BLACKROCK DEBT STRATEGIES FUND, INC.
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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: John M. Perlowski, Chief Executive Officer, BlackRock Debt

Strategies Fund, Inc., 55 East 52nd Street, New York, NY 10055

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

Date of fiscal year end: 02/28/2013

Date of reporting period: 02/28/2013

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Item 1 Report to Stockholders

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FEBRUARY 28, 2013

ANNUAL REPORT

BlackRock Corporate High Yield Fund, Inc. (COY)

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

BlackRock Debt Strategies Fund, Inc. (DSU)

BlackRock Senior High Income Fund, Inc. (ARK)

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Dear Shareholder

Despite a number of headwinds, risk assets generated strong returns during the 6- and 12-month periods as investors sought meaningful yields in the ongoing low-interest-rate environment. About this time one year ago, the European debt crisis returned to the headlines as unresolved policy decisions left it unclear as to how troubled peripheral countries would finance their sovereign debt, causing yields to soar. In the second quarter of 2012, political instability in Greece and severe deficit and liquidity problems in Spain raised the specter of a full-blown euro collapse. Alongside the drama in Europe, investors were discouraged by gloomy economic reports from various parts of the world. A slowdown in China, a key powerhouse for global growth, emerged as a particular concern. As the outlook for the global economy worsened, however, investors grew increasingly optimistic that the world s largest central banks would soon intervene to stimulate growth. This theme, along with the announcement of the European Central Bank s (ECB s) firm commitment to preserve the euro currency bloc, drove most asset classes higher through the summer. Policy relief came in early September, when the ECB announced its decision to support the eurozone s debt-laden countries with unlimited purchases of short term sovereign debt. Days later, the US Federal Reserve announced its own much-anticipated stimulus package.

Although financial markets world-wide were buoyed by accommodative monetary policies, risk assets weakened in the fall. Global trade began to slow as many European countries fell into recession and growth continued to decelerate in China, where a once-a-decade leadership change compounded uncertainty. In the United States, stocks slid on lackluster corporate earnings reports and market volatility rose in advance of the US Presidential election. In the post-election environment, investors grew increasingly concerned over the fiscal cliff, the automatic tax increases and spending cuts that had been scheduled to take effect at the beginning of 2013. There was widespread fear that the fiscal cliff would push the United States into recession unless politicians could agree upon alternate measures to reduce the deficit before the end of 2012. Worries that bipartisan gridlock would preclude a timely budget deal triggered higher levels of volatility in financial markets around the world in the months leading up to the last day of the year. Ultimately, the worst of the fiscal cliff was averted with a last-minute tax deal; however, decisions relating to spending cuts and the debt ceiling continued to weigh on investors minds.

Investors shook off the nerve-wracking finale to 2012 and began the New Year with a powerful equity rally. Money that had been pulled to the sidelines amid year-end tax-rate uncertainty poured back into the markets in January. Key indicators signaled modest but broad-based improvements in the world s major economies, particularly in China. Global equities soared through January while rising US Treasury yields pressured high-quality fixed income assets. However, bond markets strengthened in February when economic momentum slowed and investors toned down their risk appetite. US stocks continued to rise, but at a more moderate pace. Uncertainty about how long the Federal Reserve would maintain its easing bias drove high levels of volatility later in the month, but these fears abated as the budget sequester (automatic spending cuts scheduled to take effect March 1) began to appear imminent and was deemed likely to deter any near-term curtailment of monetary easing policies. Outside the United States, equities largely declined as political uncertainty escalated after the Italian presidential election ended in a stalemate.

On the whole, riskier asset classes outperformed lower-risk investments for the 6- and 12-month periods ended February 28, 2013. International, US small cap and emerging market equities were the leading asset classes for the 6-month period, while US stocks and high yield bonds generated the strongest returns for the 12-month period. US Treasury yields remained relatively low overall, but have inched higher in recent months, pressuring Treasuries and investment-grade bonds. Tax-exempt municipal bonds, however, continued to benefit from favorable supply-and-demand dynamics. Near-zero short term interest rates continued to keep yields on money market securities near their all-time lows.

Investors continue to face many of the same risks as in years past. But we see a world of possibilities. BlackRock was built to provide the global market insight, breadth of capabilities, unbiased investment advice and deep risk management expertise these times require. Investors everywhere are asking, *So what do I do with my money?* Visit www.blackrock.com for answers.

Sincerely,

Rob Kapito

President, BlackRock Advisors, LLC

Despite a number of headwinds, risk assets generated strong returns during the 6- and 12-month periods as investors sought meaningful yields in the ongoing low-interest-rate environment.

Rob Kapito

President, BlackRock Advisors, LLC

Total Returns as of February 28, 2013

	6-month	**12-month**
US large cap equities (S&P 500® Index)	8.95%	13.46%
US small cap equities (Russell 2000® Index)	13.02	14.02
International equities (MSCI Europe, Australasia, Far East Index)	14.41	9.84
Emerging market equities (MSCI Emerging Markets Index)	12.06	0.28
3-month Treasury bill (BofA Merrill Lynch 3-Month US Treasury Bill Index)	0.05	0.11
US Treasury securities (BofA Merrill Lynch 10-Year US Treasury Index)	(1.51)	3.66
US investment grade bonds (Barclays US Aggregate Bond Index)	0.15	3.12
Tax-exempt municipal bonds (S&P Municipal Bond Index)	2.40	5.71
US high yield bonds (Barclays US Corporate High Yield 2% Issuer Capped Index)	6.67	11.79

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

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Fund Summary as of February 28, 2013

BlackRock Corporate High Yield Fund, Inc.

Fund Overview

BlackRock Corporate High Yield Fund, Inc. s (COY) (the Fund) investment objective is to provide shareholders with current income by investing primarily in a diversified portfolio of fixed income securities, which are rated in the lower rating categories of the established rating services (BB or lower by Standard & Poor s Corporation (S&P s) or Ba or lower by Moody s Investors Service, Inc. (Moody s)) or are unrated securities considered by BlackRock to be of comparable quality. As a secondary objective, the Fund also seeks to provide shareholders with capital appreciation. The Fund invests, under normal market conditions, at least 80% of its assets in high yield debt instruments, including high yield bonds (commonly referred to as junk bonds) and corporate loans, which are below investment grade quality. The Fund may invest directly in such securities or synthetically through the use of derivatives.

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

Portfolio Management Commentary

How did the Fund perform?

For the 12-month period ended February 28, 2013, the Fund returned 12.44% based on market price and 15.53% based on net asset value (NAV). For the same period, the closed-end Lipper High Yield Funds (Leveraged) category posted an average return of 12.75% based on market price and 15.06% based on NAV. All returns reflect reinvestment of dividends. The Fund s premium to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV.

What factors influenced performance?

Security selection among the lower quality tiers of high yield credit had a positive impact on performance. From an industry perspective, holdings within non-captive diversified (finance companies), media cable and building materials boosted returns. The Fund s exposure to select common stocks and preferred securities also enhanced results.

Detracting from performance was security selection within middle quality tier credits, where the Fund held its quality bias. On an industry basis, selection in metals, paper and independent energy impaired results. The Fund s tactical allocation to floating rate loan interests (bank loans) hindered relative performance as the asset class underperformed high yield bonds during the period.

Describe recent portfolio activity.

As risk markets and high yield bond prices continued to surge over the period, the Fund moderated its risk positioning. The Fund maintained its focus on higher-quality income-oriented credit names with stable fundamentals, good earnings/revenue visibility and an attractive coupon rate. The Fund remained generally cautious of cyclical credits that tend to be more vulnerable to slower economic growth and bouts of weakness, but allowed some risk in companies with positive growth catalysts or idiosyncratic characteristics. Also during the period, the Fund increased exposure to floating rate loan interests as valuations appeared increasingly attractive relative to certain segments of the high yield universe such as higher-quality short-dated paper.

Describe portfolio positioning at period end.

At period end, the Fund held 75% of its total portfolio in corporate bonds and 17% in floating rate loan interests, with the remainder in common stocks, preferred securities and other interests. The Fund held its largest industry exposures in healthcare, wirelines and gaming, while reflecting less emphasis on the riskier, more volatile segments of the market such as the banking sector and supermarkets and restaurant industries.

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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BlackRock Corporate High Yield Fund, Inc.

Fund Information	
Symbol on New York Stock Exchange (NYSE)	COY
Initial Offering Date	June 25, 1993
Yield on Closing Market Price as of February 28, 2013 ($8.04)[1]	7.61%
Current Monthly Distribution per Common Share[2]	$0.051
Current Annualized Distribution per Common Share[2]	$0.612
Economic Leverage as of February 28, 2013[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 rate is not constant and is subject to change.

3 Represents loan outstanding as a percentage of total managed assets, which is the total assets of the Fund (including any assets attributable to borrowings) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 12.

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

	2/28/13	2/29/12	Change	High	Low
Market Price	$ 8.04	$ 7.76	3.61%	$ 8.29	$ 6.63
Net Asset Value	$ 7.76	$ 7.29	6.45%	$ 7.81	$ 7.00

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

Portfolio Composition		
	2/28/13	2/29/12
Corporate Bonds	75%	80%
Floating Rate Loan Interests	17	12
Common Stocks	7	5
Preferred Securities	1	2
Other Interests		1

Credit Quality Allocation[4]		
	2/28/13	2/29/12
A		1%
BBB/Baa	6%	6
BB/Ba	36	42
B	46	40
CCC/Caa	10	10
Not Rated	2	1

[4] Using the higher of S&P s or Moody s ratings.

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Fund Summary as of February 28, 2013

BlackRock Corporate High Yield Fund III, Inc.

Fund Overview

BlackRock Corporate High Yield Fund III, Inc. s (CYE) (the Fund) primary investment objective is to provide current income by investing primarily in fixed-income securities, which are rated in the lower rating categories of the established rating services (BBB or lower by S&P s or Baa or lower by Moody s) or are unrated securities of comparable quality. The Fund s secondary investment objective is to provide capital appreciation. The Fund may invest directly in such securities or synthetically through the use of derivatives.

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

Portfolio Management Commentary

How did the Fund perform?

For the 12-month period ended February 28, 2013, the Fund returned 11.20% based on market price and 16.16% based on NAV. For the same period, the closed-end Lipper High Yield Funds (Leveraged) category posted an average return of 12.75% based on market price and 15.06% based on NAV. All returns reflect reinvestment of dividends. The Fund s premium to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV.

What factors influenced performance?

Security selection among the lower quality tiers of high yield credit had a positive impact on performance. From an industry perspective, holdings within non-captive diversified (finance companies), media cable and building materials boosted returns. The Fund s exposure to select common stocks and preferred securities also enhanced results.

Detracting from performance was security selection within middle quality tier credits, where the Fund held its quality bias. On an industry basis, selection in metals, paper and independent energy impaired results. The Fund s tactical allocation to floating rate loan interests (bank loans) hindered relative performance as the asset class underperformed high yield bonds during the period.

Describe recent portfolio activity.

As risk markets and high yield bond prices continued to surge over the period, the Fund moderated its risk positioning. The Fund maintained its focus on higher-quality income-oriented credit names with stable fundamentals, good earnings/revenue visibility and an attractive coupon rate. The Fund remained generally cautious of cyclical credits that tend to be more vulnerable to slower economic growth and bouts of weakness, but allowed some risk in companies with positive growth catalysts or idiosyncratic characteristics. Also during the period, the Fund increased exposure to floating rate loan interests as valuations appeared increasingly attractive relative to certain segments of the high yield universe such as higher-quality short-dated paper.

Describe portfolio positioning at period end.

At period end, the Fund held 73% of its total portfolio in corporate bonds and 19% in floating rate loan interests, with the remainder in common stocks and preferred securities. The Fund held its largest industry exposures in healthcare, wirelines and gaming, while reflecting less emphasis on the riskier, more volatile segments of the market such as the banking sector and supermarkets and restaurant industries.

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BlackRock Corporate High Yield Fund III, Inc.

Fund Information

Symbol on NYSE	CYE
Initial Offering Date	January 30, 1998
Yield on Closing Market Price as of February 28, 2013 ($7.89)[1]	7.98%
Current Monthly Distribution per Common Share[2]	$0.0525
Current Annualized Distribution per Common Share[2]	$0.6300
Economic Leverage as of February 28, 2013[3]	28%

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 rate is not constant and is subject to change.

3 Represents loan outstanding as a percentage of total managed assets, which is the total assets of the Fund (including any assets attributable to borrowings) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 12.

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

	2/28/13	2/29/12	Change	High	Low
Market Price	$ 7.89	$ 7.75	1.81%	$ 8.19	$ 7.10
Net Asset Value	$ 7.88	$ 7.41	6.34%	$ 7.93	$ 7.11

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

Portfolio Composition

	2/28/13	2/29/12
Corporate Bonds	73%	77%
Floating Rate Loan Interests	19	15
Common Stocks	6	6
Preferred Securities	2	2

Credit Quality Allocation[4]

	2/28/13	2/29/12
A	1%	1%
BBB/Baa	5	7
BB/Ba	36	38
B	45	43
CCC/Caa	10	10
Not Rated	3	1

4 Using the higher of S&P s or Moody s ratings.

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Fund Summary as of February 28, 2013

BlackRock Debt Strategies Fund, Inc.

Fund Overview

BlackRock Debt Strategies Fund, Inc. s (DSU) (the Fund) primary investment objective is to provide current income by investing primarily in a diversified portfolio of US companies debt instruments, including corporate loans, which are rated in the lower rating categories of the established rating services (BBB or lower by S&P s or Baa or lower by Moody s) or unrated debt instruments, which are in the judgment of the investment adviser of equivalent quality. The Fund s secondary objective is to provide capital appreciation. Corporate loans include senior and subordinated corporate loans, both secured and unsecured. The Fund may invest directly in such securities or synthetically through the use of derivatives.

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

Portfolio Management Commentary

How did the Fund perform?

For the 12-month period ended February 28, 2013, the Fund returned 16.87% based on market price and 14.78% based on NAV. For the same period, the closed-end Lipper High Yield Funds (Leveraged) category posted an average return of 12.75% based on market price and 15.06% based on NAV. All returns reflect reinvestment of dividends. The Fund began the period with neither a discount nor a premium to NAV, and ended the period with a premium to NAV, which accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV.

What factors influenced performance?

Security selection among lower quality securities (including both bonds and loans) had a positive impact on performance. From an industry perspective, holdings within chemicals, consumer cyclical services and gaming boosted returns. The Fund s exposure to select common stocks and preferred securities also enhanced results.

The Fund invests roughly half of its assets in high yield bonds and half in floating rate loan interests (bank loans), while most funds in the Lipper category invest primarily in high yield bonds. While the Fund s allocation to floating rate loan interests did not detract from performance on an absolute basis, the asset class underperformed high yield bonds for the period. Security selection in the independent energy and media non-cable industries hindered returns for the period.

Describe recent portfolio activity.

As risk markets and high yield bond prices continued to surge over the period, the Fund moderated its risk positioning. Fund management continued to maintain a positive view on high yield and floating rate loan interest assets overall, but turned its focus toward purchasing higher-quality income-oriented credit names with stable fundamentals and an attractive coupon rate. The Fund remained generally cautious of cyclical credits that tend to be more vulnerable to slower economic growth and bouts of weakness, but allowed some risk in companies with positive growth catalysts or idiosyncratic characteristics.

Describe portfolio positioning at period end.

At period end, the Fund held 53% of its total portfolio in floating rate loan interests and 41% in corporate bonds, with the remainder in asset-backed securities, common stocks and other interests. The Fund held its largest industry exposures in healthcare, consumer services (housing-related) and chemicals, while reflecting less emphasis on the riskier, more volatile segments of the market such as food and beverage and supermarkets.

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BlackRock Debt Strategies Fund, Inc.

Fund Information

Symbol on NYSE	DSU
Initial Offering Date	March 27, 1998
Yield on Closing Market Price as of February 28, 2013 ($4.46)[1]	7.26%
Current Monthly Distribution per Common Share[2]	$0.027
Current Annualized Distribution per Common Share[2]	$0.324
Economic Leverage as of February 28, 2013[3]	29%

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 rate is not constant and is subject to change.

3 Represents loan outstanding as a percentage of total managed assets, which is the total assets of the Fund (including any assets attributable to borrowings) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 12.

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

	2/28/13	2/29/12	Change	High	Low
Market Price	$ 4.46	$ 4.13	7.99%	$ 4.62	$ 3.91
Net Asset Value	$ 4.38	$ 4.13	6.05%	$ 4.39	$ 4.00

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

Portfolio Composition

	2/28/13	2/29/12
Floating Rate Loan Interests	53%	54%
Corporate Bonds	41	43
Asset-Backed Securities	3	1
Common Stocks	2	1
Other Interests	1	1

Credit Quality Allocation[4]

	2/28/13	2/29/12
A	1%	1%
BBB/Baa	6	5
BB/Ba	34	36
B	45	45
CCC/Caa	10	8

Not Rated	4	5

[4] Using the higher of S&P s or Moody s ratings.

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Fund Summary as of February 28, 2013

BlackRock Senior High Income Fund, Inc.

Fund Overview

BlackRock Senior High Income Fund, Inc. s (ARK) (the Fund) investment objective is to provide high current income 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. The Fund may invest directly in such securities or synthetically through the use of derivatives.

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

Portfolio Management Commentary

How did the Fund perform?

For the 12-month period ended February 28, 2013, the Fund returned 15.32% based on market price and 13.08% based on NAV. For the same period, the closed-end Lipper High Yield Funds (Leveraged) category posted an average return of 12.75% based on market price and 15.06% based on NAV. All returns reflect reinvestment of dividends. The Fund s discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV.

What factors influenced performance?

Security selection had a positive impact on performance. From an industry perspective, holdings within chemicals and gaming boosted returns. The Fund s exposure to select common stocks and preferred securities also enhanced results.

The Fund invests roughly half of its assets in high yield bonds and half in floating rate loan interests (bank loans), while most funds in the Lipper category invest primarily in high yield bonds. While the Fund s allocation to floating rate loan interests did not detract from performance on an absolute basis, the asset class underperformed high yield bonds for the period. Security selection in the independent energy and media non-cable industries hindered returns for the period.

Describe recent portfolio activity.

As risk markets and high yield bond prices continued to surge over the period, the Fund moderated its risk positioning. Fund management continued to maintain a positive view on high yield and floating rate loan interest assets overall, but turned its focus toward purchasing higher-quality income-oriented credit names with stable fundamentals and an attractive coupon rate. The Fund remained generally cautious of cyclical credits that tend to be more vulnerable to slower economic growth and bouts of weakness, but allowed some risk in companies with positive growth catalysts or idiosyncratic characteristics.

Describe portfolio positioning at period end.

At period end, the Fund held 54% of its total portfolio in floating rate loan interests and 42% in corporate bonds, with the remainder in asset-backed securities and common stocks. The Fund held its largest industry exposures in healthcare, wirelines and chemicals, while reflecting less emphasis on the riskier, more volatile segments of the market such as food and beverage and supermarkets.

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BlackRock Senior High Income Fund, Inc.

Fund Information

Symbol on NYSE	ARK
Initial Offering Date	April 30, 1993
Yield on Closing Market Price as of February 28, 2013 ($4.34)[1]	6.91%
Current Monthly Distribution per Common Share[2]	$0.025
Current Annualized Distribution per Common Share[2]	$0.300
Economic Leverage as of February 28, 2013[3]	28%

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 rate is not constant and is subject to change.

3 Represents loan outstanding as a percentage of total managed assets, which is the total assets of the Fund (including any assets attributable to borrowings) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 12.

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

	2/28/13	2/29/12	Change	High	Low
Market Price	$ 4.34	$ 4.06	6.90%	$ 4.60	$ 3.80
Net Asset Value	$ 4.35	$ 4.15	4.82%	$ 4.37	$ 4.03

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

Portfolio Composition

	2/28/13	2/29/12
Floating Rate Loan Interests	54%	56%
Corporate Bonds	42	41
Asset-Backed Securities	3	2
Common Stocks	1	1

Credit Quality Allocation[4]

	2/28/13	2/29/12
A	1%	1%
BBB/Baa	7	6
BB/Ba	37	39
B	51	48
CCC/Caa	1	3
Not Rated	3	3

[4] Using the higher of S&P s or Moody s ratings.

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The Benefits and Risks of Leveraging

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

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

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

To illustrate these concepts, assume a Fund s capitalization is $100 million and it borrows 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 borrowing costs and interest expense on the $30 million of borrowings based on the lower short-term interest rates. At the same time, the securities purchased by the Fund with assets received from the borrowings earn income based on long-term interest rates. In this case, the borrowing costs and interest expense of the borrowings is significantly lower than the income earned on the Fund s long-term investments, and therefore the Fund s shareholders are the beneficiaries of the incremental net income.

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

Furthermore, the value of the Funds 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 Funds borrowings does not fluctuate in relation to interest rates. As a result, changes in interest rates can influence the Funds NAVs positively or negatively in addition to the impact on Fund performance from leverage from borrowings discussed above.

The use of leverage may enhance opportunities for increased income to the Funds, but as described above, it also creates risks as short- or long-term interest rates fluctuate. Leverage also will generally cause greater changes in the Funds NAVs, market prices and dividend rates than comparable portfolios without leverage. 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, 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. Each Fund may be required to sell portfolio securities at inopportune times or at distressed values in order to comply with regulatory requirements applicable to the use of leverage or as required by the terms of leverage instruments, which may cause a Fund to incur losses. The use of leverage may limit each Fund s ability to invest in certain types of securities or use certain types of hedging strategies. Each Fund will incur expenses in connection with the use of leverage, all of which are borne by shareholders and may reduce income.

Under the Investment Company Act of 1940, as amended (the 1940 Act), the Funds are permitted to issue senior securities representing indebtedness up to 33 $^{1}/_{3}$% of their total managed assets (each Fund s net assets plus the proceeds of any outstanding borrowings). In addition, each Fund voluntarily limits its aggregate economic leverage to 50% of its managed assets. As of February 28, 2013, the Funds had aggregate economic leverage from borrowings through a credit facility as a percentage of their total managed assets as follows:

	Percent of Economic Leverage
COY	27%
CYE	28%

DSU	29%
ARK	28%

Derivative Financial Instruments

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

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Consolidated Schedule of Investments February 28, 2013

BlackRock Corporate High Yield Fund, Inc. (COY)

(Percentages shown are based on Net Assets)

Common Stocks	Shares	Value
Auto Components 0.8%		
Dana Holding Corp.	109,649	$ 1,834,428
Delphi Automotive Plc (a)	8,200	340,518
		2,174,946
Biotechnology 0.0%		
Ironwood Pharmaceuticals, Inc. (a)	6,540	97,642
Capital Markets 1.7%		
American Capital Ltd. (a)	257,408	3,598,564
E*Trade Financial Corp. (a)	68,100	729,351
Uranium Participation Corp. (a)	33,680	174,401
		4,502,316
Chemicals 0.5%		
ADA-ES, Inc. (a)	1,670	44,372
CF Industries Holdings, Inc.	3,200	642,656
Huntsman Corp.	31,600	544,468
		1,231,496
Commercial Banks 0.6%		
CIT Group, Inc. (a)	36,681	1,535,467
Communications Equipment 0.2%		
Loral Space & Communications Ltd.	11,463	667,605
Containers & Packaging 0.0%		
Smurfit Kappa Plc	3,634	56,360
Diversified Financial Services 0.8%		
Bank of America Corp.	22,100	248,183
Kcad Holdings I Ltd.	269,089,036	1,816,351
		2,064,534
Diversified Telecommunication Services 0.2%		
Broadview Networks Holdings, Inc. (a)	32,500	217,425
Level 3 Communications, Inc. (a)	20,920	417,981
		635,406
Electrical Equipment 0.0%		