Wireless Term Loan, 10% due 7/31/2014                                       | 597,433     |
|  |  | -----       |
|  |  | 6,983,971   |
| -----  |  |             |
|  | Total Floating Rate Loan Interests<br>(Cost -- \$311,584,203) -- 43.3%         | 298,727,029 |
| =====  |  |             |

10 BLACKROCK DEBT STRATEGIES FUND, INC. AUGUST 31, 2007

Schedule of Investments (continued)

(in U.S. dollars)

Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

| Shares<br>Held                                   | Common Stocks  | Value        |
|--|--|--------------|
| =====  |  |              |
| Airlines -- 0.5%                                 |  |              |
| 221,600  | Delta Air Lines, Inc. (d)                              | \$ 3,740,608 |
| =====  |  |              |
| Auto Components -- 0.0%                          |  |              |
| 403  | GenTek Inc. (d)  | 12,392       |
| =====  |  |              |
| Chemicals -- 0.1%                                |  |              |
| 339,340  | GEO Specialty Chemicals, Inc. (d)                      | 339,340      |
| =====  |  |              |
| Commercial Services & Supplies -- 0.4%           |  |              |
| 90,876   | Outsourcing Solutions Inc. (d)                         | 2,544,521    |
| =====  |  |              |
| Communications Equipment -- 0.9%                 |  |              |
| 150,354  | Loral Space & Communications Ltd. (d)                  | 6,026,188    |
| =====  |  |              |
| Containers & Packaging -- 0.2%                   |  |              |
| 1,428,423  | Viskase Cos., Inc. (d)                                 | 1,685,539    |
| =====  |  |              |
| Diversified Financial Services -- 0.2%           |  |              |
| 35,000   | Preferred Term Securities VI, Ltd.                     | 1,505,000    |
| =====  |  |              |
| Electrical Equipment -- 0.4%                     |  |              |
| 286,757  | Medis Technologies Ltd. (d)                            | 3,025,287    |
| =====  |  |              |
| Hotels, Restaurants & Leisure -- 0.1%            |  |              |
| 5,000  | HRP PIK Corp. Class B (m)                              | 50           |
| 27,787   | Lodgian, Inc. (d)                                      | 339,835      |
| -----  |  |              |
| 339,885  |  |              |
| =====  |  |              |
| Metals & Mining -- 0.1%                          |  |              |
| 144,858  | Neenah Enterprises, Inc. (d)                           | 905,364      |
| 41,149   | Acme Package Corp. Senior Holdings (d)(k)              | 1,234        |
| -----  |  |              |
| 906,598  |  |              |
| =====  |  |              |
| Paper & Forest Products -- 0.2%                  |  |              |
| 36,342   | Smurfit Kappa Plc (d)                                  | 795,575      |
| 211,149  | Western Forest Products, Inc. Restricted<br>Shares (d) | 453,890      |
| -----  |  |              |
| 1,249,465  |  |              |
| =====  |  |              |
| Semiconductors & Semiconductor Equipment -- 0.2% |  |              |
| 55,172   | Cypress Semiconductor Corp. (d)                        | 1,381,507    |
| -----  |  |              |
| Total Common Stocks                              |  |              |
| (Cost -- \$29,850,165) -- 3.3%                   |  | 22,756,330   |
| =====  |  |              |
| Preferred Stocks                                 |  |              |
| =====  |  |              |
| Communications Equipment -- 0.3%                 |  |              |
| 10,732   | Loral Spacecom Corp. Series A, 12% (g)                 | 2,189,334    |
| =====  |  |              |
| Oil, Gas & Consumable Fuels -- 1.5%              |  |              |
| 179  | EXCO Resources, Inc., 7% (a)                           | 2,040,600    |
| 737  | EXCO Resources, Inc., 11%                              | 8,401,800    |

Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

|   |   |       |            |
|---|---|-------|------------|
|   |   | ----- |            |
|   |   |       | 10,442,400 |
|   |   | ----- |            |
| Total Preferred Stocks                      |   |       |            |
| (Cost -- \$11,284,952) -- 1.8%              |   |       | 12,631,734 |
|   |   | ===== |            |
| Shares                                      | Warrants (h)  |       | Value      |
| Held  |   |       |            |
|   |   | ===== |            |
| Auto Components -- 0.0%                     |   |       |            |
| 471   | GenTek Inc. Tranche B (expires 11/10/2008)                    | \$    | 17,427     |
| 231   | GenTek Inc. Tranche C (expires 11/10/2010)                    |       | 7,392      |
|   |   |       | -----      |
|   |   |       | 24,819     |
|   |   | ===== |            |
| Health Care Providers & Services -- 0.0%    |   |       |            |
| 126,761                                     | HealthSouth Corp. (expires 1/16/2014)                         |       | 101,409    |
|   |   | ===== |            |
| Media -- 0.0%                               |   |       |            |
| 15,000                                      | Sirius Satellite Radio, Inc.<br>(expires 5/15/2009)           |       | 6,750      |
|   |   | ===== |            |
| Metals & Mining -- 0.1%                     |   |       |            |
| 652,739                                     | ACP Holding Co. (expires 9/30/2013)                           |       | 783,287    |
|   |   | ===== |            |
| Wireless Telecommunication Services -- 0.1% |   |       |            |
| 1,325                                       | American Tower Corp. (expires 8/01/2008)                      |       | 722,125    |
|   |   | ----- |            |
| Total Warrants                              |   |       |            |
| (Cost -- \$870,754) -- 0.2%                 |   |       | 1,638,390  |
|   |   | ===== |            |
| Beneficial                                  | Other Interests (f)   |       |            |
| Interest                                    |   |       |            |
|   |   | ===== |            |
| Airlines -- 0.1%                            |   |       |            |
| USD 5,505,000                               | Delta Air Default, 8.33% Escrow                               |       | 302,775    |
| 4,200,000                                   | Delta Air Default, 10% Escrow                                 |       | 220,500    |
|   |   |       | -----      |
|   |   |       | 523,275    |
|   |   | ===== |            |
| Auto Components -- 0.0%                     |   |       |            |
| 3,614,601                                   | Cambridge Industries, Inc. (Litigation<br>Trust Certificates) |       | 0          |
|   |   | ===== |            |
| Media -- 0.0%                               |   |       |            |
|   | Adelphia C.V.U.:  |       |            |
| 7,500,000                                   | Escrow  |       | 750        |
| 5,000                                       | Preferred Escrow  |       | 0          |
| 9,406,019                                   | Recovery Trust  |       | 941        |
| 500,000                                     | Adelphia Recovery Trust Series ACC-6B INT                     |       | 0          |
|   |   |       | -----      |
|   |   |       | 1,691      |
|   |   | ===== |            |
| Paper & Forest Products -- 0.0%             |   |       |            |
| 18  | Cellu Tissue Holdings, Inc. (Escrow Shares)                   |       | 0          |
|   |   | ----- |            |
| Total Other Interests                       |   |       |            |
| (Cost -- \$30,749) -- 0.1%                  |   |       | 524,966    |
|   |   | ===== |            |

# Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

## Short-Term Securities

|     |           |   |                |
|-----|-----------|---|----------------|
| USD | 1,880,140 | BlackRock Liquidity Series, LLC<br>Cash Sweep Series, 5.33% (c) (j) | 1,880,140      |
|     |           |   |                |
|     |           | Total Short-Term Investments<br>(Cost -- \$1,880,140) -- 0.3%       | 1,880,140      |
|     |           |   |                |
|     |           | Total Investments (Cost -- \$958,373,599*) -- 131.6%                | 907,988,420    |
|     |           | Liabilities in Excess of Other Assets -- (31.6%)                    | (218,136,266)  |
|     |           |   |                |
|     |           | Net Assets -- 100.0%  | \$ 689,852,154 |
|     |           |   |                |

BLACKROCK DEBT STRATEGIES FUND, INC.      AUGUST 31, 2007      11

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

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

|                                     |                |
|-------------------------------------|----------------|
| Aggregate cost .....                | \$959,704,946  |
|                                     | =====          |
| Gross unrealized appreciation ..... | \$ 21,112,967  |
| Gross unrealized depreciation ..... | (72,829,493)   |
|                                     | -----          |
| Net unrealized depreciation .....   | \$(51,716,526) |
|                                     | =====          |

\*\* Floating rate loan interests in which the Fund invests 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 U.S. banks or (iii) the certificates of deposit rate.

(a) Convertible security.  
 (b) Floating rate security.  
 (c) 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:

|  | Net<br>Activity | Interest<br>Income |
|--|-----------------|--------------------|
| BlackRock Liquidity Series, LLC<br>Cash Sweep Series | \$(34,610)      | \$227,539          |
|  |                 |                    |

- (d) Non-income producing security.
- (e) Non-income producing security; issuer filed for bankruptcy or is in default of interest payments.
- (f) Other interests represent beneficial interest in liquidation trusts and other reorganization entities and are non-income producing.
- (g) Represents a pay-in-kind security which may pay interest/dividends in additional face/shares.
- (h) Warrants entitle the Fund to purchase a predetermined number of shares of

## Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

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.

- (i) Represents a step bond; the interest rate shown is the effective yield at the time of purchase.
- (j) Represents the current yield as of August 31, 2007.
- (k) Restricted security as to resale, representing 0.0% of net assets, were as follows:

| Issue                                 | Acquisition<br>Date | Cost | Value   |
|---------------------------------------|---------------------|------|---------|
| Acme Package Corp.<br>Senior Holdings | 11/25/2002          | --   | \$1,234 |

- (l) Subject to principal paydowns.
- (m) The security may be offered and sold to "qualified institutional buyers" under Rule 144A of the Securities Act of 1933.
- (n) As a result of bankruptcy proceedings, the company did not repay the principal amount of the security upon maturity. The security is non-income producing.
- o 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. Industries are shown as a percent of net assets.
- o Forward foreign exchange contracts of August 31, 2007 were as follows:

| Foreign<br>Currency Sold   | Settlement<br>Date | Unrealized<br>Appreciation |
|--|--------------------|----------------------------|
| EUR 3,000,000  | October 2007       | \$ 36,284                  |
| Total Unrealized Appreciation on Forward Foreign Exchange<br>Contracts (USD Commitment -- \$4,131,197) |                    | \$ 36,284                  |

- o Swaps outstanding as of August 31, 2007 were as follows:

|  | Notional<br>Amount | Unrealized<br>Appreciation<br>(Depreciation) |
|--|--------------------|--|
| Sold credit default protection on Novelis Inc.<br>and receive 1.40%                  |                    |  |
| Broker, JPMorgan Chase<br>Expires January 2008                                       | USD 4,000,000      | \$ 3,608                                     |
| Sold credit default protection on Ford Motor<br>Company and receive 3.80%            |                    |  |
| Broker, Lehman Brothers Special Finance<br>Expires March 2010                        | USD 10,000,000     | (674,890)                                    |
| Sold credit default protection on BAA Ferovial<br>Junior Term Loan and receive 2.00% |                    |  |

Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

|   |     |           |                       |
|---|-----|-----------|-----------------------|
| Broker, Deutsche Bank AG London<br>Expires June 2012  | USD | 900,000   | (25,866)              |
| Bought credit default protection on LCDX<br>Index and pay 1.20%   |     |           |                       |
| Broker, JPMorgan Chase<br>Expires June 2012   | USD | 4,500,000 | (51,302)              |
| Bought credit default protection on LCDX<br>Index and pay 1.20%   |     |           |                       |
| Broker, Morgan Stanley<br>Expires June 2012   | USD | 4,500,000 | (51,302)              |
| Sold credit default protection on LCDX<br>Index and receive 1.20%   |     |           |                       |
| Broker, Morgan Stanley<br>Expires June 2012   | USD | 4,500,000 | 96,602                |
| Sold credit default protection on Dow Jones<br>CDX North America High Yield Series 8<br>and receive 2.75%       |     |           |                       |
| Broker, JPMorgan Chase<br>Expires June 2012   | USD | 5,950,000 | (18,340)              |
| Sold credit default protection on Dow Jones<br>CDX North America High Yield Index Series 8<br>and receive 2.75% |     |           |                       |
| Broker, JPMorgan Chase<br>Expires June 2012   | USD | 5,950,000 | (14,621)              |
| Bought credit default protection on Frontier<br>Drilling and pay 3.45%  |     |           |                       |
| Broker, Lehman Brothers Special Finance<br>Expires September 2012   | USD | 2,250,000 | 63,029                |
| Bought credit default protection on Frontier<br>Drilling ASA and pay 4.00%                                      |     |           |                       |
| Broker, Lehman Brothers Special Finance<br>Expires September 2012   | USD | 2,500,000 | 30,858                |
| -----   |     |           |                       |
| Total   |     |           | \$ (642,224)<br>===== |

- o Currency Abbreviations:
  - EUR Euro
  - USD U.S. Dollar

See Notes to Financial Statements.



# Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

## Statement of Assets, Liabilities and Capital

As of August 31, 2007 (Unaudited)

### Assets

|  |  |
|--|--|
| Investments in unaffiliated securities, at value (identified cost -- \$956,493,459) .. |  |
| Investments in affiliated securities, at value (identified cost -- \$1,880,140) .....  |  |
| Cash .....   |  |
| Foreign cash (cost -- \$3,393) .....   |  |
| Unrealized appreciation on forward foreign exchange contracts .....                    |  |
| Swap premiums paid .....   |  |
| Unrealized appreciation on swaps .....   |  |
| Receivables:   |  |
| Interest .....   |  |
| Securities sold .....  |  |
| Swaps .....  |  |
| Dividends .....  |  |
| Commitment fees .....  |  |
| Principal paydowns .....   |  |
| Prepaid expenses and other assets .....  |  |
| Total assets .....   |  |

### Liabilities

|  |  |
|--|--|
| Loans .....                                  |  |
| Unrealized depreciation on swaps .....       |  |
| Swap premiums received .....                 |  |
| Unfunded loan commitment .....               |  |
| Payables:                                    |  |
| Securities purchased .....                   |  |
| Investment adviser .....                     |  |
| Dividends to shareholders .....              |  |
| Interest on loans .....                      |  |
| Swaps .....                                  |  |
| Other affiliates .....                       |  |
| Accrued expenses and other liabilities ..... |  |
| Total liabilities .....                      |  |

### Net Assets

|                  |  |
|------------------|--|
| Net Assets ..... |  |
|------------------|--|

### Capital

|  |  |
|--|--|
| Common Stock, par value \$.10 per share, 200,000,000 shares authorized (106,629,991 shares issued and outstanding) ..... |  |
| Paid-in capital in excess of par .....   |  |
| Undistributed investment income -- net .....   |  |

Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

Accumulated realized capital losses -- net .....  
Unrealized depreciation -- net .....  
  
Total accumulated losses -- net .....  
  
Total capital -- Equivalent to \$6.47 net asset value per  
share of Common Stock (market price -- \$6.41) .....

See Notes to Financial Statements.

BLACKROCK DEBT STRATEGIES FUND, INC.      AUGUST 31, 2007      13

Statement of Operations

For the Six Months Ended August 31, 2007 (Unaudited)

Investment Income

Interest (including \$227,539 from affiliates) .....  
Dividends .....  
Facility and other fees .....  
  
Total income .....

Expenses

Loan interest expense .....  
Investment advisory fees .....  
Borrowing costs .....  
Accounting services .....  
Professional fees .....  
Custodian fees .....  
Printing and shareholder reports .....  
Transfer agent fees .....  
Listing fees .....  
Directors' fees and expenses .....  
Pricing services .....  
Other .....  
  
Total expenses .....  
  
Investment income -- net .....

Realized & Unrealized Gain (Loss) -- Net

Realized gain (loss) on:  
Investments -- net .....  
Swaps -- net .....  
Foreign currency transactions -- net .....

Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

Change in unrealized appreciation/depreciation on:

Investments -- net .....  
 Swaps -- net .....  
 Unfunded corporate loans -- net .....  
 Foreign currency transactions -- net .....

Total realized and unrealized loss -- net .....

Net Decrease in Net Assets Resulting from Operations .....

See Notes to Financial Statements.

14 BLACKROCK DEBT STRATEGIES FUND, INC. AUGUST 31, 2007

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets:

Operations

Investment income -- net .....  
 Realized gain (loss) -- net .....  
 Change in unrealized appreciation/depreciation -- net .....  
 Net increase (decrease) in net assets resulting from operations .....

Dividends to Shareholders

Dividends to shareholders from investment income -- net .....

Stock Transactions

Value of shares issued to Common Stock shareholders in reinvestment of dividends ...  
 Net increase in net assets resulting from stock transactions .....

Net Assets

Total increase (decrease) in net assets .....  
 Beginning of period .....  
 End of period\* .....  
 \* Undistributed investment income -- net .....

Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

See Notes to Financial Statements.

BLACKROCK DEBT STRATEGIES FUND, INC.      AUGUST 31, 2007      15

Statement of Cash Flows

For the Six Months Ended August 31, 2007 (Unaudited)

=====  
Cash Provided by Operating Activities  
-----

Net decrease in net assets resulting from operations .....  
Adjustments to reconcile net decrease in net assets resulting from operations to net  
provided by operating activities:  
    Increase in other receivables and prepaid expenses .....  
    Increase in other liabilities .....  
    Paid-in-kind income .....  
    Realized and unrealized loss -- net .....  
    Realized loss on foreign currency transactions -- net .....  
    Amortization of premium and discount .....  
Proceeds from sales and paydowns of long-term securities .....  
Purchases of long-term securities .....  
Net sales of short-term investments .....  
  
Cash provided by operating activities .....

=====  
Cash Used for Financing Activities  
-----

Cash receipts from borrowings .....  
Cash payments from borrowings .....  
Dividends paid to shareholders .....  
  
Net cash used for financing activities .....

=====  
Cash  
-----

Net increase in cash .....  
Cash at beginning of period .....  
  
Cash at end of period .....

=====  
Cash Flow Information  
-----

Cash paid for interest .....

=====  
Non-Cash Financing Activities

Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

Value of capital shares issued in reinvestment of dividends to shareholders .....

See Notes to Financial Statements.

16 BLACKROCK DEBT STRATEGIES FUND, INC. AUGUST 31, 2007

Financial Highlights

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

|  | For the Six<br>Months Ended<br>August 31,<br>2007<br>(Unaudited) | For the Year Ended<br>February 28, |      |      |
|--|--|------------------------------------|------|------|
|  |  | 2007                               | 2006 | 2005 |

Per Share Operating Performance

|  |         |         |         |    |
|--|---------|---------|---------|----|
| Net asset value, beginning of period .....   | \$ 7.01 | \$ 6.69 | \$ 7.06 | \$ |
| Investment income -- net*** .....  | .34     | .68     | .63     |    |
| Realized and unrealized gain (loss) -- net .....   | (.56)   | .28     | (.35)   |    |
| Total from investment operations ....  | (.22)   | .96     | .28     |    |
| Less dividends from investment income -- net .....   | (.32)   | (.64)   | (.65)   |    |
| Recovery of previously expensed offering costs (capital write-off) resulting from the issuance of Common Stock ..... | --      | --      | --      |    |
| Net asset value, end of period .....   | \$ 6.47 | \$ 7.01 | \$ 6.69 | \$ |
| Market price per share, end of period .....  | \$ 6.41 | \$ 7.28 | \$ 6.77 | \$ |

Total Investment Return\*\*

|                                       |          |        |        |   |
|---------------------------------------|----------|--------|--------|---|
| Based on net asset value per share .. | (3.29%)+ | 15.35% | 4.57%  | 1 |
| Based on market price per share ..... | (7.74%)+ | 18.37% | 11.34% | 1 |

Ratios to Average Net Assets

|  |       |      |       |  |
|--|-------|------|-------|--|
| Expenses, excluding interest expense ..... | .99%* | .99% | 1.02% |  |
|--|-------|------|-------|--|

Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

|                                |        |       |       |
|--------------------------------|--------|-------|-------|
| Expenses .....                 | 3.30%* | 3.16% | 2.63% |
| Investment income -- net ..... | 9.56%* | 9.97% | 9.55% |

Leverage

|   |            |           |           |       |
|---|------------|-----------|-----------|-------|
| Amount of borrowings, end of period (in thousands) .....                        | \$ 242,000 | \$298,600 | \$259,900 | \$298 |
| Average amount of borrowings outstanding during the period (in thousands) ..... | \$ 302,039 | \$283,906 | \$294,371 | \$304 |
| Average amount of borrowings outstanding per share during the period*** .....   | \$ 2.84    | \$ 2.68   | \$ 2.79   | \$    |

Supplemental Data

|  |            |           |           |       |
|--|------------|-----------|-----------|-------|
| Net assets, end of period (in thousands) ..... | \$ 689,852 | \$745,944 | \$708,411 | \$745 |
| Portfolio turnover .....                       | 31%        | 65%       | 46%       |       |

\* Annualized.

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

\*\*\* Based on average shares outstanding.

+ Amount is less than \$.01 per share.

+++ Aggregate total investment return.

See Notes to Financial Statements.

BLACKROCK DEBT STRATEGIES FUND, INC. AUGUST 31, 2007 17

Notes to Financial Statements (Unaudited)

1. Significant Accounting Policies:

BlackRock Debt Strategies Fund, Inc. (the "Fund") is registered under the Investment Company Act of 1940, as amended, as a diversified, closed-end management investment company. The Fund's financial statements are prepared in conformity with U.S. generally accepted accounting principles, which may require the use of management accruals and estimates. Actual results may differ from these estimates. These unaudited financial statements reflect all adjustments, which are, in the opinion of management, necessary to present a fair statement of the results for the interim period. All such adjustments are of a normal, recurring nature. The Fund determines and makes available for publication the net asset value of its Common Stock on a daily basis. The Fund's Common Stock shares are listed on the New York Stock Exchange ("NYSE") under the symbol DSU.

## Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

(a) Corporate debt obligations -- The Fund invests principally in debt obligations of companies, including floating rate loans made by banks and other financial institutions and both privately and publicly offered corporate bonds and notes. The Fund's investments in loan participation interests involve the risk of insolvency of the financial intermediaries who are parties to the transactions.

(b) Valuation of investments -- Floating rate loans are valued in accordance with guidelines established by the Fund's Board of Directors. 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 Loan Pricing Corporation. For the limited number of floating rate loans for which no reliable price quotes are available, such floating rate loans will be valued by Loan Pricing Corporation through the use of pricing matrixes to determine valuations. If the pricing service does not provide a value for floating rate loans, BlackRock Advisors, LLC (the "Manager"), an indirect, wholly owned subsidiary of BlackRock, Inc., will value the floating rate loans at fair value, which is intended to approximate market value.

Debt securities are traded primarily in the over-the-counter ("OTC") market and are valued at the last available bid price in the OTC market or on the basis of values obtained by a pricing service. Pricing services use valuation matrixes that incorporate both dealer-supplied valuations and valuation models. The procedures of the pricing service and its valuations are reviewed by the officers of the Fund under the general direction of the Board of Directors. Such valuations and procedures will be reviewed periodically by the Board of Directors of the Fund.

Securities held by the Fund that are traded on stock exchanges or the NASDAQ Global Market are valued at the last sale price or official close price on the exchange on which such securities are traded, as of the close of business on the day the securities are being valued or, lacking any sales, at the last available bid price for long positions, and at the last available asked price for short positions. In cases where securities are traded on more than one exchange, the securities are valued on the exchange designated as the primary market by or under the authority of the Board of Directors of the Fund. Long positions in securities traded in the OTC market, NASDAQ Capital Market or Bulletin Board are valued at the last available bid price or yield equivalent obtained from one or more dealers or pricing services approved by the Board of Directors of the Fund. Short positions in securities traded in the OTC market are valued at the last available asked price. Portfolio securities that are traded both in the OTC market and on a stock exchange are valued according to the broadest and most representative market. When the Fund writes an option, the amount of the premium received is recorded on the books of the Fund as an asset and an equivalent liability. The amount of the liability is subsequently valued to reflect the current market value of the option written, based on the last sale price in the case of exchange-traded options or, in the case of options traded in the OTC market, the last asked price. Options purchased by the Fund are valued at their last sale price in the case of exchange-traded options or, in the case of options traded in the OTC market, the last bid price. Swap agreements are valued based upon quoted fair valuations received daily by the Fund from a pricing service or counterparty. Other investments, including futures contracts and related options, are stated at market value. Obligations with remaining maturities of 60 days or less are valued at amortized cost unless the Manager believes that this method no longer produces fair valuations. Valuation of other short-term investment vehicles is generally based on the net asset value of the underlying investment vehicle or amortized cost. Repurchase agreements will be valued at cost plus accrued interest.

Generally, trading in foreign securities, as well as U.S. government securities, money market instruments and certain fixed income securities, is substantially completed each day at various times prior to the close of business on the NYSE.

## Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

The values of such securities used in computing the net asset value of the Fund's shares are determined as of such times. Foreign currency exchange rates will generally be determined as of the close of business on the NYSE. Occasionally, events affecting the values of such securities and such exchange

18 BLACKROCK DEBT STRATEGIES FUND, INC. AUGUST 31, 2007

### Notes to Financial Statements (continued)

rates may occur between the times at which they are determined and the close of business on the NYSE that may not be reflected in the computation of the Fund's net asset value. If events (for example, a company announcement, market volatility or a natural disaster) occur during such periods that are expected to materially affect the value of such securities, those securities will be valued at their fair value as determined in good faith by the Fund's Board of Directors or by the Manager using a pricing service and/or procedures approved by the Fund's Board of Directors.

(c) Derivative financial instruments -- The Fund may engage in various portfolio investment strategies both to increase the return of the Fund and to hedge, or protect, its exposure to interest rate movements and movements in the securities markets. Losses may arise due to changes in the value of the contract or if the counterparty does not perform under the contract. The counterparty for certain instruments may pledge cash or securities as collateral.

- o Financial futures contracts -- The Fund may purchase or sell financial futures contracts and options on such financial futures contracts. Financial futures contracts are contracts for delayed delivery of securities at a specific future date and at a specific price or yield. Upon entering into a contract, the Fund deposits, and maintains as collateral, such initial margin as required by the exchange on which the transaction is effected. Pursuant to the contract, the Fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in value of the contract. Such receipts or payments are known as variation margin and are recorded by the Fund as unrealized gains or losses. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.
- o Options -- The Fund may write covered call and put options and purchase call and put options. When the Fund writes an option, an amount equal to the premium received by the Fund is reflected as an asset and an equivalent liability. The amount of the liability is subsequently marked-to-market to reflect the current market value of the option written. When a security is purchased or sold through an exercise of an option, the related premium paid (or received) is added to (or deducted from) the basis of the security acquired or deducted from (or added to) the proceeds of the security sold. When an option expires (or the Fund enters into a closing transaction), the Fund realizes a gain or loss on the option to the extent of the premiums received or paid (or gain or loss to the extent the cost of the closing transaction exceeds the premium paid or received).

Written and purchased options are non-income producing investments.

- o Swaps -- The Fund may enter into swap agreements, which are OTC contracts in which the Fund and a counterparty agree to make periodic net payments on a specified notional amount. The net payments can be made for a set period of time or may be triggered by a predetermined credit event. The



## Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

net periodic payments may be based on a fixed or variable interest rate; the change in market value of a specified security, basket of securities, or index; or the return generated by a security. These periodic payments received or made by the Fund are recorded in the accompanying Statement of Operations as realized gains or losses, respectively. Gains or losses are also realized upon termination of the swap agreements. Swaps are marked-to-market daily and changes in value are recorded as unrealized appreciation (depreciation). Risks include changes in the returns of the underlying instruments, failure of the counterparties to perform under the contracts' terms and the possible lack of liquidity with respect to the swap agreements.

- o Forward foreign exchange contracts -- The Fund may enter into forward foreign exchange contracts as a hedge against either specific transactions or portfolio positions. The contract is marked-to-market daily and the change in market value is recorded by the Fund as an unrealized gain or loss. When the contract is closed, the 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.

(d) Foreign currency transactions -- Transactions denominated in foreign currencies are recorded at the exchange rate prevailing when recognized. Assets and liabilities denominated in foreign currencies are valued at the exchange rate at the end of the period. Foreign currency transactions are the result of settling (realized) or valuing (unrealized) assets or liabilities expressed in foreign currencies into U.S. dollars. Realized and unrealized gains or losses from investments include the effects of foreign exchange rates on investments. The Fund invests in foreign securities, which may involve a number of risk factors and special considerations not present with investments in securities of U.S. corporations.

BLACKROCK DEBT STRATEGIES FUND, INC.      AUGUST 31, 2007      19

### Notes to Financial Statements (continued)

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

(f) Security transactions and investment income -- Security transactions are recorded on the dates the transactions are entered into (the trade dates). Realized gains and losses on security transactions are determined on the identified cost basis. Dividend income is recorded on the ex-dividend dates. Interest income is recognized on the accrual basis. The Fund amortizes all premiums and discounts on debt securities. The Fund earns facility and other fees on loan participation interests. Other fees earned include amendment, consent and prepayment fees.

(g) Dividends and distributions -- Dividends from net investment income are declared and paid monthly. Distributions of capital gains are recorded on the ex-dividend dates.

(h) Securities lending -- The Fund may lend securities to financial institutions that provide cash or securities issued or guaranteed by the U.S. government as collateral, which will be maintained at all times in an amount equal to at least 100% of the current market value of the loaned securities. The market value of

## Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

the loaned securities is determined at the close of business of the Fund and any additional required collateral is delivered to the Fund on the next business day. Where the Fund receives securities as collateral for the loaned securities, it collects a fee from the borrower. The Fund typically receives the income on the loaned securities but does not receive the income on the collateral. Where the Fund receives cash collateral, it may invest such collateral and retain the amount earned on such investment, net of any amount rebated to the borrower. Loans of securities are terminable at any time and the borrower, after notice, is required to return borrowed securities within five business days. The Fund may pay reasonable finder's, lending agent, administrative and custodial fees in connection with its loans. In the event that the borrower defaults on its obligation to return borrowed securities because of insolvency or for any other reason, the Fund could experience delays and costs in gaining access to the collateral. The Fund also could suffer a loss where the value of the collateral falls below the market value of the borrowed securities, in the event of borrower default or in the event of losses on investments made with cash collateral.

(i) Recent accounting pronouncements -- Effective August 31, 2007, the Fund implemented Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes -- an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 prescribes the minimum recognition threshold a tax position must meet in connection with accounting for uncertainties in income tax positions taken or expected to be taken by an entity, including investment companies, before being measured and recognized in the financial statements. Management has evaluated the application of FIN 48 to the Fund, and has determined that the adoption of FIN 48 does not have a material impact on the Fund's financial statements. The Fund files U.S. and various state tax returns. No income tax returns are currently under examination. The statute of limitations on the Fund's tax returns remains open for the years ended February 28, 2004 through February 28, 2007.

In September 2006, Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("FAS 157"), was issued and is effective for fiscal years beginning after November 15, 2007. FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. At this time, management is evaluating the implications of FAS 157 and its impact on the Fund's financial statements, if any, has not been determined.

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

### 2. Investment Advisory Agreement and Transactions with Affiliates:

The Fund has entered into an Investment Advisory Agreement with the Manager. Merrill Lynch & Co., Inc. ("Merrill Lynch") and The PNC Financial Services Group, Inc. are principal owners of BlackRock, Inc.

# Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

## Notes to Financial Statements (concluded)

The Manager is responsible for the management of the Fund's portfolio and provides the necessary personnel, facilities, equipment and certain other services necessary to the operations of the Fund. For such services, the Fund pays a monthly fee at an annual rate of .60% of the Fund's average daily net assets plus the proceeds of any outstanding borrowings used for leverage. In addition, the Manager has entered into a Sub-Advisory Agreement with BlackRock Financial Management, LLC ("BFM"), an affiliate of the Manager, under which the Manager pays BFM for services it provides a monthly fee at an annual rate that is a percentage of the management fee paid by the Fund to the Manager.

The Fund has received an exemptive order from the Securities and Exchange Commission permitting it to lend portfolio securities to Merrill Lynch, Pierce, Fenner & Smith Incorporated, a wholly owned subsidiary of Merrill Lynch, or its affiliates. Pursuant to that order, the Fund has retained BlackRock Investment Management, LLC ("BIM"), an affiliate of the Manager, as the securities lending agent for a fee based on a share of the returns on investment of cash collateral. BIM may, on behalf of the Fund, invest cash collateral received by the Fund for such loans, among other things, in a private investment company managed by the Manager or in registered money market funds advised by the Manager or its affiliates.

For the six months ended August 31, 2007, the Fund reimbursed the Manager \$7,641 for certain accounting services.

Certain officers and/or directors of the Fund are officers and/or directors of BlackRock, Inc. or its affiliates.

### 3. Investments:

Purchases and sales (including paydowns) of investments, excluding short-term securities, for the six months ended August 31, 2007 were \$313,008,645 and \$406,966,430, respectively.

### 4. Capital Share Transactions:

The Fund is authorized to issue 200,000,000 shares of capital stock, par value \$.10 per share, all of which were initially classified as Common Stock. The Board of Directors is authorized, however, to classify and reclassify any unissued shares of capital stock without approval of the holders of Common Stock.

Shares issued and outstanding during the six months ended August 31, 2007 and the year ended February 28, 2007 increased by 227,222 and 579,550, respectively, as a result of dividend reinvestment.

### 5. Unfunded Loan Commitments:

As of August 31, 2007, the Fund had unfunded loan commitments of approximately \$3,455,000, which would be extended at the option of the borrower, pursuant to the following loan agreements:

(in Thousands)

| Borrower | Unfunded<br>Commitment | Value of<br>Underlying<br>Loan |
|----------|------------------------|--------------------------------|
|          |                        |                                |

## Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

|                                     |    |       |    |       |
|-------------------------------------|----|-------|----|-------|
| Big West Oil .....                  | \$ | 963   | \$ | 909   |
| Las Vegas Sands .....               | \$ | 800   | \$ | 760   |
| MEG Energy Corp. ....               | \$ | 1,250 | \$ | 1,196 |
| NG Wireless .....                   | \$ | 140   | \$ | 138   |
| Univision Communications, Inc. .... | \$ | 302   | \$ | 279   |

---

### 6. Short-Term Borrowings:

On May 16, 2007, the Fund renewed its revolving credit and security agreement funded by 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 has a maximum limit of \$370,000,000. Under the Citicorp program, the conduits will fund advances to the Fund through the issuance of highly rated commercial paper. As security for its obligations to the Lenders under the revolving securitization facility, the Fund has granted a security interest in substantially all of its assets to and in favor of the Lenders. The interest rate on the Fund's borrowings is based on the interest rate carried by the commercial paper plus a program fee. The Fund pays additional borrowing costs including a backstop commitment fee.

The weighted average annual interest rate was 5.62% and the average borrowing was approximately \$302,039,000 for the six months ended August 31, 2007.

### 7. Capital Loss Carryforward:

On February 28, 2007, the Fund had a net capital loss carry-forward of \$310,688,248, of which \$51,234,056 expires in 2008, \$21,442,332 expires in 2009, \$90,564,493 expires in 2010, \$85,285,305 expires in 2011, \$17,223,475 expires in 2012, \$21,126,025 expires in 2013, \$20,233,987 expires in 2014 and \$3,578,575 expires in 2015. This amount will be available to offset like amounts of any future taxable gains.

### 8. Subsequent Event:

The Fund paid an ordinary income dividend in the amount of \$.053000 per share on September 28, 2007 to shareholders of record on September 14, 2007.

BLACKROCK DEBT STRATEGIES FUND, INC.      AUGUST 31, 2007      21

### Officers and Directors

Robert C. Doll, Jr., President and Director  
 Ronald Forbes, Director  
 Cynthia A. Montgomery, Director  
 Jean Margo Reid, Director  
 Roscoe S. Suddarth, Director  
 Richard R. West, Director  
 Donald C. Burke, Vice President and Treasurer  
 Karen Clark, Fund Chief Compliance Officer  
 Alice A. Pellegrino, Fund Secretary  
 Howard Surloff, Fund Secretary  
 (Effective November 1, 2007)

### Custodian

The Bank of New York  
 100 Church Street New

## Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

York, NY 10286

Transfer Agent

The Bank of New York  
101 Barclay Street -- 11 East  
New York, NY 10286

22 BLACKROCK DEBT STRATEGIES FUND, INC. AUGUST 31, 2007

### BlackRock Privacy Principles

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 Web sites.

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.

### Availability of Quarterly Schedule of Investments

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

### Electronic Delivery

Electronic copies of most financial reports and prospectuses are available on

## Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

the Fund's Web site. Shareholders can sign up for e-mail notifications of quarterly statements, annual and semi-annual reports and prospectuses by enrolling in the Fund's electronic delivery program.

Shareholders Who Hold Accounts with Investment Advisers, Banks or Brokerages:

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

BLACKROCK DEBT STRATEGIES FUND, INC.      AUGUST 31, 2007      23

GO

[PAPERLESS LOGO]

It's Fast, Convenient, & Timely!

BlackRock Debt Strategies Fund, Inc. seeks to provide current income by investing primarily in a diversified portfolio of U.S. companies' debt instruments, including corporate loans, that are rated in the lower rating categories of the established rating services (Baa or lower by Moody's Investors Service, Inc. or BBB or lower by Standard & Poor's) or unrated debt instruments of comparable quality.

This report, including the financial information herein, is transmitted to shareholders of BlackRock Debt Strategies Fund, Inc. for their information. It is not a prospectus. Past performance results shown in this report should not be considered a representation of future performance. The Fund leverages its Common Stock to provide Common Stock shareholders with a potentially higher rate of return. Leverage creates risk for Common Stock shareholders, including the likelihood of greater volatility of net asset value and market price of Common Stock shares, and the risk that fluctuations in short-term interest rates may reduce the Common Stock's yield. Statements and other information herein are as dated and are subject to change.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available (1) without charge, upon request, by calling toll-free 1-800-441-7762; (2) at [www.blackrock.com](http://www.blackrock.com); and (3) on the Securities and Exchange Commission's Web site at <http://www.sec.gov>. Information about how the Fund voted proxies relating to securities held in the Fund's portfolio during the most recent 12-month period ended June 30 is available (1) at [www.blackrock.com](http://www.blackrock.com) and (2) on the Securities and Exchange Commission's Web site at <http://www.sec.gov>.

BlackRock Debt Strategies Fund, Inc.  
P.O. Box 9011  
Princeton, NJ 08543-9011

BLACKROCK

#DEBT-8/07

- 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

## Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

semi-annual report

- Item 5 - Audit Committee of Listed Registrants - Not Applicable to this semi-annual report
- Item 6 - Schedule of Investments - The registrant's Schedule of Investments is included as part of the Report to Stockholders filed under Item 1 of this form.
- 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 Committee will consider nominees to the Board recommended by shareholders when a vacancy becomes available. Shareholders who wish to recommend a nominee should send nominations which include biographical information and set forth the qualifications of the proposed nominee to the registrant's Secretary. There have been no material changes to these procedures.
- Item 11 - Controls and Procedures
  - 11(a) - The registrant's principal executive and principal financial officers or persons performing similar functions have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act")) are effective as of a date within 90 days of the filing of this report based on the evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act and Rule 13a-15(b) under the Securities and Exchange Act of 1934, as amended.
  - 11(b) - There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the second fiscal quarter of the period covered by this report that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.
- Item 12 - Exhibits attached hereto
  - 12(a) (1) - Code of Ethics - Not Applicable to this semi-annual report
  - 12(a) (2) - Certifications - Attached hereto
  - 12(a) (3) - Not Applicable
  - 12(b) - Certifications - Attached hereto

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

Edgar Filing: BLACKROCK DEBT STRATEGIES FUND - Form N-CSRS

BlackRock Debt Strategies Fund, Inc.

By: /s/ Robert C. Doll, Jr.

-----  
Robert C. Doll, Jr.,  
Chief Executive Officer (principal executive officer) of  
BlackRock Debt Strategies Fund, Inc.

Date: October 22, 2007

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/ Robert C. Doll, Jr.

-----  
Robert C. Doll, Jr.,  
Chief Executive Officer (principal executive officer) of  
BlackRock Debt Strategies Fund, Inc.

Date: October 22, 2007

By: /s/ Donald C. Burke

-----  
Donald C. Burke,  
Chief Financial Officer (principal financial officer) of  
BlackRock Debt Strategies Fund, Inc.

Date: October 22, 2007