

BLACKROCK DEBT STRATEGIES FUND, INC.  
Form N-CSR  
May 08, 2009

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

**FORM N-CSR**

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

Investment Company Act file number 811-08603

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

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: Donald C. Burke, 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, Option 4

Date of fiscal year end: 02/28/2009

Date of reporting period: 02/28/2009

Item 1 – Report to Stockholders

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# Annual Report

**FEBRUARY 28, 2009**

BlackRock Corporate High Yield Fund, Inc. (COY)  
BlackRock Corporate High Yield Fund III, Inc. (CYE)  
BlackRock Debt Strategies Fund, Inc. (DSU)  
BlackRock Floating Rate Income Strategies Fund II, Inc. (FRB)  
BlackRock Senior High Income Fund, Inc. (ARK)

NOT FDIC INSURED  
MAY LOSE VALUE  
NO BANK GUARANTEE

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## A Letter to Shareholders

### Dear Shareholder

The present time may well be remembered as one of the most tumultuous periods in financial market history. Over the past year, the housing market collapse and the ensuing credit crisis swelled into an all-out global financial market meltdown, featuring the collapse of storied financial firms, volatile swings in the world's financial markets and monumental government actions, including the recent passage of the nearly \$800 billion American Recovery and Reinvestment Act of 2009.

The US economy appeared somewhat resilient through the first few months of 2008 before becoming mired in the worst recession in decades. The economic data was dire across the board, but worse was the intensifying pace of deterioration in consumer spending, employment, manufacturing and other key indicators. US gross domestic product (GDP) contracted at an annual rate of 6.3% in the 2008 fourth quarter substantially below forecast and the worst reading since 1982. The Federal Reserve Board (the Fed) took forceful action to revive the global economy and financial system. In addition to slashing the federal funds target rate from 3% to a record low range of 0% to 0.25%, the central bank provided enormous cash injections and significantly expanded its balance sheet via various lending and acquisition programs.

Against this backdrop, US equities contended with relentless market volatility, and the sentiment turned decisively negative toward period end. Declines were significant and broad based, with little divergence among the returns for large and small cap stocks. Non-US stocks were not spared either, as the credit crisis revealed itself to be global in nature and economic activity slowed dramatically.

Risk aversion remained the dominant theme in fixed income markets, leading the Treasury sector to top all other asset classes. The high yield market was particularly hard hit in this environment, as economic turmoil, combined with frozen credit markets and substantial technical pressures, took a heavy toll. Meanwhile, tax-exempt issues posted positive returns for the period, but the sector was not without significant challenges, including a shortage of market participants, lack of liquidity, difficult funding environment and backlog of new-issue supply.

In all, investors continued to gravitate toward relative safety, as evidenced in the six- and 12-month returns of the major benchmark indexes:

| Total Returns as of February 28, 2009   | 6-month  | 12-month |
|---|----------|----------|
| US equities (S&P 500 Index)   | (41.82)% | (43.32)% |
| Small cap US equities (Russell 2000 Index)  | (46.91)  | (42.38)  |
| International equities (MSCI Europe, Australasia, Far East Index)                   | (44.58)  | (50.22)  |
| US Treasury securities (Merrill Lynch 10-Year US Treasury Index)                    | 8.52     | 8.09     |
| Taxable fixed income (Barclays Capital US Aggregate Bond Index*)                    | 1.88     | 2.06     |
| Tax-exempt fixed income (Barclays Capital Municipal Bond Index*)                    | 0.05     | 5.18     |
| High yield bonds (Barclays Capital US Corporate High Yield 2% Issuer Capped Index*) | (21.50)  | (20.92)  |

\* Formerly a Lehman Brothers index.

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

Through periods of market turbulence, as ever, BlackRock's full resources are dedicated to the management of our clients' assets. For our most current views on the economy and financial markets, we invite you to visit [www.blackrock.com/funds](http://www.blackrock.com/funds). We thank you for entrusting BlackRock with your investments, and we look forward to continuing to serve you in the months and years ahead.

Sincerely,

Rob Kapito  
President, BlackRock Advisors, LLC

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THIS PAGE NOT PART OF YOUR FUND REPORT

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Fund Summary as of February 28, 2009

BlackRock Corporate High Yield Fund, Inc.

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**Investment Objective**


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

The Fund's fiscal year-end was changed to February 28.

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**Performance**


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For the nine months ended February 28, 2009, the Fund returned (39.46)% based on market price and (38.98)% based on net asset value (NAV). For the same period, the closed-end Lipper High Current Yield Funds (Leveraged) category posted an average return of (43.59)% on a market price basis and (40.44)% on a NAV basis. The Fund's discount to NAV, which widened during the period, accounts for the difference between performance based on price and performance based on NAV. This period was one of the worst in high yield market history. In this environment, the Fund was positioned conservatively, with an emphasis on defensive sectors, an allocation to bank loans and higher-than-normal cash balances. For most of the period, the Fund also had lower leverage than the majority of its Lipper peers. All of this aided relative performance in a difficult market.

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

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**Fund Information**


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|   |               |
|---|---------------|
| Symbol on New York Stock Exchange   | COY           |
| Initial Offering Date   | June 25, 1993 |
| Yield on Closing Market Price as of February 28, 2009 (\$3.91) <sup>1</sup> | 18.72%        |
| Current Monthly Distribution per Common Share <sup>2</sup>                  | \$0.061       |
| Current Annualized Distribution per Common Share <sup>2</sup>               | \$0.732       |
| Leverage as of February 28, 2009 <sup>3</sup>                               | 21%           |

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

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

<sup>3</sup> Represents loan outstanding as a percentage of total managed assets, which is the total assets of the Fund (including any assets attributable to any borrowing that may be outstanding) minus the sum of accrued liabilities (other than debt representing financial leverage). For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 9. The table below summarizes the changes in the Fund's market price and NAV per share:

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|                 | 2/28/09 | 5/31/08 | Change   | High    | Low     |
|-----------------|---------|---------|----------|---------|---------|
| Market Price    | \$ 3.91 | \$ 7.28 | (46.29)% | \$ 7.37 | \$ 2.71 |
| Net Asset Value | \$ 4.19 | \$ 7.74 | (45.87)% | \$ 7.75 | \$ 3.93 |

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

**Portfolio Composition**

|   | 2/28/09 | 5/31/08 |
|---|---------|---------|
| Corporate Bonds                                       | 82%     | 87%     |
| Floating Rate Loan Interests                          | 16      | 10      |
| Non-U.S. Government Agency Mortgage-Backed Securities | 1       |         |
| Common Stocks   | 1       | 1       |
| Preferred Stocks                                      |         | 1       |
| Capital Trusts  |         | 1       |

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

|           | 2/28/09 | 5/31/08 |
|-----------|---------|---------|
| BBB/Baa   | 4%      | 3%      |
| BB/Ba     | 31      | 27      |
| B/B       | 47      | 54      |
| CCC/Caa   | 12      | 14      |
| CC/Ca     | 1       |         |
| Not Rated | 5       | 2       |

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

Fund Summary as of February 28, 2009

BlackRock Corporate High Yield Fund III, Inc.

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**Investment Objective**


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

The Fund's fiscal year-end was changed to February 28.

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**Performance**


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For the nine months ended February 28, 2009, the Fund returned (42.38)% based on market price and (39.69)% based on NAV. For the same period, the closed-end Lipper High Current Yield Funds (Leveraged) category posted an average return of (43.59)% on a market price basis and (40.44)% on a NAV basis. All returns reflect reinvestment of dividends. The Fund's discount to NAV, which widened during the period, accounts for the difference between performance based on price and performance based on NAV. This period was one of the worst in high yield market history. In this environment, the Fund was positioned conservatively, with an emphasis on defensive sectors, an allocation to bank loans and higher-than-normal cash balances. For most of the period, the Fund also had lower leverage than the majority of its Lipper peers. All of this aided relative performance in a difficult market.

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**Fund Information**


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|   |                  |
|---|------------------|
| Symbol on New York Stock Exchange   | CYE              |
| Initial Offering Date   | January 30, 1998 |
| Yield on Closing Market Price as of February 28, 2009 (\$3.57) <sup>1</sup> | 20.17%           |
| Current Monthly Distribution per Common Share <sup>2</sup>                  | \$0.06           |
| Current Annualized Distribution per Common Share <sup>2</sup>               | \$0.72           |
| Leverage as of February 28, 2009 <sup>3</sup>                               | 23%              |

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

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

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

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

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|                 | 2/28/09 | 5/31/08 | Change   | High    | Low     |
|-----------------|---------|---------|----------|---------|---------|
| Market Price    | \$ 3.57 | \$ 7.03 | (49.22)% | \$ 7.07 | \$ 2.65 |
| Net Asset Value | \$ 4.05 | \$ 7.62 | (46.85)% | \$ 7.63 | \$ 3.81 |

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

**Portfolio Composition**

|   | 2/28/09 | 5/31/08 |
|---|---------|---------|
| Corporate Bonds                                       | 82%     | 87%     |
| Floating Rate Loan Interests                          | 16      | 9       |
| Non-U.S. Government Agency Mortgage-Backed Securities | 1       |         |
| Common Stocks   | 1       | 2       |
| Preferred Stocks                                      |         | 1       |
| Capital Trusts  |         | 1       |

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

|           | 2/28/09 | 5/31/08 |
|-----------|---------|---------|
| AAA/Aaa   | 1%      |         |
| BBB/Baa   | 5       | 3%      |
| BB/Ba     | 30      | 27      |
| B/B       | 46      | 54      |
| CCC/Caa   | 14      | 14      |
| CC/Ca     | 1       |         |
| Not Rated | 3       | 2       |

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

Fund Summary as of February 28, 2009

BlackRock Debt Strategies Fund, Inc.

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**Investment Objective**


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

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**Performance**


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For the 12 months ended February 28, 2009, the Fund returned (54.99)% based on market price and (50.19)% based on NAV. For the same period, the closed-end Lipper High Current Yield Funds (Leveraged) category posted an average return of (40.21)% on a market price basis and (39.49)% on a NAV basis. All returns reflect reinvestment of dividends. The Fund's discount to NAV, which widened during the period, accounts for the difference between performance based on price and performance based on NAV. During the 12 months, high yield loans, which made up 43% of the Fund's portfolio as of February 28, 2009, outperformed high yield bonds. This aided the Fund's relative performance, as most of the funds within the Lipper category comprise high yield bonds. Conversely, the Fund was 26% leveraged as of February 28, 2009, amplifying its negative return during one of the most difficult periods in market history. The Fund's allocation to lower credit quality issues also detracted from performance.

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**Fund Information**


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|   |                |
|---|----------------|
| Symbol on New York Stock Exchange   | DSU            |
| Initial Offering Date   | March 27, 1998 |
| Yield on Closing Market Price as of February 28, 2009 (\$2.07) <sup>1</sup> | 27.83%         |
| Current Monthly Distribution per Common Share <sup>2</sup>                  | \$0.048        |
| Current Annualized Distribution per Common Share <sup>2</sup>               | \$0.576        |
| Leverage as of February 28, 2009 <sup>3</sup>                               | 26%            |

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

<sup>2</sup> A change in the distribution rate was declared on March 2, 2009. The Monthly Distribution per Share was decreased to \$0.0355. The Yield on Closing Market Price, Current Monthly Distribution per Share and Current Annualized Distribution per Share do not reflect the new distribution rate. The new distribution rate is not constant and is subject to further change in the future.

<sup>3</sup> Represents loan outstanding as a percentage of total managed assets, which is the total assets of the Fund (including any assets attributable to any borrowing that may be outstanding) minus the sum of accrued liabilities (other than debt representing financial leverage). For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 9. The table below summarizes the changes in the Fund's market price and NAV per share:

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|                 | 2/28/09 | 2/29/08 | Change   | High    | Low     |
|-----------------|---------|---------|----------|---------|---------|
| Market Price    | \$ 2.07 | \$ 5.43 | (61.88)% | \$ 5.88 | \$ 1.81 |
| Net Asset Value | \$ 2.35 | \$ 5.57 | (57.81)% | \$ 5.69 | \$ 2.35 |

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

**Portfolio Composition**

|   | 2/28/09 | 2/29/08 |
|---|---------|---------|
| Corporate Bonds                                       | 53%     | 57%     |
| Floating Rate Loan Interests                          | 43      | 39      |
| Common Stocks   | 3       | 3       |
| Preferred Stocks                                      |         | 1       |
| Non-U.S. Government Agency Mortgage-Backed Securities | 1       |         |

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

|           | 2/28/09 | 2/29/08 |
|-----------|---------|---------|
| BBB/Baa   | 9%      | 1%      |
| BB/Ba     |         | 14      |
| B/B       | 59      | 51      |
| CCC/Caa   | 21      | 20      |
| CC/Ca     | 4       | 3       |
| D         | 1       | 1       |
| Not Rated | 6       | 10      |

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

Fund Summary as of February 28, 2009

BlackRock Floating Rate Income Strategies Fund II, Inc.

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**Investment Objective**


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

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**Performance**


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For the 12 months ended February 28, 2009, the Fund returned (35.78)% based on market price and (36.46)% based on NAV. For the same period, the closed-end Lipper Loan Participation Funds category posted an average return of (41.71)% on a market price basis and (34.50)% on a NAV basis. The performance of the Lipper category does not necessarily correlate to that of the Fund, as the Lipper group comprises both closed-end funds and unleveraged continuously offered closed-end funds. The other closed-end funds in the category posted an average return of (39.32)% on a NAV basis. All returns reflect reinvestment of dividends. The Fund's discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV. This annual period was one of the most difficult in market history. Accordingly, the Fund was invested fairly conservatively with an emphasis on more liquid credits and defensive market sectors, which aided relative performance. Additionally, the Fund ran low levels of leverage compared with its Lipper peers, which helped relative performance in a difficult market. Any leverage hurt absolute performance, however, as the market was down. The Fund ran relatively modest cash balances during the period, which did not significantly impact performance.

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**Fund Information**


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|   |               |
|---|---------------|
| Symbol on New York Stock Exchange   | FRB           |
| Initial Offering Date   | July 30, 2004 |
| Yield on Closing Market Price as of February 28, 2009 (\$8.28) <sup>1</sup> | 16.43%        |
| Current Monthly Distribution per Common Share <sup>2</sup>                  | \$0.11335     |
| Current Annualized Distribution per Common Share <sup>2</sup>               | \$1.36020     |
| Leverage as of February 28, 2009 <sup>3</sup>                               | 22%           |

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

<sup>2</sup> A change in the distribution rate was declared on March 2, 2009. The Monthly Distribution per Share was decreased to \$0.10335. The Yield on Closing Market Price, Current Monthly Distribution per Share and Current Annualized Distribution per Share do not reflect the new distribution rate. The new distribution rate is not constant and is subject to further change in the future.

<sup>3</sup> Represents loan outstanding as a percentage of total managed assets, which is the total assets of the Fund (including any assets attributable to any borrowing that may be outstanding) minus the sum of accrued liabilities (other than debt representing financial leverage). For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 9. The table below summarizes the changes in the Fund's market price and NAV per share:

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|                 | 2/28/09 | 2/29/08  | Change   | High     | Low     |
|-----------------|---------|----------|----------|----------|---------|
| Market Price    | \$ 8.28 | \$ 14.75 | (43.86)% | \$ 15.85 | \$ 6.56 |
| Net Asset Value | \$ 8.92 | \$ 16.06 | (44.46)% | \$ 16.83 | \$ 8.55 |

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

**Portfolio Composition**

|   | 2/28/09 | 2/29/08 |
|---|---------|---------|
| Floating Rate Loan Interests                          | 71%     | 70%     |
| Corporate Bonds                                       | 28      | 29      |
| Common Stocks   |         | 1       |
| Non-U.S. Government Agency Mortgage-Backed Securities | 1       |         |

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

|           | 2/28/09 | 2/29/08 |
|-----------|---------|---------|
| BBB/Baa   | 15%     | 12%     |
| BB/Ba     | 8       | 13      |
| B/B       | 57      | 38      |
| CCC/Caa   | 15      | 26      |
| CC/Ca     | 2       |         |
| D         | 1       |         |
| Not Rated | 2       | 11      |

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

Fund Summary as of February 28, 2009

BlackRock Senior High Income Fund, Inc.

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**Investment Objective**


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

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**Performance**


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For the 12 months ended February 28, 2009, the Fund returned (48.33)% based on market price and (42.15)% based on NAV. For the same period, the closed-end Lipper High Current Yield Funds (Leveraged) category posted an average return of (40.21)% on a market price basis and (39.49)% on a NAV basis. All returns reflect reinvestment of dividends. The Fund's discount to NAV, which widened during the period, accounts for the difference between performance based on price and performance based on NAV. During the period, high yield loans, which made up 44% of the Fund's portfolio as of February 28, 2009, outperformed high yield bonds. This aided the Fund's relative performance, as most of the funds within the Lipper category comprise high yield bonds. Conversely, the Fund was 25% leveraged as of February 28, 2009, amplifying its negative return during one of the most difficult periods in market history. The Fund's allocation to lower credit quality issues also detracted from performance.

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

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**Fund Information**


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|   |                |
|---|----------------|
| Symbol on New York Stock Exchange   | ARK            |
| Initial Offering Date   | April 30, 1993 |
| Yield on Closing Market Price as of February 28, 2009 (\$2.21) <sup>1</sup> | 19.00%         |
| Current Monthly Distribution per Common Share <sup>2</sup>                  | \$0.035        |
| Current Annualized Distribution per Common Share <sup>2</sup>               | \$0.420        |
| Leverage as of February 28, 2009 <sup>3</sup>                               | 25%            |

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

<sup>2</sup> A change in the distribution rate was declared on March 2, 2009. The Monthly Distribution per Share was decreased to \$0.0250. The Yield on Closing Market Price, Current Monthly Distribution per Share and Current Annualized Distribution per Share do not reflect the new distribution rate. The new distribution rate is not constant and is subject to further change in the future.

<sup>3</sup> Represents loan outstanding as a percentage of total managed assets, which is the total assets of the Fund (including any assets attributable to any borrowing that may be outstanding) minus the sum of accrued liabilities (other than debt representing financial leverage). For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 9. The table below summarizes the changes in the Fund's market price and NAV per share:

|                 | 2/28/09 | 2/29/08 | Change   | High    | Low     |
|-----------------|---------|---------|----------|---------|---------|
| Market Price    | \$ 2.21 | \$ 4.91 | (54.99)% | \$ 5.20 | \$ 1.88 |
| Net Asset Value | \$ 2.54 | \$ 5.04 | (49.60)% | \$ 5.19 | \$ 2.50 |

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

#### Portfolio Composition

|   | 2/28/09 | 2/29/08 |
|---|---------|---------|
| Corporate Bonds                                       | 55%     | 52%     |
| Floating Rate Loan Interests                          | 44      | 48      |
| Non-U.S. Government Agency Mortgage-Backed Securities | 1       |         |

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

|           | 2/28/09 | 2/29/08 |
|-----------|---------|---------|
| BBB/Baa   | 2%      | 5%      |
| BB/Ba     | 22      | 21      |
| B/B       | 59      | 62      |
| CCC/Caa   | 8       | 6       |
| CC/Ca     | 3       | 3       |
| D         | 1       |         |
| Not Rated | 5       | 3       |

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

## The Benefits and Risks of Leveraging

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

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

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

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

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

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

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

Under the Investment Company Act of 1940, the Funds are permitted to borrow through a credit facility and the issuance of short-term debt securities up to 33 $\frac{1}{3}$ % of total managed assets. As of February 28, 2009, the Funds had outstanding leverage from credit facility borrowings as a percentage of total managed assets as follows:

|   | Percent of<br>Leverage |
|---|------------------------|
| BlackRock Corporate High Yield Fund, Inc.     | 21%                    |
| BlackRock Corporate High Yield Fund III, Inc. | 23%                    |
| BlackRock Debt Strategies Fund, Inc.          | 26%                    |

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|   |     |
|---|-----|
| BlackRock Floating Rate Income Strategies Fund II, Inc. | 22% |
| BlackRock Senior High Income Fund, Inc.                 | 25% |

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### Derivative Instruments

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

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Schedule of Investments February 28, 2009

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

| Corporate Bonds   | Par<br>(000) | Value     |
|---|--------------|-----------|
| <b>Aerospace &amp; Defense 0.0%</b>                           |              |           |
| Hawker Beechcraft Acquisition Co. LLC,<br>8.875%, 4/01/15 (a) | USD 275      | \$ 22,000 |
| <b>Airlines 0.6%</b>  |              |           |
| Continental Airlines, Inc.:                                   |              |           |
| Series 1997-4-B, 6.90%, 7/02/18                               | 674          | 488,997   |
| Series 2001-1-C, 7.033%, 12/15/12                             | 300          | 216,186   |
| UAL Corp., 4.50%, 6/30/21 (b)                                 | 340          | 155,142   |
|   |              | 860,325   |
| <b>Auto Components 1.4%</b>                                   |              |           |
| Allison Transmission, Inc. (c):                               |              |           |
| 11%, 11/01/15   | 730          | 354,050   |
| 11.25%, 11/01/15 (a)  | 1,085        | 417,725   |
| The Goodyear Tire & Rubber Co.:                               |              |           |
| 7.857%, 8/15/11   | 1,355        | 1,084,000 |
| 8.625%, 12/01/11  | 172          | 137,600   |
| Lear Corp., 8.75%, 12/01/16                                   | 405          | 68,850    |
|   |              | 2,062,225 |
| <b>Automobiles 0.2%</b>                                       |              |           |
| Ford Capital BV, 9.50%, 6/01/10                               | 710          | 227,200   |
| Ford Motor Co., 8.90%, 1/15/32                                | 600          | 102,000   |
|   |              | 329,200   |
| <b>Building Products 0.8%</b>                                 |              |           |
| Momentive Performance Materials, Inc.,                        |              |           |
| 11.50%, 12/01/16  | 1,535        | 322,350   |
| Ply Gem Industries, Inc., 11.75%, 6/15/13                     | 1,830        | 841,800   |
|   |              | 1,164,150 |
| <b>Capital Markets 1.0%</b>                                   |              |           |
| E*Trade Financial Corp., 12.50%, 11/30/17 (c)                 | 1,508        | 693,680   |
| Marsico Parent Co., LLC, 10.625%, 1/15/16 (c)                 | 1,004        | 411,640   |
| Marsico Parent Holdco, LLC, 12.50%,<br>7/15/16 (a)(c)         | 393          | 161,178   |
| Marsico Parent Superholdco, LLC, 14.50%,<br>1/15/18 (a)(c)    | 267          | 109,566   |
|   |              | 1,376,064 |
| <b>Chemicals 2.1%</b>   |              |           |

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|   |       |         |
|---|-------|---------|
| American Pacific Corp., 9%, 2/01/15           | 800   | 672,000 |
| Innophos, Inc., 8.875%, 8/15/14               | 740   | 588,300 |
| MacDermid, Inc., 9.50%, 4/15/17 (c)           | 1,595 | 630,025 |
| Terra Capital, Inc. Series B, 7%, 2/01/17     | 205   | 186,550 |
| Wellman Holdings, Inc. (b)(c):                |       |         |
| Second Lien Subordinate Note, 10%,<br>1/29/19 | 790   | 790,000 |
| Third Lien Subordinate Note, 5%, 1/29/19      | 240   | 168,000 |

3,034,875

**Commercial Services & Supplies 3.6%**

|  |       |           |
|--|-------|-----------|
| Sally Holdings LLC, 9.25%, 11/15/14                    | 200   | 190,500   |
| US Investigations Services, Inc., 10.50%, 11/01/15 (c) | 700   | 556,500   |
| Waste Services, Inc., 9.50%, 4/15/14                   | 2,800 | 2,212,000 |
| West Corp.:  |       |           |
| 9.50%, 10/15/14  | 700   | 490,000   |
| 11%, 10/15/16  | 2,720 | 1,740,800 |

5,189,800

**Construction & Engineering 0.8%**

|  |       |           |
|--|-------|-----------|
| Dycom Industries, Inc., 8.125%, 10/15/15 | 1,650 | 1,179,750 |
|--|-------|-----------|

**Corporate Bonds**

Par  
(000)

Value

**Construction Materials 1.0%**

|  |     |       |    |         |
|--|-----|-------|----|---------|
| Nortek, Inc., 10%, 12/01/13            | USD | 2,170 | \$ | 868,000 |
| Texas Industries, Inc., 7.25%, 7/15/13 |     | 720   |    | 511,200 |

1,379,200

**Containers & Packaging 6.0%**

|  |     |       |  |           |
|--|-----|-------|--|-----------|
| Berry Plastics Holding Corp., 5.871%,<br>9/15/14 (d)             |     | 1,655 |  | 769,575   |
| Crown European Holdings SA, 6.25%, 9/01/11                       | EUR | 1,200 |  | 1,475,659 |
| Graphic Packaging International Corp.:                           |     |       |  |           |
| 8.50%, 8/15/11   | USD | 1,175 |  | 1,034,000 |
| 9.50%, 8/15/13   |     | 960   |  | 715,200   |
| Impress Holdings BV, 4.219%, 9/15/13 (c)(d)                      |     | 390   |  | 288,600   |
| Owens-Brockway Glass Container, Inc.:                            |     |       |  |           |
| 8.25%, 5/15/13   |     | 925   |  | 934,250   |
| 6.75%, 12/01/14  | EUR | 420   |  | 473,884   |
| Packaging Dynamics Finance Corp., 10%,<br>5/01/16 (c)            | USD | 1,255 |  | 539,650   |
| Pregis Corp., 12.375%, 10/15/13                                  |     | 1,130 |  | 502,850   |
| Rock-Tenn Co., 8.20%, 8/15/11                                    |     | 1,875 |  | 1,875,000 |
| Smurfit-Stone Container Enterprises, Inc., 8%,<br>3/15/17 (e)(g) |     | 1,310 |  | 114,625   |

8,723,293

**Diversified Consumer Services 1.8%**

|  |  |       |  |           |
|--|--|-------|--|-----------|
| Service Corp. International, 7%, 6/15/17 |  | 2,800 |  | 2,548,000 |
|--|--|-------|--|-----------|

**Diversified Financial Services 3.2%**

|  |  |     |  |         |
|--|--|-----|--|---------|
| Axcan Intermediate Holdings, Inc., 12.75%, 3/01/16 |  | 490 |  | 447,125 |
|--|--|-----|--|---------|

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|  |     |       |           |
|--|-----|-------|-----------|
| FCE Bank Plc:                            |     |       |           |
| 7.125%, 1/16/12                          |     | 2,650 | 2,049,315 |
| Series JD, 3.991%, 9/30/09 (d)           | EUR | 250   | 266,227   |
| Ford Motor Credit Co. LLC:               |     |       |           |
| 7.569%, 1/13/12 (d)                      | USD | 195   | 95,550    |
| 7.80%, 6/01/12                           |     | 200   | 108,404   |
| GMAC LLC (c):                            |     |       |           |
| 7.25%, 3/02/11                           |     | 348   | 240,374   |
| 3.461%, 12/01/14 (d)                     |     | 841   | 370,040   |
| Leucadia National Corp., 8.125%, 9/15/15 |     | 1,250 | 1,037,500 |
|  |     |       | 4,614,535 |

**Diversified Telecommunication Services 5.7%**

|   |  |       |           |
|---|--|-------|-----------|
| Broadview Networks Holdings, Inc.,        |  |       |           |
| 11.375%, 9/01/12                          |  | 1,000 | 520,000   |
| Cincinnati Bell, Inc., 7.25%, 7/15/13     |  | 245   | 233,975   |
| Qwest Communications International, Inc.: |  |       |           |
| 7.50%, 2/15/14                            |  | 3,535 | 2,995,913 |
| 3.50%, 11/15/25 (b)                       |  | 300   | 268,125   |
| Qwest Corp.:                              |  |       |           |
| 6.069%, 6/15/13 (d)                       |  | 1,350 | 1,144,125 |
| 7.625%, 6/15/15                           |  | 500   | 446,250   |
| Windstream Corp., 8.125%, 8/01/13         |  | 2,800 | 2,716,000 |
|   |  |       | 8,324,388 |

**Electric Utilities 2.6%**

|  |  |       |           |
|--|--|-------|-----------|
| Edison Mission Energy, 7.50%, 6/15/13        |  |       |           |
|  |  | 1,775 | 1,628,562 |
| NSG Holdings LLC, 7.75%, 12/15/25 (c)        |  |       |           |
|  |  | 965   | 772,000   |
| Tenaska Alabama Partners LP, 7%, 6/30/21 (c) |  |       |           |
|  |  | 1,776 | 1,342,026 |
|  |  |       | 3,742,588 |

**Electrical Equipment 0.0%**

|                                     |  |    |        |
|-------------------------------------|--|----|--------|
| UCAR Finance, Inc., 10.25%, 2/15/12 |  |    |        |
|                                     |  | 49 | 44,100 |

**Electronic Equipment & Instruments 0.2%**

|                                    |  |     |         |
|------------------------------------|--|-----|---------|
| Sanmina-SCI Corp., 8.125%, 3/01/16 |  |     |         |
|                                    |  | 600 | 210,000 |

See Notes to Financial Statements.

## Schedule of Investments (continued)

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

| Corporate Bonds  | Par<br>(000) | Value      |
|--|--------------|------------|
| <b>Energy Equipment &amp; Services 0.6%</b>                        |              |            |
| Compagnie Générale de Géophysique-Veritas:                         |              |            |
| 7.50%, 5/15/15   | USD 195      | \$ 152,587 |
| 7.75%, 5/15/17   | 300          | 232,500    |
| North American Energy Partners, Inc.,<br>8.75%, 12/01/11           | 355          | 279,563    |
| Transocean, Inc. Series A, 1.625%, 12/15/37 (b)                    | 310          | 276,288    |
|  |              | 940,938    |
| <b>Food &amp; Staples Retailing 0.7%</b>                           |              |            |
| AmeriQual Group LLC, 9.50%, 4/01/12 (c)                            | 750          | 450,000    |
| Rite Aid Corp., 7.50%, 3/01/17                                     | 940          | 507,600    |
|  |              | 957,600    |
| <b>Food Products 0.5%</b>  |              |            |
| Tyson Foods, Inc., 10.50%, 3/01/14 (c)                             | 750          | 706,875    |
| <b>Health Care Equipment &amp; Supplies 3.2%</b>                   |              |            |
| Catalent Pharma Solutions, Inc., 9.50%, 4/15/15                    | 900          | 306,000    |
| DJO Finance LLC, 10.875%, 11/15/14                                 | 4,900        | 3,724,000  |
| Hologic, Inc., 2%, 12/15/37 (b)(f)                                 | 815          | 529,750    |
| Reable Therapeutics, 11.75%, 11/15/14                              | 80           | 52,400     |
|  |              | 4,612,150  |
| <b>Health Care Providers &amp; Services 2.4%</b>                   |              |            |
| Community Health Systems, Inc. Series WI,<br>8.875%, 7/15/15       | 250          | 236,562    |
| Tenet Healthcare Corp.:<br>6.375%, 12/01/11                        | 330          | 293,700    |
| 6.50%, 6/01/12   | 3,355        | 2,985,950  |
|  |              | 3,516,212  |
| <b>Hotels, Restaurants &amp; Leisure 5.7%</b>                      |              |            |
| American Real Estate Partners LP, 7.125%, 2/15/13                  | 2,815        | 2,315,337  |
| Galaxy Entertainment Finance Co. Ltd. (c):<br>8.133%, 12/15/10 (d) | 225          | 168,750    |
| 9.875%, 12/15/12   | 500          | 270,000    |
| Gaylord Entertainment Co., 8%, 11/15/13                            | 595          | 394,188    |
| Great Canadian Gaming Corp., 7.25%, 2/15/15 (c)                    | 1,860        | 1,302,000  |
| Greektown Holdings, LLC, 10.75%,<br>12/01/13 (c)(e)(g)             | 522          | 46,980     |
| Harrah's Operating Co., Inc.:<br>10.75%, 2/01/18 (a)               | 2,254        | 138,266    |
| 10%, 12/15/18 (c)  | 526          | 147,280    |

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|  |       |           |
|--|-------|-----------|
| Inn of the Mountain Gods Resort & Casino,<br>12%, 11/15/10         | 1,425 | 171,000   |
| Little Traverse Bay Bands of Odawa Indians,<br>10.25%, 2/15/14 (c) | 1,175 | 540,500   |
| Penn National Gaming, Inc., 6.875%, 12/01/11                       | 1,875 | 1,800,000 |
| San Pasqual Casino, 8%, 9/15/13 (c)                                | 925   | 689,125   |
| Shingle Springs Tribal Gaming Authority, 9.375%,<br>6/15/15 (c)    | 300   | 175,500   |
| Travelport LLC, 5.886%, 9/01/14 (d)                                | 145   | 46,400    |
| Tropicana Entertainment LLC Series WI, 9.625%,<br>12/15/14 (e)(g)  | 315   | 3,150     |
| Virgin River Casino Corp., 9%, 1/15/12 (e)(g)                      | 805   | 80,500    |

8,288,976

**Household Durables 0.7%**

|   |     |         |
|---|-----|---------|
| American Greetings Corp., 7.375%, 6/01/16 | 975 | 502,125 |
| Jarden Corp., 7.50%, 5/01/17              | 710 | 553,800 |

1,055,925

| Corporate Bonds | Par<br>(000) | Value |
|-----------------|--------------|-------|
|-----------------|--------------|-------|

**IT Services 1.2%**

|   |     |       |    |         |
|---|-----|-------|----|---------|
| Alliance Data Systems Corp., 1.75%,<br>8/01/13 (b)(c) | USD | 1,130 | \$ | 754,275 |
| First Data Corp., 9.875%, 9/24/15                     |     | 895   |    | 492,250 |
| SunGard Data Systems, Inc., 10.625%, 5/15/15 (c)      |     | 530   |    | 447,850 |

1,694,375

**Independent Power Producers & Energy Traders 3.7%**

|  |  |       |  |           |
|--|--|-------|--|-----------|
| The AES Corp., 8.75%, 5/15/13 (c)                                    |  | 994   |  | 964,180   |
| Energy Future Holdings Corp., 11.25%,<br>11/01/17 (a)                |  | 3,300 |  | 1,452,000 |
| NRG Energy, Inc.:<br>7.25%, 2/01/14                                  |  | 1,525 |  | 1,437,313 |
| 7.375%, 2/01/16  |  | 1,165 |  | 1,074,713 |
| Texas Competitive Electric Holdings Co. LLC, 10.50%,<br>11/01/16 (a) |  | 900   |  | 432,000   |

5,360,206

**Industrial Conglomerates 0.5%**

|                                      |  |       |  |         |
|--------------------------------------|--|-------|--|---------|
| Sequa Corp. (c):<br>11.75%, 12/01/15 |  | 2,380 |  | 380,800 |
| 13.50%, 12/01/15 (a)                 |  | 3,402 |  | 404,623 |

785,423

**Insurance 0.9%**

|   |  |       |  |           |
|---|--|-------|--|-----------|
| Alliant Holdings I, Inc., 11%, 5/01/15 (c)  |  | 1,600 |  | 1,032,000 |
| USI Holdings Corp., 5.113%, 11/15/14 (c)(d) |  | 630   |  | 299,250   |

1,331,250

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|  |       |           |
|--|-------|-----------|
| <b>Machinery 0.8%</b>                                |       |           |
| AGY Holding Corp., 11%, 11/15/14                     | 1,200 | 720,000   |
| Accuride Corp., 8.50%, 2/01/15                       | 515   | 154,500   |
| RBS Global, Inc., 8.875%, 9/01/16                    | 420   | 316,050   |
|  |       | 1,190,550 |
| <b>Marine 0.8%</b>                                   |       |           |
| Horizon Lines, Inc., 4.25%, 8/15/12 (b)              | 570   | 275,025   |
| Navios Maritime Holdings, Inc., 9.50%, 12/15/14      | 442   | 265,200   |
| Teekay Shipping Corp., 8.875%, 7/15/11               | 640   | 608,000   |
|  |       | 1,148,225 |
| <b>Media 11.9%</b>                                   |       |           |
| Affinion Group, Inc., 10.125%, 10/15/13              | 1,255 | 972,625   |
| Allbritton Communications Co., 7.75%, 12/15/12       | 735   | 330,750   |
| CCO Holdings LLC, 8.75%, 11/15/13                    | 200   | 156,000   |
| CMP Susquehanna Corp., 9.875%, 5/15/14               | 1,875 | 56,250    |
| CSC Holdings, Inc.:                                  |       |           |
| 8.50%, 4/15/14 (c)                                   | 370   | 355,200   |
| Series B, 7.625%, 4/01/11                            | 325   | 321,750   |
| Cablevision Systems Corp. Series B:                  |       |           |
| 8.334%, 4/01/09 (d)                                  | 490   | 490,000   |
| 8%, 4/15/12  | 425   | 411,187   |
| Catalina Marketing Corp., 10.50%, 10/01/15 (a)(c)(f) | 2,500 | 1,675,000 |
| Charter Communications Holdings II, LLC,             |       |           |
| 10.25%, 9/15/10 (e)                                  | 685   | 551,425   |
| DIRECTV Holdings LLC, 8.375%, 3/15/13                | 260   | 262,600   |
| EchoStar DBS Corp.:                                  |       |           |
| 6.375%, 10/01/11                                     | 250   | 238,750   |
| 7%, 10/01/13   | 90    | 83,925    |

See Notes to Financial Statements.

## Schedule of Investments (continued)

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

| Corporate Bonds  | Par<br>(000) | Value      |
|--|--------------|------------|
| <b>Media (concluded)</b>                                     |              |            |
| Harland Clarke Holdings Corp.:                               |              |            |
| 6.899%, 5/15/15 (d)  | USD 330      | \$ 114,675 |
| 9.50%, 5/15/15   | 390          | 175,500    |
| Intelsat Corp., 9.25%, 6/15/16 (c)                           | 840          | 766,500    |
| Intelsat Subsidiary Holding Co. Ltd., 8.875%,<br>1/15/15 (c) | 250          | 236,250    |
| Liberty Media Corp., 3.125%, 3/30/23 (b)                     | 1,023        | 722,494    |
| Local Insight Regatta Holdings, Inc., 11%, 12/01/17          | 673          | 161,520    |
| Mediacom LLC, 9.50%, 1/15/13                                 | 2,250        | 1,957,500  |
| Network Communications, Inc., 10.75%, 12/01/13               | 20           | 3,100      |
| Nielsen Finance LLC:   |              |            |
| 10%, 8/01/14   | 1,740        | 1,435,500  |
| 11.625%, 2/01/14 (c)   | 70           | 60,550     |
| ProtoStar I Ltd., 18%, 10/15/12 (b)(c)                       | 812          | 446,473    |
| Rainbow National Services LLC, 10.375%,<br>9/01/14 (c)       | 1,496        | 1,531,530  |
| Salem Communications Corp., 7.75%, 12/15/10                  | 2,425        | 1,200,375  |
| TL Acquisitions, Inc., 10.50%, 1/15/15 (c)                   | 4,095        | 1,924,650  |
| Virgin Media, Inc., 6.50%, 11/15/16 (b)(c)                   | 1,125        | 587,813    |
|  |              | 17,229,892 |
| <b>Metals &amp; Mining 4.3%</b>                              |              |            |
| Aleris International, Inc. (e)(g):                           |              |            |
| 9%, 12/15/14   | 950          | 95         |
| 10%, 12/15/16  | 800          | 1,000      |
| FMG Finance Property Ltd. (c):                               |              |            |
| 10%, 9/01/13   | 500          | 425,000    |
| 10.625%, 9/01/16   | 1,210        | 1,028,500  |
| Foundation PA Coal Co., 7.25%, 8/01/14                       | 1,850        | 1,669,625  |
| Freeport-McMoRan Copper & Gold, Inc., 7.084%,<br>4/01/15 (d) | 1,180        | 882,050    |
| Newmont Mining Corp., 1.625%, 7/15/17 (b)                    | 555          | 598,706    |
| Novelis, Inc., 7.25%, 2/15/15                                | 1,875        | 585,938    |
| Ryerson, Inc. (c):   |              |            |
| 10.568%, 11/01/14 (d)  | 380          | 193,800    |
| 12%, 11/01/15  | 245          | 144,550    |
| Steel Dynamics, Inc., 7.375%, 11/01/12                       | 440          | 380,600    |
| Vedanta Resources Plc, 9.50%, 7/18/18 (c)                    | 600          | 342,000    |
|  |              | 6,251,864  |
| <b>Oil, Gas &amp; Consumable Fuels 10.7%</b>                 |              |            |
| Atlas Energy Resources LLC, 10.75%, 2/01/18 (c)              | 1,190        | 963,900    |
| Berry Petroleum Co., 8.25%, 11/01/16                         | 470          | 239,700    |
| Chesapeake Energy Corp.:                                     |              |            |
| 9.50%, 2/15/15   | 1,565        | 1,455,450  |
| 7.25%, 12/15/18  | 1,540        | 1,251,250  |

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|  |       |            |
|--|-------|------------|
| 2.25%, 12/15/38 (b)                                  | 775   | 411,719    |
| Compton Petroleum Finance Corp.,<br>7.625%, 12/01/13 | 1,505 | 504,175    |
| Connacher Oil and Gas Ltd., 10.25%, 12/15/15 (c)     | 1,245 | 473,100    |
| Corral Finans AB, 2.594%, 4/15/10 (a)(c)             | 2,039 | 1,133,017  |
| EXCO Resources, Inc., 7.25%, 1/15/11                 | 2,600 | 2,076,750  |
| Encore Acquisition Co., 6.25%, 4/15/14               | 1,850 | 1,461,500  |
| Forest Oil Corp., 7.25%, 6/15/19 (c)                 | 2,135 | 1,708,000  |
| Massey Energy Co., 3.25%, 8/01/15 (b)                | 1,210 | 768,350    |
| OPTI Canada, Inc., 8.25%, 12/15/14                   | 1,600 | 544,000    |
| PetroHawk Energy Corp. (c):<br>10.50%, 8/01/14       | 530   | 522,050    |
| 7.875%, 6/01/15                                      | 450   | 387,000    |
| Sabine Pass LNG LP, 7.50%, 11/30/16                  | 350   | 235,375    |
| SandRidge Energy, Inc.:<br>8.625%, 4/01/15 (a)       | 1,000 | 690,000    |
| 8%, 6/01/18 (c)                                      | 935   | 729,300    |
|  |       | 15,554,636 |

| Corporate Bonds   | Par<br>(000) | Value     |
|---|--------------|-----------|
| <b>Paper &amp; Forest Products 1.9%</b>                   |              |           |
| Abitibi-Consolidated, Inc., 6.319%, 6/15/11 (d) USD       | 760          | \$ 68,400 |
| Ainsworth Lumber Co. Ltd., 11%, 7/29/15 (c)               | 313          | 141,087   |
| Bowater, Inc., 4.996%, 3/15/10 (d)                        | 2,625        | 472,500   |
| Georgia-Pacific Corp., 8.125%, 5/15/11                    | 145          | 140,650   |
| NewPage Corp., 10%, 5/01/12                               | 2,550        | 771,375   |
| Norske Skog Canada Ltd. Series D,<br>8.625%, 6/15/11      | 825          | 379,500   |
| Verso Paper Holdings LLC Series B:<br>6.943%, 8/01/14 (d) | 260          | 67,600    |
| 9.125%, 8/01/14   | 1,695        | 635,625   |
|   |              | 2,676,737 |
| <b>Personal Products 0.6%</b>                             |              |           |
| Chattem, Inc., 7%, 3/01/14                                | 885          | 814,200   |
| <b>Pharmaceuticals 0.6%</b>                               |              |           |
| Angiotech Pharmaceuticals, Inc., 5.011%,<br>12/01/13 (d)  | 1,310        | 802,375   |
| Elan Finance Plc, 8.875%, 12/01/13                        | 90           | 72,000    |
|   |              | 874,375   |
| <b>Real Estate Investment Trusts (REITs) 0.1%</b>         |              |           |
| FelCor Lodging LP, 8.50%, 6/01/11                         | 245          | 132,300   |
| <b>Real Estate Management &amp; Development 1.3%</b>      |              |           |
| Forest City Enterprises, Inc., 7.625%, 6/01/15            | 2,825        | 1,243,000 |
| Realogy Corp.:<br>10.50%, 4/15/14                         | 1,830        | 384,300   |
| 12.375%, 4/15/15  | 2,045        | 245,400   |
|   |              | 1,872,700 |

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**Semiconductors & Semiconductor Equipment 0.2%**

|   |       |         |
|---|-------|---------|
| Spanion, Inc., 4.386%, 6/01/13 (c)(d)(e)(g) | 1,135 | 265,306 |
|---|-------|---------|

**Software 0.1%**

|   |     |        |
|---|-----|--------|
| BMS Holdings, Inc., 9.224%, 2/15/12 (a)(c)(d) | 389 | 93,778 |
|---|-----|--------|

**Specialty Retail 2.2%**

|  |     |         |
|--|-----|---------|
| Asbury Automotive Group, Inc., 7.625%, 3/15/17 | 330 | 148,500 |
|--|-----|---------|

General Nutrition Centers, Inc.:

|                        |       |         |
|------------------------|-------|---------|
| 7.584%, 3/15/14 (a)(d) | 1,640 | 967,600 |
|------------------------|-------|---------|

|                 |       |         |
|-----------------|-------|---------|
| 10.75%, 3/15/15 | 1,200 | 840,000 |
|-----------------|-------|---------|

|   |     |         |
|---|-----|---------|
| Group 1 Automotive, Inc., 2.25%, 6/15/36 (b)(f) | 985 | 440,788 |
|---|-----|---------|

Michaels Stores, Inc.:

|               |     |         |
|---------------|-----|---------|
| 10%, 11/01/14 | 485 | 165,506 |
|---------------|-----|---------|

|                   |     |         |
|-------------------|-----|---------|
| 11.375%, 11/01/16 | 780 | 184,275 |
|-------------------|-----|---------|

|  |       |         |
|--|-------|---------|
| United Auto Group, Inc., 7.75%, 12/15/16 | 1,030 | 494,400 |
|--|-------|---------|

3,241,069

**Textiles, Apparel & Luxury Goods 1.5%**

|                                     |       |           |
|-------------------------------------|-------|-----------|
| Levi Strauss & Co., 8.875%, 4/01/16 | 1,875 | 1,434,375 |
|-------------------------------------|-------|-----------|

|                                   |       |         |
|-----------------------------------|-------|---------|
| Quiksilver, Inc., 6.875%, 4/15/15 | 1,600 | 800,000 |
|-----------------------------------|-------|---------|

2,234,375

**Thrifts & Mortgage Finance 0.4%**

|   |     |         |
|---|-----|---------|
| Residential Capital LLC, 8.50%, 5/15/10 (c) | 755 | 520,950 |
|---|-----|---------|

**Wireless Telecommunication Services 8.9%**

|   |       |           |
|---|-------|-----------|
| Centennial Communications Corp., 7.185%,<br>1/01/13 (d) | 1,280 | 1,273,600 |
|---|-------|-----------|

Cricket Communications, Inc.:

|                  |       |           |
|------------------|-------|-----------|
| 9.375%, 11/01/14 | 1,285 | 1,172,563 |
|------------------|-------|-----------|

|                  |     |         |
|------------------|-----|---------|
| 10%, 7/15/15 (c) | 835 | 770,287 |
|------------------|-----|---------|

See Notes to Financial Statements.

## Schedule of Investments (continued)

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

| Corporate Bonds   | Par<br>(000) | Value       |
|---|--------------|-------------|
| <b>Wireless Telecommunication Services (concluded)</b>                          |              |             |
| Crown Castle International Corp., 9%, 1/15/15                                   | USD 440      | \$ 429,000  |
| Digicel Group Ltd. (c):   |              |             |
| 8.875%, 1/15/15   | 1,285        | 957,325     |
| 9.125%, 1/15/15 (a)   | 1,911        | 1,337,442   |
| FiberTower Corp., 9%, 11/15/12 (b)  | 600          | 171,000     |
| iPCS, Inc., 3.295%, 5/01/13 (d)   | 760          | 547,200     |
| Leap Wireless International, Inc., 4.50%,<br>7/15/14 (b)(c)                     | 220          | 148,500     |
| MetroPCS Wireless, Inc., 9.25%, 11/01/14  | 2,745        | 2,594,025   |
| Nordic Telephone Co. Holdings ApS, 8.875%,<br>5/01/16 (c)                       | 1,340        | 1,219,400   |
| Orascom Telecom Finance SCA, 7.875%,<br>2/08/14 (c)                             | 265          | 159,000     |
| Sprint Capital Corp., 7.625%, 1/30/11   | 2,450        | 2,125,375   |
|   |              | 12,904,717  |
| <b>Total Corporate Bonds 97.4%</b>  |              | 141,060,097 |
| <b>Floating Rate Loan Interests</b>   |              |             |
| <b>Auto Components 1.1%</b>   |              |             |
| Allison Transmission, Inc. Term Loan,<br>3.20%, 8/07/14                         | 1,393        | 922,728     |
| Dana Holding Corp. Term Advance, 7.25%, 1/31/15                                 | 1,901        | 578,586     |
| Delphi Automotive Systems:  |              |             |
| Initial Tranche Term Loan C, 10.50%, 6/30/09                                    | 30           | 4,693       |
| Subsequent Tranche Term Loan C, 10.50%,<br>6/30/09                              | 280          | 43,800      |
|   |              | 1,549,807   |
| <b>Automobiles 0.4%</b>   |              |             |
| Ford Motor Co. Term Loan, 5%, 12/15/13  | 920          | 293,892     |
| General Motors Corp. Secured Term Loan,<br>4.148%, 11/29/13                     | 769          | 275,507     |
|   |              | 569,399     |
| <b>Building Products 2.2%</b>   |              |             |
| Building Material Corp. of America Term Loan<br>Advance, 3.625% 3.875%, 2/22/14 | 496          | 338,284     |
| CPG International, I Inc. Term Loan,<br>6.26%, 2/28/11                          | 2,985        | 2,089,447   |

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Masonite International:

|                                    |     |           |
|------------------------------------|-----|-----------|
| Canadian Term Loan, 6.75%, 4/06/13 | 959 | 391,656   |
| US Term Loan, 6.25%, 4/06/13       | 970 | 396,376   |
|                                    |     | 3,215,763 |

**Capital Markets 0.2%**

|   |     |         |
|---|-----|---------|
| Marsico Parent Co., LLC Term Loan,<br>4.50% 7.25%, 12/15/14 | 475 | 225,393 |
|---|-----|---------|

**Chemicals 1.3%**

|  |       |           |
|--|-------|-----------|
| PQ Corp.:                                  |       |           |
| First Lien Term Loan, 4.43% 4.71%, 7/31/14 | 746   | 445,884   |
| Second Lien Term Loan, 7.68%, 7/30/15      | 3,250 | 1,137,500 |
| Solutia Inc. Loan, 8.50%, 2/28/14          | 413   | 265,031   |
|  |       | 1,848,415 |

**Containers & Packaging 0.1%**

|  |     |         |
|--|-----|---------|
| Berry Plastics Group, Inc. Loan, 8.421%, 6/05/14 (a) | 928 | 185,631 |
|--|-----|---------|

**Diversified Telecommunication Services 2.5%**

|  |     |       |           |
|--|-----|-------|-----------|
| Wind Finance SL S.A. Euro Facility (Second Lien),<br>11.473%, 11/26/14 | EUR | 3,350 | 3,678,043 |
|--|-----|-------|-----------|

**Floating Rate Loan Interests**

|  | Par<br>(000) | Value |              |
|--|--------------|-------|--------------|
| <b>Health Care Providers &amp; Services 1.8%</b>                               |              |       |              |
| CHS/Community Health Systems, Inc. Funded Term<br>Loan, 2.729% 3.506%, 7/25/14 | USD          | 1,522 | \$ 1,288,814 |
| HCA, Inc. Tranche Term Loan A-1,<br>3.459%, 11/17/12                           |              | 512   | 445,697      |
| Rotech Healthcare, Inc. Term Loan,<br>6.479%, 9/26/11                          |              | 1,627 | 895,075      |
|  |              |       | 2,629,586    |

**Hotels, Restaurants & Leisure 0.4%**

|   |  |       |         |
|---|--|-------|---------|
| Travelport LLC (fka Travelport Inc.) Loan,<br>7.979%, 3/27/12 |  | 2,766 | 567,052 |
|---|--|-------|---------|

**Independent Power Producers & Energy Traders 2.5%**

|  |  |       |           |
|--|--|-------|-----------|
| Calpine Generating Co., LLC First Priority Term<br>Loan, 4.335%, 3/29/14 |  | 746   | 541,284   |
| Texas Competitive Electric Holdings Co. LLC:                             |  |       |           |
| Term Loan B-1, 3.948% 4.451%, 10/10/14                                   |  | 208   | 129,922   |
| Term Loan B-2, 3.948% 4.451%, 10/10/14                                   |  | 1,210 | 754,952   |
| Term Loan B-3, 3.948% 4.451%, 10/10/14                                   |  | 3,456 | 2,155,836 |
|  |  |       | 3,581,994 |

**Machinery 1.0%**

|  |  |       |         |
|--|--|-------|---------|
| Navistar International Transportation Corp.: |  |       |         |
| Advance Term Loan, 3.729%, 1/19/12           |  | 1,385 | 991,429 |
| Revolving Credit, 3.677% 3.729%, 1/19/12     |  | 505   | 361,496 |
| Rexnord Holdings, Inc. Loan, 9.181%, 3/01/13 |  | 402   | 100,549 |

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|  |       |            |
|--|-------|------------|
|  |       | 1,453,474  |
| <b>Media 3.2%</b>  |       |            |
| Affinion Group Holdings, Inc. Loan, 0%, 3/01/12  | 400   | 180,000    |
| Cengage Learning Acquisitions, Inc. (Thomson Learning) Tranche 1 Incremental Term Loan, 7.50%, 7/03/14 | 1,493 | 1,044,750  |
| HMH Publishing Co., Ltd. (fka Education Media):  |       |            |
| Mezzanine, 10.756%, 11/14/14   | 5,863 | 1,758,777  |
| Tranche A, 8.256%, 6/12/14   | 2,411 | 1,355,977  |
| NV Broadcasting, LLC Second Lien, 8.72%, 11/03/14  | 1,000 | 200,000    |
| Newsday, LLC Fixed Rate Term Loan, 9.75%, 8/01/13  | 175   | 157,938    |
|  |       | 4,697,442  |
| <b>Multiline Retail 0.4%</b>   |       |            |
| Dollar General Corp. Tranche B-1 Term Loan, 3.198% 3.924%, 7/07/14                                     | 600   | 518,045    |
| <b>Oil, Gas &amp; Consumable Fuels 1.2%</b>  |       |            |
| Turbo Beta Ltd. Dollar Facility, 14.50%, 3/15/18   | 2,121 | 1,696,492  |
| <b>Paper &amp; Forest Products 0.5%</b>  |       |            |
| Georgia-Pacific LLC Term Loan B, 2.956% 4.189%, 12/20/12   | 292   | 252,333    |
| NewPage Corp. Term Loan, 5.313%, 12/22/14  | 495   | 301,500    |
| Verso Paper Finance Holdings LLC Term Loan, 7.685% 8.435%, 2/01/13                                     | 1,110 | 222,041    |
|  |       | 775,874    |
| <b>Real Estate Management &amp; Development 0.2%</b>   |       |            |
| Realogy Corp.:   |       |            |
| Letter of Credit, 0.347%, 10/10/13   | 120   | 67,695     |
| Term Loan B, 3.438%, 10/10/13  | 379   | 214,367    |
|  |       | 282,062    |
| <b>Total Floating Rate Loan Interests 19.0%</b>  |       | 27,474,472 |

See Notes to Financial Statements.

## Schedule of Investments (continued)

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

| Non-U.S. Government Agency<br>Mortgage-Backed Securities                    | Par<br>(000) | Value            |
|---|--------------|------------------|
| <b>Commercial Mortgage-Backed Securities 1.4%</b>                           |              |                  |
| Crown Castle Towers LLC Series 2005-1A (c):                                 |              |                  |
| Class AFL, 0.841%, 6/15/35 (d)  | USD 1,550    | \$ 1,410,500     |
| Class AFX, 4.643%, 6/15/35  | 430          | 410,650          |
| Global Signal Trust Series 2006-1 Class A2,<br>5.45%, 2/15/36 (c)           | 245          | 229,075          |
| <b>Total Non-U.S. Government Agency<br/>Mortgage-Backed Securities 1.4%</b> |              | <b>2,050,225</b> |

| Common Stocks                               | Shares  | Value            |
|---|---------|------------------|
| <b>Capital Markets 0.1%</b>                 |         |                  |
| E*Trade Financial Corp. (g)                 | 68,734  | 54,987           |
| <b>Chemicals 0.0%</b>                       |         |                  |
| Wellman Holdings, Inc. (c)(g)               | 1,425   | 356              |
| <b>Communications Equipment 0.7%</b>        |         |                  |
| Loral Space & Communications Ltd. (g)       | 77,483  | 922,823          |
| <b>Containers &amp; Packaging 0.0%</b>      |         |                  |
| Smurfit Kappa Plc (g)                       | 3,634   | 6,268            |
| <b>Electrical Equipment 0.0%</b>            |         |                  |
| Medis Technologies Ltd. (g)                 | 67,974  | 38,745           |
| SunPower Corp. Class B (g)                  | 352     | 8,716            |
|   |         | 47,461           |
| <b>Oil, Gas &amp; Consumable Fuels 0.2%</b> |         |                  |
| EXCO Resources, Inc. (g)                    | 31,639  | 288,231          |
| <b>Paper &amp; Forest Products 0.0%</b>     |         |                  |
| Ainsworth Lumber Co. Ltd. (g)               | 37,144  | 21,022           |
| Ainsworth Lumber Co. Ltd. (c)(g)            | 41,686  | 23,654           |
| Western Forest Products, Inc. (c)(g)        | 41,528  | 4,896            |
| Western Forest Products, Inc. (g)           | 147,968 | 17,446           |
|   |         | 67,018           |
| <b>Total Common Stocks 1.0%</b>             |         | <b>1,387,144</b> |

**Preferred Securities**

| Capital Trusts                             | Par<br>(000) |         |
|--|--------------|---------|
| <b>Diversified Financial Services 0.4%</b> |              |         |
| Citigroup, Inc. Series E, 8.40% (d)(h)     | USD 1,680    | 588,168 |
| <b>Total Capital Trusts 0.4%</b>           |              | 588,168 |

| Preferred Stocks                            | Shares |         |
|---|--------|---------|
| <b>Capital Markets 0.0%</b>                 |        |         |
| Marsico Parent Superholdco, LLC, 16.75% (c) | 67     | 29,145  |
| <b>Total Preferred Stocks 0.0%</b>          |        | 29,145  |
| <b>Total Preferred Securities 0.4%</b>      |        | 617,313 |

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

| Other Interests (j)  | Beneficial<br>Interest<br>(000) |             |
|--|---------------------------------|-------------|
| <b>Media 0.0%</b>  |                                 |             |
| Adelphia Escrow  | USD 700                         | \$ 70       |
| Adelphia Recovery Trust  | 878                             | 3,512       |
| <b>Total Other Interests 0.0%</b>                                  |                                 | 3,582       |
| <b>Total Long-Term Investments<br/>(Cost \$281,093,540) 119.2%</b> |                                 | 172,592,833 |

**Short-Term Securities**

|                                |       |           |
|--------------------------------|-------|-----------|
| <b>Money Market Funds 4.9%</b> | 7,111 | 7,111,263 |
|--------------------------------|-------|-----------|

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BlackRock Liquidity Series, LLC Cash Sweep Series,  
0.73% (k)(l)

|                                    |           |
|------------------------------------|-----------|
| <b>Total Short-Term Securities</b> |           |
| (Cost \$7,111,263) 4.9%            | 7,111,263 |

| Options Purchased   | Contracts |
|---|-----------|
| <b>Over-The-Counter Call Options</b>  |           |
| Marsico Parent Superholdco LLC, expiring<br>December 2019 at USD 942.86, Broker,<br>The Goldman Sachs Group, Inc. | 17 27,455 |
| <b>Total Options Purchased</b>  |           |
| (Cost \$16,622) 0.0%  | 27,455    |

|  |    |              |
|--|----|--------------|
| <b>Total Investments</b>                             |    | 179,731,551  |
| (Cost \$288,221,425*) 124.1%                         |    |              |
| <b>Liabilities in Excess of Other Assets</b> (24.1)% |    | (34,931,519) |
| <b>Net Assets</b> 100.0%                             | \$ | 144,800,032  |

\* The cost and unrealized appreciation (depreciation) of investments as of February 28, 2009, as computed for federal income tax purposes, were as follows:

|                               |    |               |
|-------------------------------|----|---------------|
| Aggregate cost                | \$ | 289,328,824   |
| Gross unrealized appreciation | \$ | 687,713       |
| Gross unrealized depreciation |    | (110,284,986) |
| Net unrealized depreciation   | \$ | (109,597,273) |

- (a) Represents a payment-in-kind security which may pay interest/dividends in additional par/shares.
- (b) Convertible security.
- (c) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional investors.
- (d) Variable rate security. Rate shown is as of report date.
- (e) Issuer filed for bankruptcy and/or is in default of interest payments.
- (f) Represents a step-up bond that pays an initial coupon rate for the first period and then a higher coupon rate for the following periods. Rate shown reflects the current yield as of report date.

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- (g) Non-income producing security.
- (h) Security is perpetual in nature and has no stated maturity date.
- (i) Warrants entitle the Fund to purchase a predetermined number of shares of common stock and are non-income producing. The purchase price and number of shares are subject to adjustment under certain conditions until the expiration date.

See Notes to Financial Statements.

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ANNUAL REPORT

FEBRUARY 28, 2009

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## Schedule of Investments (concluded)

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

- (j) Other interests represent beneficial interest in liquidation trusts and other reorganization entities and are non-income producing.
- (k) Investments in companies considered to be an affiliate of the Fund, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, were as follows:

| Affiliate   |     | Net<br>Activity |    | Income |
|---|-----|-----------------|----|--------|
| BlackRock Liquidity Series, LLC Cash Sweep Series | USD | 7,111,263       | \$ | 29,589 |

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

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

Foreign currency exchange contracts as of February 28, 2009 were as follows:

| Currency<br>Purchased | Currency<br>Sold | Counterparty     | Settlement<br>Date | Unrealized<br>Appreciation |
|-----------------------|------------------|------------------|--------------------|----------------------------|
| USD 154,560           | CAD 190,000      | UBS AG           | 3/18/09            | \$ 5,221                   |
| USD 8,216,818         | EUR 6,267,500    | Deutsche Bank AG | 3/18/09            | 272,478                    |
| USD 579,623           | EUR 450,000      | UBS AG           | 3/18/09            | 9,227                      |
| <b>Total</b>          |                  |                  |                    | \$ 286,926                 |

Credit default swaps on single-name issues buy protection outstanding as of February 28, 2009 were as follows:

| Issuer                  | Pay<br>Fixed<br>Rate | Counterparty                      | Expiration | Notional<br>Amount<br>(000) | Unrealized<br>Appreciation |
|-------------------------|----------------------|-----------------------------------|------------|-----------------------------|----------------------------|
| Masco Corp.             | 5.85%                | Goldman<br>Sachs<br>International | March 2014 | USD 750                     | \$ 6,159                   |
| Mohawk Industries, Inc. | 4.70%                | Goldman<br>Sachs<br>International | March 2014 | USD 750                     | 885                        |

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|              |          |
|--------------|----------|
| <b>Total</b> | \$ 7,044 |
|--------------|----------|

Credit default swaps on single-name issues sold protection outstanding as of February 28, 2009 were as follows:

| Issuer <sup>1</sup> | Receive Fixed Rate | Counterparty                | Expiration | Notional Amount (000) <sup>2</sup> | Unrealized Depreciation |
|---------------------|--------------------|-----------------------------|------------|------------------------------------|-------------------------|
| Ford Motor Co.      | 3.80%              | UBS AG                      | March 2010 | USD 930                            | \$ (651,722)            |
| Ford Motor Co.      | 5.00%              | Goldman Sachs International | June 2010  | USD 3,750                          | (2,654,861)             |
| <b>Total</b>        |                    |                             |            |                                    | <b>\$ (3,306,583)</b>   |

<sup>1</sup> Credit rating is CCC using Standard & Poor's ratings.

<sup>2</sup> The maximum potential amount the Fund may be required to pay should a negative credit event take place as defined under the terms of the agreement. See Note 1 of the Notes to Financial Statements.

Currency Abbreviations:

CAD Canadian Dollar  
 EUR Euro  
 USD US Dollar

Effective June 1, 2008, the Fund has adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements (FAS 157). FAS 157 clarifies the definition of fair value, establishes a framework for measuring fair values and requires additional disclosures about the use of fair value measurements. Various inputs are used in determining the fair value of investments, which are as follows:

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

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

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

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

The following table summarizes the inputs used as of February 28, 2009 in determining the fair valuation of the Fund's investments:

| Valuation Inputs | Investments in Securities |                   | Other Financial Instruments* |  |
|------------------|---------------------------|-------------------|------------------------------|--|
|                  | Assets                    | Assets            | Liabilities                  |  |
| Level 1          | \$ 1,356,866              |                   |                              |  |
| Level 2          | 161,976,059               | \$ 321,425        | \$ (3,306,583)               |  |
| Level 3          | 16,371,171                |                   |                              |  |
| <b>Total</b>     | <b>\$ 179,704,096</b>     | <b>\$ 321,425</b> | <b>\$ (3,306,583)</b>        |  |

\* Other financial instruments are swaps, foreign currency exchange and option contracts. Swaps and foreign currency exchange contracts are valued at the unrealized appreciation/depreciation on the instrument and options are shown at market value.

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

|   | Investments in Securities |                   |
|---|---------------------------|-------------------|
|   | Assets                    |                   |
| Balance as of May 31, 2008                                  | \$                        | 3,582             |
| Accrued discounts/premiums                                  |                           | 111,311           |
| Realized gain   |                           | 188               |
| Change in unrealized appreciation/depreciation <sup>1</sup> |                           | (19,674,329)      |
| Net purchases   |                           | 92,784            |
| Net transfers in of Level 3                                 |                           | 35,837,635        |
| <b>Balance as of February 28, 2009</b>                      | <b>\$</b>                 | <b>16,371,171</b> |

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

See Notes to Financial Statements.

Schedule of Investments February 28, 2009

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

| Corporate Bonds   | Par<br>(000) | Value     |
|---|--------------|-----------|
| <b>Aerospace &amp; Defense 0.0%</b>                           |              |           |
| Hawker Beechcraft Acquisition Co. LLC,<br>8.875%, 4/01/15 (a) | USD 295      | \$ 23,600 |
| <b>Airlines 0.6%</b>  |              |           |
| Continental Airlines, Inc.:                                   |              |           |
| Series 1997-4-B, 6.90%, 7/02/18 (b)                           | 699          | 507,108   |
| Series 2001-1-C, 7.033%, 12/15/12                             | 336          | 242,277   |
| UAL Corp., 4.50%, 6/30/21 (c)                                 | 355          | 161,987   |
|   |              | 911,372   |
| <b>Auto Components 1.4%</b>                                   |              |           |
| Allison Transmission, Inc. (d):                               |              |           |
| 11%, 11/01/15   | 800          | 388,000   |
| 11.25%, 11/01/15 (a)  | 1,160        | 446,600   |
| The Goodyear Tire & Rubber Co.:                               |              |           |
| 7.857%, 8/15/11   | 1,450        | 1,160,000 |
| 8.625%, 12/01/11  | 82           | 65,600    |
| Lear Corp., 8.75%, 12/01/16                                   | 425          | 72,250    |
|   |              | 2,132,450 |
| <b>Automobiles 0.2%</b>                                       |              |           |
| Ford Capital BV, 9.50%, 6/01/10                               | 785          | 251,200   |
| Ford Motor Co., 8.90%, 1/15/32                                | 700          | 119,000   |
|   |              | 370,200   |
| <b>Building Products 0.8%</b>                                 |              |           |
| Momentive Performance Materials, Inc.,                        |              |           |
| 11.50%, 12/01/16  | 1,650        | 346,500   |
| Ply Gem Industries, Inc., 11.75%, 6/15/13                     | 1,975        | 908,500   |
|   |              | 1,255,000 |
| <b>Capital Markets 1.0%</b>                                   |              |           |
| E*Trade Financial Corp.:                                      |              |           |
| 12.50%, 11/30/17 (d)  | 1,615        | 742,900   |
| 12.50%, 11/30/17  | 150          | 69,000    |
| Marsico Parent Co., LLC, 10.625%, 1/15/16 (d)                 | 1,073        | 439,930   |
| Marsico Parent Holdco, LLC, 12.50%,<br>7/15/16 (a)(d)         | 421          | 172,423   |
| Marsico Parent Superholdco, LLC, 14.50%,<br>1/15/18 (a)(d)    | 286          | 117,221   |
|   |              | 1,541,474 |

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**Chemicals 2.2%**

|   |       |           |
|---|-------|-----------|
| American Pacific Corp., 9%, 2/01/15   | 880   | 739,200   |
| Innophos, Inc., 8.875%, 8/15/14   | 825   | 655,875   |
| MacDermid, Inc., 9.50%, 4/15/17 (d)   | 1,700 | 671,500   |
| Terra Capital, Inc. Series B, 7%, 2/01/17                                       | 215   | 195,650   |
| Wellman Holdings, Inc. (c)(d):<br>Second Lien Subordinate Note, 10%,<br>1/29/19 | 844   | 844,000   |
| Third Lien Subordinate Note, 5%, 1/29/19  | 256   | 179,200   |
|   |       | 3,285,425 |

**Commercial Services & Supplies 3.6%**

|  |       |           |
|--|-------|-----------|
| Sally Holdings LLC, 9.25%, 11/15/14                    | 210   | 200,025   |
| US Investigations Services, Inc., 10.50%, 11/01/15 (d) | 700   | 556,500   |
| Waste Services, Inc., 9.50%, 4/15/14                   | 3,000 | 2,370,000 |
| West Corp.:<br>9.50%, 10/15/14                         | 750   | 525,000   |
| 11%, 10/15/16  | 2,850 | 1,824,000 |
|  |       | 5,475,525 |

| Corporate Bonds | Par<br>(000) | Value |
|-----------------|--------------|-------|
|-----------------|--------------|-------|

**Construction & Engineering 0.8%**

|  |     |       |    |           |
|--|-----|-------|----|-----------|
| Dycom Industries, Inc., 8.125%, 10/15/15 | USD | 1,750 | \$ | 1,251,250 |
|--|-----|-------|----|-----------|

**Construction Materials 1.0%**

|  |  |       |  |           |
|--|--|-------|--|-----------|
| Nortek, Inc., 10%, 12/01/13            |  | 2,305 |  | 922,000   |
| Texas Industries, Inc., 7.25%, 7/15/13 |  | 785   |  | 557,350   |
|  |  |       |  | 1,479,350 |

**Containers & Packaging 6.1%**

|  |     |       |  |           |
|--|-----|-------|--|-----------|
| Berry Plastics Holding Corp., 5.871%,<br>9/15/14 (e)             |     | 1,765 |  | 820,725   |
| Crown European Holdings SA, 6.25%, 9/01/11                       | EUR | 1,265 |  | 1,555,591 |
| Graphic Packaging International Corp.:<br>8.50%, 8/15/11         | USD | 1,240 |  | 1,091,200 |
| 9.50%, 8/15/13   |     | 1,025 |  | 763,625   |
| Impress Holdings BV, 4.219%, 9/15/13 (d)(e)                      |     | 420   |  | 310,800   |
| Owens Brockway Glass Container, Inc.:<br>8.25%, 5/15/13          |     | 1,000 |  | 1,010,000 |
| 6.75%, 12/01/14  | EUR | 430   |  | 485,167   |
| Packaging Dynamics Finance Corp., 10%,<br>5/01/16 (d)            | USD | 1,355 |  | 582,650   |
| Pregis Corp., 12.375%, 10/15/13                                  |     | 1,200 |  | 534,000   |
| Rock-Tenn Co., 8.20%, 8/15/11                                    |     | 2,000 |  | 2,000,000 |
| Smurfit-Stone Container Enterprises, Inc.,<br>8%, 3/15/17 (f)(h) |     | 1,405 |  | 122,938   |
|  |     |       |  | 9,276,696 |

**Diversified Consumer Services 1.8%**

|  |  |       |  |           |
|--|--|-------|--|-----------|
| Service Corp. International, 7%, 6/15/17 |  | 3,000 |  | 2,730,000 |
|--|--|-------|--|-----------|

**Diversified Financial Services 3.2%**

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|   |         |           |
|---|---------|-----------|
| Axcan Intermediate Holdings, Inc.,<br>12.75%, 3/01/16 | 520     | 474,500   |
| FCE Bank Plc:<br>7.125%, 1/16/12                      | 2,650   | 2,049,315 |
| Series JD, 3.991%, 9/30/09 (e)                        | EUR 270 | 287,525   |
| Ford Motor Credit Co. LLC:<br>4.01%, 1/13/12 (e)      | USD 215 | 105,350   |
| 7.80%, 6/01/12  | 200     | 108,404   |
| GMAC LLC (d):<br>7.25%, 3/02/11                       | 379     | 261,787   |
| 3.461%, 12/01/14 (e)                                  | 884     | 388,960   |
| Leucadia National Corp., 8.125%, 9/15/15              | 1,325   | 1,099,750 |
|   |         | 4,775,591 |

**Diversified Telecommunication Services 5.9%**

|   |       |           |
|---|-------|-----------|
| Broadview Networks Holdings, Inc.,<br>11.375%, 9/01/12          | 1,035 | 538,200   |
| Cincinnati Bell, Inc., 7.25%, 7/15/13                           | 260   | 248,300   |
| Qwest Communications International, Inc.:<br>7.50%, 2/15/14 (b) | 2,020 | 1,711,950 |
| 3.50%, 11/15/25 (c)   | 320   | 286,000   |
| Series B, 7.50%, 2/15/14  | 1,730 | 1,466,175 |
| Qwest Corp.:<br>5.246%, 6/15/13 (e)                             | 1,550 | 1,313,625 |
| 7.625%, 6/15/15   | 525   | 468,563   |
| Windstream Corp., 8.125%, 8/01/13                               | 3,000 | 2,910,000 |
|   |       | 8,942,813 |

**Electric Utilities 2.6%**

|  |       |           |
|--|-------|-----------|
| Edison Mission Energy, 7.50%, 6/15/13        | 1,875 | 1,720,313 |
| NSG Holdings LLC, 7.75%, 12/15/25 (d)        | 1,030 | 824,000   |
| Tenaska Alabama Partners LP, 7%, 6/30/21 (d) | 1,909 | 1,442,678 |
|  |       | 3,986,991 |

See Notes to Financial Statements.

## Schedule of Investments (continued)

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

| Corporate Bonds                                    | Par<br>(000) | Value     |
|--|--------------|-----------|
| <b>Electrical Equipment 0.0%</b>                   |              |           |
| UCAR Finance, Inc., 10.25%, 2/15/12                | USD 55       | \$ 49,500 |
| <b>Electronic Equipment &amp; Instruments 0.2%</b> |              |           |
| Sanmina-SCI Corp., 8.125%, 3/01/16                 | 660          | 231,000   |
| <b>Energy Equipment &amp; Services 0.7%</b>        |              |           |
| Compagnie Générale de Géophysique-Veritas:         |              |           |
| 7.50%, 5/15/15                                     | 215          | 168,237   |
| 7.75%, 5/15/17                                     | 320          | 248,000   |
| North American Energy Partners, Inc.,              |              |           |
| 8.75%, 12/01/11                                    | 375          | 295,313   |
| Transocean, Inc. Series A, 1.625%, 12/15/37 (c)    | 325          | 289,656   |
|  |              | 1,001,206 |
| <b>Food &amp; Staples Retailing 0.7%</b>           |              |           |
| AmeriQual Group LLC, 9.50%, 4/01/12 (d)            | 800          | 480,000   |
| Rite Aid Corp., 7.50%, 3/01/17                     | 1,020        | 550,800   |
|  |              | 1,030,800 |
| <b>Food Products 0.5%</b>                          |              |           |
| Tyson Foods, Inc., 10.50%, 3/01/14 (d)             | 750          | 706,875   |
| <b>Health Care Equipment &amp; Supplies 3.3%</b>   |              |           |
| Catalent Pharma Solutions, Inc., 9.50%, 4/15/15    | 930          | 316,200   |
| DJO Finance LLC, 10.875%, 11/15/14                 | 5,300        | 4,028,000 |
| Hologic, Inc., 2%, 12/15/37 (c)(g)                 | 870          | 565,500   |
| Reable Therapeutics, 11.75%, 11/15/14              | 85           | 55,675    |
|  |              | 4,965,375 |
| <b>Health Care Providers &amp; Services 2.4%</b>   |              |           |
| Community Health Systems, Inc. Series WI,          |              |           |
| 8.875%, 7/15/15                                    | 290          | 274,412   |
| Tenet Healthcare Corp.:                            |              |           |
| 6.375%, 12/01/11                                   | 345          | 307,050   |
| 6.50%, 6/01/12                                     | 3,485        | 3,101,650 |
|  |              | 3,683,112 |
| <b>Hotels, Restaurants &amp; Leisure 6.0%</b>      |              |           |
| American Real Estate Partners LP, 7.125%, 2/15/13  | 3,045        | 2,504,512 |
| Galaxy Entertainment Finance Co. Ltd. (d):         |              |           |
| 7.323%, 12/15/10 (e)                               | 300          | 225,000   |
| 9.875%, 12/15/12                                   | 550          | 297,000   |

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|  |       |           |
|--|-------|-----------|
| Gaylord Entertainment Co., 8%, 11/15/13                            | 635   | 420,688   |
| Great Canadian Gaming Corp., 7.25%, 2/15/15 (d)                    | 2,000 | 1,400,000 |
| Greektown Holdings, LLC, 10.75%, 12/01/13 (d)(f)(h)                | 559   | 50,310    |
| Harrah's Operating Co., Inc.:                                      |       |           |
| 10.75%, 2/01/18 (a)  | 2,401 | 145,922   |
| 10%, 12/15/18 (d)  | 561   | 157,080   |
| Inn of the Mountain Gods Resort & Casino,<br>12%, 11/15/10         | 1,550 | 186,000   |
| Little Traverse Bay Bands of Odawa Indians, 10.25%,<br>2/15/14 (d) | 1,290 | 593,400   |
| Penn National Gaming, Inc., 6.875%, 12/01/11                       | 2,025 | 1,944,000 |
| San Pasqual Casino, 8%, 9/15/13 (d)                                | 975   | 726,375   |
| Shingle Springs Tribal Gaming Authority, 9.375%,<br>6/15/15 (d)    | 360   | 210,600   |
| Travelport LLC, 5.886%, 9/01/14 (e)                                | 160   | 51,200    |
| Tropicana Entertainment LLC Series WI, 9.625%,<br>12/15/14 (f)(h)  | 305   | 3,050     |
| Virgin River Casino Corp., 9%, 1/15/12 (f)(h)                      | 940   | 94,000    |
|  |       | <hr/>     |
|  |       | 9,009,137 |

**Household Durables 0.8%**

|   |       |           |
|---|-------|-----------|
| American Greetings Corp., 7.375%, 6/01/16 | 1,020 | 525,300   |
| Jarden Corp., 7.50%, 5/01/17              | 805   | 627,900   |
|   |       | <hr/>     |
|   |       | 1,153,200 |

| Corporate Bonds                                       | Par<br>(000) | Value      |
|---|--------------|------------|
| <b>IT Services 1.2%</b>                               |              |            |
| Alliance Data Systems Corp., 1.75%,<br>8/01/13 (c)(d) | USD 1,170    | \$ 780,975 |
| First Data Corp., 9.875%, 9/24/15                     | 925          | 508,750    |
| SunGard Data Systems, Inc., 10.625%, 5/15/15 (d)      | 580          | 490,100    |
|   |              | <hr/>      |
|   |              | 1,779,825  |

**Independent Power Producers & Energy Traders 3.8%**

|  |       |           |
|--|-------|-----------|
| The AES Corp., 8.75%, 5/15/13 (d)                                    | 1,070 | 1,037,900 |
| Energy Future Holdings Corp., 11.25%,<br>11/01/17 (a)                | 3,550 | 1,562,000 |
| NRG Energy, Inc.:  |       |           |
| 7.25%, 2/01/14   | 1,625 | 1,531,563 |
| 7.375%, 2/01/16  | 1,250 | 1,153,125 |
| Texas Competitive Electric Holdings Co. LLC, 10.50%,<br>11/01/16 (a) | 960   | 460,800   |
|  |       | <hr/>     |
|  |       | 5,745,388 |

**Industrial Conglomerates 0.6%**

|  |       |         |
|--|-------|---------|
| Icahn Enterprises LP, 4%, 8/15/13 (b)(c)(d)(e) | 255   | 117,275 |
| Sequa Corp. (d):                               |       |         |
| 11.75%, 12/01/15                               | 2,540 | 406,400 |
| 13.50%, 12/01/15 (a)                           | 3,579 | 428,239 |
|  |       | <hr/>   |
|  |       | 951,914 |

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**Insurance 0.9%**

|   |       |           |
|---|-------|-----------|
| Alliant Holdings I, Inc., 11%, 5/01/15 (d)  | 1,700 | 1,096,500 |
| USI Holdings Corp., 5.113%, 11/15/14 (d)(e) | 680   | 323,000   |
|   |       | 1,419,500 |

**Life Sciences Tools & Services 0.4%**

|                                   |     |         |
|-----------------------------------|-----|---------|
| Invitrogen Corp., 2%, 8/01/23 (c) | 580 | 605,375 |
|-----------------------------------|-----|---------|

**Machinery 0.8%**

|                                   |       |           |
|-----------------------------------|-------|-----------|
| AGY Holding Corp., 11%, 11/15/14  | 1,280 | 768,000   |
| Accuride Corp., 8.50%, 2/01/15    | 555   | 166,500   |
| RBS Global, Inc., 8.875%, 9/01/16 | 450   | 338,625   |
|                                   |       | 1,273,125 |

**Marine 0.8%**

|   |     |           |
|---|-----|-----------|
| Horizon Lines, Inc., 4.25%, 8/15/12 (c)         | 610 | 294,325   |
| Navios Maritime Holdings, Inc., 9.50%, 12/15/14 | 477 | 286,200   |
| Teekay Shipping Corp., 8.875%, 7/15/11          | 575 | 546,250   |
|   |     | 1,126,775 |

**Media 12.1%**

|  |       |           |
|--|-------|-----------|
| Affinion Group, Inc., 10.125%, 10/15/13                            | 1,340 | 1,038,500 |
| Allbritton Communications Co., 7.75%, 12/15/12                     | 815   | 366,750   |
| CCO Holdings LLC, 8.75%, 11/15/13                                  | 200   | 156,000   |
| CMP Susquehanna Corp., 9.875%, 5/15/14                             | 2,000 | 60,000    |
| CSC Holdings, Inc.:  |       |           |
| 8.50%, 4/15/14 (d)   | 390   | 374,400   |
| Series B, 7.625%, 4/01/11  | 225   | 222,750   |
| Cablevision Systems Corp. Series B:                                |       |           |
| 8.334%, 4/01/09 (e)  | 520   | 520,000   |
| 8%, 4/15/12  | 475   | 459,562   |
| Catalina Marketing Corp., 10.50%, 10/01/15 (a)(d)(g)               | 2,700 | 1,809,000 |
| Charter Communications Holdings II, LLC, 10.25%,<br>9/15/10 (f)(h) | 740   | 595,700   |
| DIRECTV Holdings LLC, 8.375%, 3/15/13                              | 260   | 262,600   |
| EchoStar DBS Corp.:  |       |           |
| 6.375%, 10/01/11   | 250   | 238,750   |
| 7%, 10/01/13   | 90    | 83,925    |
| Harland Clarke Holdings Corp.:                                     |       |           |
| 5.984%, 5/15/15 (e)  | 350   | 121,625   |
| 9.50%, 5/15/15   | 420   | 189,000   |

See Notes to Financial Statements.

## Schedule of Investments (continued)

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

| Corporate Bonds  | Par<br>(000) | Value      |
|--|--------------|------------|
| <b>Media (concluded)</b>                                     |              |            |
| Intelsat Corp., 9.25%, 6/15/16 (d)                           | USD 890      | \$ 812,125 |
| Intelsat Subsidiary Holding Co. Ltd., 8.875%,<br>1/15/15 (d) | 260          | 245,700    |
| Liberty Media Corp., 3.125%, 3/30/23 (c)                     | 1,113        | 786,056    |
| Local Insight Regatta Holdings, Inc., 11%, 12/01/17          | 748          | 179,520    |
| Mediacom LLC, 9.50%, 1/15/13                                 | 2,425        | 2,109,750  |
| Network Communications, Inc., 10.75%, 12/01/13               | 30           | 4,650      |
| Nielsen Finance LLC:   |              |            |
| 10%, 8/01/14   | 1,890        | 1,559,250  |
| 11.625%, 2/01/14 (d)   | 180          | 155,700    |
| ProtoStar I Ltd., 18%, 10/15/12 (c)(d)                       | 850          | 467,448    |
| Rainbow National Services LLC, 10.375%,<br>9/01/14 (d)       | 1,582        | 1,619,573  |
| Salem Communications Corp., 7.75%, 12/15/10                  | 2,475        | 1,225,125  |
| TL Acquisitions, Inc., 10.50%, 1/15/15 (d)                   | 4,330        | 2,035,100  |
| Virgin Media, Inc., 6.50%, 11/15/16 (c)(d)                   | 1,210        | 632,225    |
|  |              | 18,330,784 |
| <b>Metals &amp; Mining 4.4%</b>                              |              |            |
| Aleris International, Inc. (f)(h):                           |              |            |
| 9%, 12/15/14   | 1,035        | 103        |
| 10%, 12/15/16  | 800          | 1,000      |
| FMG Finance Property Ltd. (d):                               |              |            |
| 10%, 9/01/13   | 535          | 454,750    |
| 10.625%, 9/01/16   | 1,295        | 1,100,750  |
| Foundation PA Coal Co., 7.25%, 8/01/14                       | 1,975        | 1,782,438  |
| Freeport-McMoRan Copper & Gold, Inc., 7.084%,<br>4/01/15 (e) | 1,220        | 911,950    |
| Newmont Mining Corp., 1.625%, 7/15/17 (c)                    | 585          | 631,069    |
| Novelis, Inc., 7.25%, 2/15/15                                | 1,975        | 617,188    |
| Ryerson, Inc. (d):   |              |            |
| 8.545%, 11/01/14 (e)   | 400          | 204,000    |
| 12%, 11/01/15  | 265          | 156,350    |
| Steel Dynamics, Inc., 7.375%, 11/01/12                       | 460          | 397,900    |
| Vedanta Resources Plc, 9.50%, 7/18/18 (d)                    | 640          | 364,800    |
|  |              | 6,622,298  |
| <b>Oil, Gas &amp; Consumable Fuels 10.9%</b>                 |              |            |
| Atlas Energy Resources LLC, 10.75%, 2/01/18 (d)              | 1,275        | 1,032,750  |
| Berry Petroleum Co., 8.25%, 11/01/16                         | 510          | 260,100    |
| Chesapeake Energy Corp.:                                     |              |            |
| 9.50%, 2/15/15   | 1,635        | 1,520,550  |
| 7.25%, 12/15/18  | 1,605        | 1,304,062  |
| 2.25%, 12/15/38 (c)  | 800          | 425,000    |
| Compton Petroleum Finance Corp.,<br>7.625%, 12/01/13         | 1,610        | 539,350    |

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|  |       |            |
|--|-------|------------|
| Connacher Oil and Gas Ltd., 10.25%, 12/15/15 (d) | 1,325 | 503,500    |
| Corral Finans AB, 2.594%, 4/15/10 (a)(d)         | 2,120 | 1,177,891  |
| EXCO Resources, Inc., 7.25%, 1/15/11             | 2,800 | 2,236,500  |
| Encore Acquisition Co., 6.25%, 4/15/14           | 2,000 | 1,580,000  |
| Forest Oil Corp., 7.25%, 6/15/19 (d)             | 2,275 | 1,820,000  |
| Massey Energy Co., 3.25%, 8/01/15 (c)            | 1,250 | 793,750    |
| OPTI Canada, Inc., 8.25%, 12/15/14               | 1,725 | 586,500    |
| PetroHawk Energy Corp. (d):                      |       |            |
| 10.50%, 8/01/14                                  | 555   | 546,675    |
| 7.875%, 6/01/15                                  | 460   | 395,600    |
| Sabine Pass LNG LP, 7.50%, 11/30/16              | 390   | 262,275    |
| SandRidge Energy, Inc.:                          |       |            |
| 8.625%, 4/01/15 (a)                              | 1,000 | 690,000    |
| 8%, 6/01/18 (c)                                  | 990   | 772,200    |
|  |       | 16,446,703 |

| Corporate Bonds                                   | Par<br>(000) | Value     |
|---|--------------|-----------|
| <b>Paper &amp; Forest Products 2.1%</b>           |              |           |
| Abitibi-Consolidated, Inc., 5.496%, 6/15/11 (e)   | USD 815      | \$ 73,350 |
| Ainsworth Lumber Co. Ltd., 11%, 7/29/15 (d)       | 1,053        | 475,246   |
| Bowater, Inc., 4.996%, 3/15/10 (e)                | 2,825        | 508,500   |
| Georgia-Pacific Corp., 8.125%, 5/15/11            | 150          | 145,500   |
| NewPage Corp., 10%, 5/01/12                       | 2,710        | 819,775   |
| Norske Skog Canada Ltd. Series D, 8.625%, 6/15/11 | 885          | 407,100   |
| Verso Paper Holdings LLC Series B:                |              |           |
| 4.92%, 8/01/14 (e)                                | 280          | 72,800    |
| 9.125%, 8/01/14                                   | 1,820        |           |