

BLACKROCK DEBT STRATEGIES FUND, INC.
Form N-CSR
November 05, 2008
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: 03/01/2008 - 08/31/2008

Item 1 Report to Stockholders

EQUITIES FIXED INCOME REAL ESTATE LIQUIDITY ALTERNATIVES BLACKROCK SOLUTIONS

BlackRock Debt Strategies Fund, Inc. (DSU)

SEMI-ANNUAL REPORT
AUGUST 31, 2008 | (UNAUDITED)

NOT FDIC INSURED
MAY LOSE VALUE
NO BANK GUARANTEE

Table of Contents

	Page
<u>A Letter to Shareholders</u>	3
Semi-Annual Report:	
<u>Fund Summary</u>	4
<u>The Benefits and Risks of Leveraging</u>	5
<u>Swap Agreements</u>	5
Financial Statements:	
<u>Schedule of Investments</u>	6
<u>Statement of Assets and Liabilities</u>	14
<u>Statement of Operations</u>	14
<u>Statements of Changes in Net Assets</u>	15
<u>Statement of Cash Flows</u>	16
<u>Financial Highlights</u>	17
<u>Notes to Financial Statements</u>	18
<u>Disclosure of Investment Advisory Agreement and Subadvisory Agreement</u>	22
<u>Officers and Directors</u>	25
<u>Additional Information</u>	26

A Letter to Shareholders

Dear Shareholder

It has been a tumultuous year for investors, marked by almost daily headlines related to the beleaguered housing market, rising food and energy prices, and the escalating credit crisis. The news took an extraordinarily heavy tone shortly after the close of this reporting period as the credit crisis boiled over and triggered unprecedented failures and consolidation in the financial sector, stoking fears of a market and economic collapse and prompting the largest government rescue plan since the Great Depression.

Through it all, the Federal Reserve Board (the Fed) has been aggressive in its attempts to restore order in financial markets. Key moves included slashing the target federal funds rate 325 basis points (3.25%) between September 2007 and April 2008 and providing numerous cash injections and lending programs. As the credit crisis took an extreme turn for the worse in September, the Fed, in concert with five other global central banks, cut interest rates by 50 basis points in a rare move intended to stave off worldwide economic damage from the intensifying financial market turmoil. The U.S. economy managed to grow at a slow-but-positive pace through the second quarter of the year, though the recent events almost certainly portend a global economic recession.

Against this backdrop, U.S. stocks experienced intense volatility (steep declines and quick recoveries), generally posting losses for the current reporting period. Small-cap stocks fared significantly better than their larger counterparts. Non-U.S. markets followed the U.S. on the way down and, notably, decelerated at a faster pace than domestic equities—a stark reversal of recent years' trends, when international stocks generally outpaced U.S. stocks.

Treasury securities also traded in a volatile fashion, but rallied overall (yields fell and prices correspondingly rose), as the broader flight-to-quality theme persisted. The yield on 10-year Treasury issues, which fell to 3.34% in March, climbed to the 4.20% range in mid-June as investors temporarily shifted out of Treasury issues in favor of riskier assets (such as stocks and other high-quality fixed income sectors), then declined again to 3.83% by period-end when credit fears resurfaced. Tax-exempt issues posted positive returns, but problems among municipal bond insurers and the collapse in the market for auction rate securities pressured the group throughout the course of the past year. Economic and financial market distress also dampened the performance of high yield issues, which were very volatile due to the macro factors noted above.

Overall, severe market instability resulted in mixed results for the major benchmark indexes:

Total returns as of August 31, 2008	6-month	12-month
U.S. equities (S&P 500 Index)	(2.57)%	(11.14)%
Small cap U.S. equities (Russell 2000 Index)	8.53	(5.48)
International equities (MSCI Europe, Australasia, Far East Index)	(10.18)	(14.41)
Fixed income (Lehman Brothers U.S. Aggregate Index)	0.18	5.86
Tax-exempt fixed income (Lehman Brothers Municipal Bond Index)	5.12	4.48
High yield bonds (Lehman Brothers U.S. Corporate High Yield 2% Issuer Capped Index)	0.74	(0.66)

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. As always, we thank you for entrusting BlackRock with your investments, and we look forward to continuing to serve you in the months and years ahead.

Sincerely,

Rob Kapito

President, BlackRock Advisors, LLC

THIS PAGE NOT PART OF YOUR FUND REPORT

3

Fund Summary as of August 31, 2008

Investment Objective

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

Performance

For the six months ended August 31, 2008, the Fund returned (0.35)% based on market price and (1.33)% 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 (6.14)% on a NAV basis. All returns reflect reinvestment of dividends. During the period, high yield loans which made up about 44% of the Fund's portfolio as of August 31, 2008 outperformed high yield bonds, which aided relative performance as most of the other funds in the Lipper category invest primarily in high yield bonds. As of August 31, 2008, the Fund was more modestly leveraged (27% of managed assets) than many of its counterparts, which also helped relative performance in a very challenging market. The Fund's discount to NAV, which narrowed modestly during the six months, accounts for the difference between performance based on price and performance based on NAV.

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

Fund Information

Symbol on New York Stock Exchange	DSU
Initial Offering Date	March 27, 1998
Yield on Closing Market Price as of August 31, 2008 (\$5.10) ¹	12.47%
Current Monthly Distribution per share of Common Stock ²	\$0.053
Current Annualized Distribution per share of Common Stock ²	\$0.636
Leverage as of August 31, 2008 ³	27%

¹ 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.

² The distribution is not constant and is subject to change.

³ As a percentage of managed assets, which is the total assets of the Fund (including any assets attributable to any borrowing that may be outstanding) minus the sum of accrued liabilities (other than debt representing financial leverage).

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

	8/31/08	2/29/08	Change	High	Low
Market Price	\$ 5.10	\$ 5.43	(6.08)%	\$ 5.88	\$ 4.61

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Net Asset Value \$ 5.18 \$ 5.57 (7.00)% \$ 5.69 \$ 5.18

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

Portfolio Composition

Asset Mix	8/31/08	2/29/08
Corporate Bonds	51%	57%
Floating Rate Loan Interests	44	39
Common Stocks	5	3
Preferred Stocks		1

Credit Quality Allocations⁴

Credit Rating	8/31/08	2/29/08
AA/Aa	2%	
BBB/Baa	1	1%
BB/Ba	8	14
B/B	59	51
CCC/Caa	20	20
CC/Ca	3	3
D		1
Not Rated	7	10

⁴ Using the higher of Standard & Poor's or Moody's Investors Service ratings.

The Benefits and Risks of Leveraging

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

Leverage creates risks for shareholders including the likelihood of greater NAV and market price volatility. In addition, there is the risk that fluctuations in interest rates on borrowings may reduce the yield and negatively impact its NAV and market price. If the income derived from securities purchased with assets received from leverage exceeds the cost of leverage, the Fund's net income will be greater than if leverage had not been used. Conversely, if the income from the securities purchased is not sufficient to cover the cost of leverage, the Fund's net income will be less than if leverage had not been used, and therefore the amount available for distribution to shareholders will be reduced.

Under the Investment Company Act of 1940, the Fund is permitted to borrow through a credit facility and the issuance of short-term debt securities up to 33 1/3% of total managed assets. As of August 31, 2008, the Fund had outstanding leverage from credit facility borrowings as a percentage of total managed assets as follows:

	Percent of Leverage
BlackRock Debt Strategies Fund, Inc.	27%

Swap Agreements

The Fund may invest in swap agreements, which are over-the-counter contracts in which one party agrees to make periodic payments based on the change in market value of a specified bond, basket of bonds or index in return for periodic payments based on a fixed or variable interest rate or the change in market value of a different bond, basket of bonds or index. Swap agreements may be used to obtain exposure to a bond or market without owning or taking physical custody of securities. Swap agreements involve the risk that the party with whom the Fund has entered into the swap will default on its obligation to pay the Fund and the risk that the Fund will not be able to meet its obligations to pay the other party to the agreement.

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Schedule of Investments August 31, 2008 (Unaudited)

(Percentages shown are based on Net Assets)

Corporate Bonds	Par (000)	Value
Aerospace & Defense 1.3%		
Alliant Techsystems, Inc., 3%, 8/15/24 (a)(b)	USD 5,000	\$ 7,318,750
Auto Components 0.6%		
Allison Transmission, Inc. (b):		
11%, 11/01/15	170	156,400
11.25%, 11/01/15 (c)	1,560	1,372,800
The Goodyear Tire & Rubber Co., 8.625%, 12/01/11	2	2,060
Lear Corp., 8.75%, 12/01/16	700	526,750
Metaldyne Corp., 11%, 6/15/12	9,350	1,449,250
Venture Holdings Co. LLC (d)(e):		
12%, 6/01/09	4,450	
Series B, 9.50%, 7/01/05 (f)(i)	1,800	180
		3,507,440
Building Products 2.0%		
CPG International I, Inc.:		
9.904%, 7/01/12 (g)	7,500	5,700,000
10.50%, 7/01/13	1,300	1,001,000
Momentive Performance Materials, Inc. Series WI, 9.75%, 12/01/14	1,050	947,625
Ply Gem Industries, Inc., 11.75%, 6/15/13 (b)	4,055	3,690,050
		11,338,675
Capital Markets 1.9%		
E*Trade Financial Corp., 12.50%, 11/2017 (b)	10,000	10,700,000
Chemicals 6.2%		
American Pacific Corp., 9%, 2/01/15	1,490	1,445,300
ArCo Chemical Co., 9.80%, 2/01/20	3,550	2,573,750
GEO Specialty Chemicals Corp. (a):		
7.50%, 3/31/15 (b)(c)(e)	3,844	2,877,894
11.283%, 12/31/09	6,415	4,803,231
Hanna (M.A.) Co., 6.89%, 9/22/08	2,500	2,500,000
Hexion U.S. Finance Corp., 7.304%, 11/15/14 (g)	5,100	3,888,750
MacDermid, Inc., 9.50%, 4/15/17 (b)	6,360	5,819,400
NOVA Chemicals Corp., 5.953%, 11/15/13 (g)	12,305	10,582,300
		34,490,625
Commercial Banks 0.3%		
Investcorp SA, 7.54%, 10/21/08	1,500	1,500,206
Commercial Services & Supplies 1.0%		
US Investigations Services, Inc., 10.50%, 11/01/15 (b)	3,400	3,026,000
West Corp., 11%, 10/15/16	3,270	2,558,775

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			5,584,775
Construction Materials 1.8%			
Nortek Holdings, Inc., 10%, 12/01/13 (b)		6,830	6,386,050
Nortek, Inc., 8.50%, 9/01/14		5,850	3,568,500
			9,954,550
Containers & Packaging 4.8%			
Berry Plastics Holding Corp.:			
6.651%, 9/15/14 (g)		375	281,250
8.875%, 9/15/14		390	323,700
Graphic Packaging International Corp., 9.50%, 8/15/13		705	662,700
Packaging Dynamics Finance Corp., 10%, 5/01/16 (b)		6,215	4,195,125
			9,954,550
		Par	
Corporate Bonds		(000)	Value
Containers & Packaging (concluded)			
Smurfit Kappa Funding Plc, 7.75%, 4/01/15	USD	13,625	\$ 11,990,000
Smurfit-Stone Container Enterprises, Inc.:			
8.375%, 7/01/12		1,600	1,404,000
8%, 3/15/17		2,600	2,080,000
Wise Metals Group LLC, 10.25%, 5/15/12		6,325	5,581,812
			26,518,587
Diversified Consumer Services 0.6%			
NBC Acquisition Corp., 11%, 3/15/13 (h)		3,875	3,119,375
Diversified Financial Services 2.6%			
Archimedes Funding III Ltd., 5.50%, 11/29/11 (b)		5,744	2,871,845
FCE Bank Plc, 7.125%, 1/16/12	EUR	7,800	9,544,120
Ford Motor Credit Co. LLC, 5.538%, 1/13/12 (g)	USD	2,680	1,978,657
			14,394,622
Diversified Telecommunication Services 0.4%			
Qwest Corp., 6.026%, 6/15/13 (g)		2,675	2,474,375
Electric Utilities 0.9%			
NSG Holdings LLC, 7.75%, 12/15/25 (b)		5,380	5,164,800
Electronic Equipment & Instruments 0.5%			
Muzak Holdings, LLC, 13%, 3/15/10 (h)		2,675	1,337,500
NXP BV, 5.541%, 10/15/13 (g)		2,195	1,706,612
			3,044,112
Food & Staples Retailing 0.2%			
Rite Aid Corp., 9.375%, 12/15/15		1,910	1,231,950
Health Care Equipment & Supplies 3.5%			
Biomet, Inc.:			
10%, 10/15/17		1,200	1,296,000
10.375%, 10/15/17 (c)		1,200	1,266,000
11.625%, 10/15/17		1,600	1,682,000

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DJO Finance LLC, 10.875%, 11/15/14	15,000	15,037,500
		19,281,500
Health Care Providers & Services 0.8%		
Community Health Systems, Inc. Series WI, 8.875%, 7/15/15	2,575	2,600,750
Tenet Healthcare Corp.:		
6.375%, 12/01/11	515	496,975
6.50%, 6/01/12	1,150	1,112,625
		4,210,350
Hotels, Restaurants & Leisure 5.7%		
HRP Myrtle Beach Operations LLC (b):		
14.50%, 4/01/14 (c)	6,892	34,458
7.383%, 4/01/12 (g)	5,000	3,900,000
12.50%, 4/01/13	5,000	2,500,000
Harrah s Operating Co., Inc. (b):		
10.75%, 2/01/16	10,131	6,813,097
10.75%, 2/01/18 (c)	4,260	2,516,178
Little Traverse Bay Bands of Odawa Indians, 10.25%, 2/15/14 (b)	2,560	2,131,200
Shingle Springs Tribal Gaming Authority, 9.375%, 6/15/15 (b)	1,370	1,113,125
Snoqualmie Entertainment Authority, 6.875%, 2/01/14 (b)(g)	1,015	743,487
Station Casinos, Inc., 7.75%, 8/15/16	3,400	2,295,000

See Notes to Financial Statements.

Schedule of Investments (continued)

(Percentages shown are based on Net Assets)

Corporate Bonds		Par (000)	Value
Hotels, Restaurants & Leisure (concluded)			
Travelport LLC, 7.436%, 9/01/14 (g)	USD	2,600	\$ 2,047,500
Tropicana Entertainment LLC Series WI, 9.625%, 12/15/14 (d)		530	169,600
Tunica-Biloxi Gaming Authority, 9%, 11/15/15 (b)		3,000	2,842,500
Universal City Florida Holding Co. I, 7.551%, 5/01/10 (g)		4,375	4,232,812
			31,338,957
Household Durables 0.6%			
Jarden Corp., 7.50%, 5/01/17		1,910	1,699,900
Stanley-Martin Communities LLC, 9.75%, 8/15/15		2,250	855,000
The Yankee Candle Co., Inc., 9.75%, 2/15/17		920	584,200
			3,139,100
IT Services 0.6%			
First Data Corp., 9.875%, 9/24/15 (b)		4,000	3,450,000
Independent Power Producers & Energy Traders 1.0%			
Energy Future Holding Corp., 11.25%, 11/01/17 (b)(c)		3,200	3,152,000
Texas Competitive Electric Holdings Co. LLC, 10.50%, 11/01/16 (b)(c)		2,400	2,292,000
			5,444,000
Industrial Conglomerates 1.8%			
Sequa Corp. (b):			
11.75%, 12/01/15		5,100	4,488,000
13.50%, 12/01/15 (c)		6,823	5,557,844
			10,045,844
Insurance 2.0%			
Alliant Holdings I, Inc., 11%, 5/01/15 (b)		2,500	2,225,000
American International Group, Inc., 8.25%, 8/15/18 (b)		7,500	7,393,657
USI Holdings Corp., 6.679%, 11/15/14 (b)(g)		1,630	1,299,925
			10,918,582
Machinery 1.1%			
ESCO Corp., 6.651%, 12/15/13 (b)(g)		3,070	2,885,800
RBS Global, Inc., 8.875%, 9/01/16		1,685	1,571,262
Titan International, Inc., 8%, 1/15/12		1,530	1,514,700
			5,971,762
Marine 0.3%			
Navios Maritime Holdings, Inc., 9.50%, 12/15/14		465	444,075
Titan Petrochemicals Group Ltd., 8.50%, 3/18/12 (b)		1,760	950,400

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1,394,475

Media 5.3%

Affinion Group, Inc., 10.125%, 10/15/13	1,080	1,063,800
Cadmus Communications Corp., 8.375%, 6/15/14	2,000	1,550,000
Canadian Satellite Radio Holdings, Inc., 12.75%, 2/15/14	5,000	4,212,500
Charter Communications Holdings LLC:		
10%, 4/01/09	3,750	3,562,500
11.125%, 1/15/11	1,319	804,590
10%, 5/15/11	1,978	1,305,480
Mediacom LLC, 9.50%, 1/15/13	3,875	3,749,062
Network Communications, Inc., 10.75%, 12/01/13	20	14,375
Nielsen Finance LLC, 10%, 8/01/14	4,110	4,161,375

Corporate Bonds

**Par
(000)**

Value

Media (concluded)

Sinclair Broadcast Group, Inc. Class A, 4.875%, 7/15/18 (h)	USD	3,235	\$ 2,964,068
TL Acquisitions, Inc., 10.50%, 1/15/15 (b)		5,230	4,471,650
Windstream Regatta Holdings, Inc., 11%, 12/01/17 (b)		2,665	1,545,700
			29,405,100

Metals & Mining 2.3%

Aleris International, Inc.:			
9%, 12/15/14		1,100	858,000
10%, 12/15/16		1,500	1,046,250
RathGibson, Inc., 11.25%, 2/15/14		4,440	4,273,500
Ryerson, Inc., 10.176%, 11/01/14 (b)(g)		6,720	6,417,600
			12,595,350

Oil, Gas & Consumable Fuels 0.9%

Chaparral Energy, Inc., 8.50%, 12/01/15		1,410	1,226,700
Compton Petroleum Finance Corp., 7.625%, 12/01/13		2,220	2,084,025
SandRidge Energy, Inc., 6.416%, 4/01/14 (b)(g)		2,000	1,875,642
			5,186,367

Paper & Forest Products 7.0%

Abitibi-Consolidated, Inc., 6.276%, 6/15/11 (g)		6,500	2,973,750
Ainsworth Lumber Co. Ltd., 11%, 7/29/15 (b)		9,811	7,873,225
Bowater, Inc.:			
9%, 8/01/09		640	595,200
5.776%, 3/15/10 (g)		7,600	6,232,000
Domtar Corp., 7.125%, 8/15/15		3,775	3,642,875
NewPage Corp.:			
9.051%, 5/01/12 (g)		8,000	7,500,000
10%, 5/01/12		2,720	2,638,400
12%, 5/01/13		3,325	3,108,875
Verso Paper Holdings LLC Series B, 6.551%, 8/01/14 (g)		4,400	3,916,000
			38,480,325

Pharmaceuticals 2.2%

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Angiotech Pharmaceuticals, Inc., 6.56%, 12/01/13 (g)	5,000	4,425,000
Elan Finance Plc:		
6.804%, 11/15/11 (g)	4,825	4,451,062
7.75%, 11/15/11	3,525	3,260,625
		12,136,687
Real Estate Investment Trusts (REITs) 0.3%		
RAIT Financial Trust, 6.875%, 4/15/27 (a)(b)	3,500	1,815,625
Real Estate Management & Development 1.1%		
Realogy Corp.:		
10.50%, 4/15/14	4,770	2,814,300
11%, 4/15/14 (c)	4,680	2,199,600
12.375%, 4/15/15	2,815	1,294,900
		6,308,800
Road & Rail 0.1%		
Swift Transportation Co., Inc., 10.554%, 5/15/15 (b)(g)	1,350	472,500
Semiconductors & Semiconductor Equipment 0.5%		
Freescall Semiconductor, Inc., 8.875%, 12/15/14	790	639,900
Spansion, Inc., 5.935%, 6/01/13 (b)(g)	3,370	2,342,150
		2,982,050

See Notes to Financial Statements.

BLACKROCK DEBT STRATEGIES FUND, INC.

AUGUST 31, 2008

Schedule of Investments (continued)

(Percentages shown are based on Net Assets)

Corporate Bonds	Par (000)	Value
Software 0.2%		
BMS Holdings, Inc., 10.595%, 2/15/12 (b)(c)(g)	USD 1,477	\$ 886,013
Specialty Retail 2.4%		
Buffets, Inc., 12.50%, 11/01/14 (d)	1,440	14,400
General Nutrition Centers, Inc.:		
7.199%, 3/15/14 (c)(g)	5,560	4,651,198
10.75%, 3/15/15	4,480	3,886,400
Michaels Stores, Inc.:		
10%, 11/01/14	2,240	1,680,000
11.375%, 11/01/16	2,785	1,782,400
United Auto Group, Inc., 7.75%, 12/15/16	1,380	1,119,525
		13,133,923
Wireless Telecommunication Services 4.2%		
Centennial Communications Corp., 8.541%, 1/01/13 (g)	1,905	1,895,475
Cricket Communications, Inc.:		
9.375%, 11/01/14	2,760	2,735,850
10.875%, 11/01/14	920	911,950
Digicel Group Ltd. (b):		
8.875%, 1/15/15	3,560	3,342,128
9.125%, 1/15/15 (c)	7,248	6,550,380
FiberTower Corp. (a):		
9%, 11/15/12 (b)	2,150	1,419,000
9%, 11/15/12	350	231,000
iPCS, Inc., 4.926%, 5/01/13 (g)	1,250	1,109,375
Nordic Telephone Co. Holdings ApS, 8.875%, 5/01/16 (b)	2,600	2,502,500
Orascom Telecom Finance SCA, 7.875%, 2/08/14 (b)	755	691,731
Sprint Capital Corp., 7.625%, 1/30/11	2,150	2,150,000
		23,539,389
Total Corporate Bonds 69.0%		382,479,541

Floating Rate Loan Interests

Aerospace & Defense 0.1%		
IAP Worldwide Services, Inc. First Lien Term Loan, 8.25%, 12/30/12	1,050	817,291
Airlines 0.7%		
Delta Air Lines, Inc. Credit-Linked Deposit Loan, 2.314% 4.469%, 4/30/12	1,980	1,653,300
US Airways Group, Inc. Term Loan B, 4.963%, 3/22/14	2,980	2,041,300
		3,694,600

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Auto Components 2.8%

Allison Transmission, Inc. Term Loan, 5.22% 5.56%, 8/07/14	7,593	6,810,167
Dana Holding Corp. Term Advance, 6.75%, 1/31/15	3,293	3,026,686
Goodyear Tire & Rubber Co., Second Lien Term Loan, 4.54%, 4/30/14	2,000	1,825,000
Intermet Corp.:		
Letter of Credit, 2.343%, 11/08/10 (d)	1,685	1,432,407
Line of Credit, 2.343%, 11/09/10	78	66,453
Term Loan B, 7.696%, 5/15/11	122	103,992
Term Loan B, 7.696%, 11/08/10 (d)	1,163	988,151

Floating Rate Loan Interests	Par (000)	Value
Auto Components (concluded)		
Metaldyne Co. LLC:		
Letter of Credit, 2.338%, 1/15/12	USD 87	\$ 48,407
Term Loan B, 6.50%, 1/15/14	588	329,171
TRW Automotive, Inc. Term Loan B, 4.313%, 12/31/13	990	945,450
		15,575,884

Automobiles 0.2%

Ford Motor Co. Term Loan, 5.47%, 12/16/13	998	773,417
General Motors Corp. Secured Term Loan, 5.163%, 11/29/13	798	589,130
		1,362,547

Beverages 0.2%

Culligan International Second Lien Term Loan, 9.229% 9.615%, 5/24/13	EUR 1,500	1,100,288
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Biotechnology 0.3%

Talecris Biotherapeutics Holdings Corp. First Lien Term Loan, 5.97% 6.31%, 12/06/13	USD 1,489	1,440,283
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Building Products 1.2%

Building Material Corp. of America Term Loan Advance, 5.438% 5.563%, 2/24/14	2,993	2,567,317
Masonite International:		
Term Loan, 4.63% 5.046%, 4/06/13	2,447	2,084,009
U.S. Term Loan, 4.63% 5.046%, 4/06/13	2,471	2,104,232
		6,755,558

Chemicals 4.1%

Huish Detergents, Inc. Tranche Term Loan B, 4.81%, 4/28/14	2,977	2,697,101
Ineos Group Plc:		
Term B-2, 4.885%, 12/16/13	806	681,133
Term C-2, 5.385%, 12/15/14	806	681,133
PQ Corp. (Niagara Acquisition, Inc.):		
First Lien Term Loan, 5.92%, 7/30/14	2,000	1,871,250
Second Lien Term Loan, 9.30%, 5/29/16	12,500	10,812,500
Rockwood Specialties Group, Inc. Tranche E Term Loan, 4.299%, 7/30/12	614	587,999
Solutia, Inc. Term Loan, 8.50%, 2/28/14	3,250	3,131,174
Wellman, Inc. Second Lien Term Loan, 9.989%, 2/10/09 (d)(i)	10,000	2,000,000
		22,462,290

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Commercial Services & Supplies 2.6%

ARAMARK Corp.:

Line of Credit Facility Letter of Credit, 2.44%, 1/27/14	474	448,993
U.S. Term Loan, 4.676%, 1/26/14	7,462	7,067,441
John Maneely Co. Term Loan, 6.042% 6.048%, 12/09/13	1,340	1,316,214
NES Rentals Holdings, Inc. Term Loan C, 9.50%, 7/20/13	3,020	2,295,197
West Corp. Term Loan B-2, 4.844% 5.171%, 10/24/13	3,950	3,465,558

14,593,403

Communications Equipment 0.2%

SafeNet, Inc. First Lien Term Loan, 5.788%, 5/11/15	990	851,400
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See Notes to Financial Statements.

Schedule of Investments (continued)

(Percentages shown are based on Net Assets)

	Par (000)	Value
Floating Rate Loan Interests		
Computers & Peripherals 0.2%		
Intergraph Corp.:		
First Lien Initial Term Loan, 4.809%, 5/29/14	USD 419	\$ 397,756
Second Lien Term Loan, 8.809%, 11/28/14	1,000	960,000
		<u>1,357,756</u>
Construction & Engineering 0.1%		
Brand Energy & Infrastructure Services, Inc. (FR Brand Acquisition Corp.) Letter of Credit, 2.688%, 2/07/14		
	493	450,922
Construction Materials 0.3%		
Headwaters, Inc. Term Loan B-1 (First Lien), 6.97%, 4/30/11		
	1,963	1,874,188
Containers & Packaging 1.1%		
Berry Plastics Group, Inc. Term Loan B, 9.791%, 6/05/14		
	9,449	5,196,997
Consolidated Container Co. LLC Second Lien Term Loan, 7.969% 8.31%, 9/28/14		
	350	171,500
Graham Packaging Co., L.P. New Term Loan, 4.938% 5.063%, 10/07/11		
	490	465,612
		<u>5,834,109</u>
Distributors 0.2%		
Keystone Automotive Operations, Inc. Term Loan, 5.963% 5.972%, 1/12/12		
	1,673	1,170,799
Diversified Consumer Services 0.9%		
Coinmach Corp. Term Loan, 5.48% 5.81%, 11/14/14		
	5,237	4,811,349
Diversified Financial Services 0.6%		
J.G. Wentworth LLC First Lien Term Loan, 5.051%, 4/04/14		
	4,000	3,080,000
Diversified Telecommunication Services 1.5%		
Hawaiian Telcom Term Loan C, 5.301%, 5/25/14 (e)		
	4,500	3,569,999
Winstar Communications Debtor In Possession, 6.366%, 12/31/06 (d)(f)(i)		
	3,162	4,790,235
		<u>8,360,234</u>
Electrical Equipment 0.4%		
Generac Acquisition Corp. First Lien Term Loan, 5.288%, 11/11/13		
	2,999	2,316,757
Energy Equipment & Services 1.4%		
Dresser, Inc.:		
Second Lien Term Loan, 8.557%, 5/04/15		
	2,500	2,400,000
Term Loan B, 4.716% 5.057%, 5/04/14		
	2,912	2,777,063
MEG Energy Corp.:		
Delayed Draw Term Loan, 4.80%, 4/03/13		
	1,245	1,188,755
Initial Term Loan, 4.80%, 4/03/13		
	1,222	1,166,509
		<u>7,532,327</u>

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Food & Staples Retailing 0.4%

Bolthouse Farms, Inc. Second Lien Term Loan, 8.301%, 12/16/13	1,000	930,000
DS Waters of America, Term Loan, 4.719%, 10/29/12	1,000	925,000
McJunkin Corp. Term Loan, 6.051%, 1/31/14	493	484,292
		2,339,292

Floating Rate Loan Interests	Par (000)	Value
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Food Products 2.3%

Dole Food Co., Inc.:		
Credit-Linked Deposit, 2.658%, 4/12/13	USD 608	\$ 558,220
Tranche Term Loan B, 4.50% 6%, 4/12/13	1,111	1,019,607
Tranche Term Loan C, 4.50% 6%, 4/04/13	4,459	4,092,451
Eight O Clock Coffee Term Loan, 5.25%, 7/31/12	907	870,348
Jetro Holdings, Inc. Term Loan, 5.05%, 5/11/14	1,938	1,830,938
Sturm Foods, Inc.:		
First Lien Initial Term Loan, 5.25% 5.375%, 1/31/14 (c)	988	804,813
Second Lien Initial Term Loan, 8.875%, 7/31/14	1,250	762,500
Wrigley Co. Term Loan B, 6.402%, 8/11/14	3,000	3,011,787
		12,950,664

Health Care Equipment & Supplies 1.0%

Biomet, Inc. Dollar Term Loan, 5.801%, 3/25/15	1,990	1,948,932
DJO Finance LLC Term Loan, 5.469% 5.801%, 5/20/14	3,483	3,395,438
		5,344,370

Health Care Providers & Services 1.1%

CCS Medical, Inc. First Lien Term Loan, 6.06%, 9/30/12	476	381,781
Community Health Systems, Inc. Funded Term Loan, 4.719% 5.06%, 7/25/14	2,808	2,653,821
Rotech Healthcare, Inc. Term Loan B, 9.135%, 9/26/11	3,496	2,937,041
		5,972,643

Hotels, Restaurants & Leisure 3.2%

Golden Nugget, Inc. Term Loan Second Lien, 5.73%, 12/31/14	1,500	915,000
Green Valley Ranch Gaming, LLC Term Loan, 5.719%, 8/16/14	750	376,875
Harrah's Operating Co., Inc.:		
Term Loan B-1, 5.80% 5.801%, 1/28/15	554	486,221
Term Loan B-2, 5.80% 5.801%, 1/28/15	698	611,580
Term Loan B-3, 5.80% 5.801%, 1/28/15	493	431,786
Las Vegas Sands, LLC:		
Delay Draw Term Loan, 4.56%, 5/23/14	800	680,727
Tranche Term Loan B, 4.56%, 5/23/14	3,168	2,695,680
OSI Restaurant Partners, Inc.:		
Revolving Credit, 2.639%, 5/15/14	75	57,331
Term Loan B, 5.125%, 5/15/14	885	674,728
QCE LLC Second Lien Term Loan, 8.551%, 11/05/13	6,000	4,845,000
VML US Finance LLC (Venetian Macau):		
Delay Draw Term Loan, 5.06%, 5/25/12	2,500	2,420,833
Funded Project Loan, 5.06%, 5/27/13	3,500	3,389,166

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		17,584,927
Household Durables 0.5%		
American Residential Services LLC Second Lien Term Loan, 12%, 4/17/15	3,000	2,958,520
Household Products 0.7%		
Spectrum Brands, Inc.:		
Letter of Credit, 2.314%, 4/15/13	282	242,214
Term Loan B-1, 6.69% 6.804%, 4/15/13	4,115	3,535,101
		3,777,315

See Notes to Financial Statements.

BLACKROCK DEBT STRATEGIES FUND, INC.

AUGUST 31, 2008

9

Schedule of Investments (continued)

(Percentages shown are based on Net Assets)

Floating Rate Loan Interests	Par (000)	Value
IT Services 2.4%		
Activant Solutions Inc. Term Loan, 4.688% 4.813%, 5/02/13	USD 3,686	\$ 3,188,696
Audio Visual Services Group, Inc. Tranche Term Loan B, 8.31%, 8/28/14	1,000	880,000
Ceridian Corp. U.S. Term Loan, 5.464%, 11/09/14	3,500	3,290,000
First Data Corp.:		
Initial Tranche B-2, 5.222% 5.552%, 9/24/14	2,481	2,273,001
Initial Tranche B-3, 5.222% 5.552%, 9/24/14	2,980	2,731,754
RedPrairie Corp. Term Loan:		
5.50% 7%, 7/20/12	885	832,086
5.75%, 7/20/12	296	277,770
		13,473,307
Independent Power Producers & Energy Traders 1.3%		
Texas Competitive Electric Holdings Co. LLC (TXU):		
Term Loan B-2, 5.963% 6.303%, 10/10/29	3,980	3,709,114
Term Loan B-3, 5.963% 6.303%, 10/10/14	3,970	3,692,100
		7,401,214
Industrial Conglomerates 0.3%		
Sequa Corp. Term Loan B, 5.72% 7.25%, 12/03/14	1,742	1,658,182
Insurance 0.3%		
Alliant Holdings I, Term Loan, 5.801%, 8/21/14	1,985	1,826,200
Internet & Catalog Retail 0.3%		
FTD Group, Inc. Tranche Term Loan B, 7.50%, 8/04/14	1,500	1,455,000
Machinery 1.8%		
Harrington Holdings, Inc. First Lien Term Loan, 4.719%, 1/11/14	988	915,906
Navistar International Corp.:		
Revolving Credit Linked Deposit, 5.739% 6.046%, 1/19/12	1,867	1,719,667
Term Advance, 6.046% 6.292%, 1/19/12	5,133	4,729,083
OshKosh Truck Corp. Term Loan B, 4.22% 4.43%, 12/06/13	1,865	1,696,372
Rexnord Corp. Payment In Kind Term Loan, 9.81%, 3/02/13	1,231	984,958
		10,045,986
Media 13.6%		
Affinion Group Holdings, Inc. Term Loan, 9.368%, 3/01/12	4,000	3,355,000
Cequel Communications, LLC (Cebridge):		
Second Lien Term Loan, 7.301%, 5/05/14	10,021	8,778,592
Term Loan B, 4.804% 6%, 11/05/13	1,578	1,472,817
Charter Communications, Operating LLC Replacement Term Loan, 4.67% 4.80%, 3/06/14	11,691	10,211,980
ClientLogic Holding Corp. Term Loan B, 4.962% 5.356%, 1/30/14	968	751,762
Easton-Bell Sports, Inc. Term Loan B, 8.98%, 5/01/12	4,251	3,272,954
Education Media and Publishing:		

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First Lien Term Loan B, 6.464%, 11/14/14	5,053	4,535,095
Second Lien Term Loan, 11.988%, 11/14/14	18,621	14,896,695

Floating Rate Loan Interests	Par (000)	Value
Media (concluded)		
Ellis Communications Term Loan, 10%, 12/30/11	USD 6,330	\$ 5,063,981
GateHouse Media Operating, Inc.:		
Delay Draw Term Loan, 4.80% 4.81%, 8/28/14	456	244,991
Initial Term Loan B, 4.81%, 8/28/14	1,636	879,280
Getty Images, Inc. Initial Term Loan, 7.25%, 7/02/15	1,000	998,438
Insight Midwest Holdings, LLC:		
Delay Draw Term Loan, 4.47%, 4/07/14	4,150	3,985,299
Term Loan B, 4.49%, 4/06/14	1,250	1,200,391
Multicultural Radio Broadcasting Inc. Term Loan, 5.422%, 12/18/12	436	392,625
NEP II Inc. Term Loan B, 5.051%, 2/16/14	987	888,743
Newsday, LLC Term Loan, 9.75%, 8/01/13	5,500	5,489,688
Penton Media Inc. Second Lien Term Loan, 7.799%, 2/01/14	1,000	690,000
ProSiebenSat.1 Media AG:		
Term Loan B, 7.526%, 6/30/15	EUR 500	504,115
Term Loan B, 7.11%, 6/30/16	1,000	1,008,230
Thomson Learning, Inc. Term Loan B-2, 7.50%, 7/05/14	USD 6,750	6,682,500
		75,303,176

Metals & Mining 0.7%		
Euramax International Plc:		
First Lien Term Loan, 8%, 6/29/12	2,436	1,964,883
Second Lien Term Loan, 10.791%, 6/29/13	1,671	1,111,250
Second Lien Term Loan, 10.791%, 6/29/13	829	551,250
		3,627,383

Multi-Utilities 0.5%		
Coletto Creek:		
Letter of Credit, 2.701%, 6/28/13	453	407,703
Term Loan B, 5.551%, 6/28/13	32	28,662
Energy Transfer Equity, LP Term Loan B, 4.553%, 11/01/12	750	726,407
NE Energy Second Lien Term Loan, 4.553%, 10/31/14	750	680,625
USPF Holdings Term Loan, 4.239%, 4/15/14	939	859,047
		2,702,444

Multiline Retail 0.6%		
Neiman Marcus Group, Inc. Term Loan, 4.422%, 4/06/13	3,750	3,478,976

Oil, Gas & Consumable Fuels 2.5%		
Big West Oil & Gas:		
Delay Advanced Term Loan, 4.471% 4.68%, 5/15/14	963	847,000
Initial Finance Term Loan, 4.68%, 5/15/14	770	677,600
Petroleum Geo-Services ASA Term Loan, 4.55%, 6/28/15	1,907	1,847,083
Scorpion Drilling Ltd. Second Lien Term Loan, 9.969%, 5/05/15	3,500	3,535,000
Turbo Beta Plc Bridge Loan, 14.50%, 3/15/18 (e)	5,920	5,801,693
Western Refining Inc. Term Loan, 7.75%, 5/30/14	1,379	1,188,751
		13,897,127

See Notes to Financial Statements.

10 BLACKROCK DEBT STRATEGIES FUND, INC. AUGUST 31, 2008

Schedule of Investments (continued)

(Percentages shown are based on Net Assets)

Floating Rate Loan Interests	Par (000)	Value
Paper & Forest Products 0.9%		
Boise Paper Holdings LLC (Aldabra Sub LLC) Second Lien Term Loan, 7.50%, 2/24/15	USD 1,496	\$ 1,489,571
Verso Paper Finance Holdings LLC Term Loan, 9.033%, 2/01/13	3,671	3,441,900
		4,931,471
Pharmaceuticals 0.5%		
Pharmaceutical Technologies & Services (PTS) Term Loan, 5.051%, 4/15/14	2,970	2,591,325
Real Estate Management & Development 1.3%		
Enclave First Lien Term Loan, 6.14%, 3/01/12	4,000	3,324,000
Georgian Towers Term Loan, 6.14%, 3/01/12	4,000	3,242,000
Yellowstone Club Term Loan B, 4.844%, 10/15/10	438	364,537
		6,930,537
Road & Rail 0.5%		
Rail America, Inc.:		
Canadian Term Loan, 6.79%, 8/14/09	242	240,764
Term Loan, 6.79%, 8/14/10	744	740,704
U.S. Term Loan, 6.79%, 8/14/09	1,878	1,869,008
		2,850,476
Software 1.1%		
Aspect Software Second Lien Term Loan, 9.875%, 7/05/12	7,000	6,300,000
Specialty Retail 0.6%		
ADESA, Inc. (KAR Holdings Inc.) Initial Term Loan B, 5.06%, 10/21/13	1,966	1,748,558
Burlington Coat Factory Warehouse Corp. Term Loan B, 5.06%, 5/28/13	981	759,343
Claire's Stores Inc. Term Loan B, 5.219% 5.56%, 5/29/14	1,480	988,982
		3,496,883
Textiles, Apparel & Luxury Goods 0.1%		
Renfro Corp. Tranche Term Loan B, 5.92% 6.06%, 10/04/13	694	571,070
Wireless Telecommunication Services 1.2%		
Centennial Cellular Operating Co. New Term Loan, 4.469% 4.801%, 2/09/11	4,750	4,647,082
IPC Systems Inc. Tranche Term Loan B1, 5.051%, 6/02/14	1,980	1,485,000
NG Wireless:		
Delay Draw Term Loan, 5.219%, 7/31/14	140	133,356
Term Loan, 5.219%, 7/31/14	610	579,144
		6,844,582
Total Floating Rate Loan Interests 58.8%		325,755,055

Common Stocks	Shares	
Airlines 0.3%		
Delta Air Lines, Inc. (i)	221,600	1,801,608
Building Products 0.1%		
Neenah Enterprises Inc. (i)	144,858	320,136
Common Stocks		
	Shares	Value
Capital Markets 0.3%		
E*Trade Financial Corp. (i)	484,043	\$ 1,548,938
Chemicals 0.0%		
GEO Specialty Chemicals, Inc. (e)(i)	339,340	130,272
GenTek Inc. (i)	403	11,679
		141,951
Commercial Services & Supplies 0.0%		
New Outsourcing Solutions, Inc. (i)	90,875	181,751
Communications Equipment 0.5%		
Loral Space & Communications Ltd. (i)	150,354	2,762,003
Containers & Packaging 0.2%		
Smurfit Kappa Plc	36,342	234,483
Viskase Cos., Inc. (i)	1,428,423	714,211
		948,694
Diversified Financial Services 0.2%		
Preferred Term Securities VI, Ltd. (b)(i)	35,000	1,120,000
Electrical Equipment 0.2%		
Medis Technologies Ltd. (i)	286,757	897,549
Hotels, Restaurants & Leisure 0.0%		
HRP PIK Corp. Class B (b)(e)	5,000	50
Lodgian, Inc. (i)	27,787	235,078
		235,128
Multi-Utilities 0.4%		
CenterPoint Energy, Inc.	129,301	2,053,300
Oil, Gas & Consumable Fuels 1.9%		
EXCO Resources, Inc.	402,107	10,647,793

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Paper & Forest Products 1.3%		
Ainsworth Lumber Co. Ltd.	1,190,019	3,418,307
Ainsworth Lumber Co. Ltd. (b)	1,335,501	3,843,259
Western Forest Products, Inc. Restricted Shares (i)	211,149	171,019
		7,432,585
Semiconductors & Semiconductor Equipment 0.1%		
Cypress Semiconductor Corp.	17,839	578,340
Specialty Retail 0.5%		
Movie Gallery, Inc.	503,737	2,518,685
Wireless Telecommunication Services 0.1%		
American Tower Corp. Class A (i)	18,671	771,672
Total Common Stocks 6.1%		33,960,133

Preferred Securities

Capital Trusts		Par (000)	
Diversified Financial Services 0.6%			
Citigroup, Inc., 8.40%, 4/29/49 (g)(j)	USD	4,200	3,565,884
Total Preferred Securities 0.7%			3,565,884

See Notes to Financial Statements.

BLACKROCK DEBT STRATEGIES FUND, INC.

AUGUST 31, 2008

11

Schedule of Investments (continued)

(Percentages shown are based on Net Assets)

Warrants (k)	Shares	Value
Building Products 0.1%		
Neenah Enterprises Inc. (expires 9/30/13)	130,547	\$ 281,982
Chemicals 0.0%		
GenTek Inc.:		
Tranche B (expires 11/10/08)	471	7,536
Tranche C (expires 11/10/10)	231	2,657
		10,193
Health Care Providers & Services 0.0%		
HealthSouth Corp. (expires 1/16/14)	126,761	31,690
Media 0.0%		
Sirius Satellite Radio, Inc. (expires 5/15/09)	15,000	150
Specialty Retail 0.0%		
Movie Gallery, Inc. (expires 5/15/15) (e)	62,323	31,161
Total Warrants 0.1%		355,176

Other Interests (l)		Beneficial Interest (000)	
Airlines 0.1%			
Delta Air Lines, Inc. Default 8.33% Escrow	USD	5,505	130,744
Delta Air Lines, Inc. Default 10% Escrow		4,200	99,750
			230,494
Auto Components 0.0%			
Cambridge Industries, Inc. (Litigation Trust Certificates) (e)		3,615	36
Media 0.0%			
Adelphia Escrow (e)		7,500	750
Adelphia Preferred Escrow (e)		5	1
Adelphia Recovery Trust (e)		9,406	37,624
Adelphia Recovery Trust Series ACC-6B INT (e)		500	50
			38,425
Specialty Retail 0.0%			
Movie Gallery, Inc. Default Escrow (e)		21,700	217

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Total Other Interests	0.1%	269,172
<hr/>		
Total Long-Term Investments		
(Cost \$898,493,502)	134.8%	746,384,961
<hr/>		
Short-Term Securities		
<hr/>		
BlackRock Liquidity Series, LLC		
Cash Sweep Series, 2.41% (m)(n)		3,510 3,509,510
<hr/>		
Total Short-Term Securities (Cost \$3,509,510)	0.6%	3,509,510
<hr/>		
Total Investments (Cost \$902,003,012*)	135.4%	749,894,471
Liabilities in Excess of Other Assets	(35.4)%	(195,927,261)
<hr/>		
Net Assets	100.0%	\$ 553,967,210

* The cost and unrealized appreciation (depreciation) of investments as of August 31, 2008, as computed for federal income tax purposes, were as follows:

Aggregate cost	\$ 902,439,385
Gross unrealized appreciation	\$ 16,804,929
Gross unrealized depreciation	(169,349,843)
Net unrealized depreciation	\$ (152,544,914)

- (a) Convertible security.
- (b) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional investors.
- (c) Represents a payment-in-kind security which may pay interest/dividends in additional par/shares.
- (d) Issuer filed for bankruptcy or is in default of interest payments.
- (e) Security is fair valued.
- (f) As a result of bankruptcy proceedings, the company did not repay the principal amount of the security upon maturity. The security is non-income producing.
- (g) Variable rate security. Rate is as of report date.
- (h) Represents a step bond.
- (i) Non-income producing security.
- (j) Security is perpetual in nature and has no stated maturity date.
- (k) Warrants entitle the Fund to purchase a predetermined number of shares of common stock and are non-income producing. The purchase price and number of shares are subject to adjustment under certain conditions until the expiration date.

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

Affiliate	Net Activity (000)	Income
BlackRock Liquidity Series, LLC		
Cash Sweep Series	\$ 3,510	\$ 62,421

- (n) 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.

See Notes to Financial Statements.

Schedule of Investments (concluded)

Foreign currency exchange contracts as of August 31, 2008 were as follows:

Currency Purchased		Currency Sold	Settlement Date	Unrealized Appreciation (Depreciation)	
EUR	1,500,000	USD	2,226,905	10/23/2008	\$ (32,852)
USD	3,271,496	CAD	3,500,000	10/23/2008	(22,508)
USD	14,618,273	EUR	9,765,500	10/23/2008	334,259
Total					\$ 278,899

Swaps outstanding as of August 31, 2008 were as follows:

	Notional Amount (000)	Unrealized Appreciation (Depreciation)
Sold credit default protection on Ford Motor Co. and receive 3.80%		
Broker, Lehman Brothers Special Finance Expires March 2010	USD 10,000	\$ (2,055,880)
Sold credit default protection on BAA Ferovial Junior Term Loan and receive 2.0%		
Broker, Deutsche Bank AG London Expires June 2012	GBP 1,733	(195,669)
Bought credit default protection on Dow Jones CDX North America High Yield Index 10.V1 and pay 5.0%		
Broker, Credit Suisse Expires June 2013	USD 7,444	22,912
Bought credit default protection on Dow Jones CDX North America High Yield Series 10 Index and pay 5.0%		
Broker, Morgan Stanley Expires June 2013	USD 2,324	98,374
Bought credit default protection on Dow Jones CDX North America High Yield Index Series 10 and receive 5.0%		
Broker, Morgan Stanley Expires June 2013	USD 6,668	177,548
Total		\$ (1,952,715)

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Currency Abbreviations:

CAD	Canadian Dollar
EUR	Euro
GBP	British Pound
USD	U.S. Dollar

Effective March 1, 2008, the Fund 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 the Fund's most recent financial statements as contained in its annual report.

The following table summarizes the inputs used as of August 31, 2008 in determining the fair valuation of the Fund's investments:

Valuation Inputs	Investments in Securities	Other Financial Instruments*
Level 1	\$ 28,460,512	
Level 2	673,340,280	\$ (1,673,816)
Level 3	48,093,679	
Total	\$ 749,894,471	\$ (1,673,816)

* Other financial instruments are foreign currency exchange contracts and swaps. The following is a reconciliation of investments for unobservable inputs (Level 3):

	Investments in Securities
Balance, as of February 29, 2008	\$ 2,994,080
Accrued discounts/premiums	5,351
Realized loss	(230,228)
Change in unrealized depreciation	(27,541,557)
Net purchases (sales)	5,531,963
Net transfers in/out of Level 3	67,334,070
Balance, as of August 31, 2008	\$ 48,093,679

See Notes to Financial Statements.

BLACKROCK DEBT STRATEGIES FUND, INC.

AUGUST 31, 2008

13

Statement of Assets and Liabilities

August 31, 2008 (Unaudited)

Assets

Investments at value unaffiliated (cost \$898,493,502)	\$ 746,384,961
Investments at value affiliated (cost \$3,509,510)	3,509,510
Cash	403,485
Foreign currency at value (cost \$37,034)	33,685
Unrealized appreciation on unfunded corporate loans	4,903
Unrealized appreciation on foreign currency exchange contracts	334,259
Swap premium paid	925,893
Unrealized appreciation on swaps	298,834
Interest receivable	13,773,327
Investments sold receivable	718,147
Swaps receivable	78,114
Dividends receivable	81,432
Commitment fees receivable	2,020
Margin variation receivable	16,606
Other assets	90,039
Prepaid expenses	43,667
	<hr/>
Total assets	766,698,882
	<hr/>

Liabilities

Loan payable	201,000,000
Unrealized depreciation on foreign currency exchange contracts	55,360
Unrealized depreciation on swaps	2,251,549
Investments purchased payable	8,201,858
Income dividends payable	412,599
Investment advisory fees payable	397,504
Interest on loans payable	150,131
Officers and Directors fees payable	24,052
Swaps payable	187,083
Other affiliates payable	3,842
Deferred income	12,780
Other liabilities	34,914
	<hr/>
Total liabilities	212,731,672
	<hr/>

Net Assets	\$ 553,967,210
	<hr/>

Net Assets Consist of

Par value, \$0.10 per share (106,878,613 shares issued and outstanding)	\$ 10,687,861
Paid-in capital in excess of par	981,962,528
Undistributed net investment income	3,453,049

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Accumulated net realized loss	(288,357,590)
Net unrealized appreciation/depreciation	(153,778,638)
Net Assets, \$5.18 net asset value per share	\$ 553,967,210

Statement of Operations

Six Months Ended August 31, 2008 (Unaudited)

Investment Income

Interest	\$ 36,162,222
Income from affiliates	62,999
Dividends	441,909
Facility and other fees	458,234
Total income	37,125,364

Expenses

Investment advisory	2,349,669
Borrowing costs	268,363
Professional	164,317
Accounting services	72,493
Transfer agent	41,807
Printing	26,297
Custodian	23,683
Officer and Directors	21,018
Registration	16,236
Miscellaneous	31,658
Total expenses excluding interest expense	3,015,541
Interest expense	3,345,046
Total expenses	6,360,587
Net investment income	30,764,777

Realized and Unrealized Gain (Loss)

Net realized gain (loss) from:	
Investments	(21,846,896)
Options written	480,000
Swaps	(41,235)
Foreign currency	(243,578)
	(21,651,709)
Net change in unrealized appreciation/depreciation on:	
Investments	(16,179,190)
Swaps	(725,091)
Foreign currency	430,852

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Unfunded corporate loans	285,999
	<hr/>
	(16,187,430)
	<hr/>
Total realized and unrealized loss	(37,839,139)
	<hr/>
Net Decrease in Net Assets Resulting from Operations	\$ (7,074,362)
	<hr/>

See Notes to Financial Statements.

14

BLACKROCK DEBT STRATEGIES FUND, INC.

AUGUST 31, 2008

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets:	Six Months Ended August 31, 2008 (Unaudited)	Year Ended February 29, 2008
Operations		
Net investment income	\$ 30,764,777	\$ 69,889,218
Net realized loss	(21,651,709)	(4,139,979)
Net change in unrealized appreciation/depreciation	(16,187,430)	(148,756,602)
Net decrease in net assets resulting from operations	(7,074,362)	(83,007,363)
Dividends to Shareholders From		
Net investment income	(33,968,419)	(71,016,850)
Capital Share Transactions		
Reinvestment of dividends	805,684	2,284,457
Net Assets		
Total decrease in net assets	(40,237,097)	(151,739,756)
Beginning of period	594,204,307	745,944,063
End of period	\$ 553,967,210	\$ 594,204,307
End of period undistributed net investment income	\$ 3,453,049	\$ 6,656,691

See Notes to Financial Statements.

Statement of Cash Flows
For the Six Months Ended August 31, 2008 (Unaudited)

Cash Provided by Operating Activities

Net decrease in net assets resulting from operations	\$ (7,074,362)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided by operating activities:	
Decrease in receivables	2,813,374
Decrease in prepaid expenses and other assets	149,272
Increase in other liabilities	6,978
Paid-in-kind income	(1,214,154)
Swap premium paid	(1,554,666)
Net realized and unrealized loss	42,090,911
Amortization of premium and discount on investments	(1,352,057)
Proceeds from sales and paydowns of long-term investments	216,829,879
Purchases of long-term investments	(220,377,725)
Net purchases of short-term investments	(3,499,404)
	<hr/>
Net cash provided by operating activities	26,818,046

Cash Used for Financing Activities

Cash receipts from loans	188,000,000
Cash payments from loans	(186,000,000)
Cash dividends paid	(33,165,722)
	<hr/>
Net cash used for financing activities	(31,165,722)

Cash Impact from Foreign Exchange Fluctuations

Cash impact from foreign exchange fluctuations	(7,301)
	<hr/>

Cash

Net decrease in cash	(4,354,977)
Cash at beginning of period	4,792,147
	<hr/>
Cash and foreign currency at end of period	\$ 437,170

Cash Flow Information

Cash paid during the period for interest	\$ 3,353,626
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Non-Cash Financing Activities

Reinvestment of dividends	\$ 805,684
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See Notes to Financial Statements.

16	BLACKROCK DEBT STRATEGIES FUND, INC.	AUGUST 31, 2008
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Financial Highlights

	Six Months Ended August 31, 2008 (Unaudited)	Year Ended February 29, 2008	Year Ended February 28,			Year Ended February 29, 2004
			2007	2006	2005	
Per Share Operating Performance						
Net asset value, beginning of period	\$ 5.57	\$ 7.01	\$ 6.69	\$ 7.06	\$ 6.71	\$ 5.35
Net investment income ¹	0.29	0.66	0.68	0.63	0.67	0.75
Net realized and unrealized gain (loss)	(0.36)	(1.43)	0.28	(0.35)	0.34	1.40
Net increase (decrease) from investment operations	(0.07)	(0.77)	0.96	0.28	1.01	2.15
Dividends from net investment income	(0.32)	(0.67)	(0.64)	(0.65)	(0.66)	(0.79)
Capital changes with respect to issuance of shares						0.00 ²
Net asset value, end of period	\$ 5.18	\$ 5.57	\$ 7.01	\$ 6.69	\$ 7.06	\$ 6.71
Market price, end of period	\$ 5.10	\$ 5.43	\$ 7.28	\$ 6.77	\$ 6.71	\$ 6.69
Total Investment Return³						
Based on net asset value	(1.33)% ⁴	(11.72)%	15.35%	4.57%	15.95%	41.84%
Based on market price	(0.35)% ⁴	(17.13)%	18.37%	11.34%	10.53%	26.31%
Ratios to Average Net Assets						
Total expenses, excluding interest expense	1.03% ⁵	0.99%	0.99%	1.02%	1.02%	1.00%
Total expenses	2.17% ⁵	3.13%	3.16%	2.63%	1.83%	1.53%
Net investment income	10.49% ⁵	9.90%	9.97%	9.55%	9.84%	12.22%
Supplemental Data						
Net assets, end of period (000)	\$ 553,967	\$ 594,204	\$ 745,944	\$ 708,411	\$ 745,256	\$ 706,261