

Edgar Filing: DEBT STRATEGIES FUND - Form N-Q

DEBT STRATEGIES FUND

Form N-Q

January 27, 2006

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

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY

Investment Company Act File number 811-8603

Name of Fund: Debt Strategies Fund, Inc.

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

Name and address of agent for service: Robert C. Doll, Jr., Chief Executive
Officer, 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: (609) 282-2800

Date of fiscal year end: 02/28/2006

Date of reporting period: 09/01/05 - 11/30/05

Item 1 - Schedule of Investments

Debt Strategies Fund, Inc.

Schedule of Investments as of November 30, 2005

(in U.S. dollars)

| Industry | Face Amount | Corporate Bonds |
|----------------------------|---|---|
| Aerospace & Defense - 3.0% | \$ 5,000,000 7,500,000 8,120,000 | Alliant Techsystems, Inc., 3% due 8/15/2024 (d)(k) L-3 Communications Corp., 3% due 8/01/2035 (d)(k) Vought Aircraft Industries, Inc., 8% due 7/15/2011 |
| Airlines - 0.4% | 4,105,529 | American Airlines, Inc. Series 2001-1 Class C, 7.37% |
| Automotive - 2.5% | 700,000 4,950,000 2,700,000 1,550,000 4,900,000 6,050,000 925,000 4,450,000 1,800,000 | Advanced Accessory Systems LLC, 10.75% due 6/15/2011 Cooper-Standard Automotive, Inc., 8.375% due 12/15/2009 Delco Remy International, Inc., 8.15% due 4/15/2009 Dura Operating Corp. Series D, 9% due 5/01/2009 Exide Technologies, 10.50% due 3/15/2013 (d) Metaldyne Corp., 11% due 6/15/2012 Tenneco Automotive, Inc. Series B, 10.25% due 7/15/2009 Venture Holdings Co. LLC, 12% due 6/01/2009 (i) Venture Holdings Co. LLC Series B, 9.50% due 7/01/2009 |

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| | | |
|---------------------|------------|---|
| Broadcasting - 5.2% | 3,950,000 | Emmis Communications Corp., 10.366% due 6/15/2012 (|
| | 6,000,000 | Granite Broadcasting Corp., 9.75% due 12/01/2010 |
| | 1,100,000 | LIN Television Corp., 6.50% due 5/15/2013 (d) |
| | 3,870,000 | Sinclair Broadcast Group, Inc. Class A, 4.875% due |
| | 8,300,000 | Sirius Satellite Radio, Inc., 9.625% due 8/01/2013 |
| | 11,250,000 | XM Satellite Radio, Inc., 9.75% due 5/01/2009 (a) |
| | 2,000,000 | Young Broadcasting Inc., 10% due 3/01/2011 |

| | | |
|------------------------------|-----------|--|
| Cable - International - 1.2% | 750,000 | NTL Cable Plc, 8.75% due 4/15/2014 |
| | 3,500,000 | New Skies Satellites NV, 9.573% due 11/01/2011 (a) (|
| | 3,700,000 | New Skies Satellites NV, 9.125% due 11/01/2012 |

| | | |
|---------------------|------------|--|
| Cable - U.S. - 9.2% | 7,500,000 | Adelphia Communications Corp., 6% due 2/15/2006 (i) |
| | 3,450,000 | CSC Holdings, Inc., 7.25% due 7/15/2008 |
| | 4,225,000 | Cablevision Systems Corp. Series B, 8.716% due 4/01/ |
| | 3,750,000 | Charter Communications Holdings LLC, 10% due 4/01/2 |
| | 2,000,000 | Charter Communications Holdings LLC, 11.75% due 1/1 |
| | 2,000,000 | Charter Communications Holdings LLC, 11.125% due 1/ |
| | 2,700,000 | Charter Communications Holdings LLC, 9.92% due 4/01 |
| | 3,000,000 | Charter Communications Holdings LLC, 10% due 5/15/2 |
| | 2,500,000 | Insight Midwest, LP, 9.75% due 10/01/2009 |
| | 3,825,000 | Intelsat Bermuda Ltd., 8.695% due 1/15/2012 (a) (d) |
| | 3,375,000 | Intelsat Bermuda Ltd., 8.25% due 1/15/2013 (d) |
| | 4,800,000 | Intelsat Bermuda Ltd., 8.625% due 1/15/2015 (d) |
| | 6,375,000 | Loral Cyberstar, Inc., 10% due 7/15/2006 (i) |
| | 2,350,000 | Mediacom Broadband LLC, 11% due 7/15/2013 |
| | 3,875,000 | Mediacom LLC, 9.50% due 1/15/2013 |
| | 10,000,000 | Rainbow National Services LLC, 10.375% due 9/01/201 |
| | 1,023,000 | Skynet Senior Secured Note, 14% due 12/01/2015 |
| | 10,350,000 | Zeus Special Subsidiary Ltd., 9.25% due 2/01/2015 (|

Debt Strategies Fund, Inc.

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(in U.S. dollars)

| Industry | Face Amount | Corporate Bonds |
|-------------------|--------------|---|
| Chemicals - 11.3% | \$ 3,550,000 | ArCo Chemical Co., 9.80% due 2/01/2020 |
| | 2,320,000 | BCP Caylux Holdings Luxembourg SCA, 9.625% due 6/15 |
| | 4,000,000 | Compass Minerals International, Inc. Series B, 12% |
| | 9,783,000 | GEO Specialty Chemicals, Inc., 12.016% due 12/31/20 |
| | 1,900,000 | Huntsman International, LLC, 9.875% due 3/01/2009 |
| | 1,199,000 | Huntsman International, LLC, 10.125% due 7/01/2009 |
| | 3,150,000 | ISP Holdings, Inc. Series B, 10.625% due 12/15/2009 |
| | 1,500,000 | Innophos, Inc., 9.625% due 8/15/2014 (d) |
| | 6,000,000 | Invista B.V., 9.25% due 5/01/2012 (d) |
| | 2,400,000 | Millennium America, Inc., 7.625% due 11/15/2026 |
| | 2,000,000 | Nova Chemical Corp., 7.561% due 11/15/2013 (a) (d) |

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| | | |
|--|------------|--|
| | 10,000,000 | Omnova Solutions, Inc., 11.25% due 6/01/2010 |
| | 7,575,917 | PCI Chemicals Canada, Inc., 10% due 12/31/2008 |
| | 11,700,000 | PolyOne Corp., 10.625% due 5/15/2010 |
| | 2,612,000 | Rockwood Specialties Group, Inc., 10.625% due 5/15/2010 |
| | 450,000 | Rockwood Specialties Group, Inc., 7.50% due 11/15/2010 |
| | 6,000,000 | Tronox Worldwide LLC, 9.50% due 12/01/2012 (d) |
| <hr/> | | |
| Consumer - Durables - 2.4% | 10,750,000 | Sealy Mattress Co., 8.25% due 6/15/2014 |
| | 10,000,000 | Simmons Co., 10.207% due 12/15/2014 (c) (d) |
| <hr/> | | |
| Consumer - Non-Durables - 1.3% | 3,400,000 | Chattem, Inc., 7.41% due 3/01/2010 (a) |
| | 5,000,000 | Hines Nurseries, Inc., 10.25% due 10/01/2011 |
| | 4,000,000 | North Atlantic Holding Co., Inc., 12.25% due 3/01/2010 |
| <hr/> | | |
| Diversified Media - 2.9% | 2,000,000 | Cadmus Communications Corp., 8.375% due 6/15/2014 |
| | 7,500,000 | Liberty Media Corp., 0.75% due 3/30/2023 (k) |
| | 1,800,000 | Loews Cineplex Entertainment Corp., 8.875% due 8/01/2010 |
| | 2,675,000 | Muzak Holdings, LLC, 13% due 3/15/2010 |
| | 3,875,000 | NBC Acquisition Corp., 11% due 3/15/2013 (c) |
| | 375,000 | Universal City Florida Holding Co. I, 8.375% due 5/01/2010 |
| | 5,300,000 | Universal City Florida Holding Co. I, 9% due 5/01/2010 |
| <hr/> | | |
| Energy - Exploration & Production - 1.3% | 3,000,000 | Chaparral Energy, Inc., 8.50% due 12/01/2015 (d) |
| | 5,500,000 | Compton Petroleum Corp., 7.625% due 12/01/2013 (d) |
| <hr/> | | |
| Energy - Other - 3.2% | 6,150,000 | Aventine Renewable Energy Holdings, Inc., 10.491% due 12/15/2011 (a) (d) |
| | 1,000,000 | Dresser, Inc., 9.375% due 4/15/2011 |
| | 2,045,000 | Dresser-Rand Group, Inc., 7.375% due 11/01/2014 (d) |
| | 6,950,000 | SemGroup LP, 8.75% due 11/15/2015 (d) |
| | 6,250,000 | Star Gas Partners LP, 10.25% due 2/15/2013 |
| <hr/> | | |
| Financial - 1.1% | 5,777,222 | Archimedes Funding III Ltd., 5.50% due 11/29/2011 (d) |
| | 1,500,000 | Investcorp SA, 7.54% due 10/21/2008 |
| | 2,000,000 | Pennant CBO Ltd., 13.43% due 3/14/2011 (d) |
| | 1,500,000 | SKM-LibertyView CBO Ltd. Series 1A Class C1, 8.71% due 4/10/2011 (d) (f) (i) |
| | 1,000,000 | SKM-LibertyView CBO Ltd. Series 1A Class D, 11.91% due 4/10/2011 (d) (f) (i) |

Debt Strategies Fund, Inc.
Schedule of Investments as of November 30, 2005

(in U.S. dollars)

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| Industry | Face Amount | Corporate Bonds |
|-------------------------------|--------------|--|
| Food & Drug - 0.7% | \$ 7,250,000 | Duane Reade, Inc., 9.75% due 8/01/2011 |
| Food & Tobacco - 2.7% | 842,946 | Archibald Candy Corp., 10% due 11/01/2007 (i) |
| | 4,550,000 | Commonwealth Brands, Inc., 9.75% due 4/15/2008 (d) |
| | 8,000,000 | Commonwealth Brands, Inc., 10.625% due 9/01/2008 (d) |
| | 1,175,000 | Doane Pet Care Co., 10.75% due 3/01/2010 |
| | 1,362,000 | Dole Food Co., Inc., 8.875% due 3/15/2011 |
| | 28,918,000 | New World Pasta Co., 9.25% due 2/15/2009 (i) |
| Gaming - 1.8% | 4,000,000 | Inn of the Mountain Gods Resort & Casino, 12% due 1 |
| | 2,000,000 | Jacobs Entertainment, Inc., 11.875% due 2/01/2009 |
| | 1,225,000 | Majestic Star Casino LLC, 9.50% due 10/15/2010 |
| | 1,725,000 | Penn National Gaming, Inc., 6.75% due 3/01/2015 |
| | 3,000,000 | Tunica-Biloxi Gaming Authority, 9% due 11/15/2015 (|
| Health Care - 5.4% | 4,450,000 | CDRV Investors, Inc., 9.75% due 1/01/2015 (c) |
| | 5,000,000 | Cinacalcet Royalty Corp., 8% due 3/30/2017 (d) |
| | 3,525,000 | Elan Finance Plc, 7.75% due 11/15/2011 |
| | 4,825,000 | Elan Finance Plc, 8.34% due 11/15/2011 (a) |
| | 2,500,000 | HealthSouth Corp., 8.50% due 2/01/2008 |
| | 2,500,000 | HealthSouth Corp., 10.75% due 10/01/2008 |
| | 5,000,000 | Risperdal Consta Pharma, 7% due 1/01/2018 |
| | 6,000,000 | Tenet Healthcare Corp., 7.375% due 2/01/2013 |
| | 1,400,000 | VWR International, Inc., 8% due 4/15/2014 |
| | 4,100,000 | Vanguard Health Holding Co. I, LLC, 11.25% due 10/0 |
| | 2,325,000 | Vanguard Health Holding Co. II, LLC, 9% due 10/01/2 |
| Housing - 2.9% | 2,000,000 | Compression Polymers Corp, 10.46% due 7/01/2012 (a) |
| | 1,300,000 | Compression Polymers Corp., 10.50% due 7/01/2013 (d) |
| | 460,013 | Formica Holdings Corp., 8.76% due 6/10/2011 |
| | 3,190,000 | Goodman Global Holding Co., Inc., 7.491% due 6/15/2 |
| | 8,200,000 | Goodman Global Holding Co., Inc., 7.875% due 12/15/ |
| | 2,500,000 | Nortek, Inc., 8.50% due 9/01/2014 |
| | 2,250,000 | Stanley-Martin Communities, 9.75% due 8/15/2015 (d) |
| | 700,000 | US Concrete, Inc., 8.375% due 4/01/2014 |
| Information Technology - 7.3% | 1,600,000 | Activant Solutions, Inc., 10.054% due 4/01/2010 (a) |
| | 4,500,000 | Activant Solutions, Inc., 12.65% due 10/01/2011 (a) |
| | 6,950,000 | Amkor Technology, Inc., 9.25% due 2/15/2008 |
| | 1,000,000 | Amkor Technology, Inc., 10.50% due 5/01/2009 |
| | 5,000,000 | Cypress Semiconductor Corp., 1.25% due 6/15/2008 (k) |
| | 4,725,000 | Freescale Semiconductor, Inc., 6.90% due 7/15/2009 |
| | 1,375,000 | MagnaChip Semiconductor SA, 7.741% due 12/15/2011 (|
| | 1,050,000 | MagnaChip Semiconductor SA, 8% due 12/15/2014 |
| | 3,825,000 | Sungard Data Systems, Inc., 8.525% due 8/15/2013 (a) |
| | 7,075,000 | Sungard Data Systems, Inc., 9.125% due 8/15/2013 (d) |
| | 4,818,000 | Sungard Data Systems, Inc., 10.25% due 8/15/2015 (d) |
| | 2,925,000 | Telcordia Technologies Inc., 10% due 3/15/2013 (d) |
| | 5,075,000 | Viasystems, Inc., 10.50% due 1/15/2011 |

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Debt Strategies Fund, Inc.

Schedule of Investments as of November 30, 2005

(in U.S. dollars)

| Industry | Face Amount | Corporate Bonds |
|----------------------|---|--|
| Leisure - 2.1% | \$12,000,000 2,000,000 | Felcor Lodging LP, 8.83% due 6/01/2011 (a) True Temper Sports, Inc., 8.375% due 9/15/2011 |
| Manufacturing - 4.8% | 575,000 4,000,000 2,000,000 4,525,000 5,875,000 4,899,000 8,300,000 600,000 4,000,000 | Aearo Co., 8.25% due 4/15/2012 CPI Holdco, Inc., 9.672% due 2/01/2015 (a) (d) Chart Industries, Inc., 9.125% due 10/15/2015 (d) EaglePicher Inc., 9.75% due 9/01/2013 (i) Invensys Plc, 9.875% due 3/15/2011 (d) Medis Technologies Ltd., 6% due 7/15/2010 (d) (k) Mueller Group, Inc., 10% due 5/01/2012 NMHG Holding Co., 10% due 5/15/2009 Propex Fabrics, Inc., 10% due 12/01/2012 |
| Metal - Other - 1.0% | 1,100,000 5,500,000 | Aleris International, Inc., 9% due 11/15/2014 James River Coal Co., 9.375% due 6/01/2012 |
| Packaging - 4.3% | 9,053,000 11,905,000 3,800,000 1,100,000 12,300,000 6,575,000 | Anchor Glass Container Corp., 11.491% due 9/15/2006 Anchor Glass Container Corp., 11.497% due 2/15/2013 Consolidated Container Co. LLC, 10.75% due 6/15/2006 Graham Packing Co., Inc., 9.875% due 10/15/2014 Pliant Corp., 13% due 6/01/2010 (i) Wise Metals Group LLC, 10.25% due 5/15/2012 |
| Paper - 9.2% | 6,500,000 6,025,000 2,150,000 900,000 7,600,000 3,775,000 4,250,000 2,000,000 2,000,000 6,125,000 8,000,000 4,725,000 1,600,000 3,450,000 7,281,000 | Abitibi-Consolidated, Inc., 7.991% due 6/15/2011 (a) Ainsworth Lumber Co. Ltd., 7.77% due 10/01/2010 (a) Boise Cascade LLC, 7.025% due 10/15/2012 (a) Boise Cascade LLC, 7.125% due 10/15/2014 Bowater, Inc., 7.491% due 3/15/2010 (a) Domtar, Inc., 7.125% due 8/15/2015 Georgia-Pacific Corp., 9.375% due 2/01/2013 Graphic Packaging International Corp., 9.50% due 8/15/2013 JSG Funding Plc, 9.625% due 10/01/2012 JSG Funding Plc, 7.75% due 4/01/2015 NewPage Corp., 10.50% due 5/01/2012 (a) NewPage Corp., 12% due 5/01/2013 Smurfit-Stone Container Enterprises, Inc., 8.375% due 6/30/2009 Tembec Industries, Inc., 8.625% due 6/30/2009 Western Forest Products, Inc., 15% due 7/28/2009 (b) |

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| | | |
|---------------------------|------------|--|
| Retail - 1.6% | 6,000,000 | Neiman-Marcus Group, Inc., 9% due 10/15/2015 (d) |
| | 5,000,000 | Neiman-Marcus Group, Inc., 10.375% due 10/15/2015 (d) |
| Service - 5.0% | 1,440,000 | Allied Waste North America, Inc., 7.875% due 4/15/2012 |
| | 6,250,000 | Allied Waste North America, Inc. Series B, 7.375% due 4/15/2012 |
| | 2,000,000 | Buhrmann US, Inc., 7.875% due 3/01/2015 |
| | 7,500,000 | HydroChem Industrial Services, Inc., 9.25% due 2/15/2012 |
| | 3,000,000 | Neff Rental LLC, 11.25% due 6/15/2012 (d) |
| | 14,825,000 | United Rentals North America, Inc., 7.75% due 11/15/2011 |
| Telecommunications - 9.0% | 5,000,000 | ADC Telecommunications, Inc., 5.045% due 6/15/2013 |
| | 3,265,000 | Alaska Communications Systems Holdings, Inc., 9.875% due 8/15/2011 |

Debt Strategies Fund, Inc.

Schedule of Investments as of November 30, 2005

(in U.S. dollars)

| Industry | Face Amount | Corporate Bonds |
|--------------------------------|--------------|---|
| | \$ 7,500,000 | Cincinnati Bell, Inc., 8.375% due 1/15/2014 |
| | 6,000,000 | LCI International, Inc., 7.25% due 6/15/2007 |
| | 3,200,000 | Qwest Capital Funding, Inc., 6.875% due 7/15/2028 |
| | 7,900,000 | Qwest Communications International, Inc., 7.84% due 7/15/2012 |
| | 2,675,000 | Qwest Corp., 7.741% due 6/15/2013 (a) (d) |
| | 4,475,000 | Terremark Worldwide, Inc., 9% due 6/15/2009 (k) |
| | 6,000,000 | Terremark Worldwide, Inc., 9% due 6/15/2009 (d) (k) |
| | 7,000,000 | Time Warner Telecom Holdings, Inc., 8.34% due 2/15/2012 |
| | 6,000,000 | Time Warner Telecom Holdings, Inc., 9.25% due 2/15/2012 |
| | 4,000,000 | Time Warner Telecom, Inc., 9.75% due 7/15/2008 |
| Transportation - 0.9% | 3,000,000 | Progress Rail Services Corp., 7.75% due 4/01/2012 (d) |
| | 3,500,000 | Titan Petrochemicals Group Ltd., 8.50% due 3/18/2011 |
| Utility - 0.9% | 4,142,000 | Centerpoint Energy, Inc. Series B, 3.75% due 5/15/2012 |
| | 1,425,000 | Williams Cos., Inc., 8.625% due 6/01/2010 |
| Wireless Communications - 2.6% | 1,750,000 | Dobson Cellular Systems, 8.375% due 11/01/2011 |
| | 4,675,000 | Dobson Cellular Systems, 9% due 11/01/2011 (a) |
| | 2,500,000 | iPCS Escrow Co., 11.50% due 5/01/2012 |
| | 1,600,000 | Rural Cellular Corp., 8.991% due 3/15/2010 (a) |
| | 6,600,000 | US Unwired, Inc., 8.741% due 6/15/2010 (a) |

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| ----- | | |
|--|------------|--|
| Total Corporate Bonds (Cost - \$778,276,646) - 107.2 | | |
| ----- | | |
| Floating Rate Loan Interests* | | |
| ----- | | |
| Airlines - 0.2% | 1,000,000 | Delta Air Lines, Inc. Term Loan B, 11.01% due 3/16/ |
| Automotive - 1.6% | 7,775,042 | Delphi Automotive Systems Term Loan B, 10.30% due 6 |
| | 2,185,236 | Tenneco Automotive, Inc. Term Loan B, 6.08% due 12/ |
| | 959,936 | Tenneco Automotive, Inc. Tranche B-1 Credit Linked 6.339% due 12/12/2010 |
| Cable - U.S. - 7.0% | 7,000,000 | Century Cable Holdings LLC Discretionary Term Loan, 10% due 12/31/2009 |
| | 10,000,000 | Century Cable Holdings LLC Term Loan B, 9% due 6/30 |
| | 14,794,107 | Charter Communications Operating LLC Tranche B Term 7.42% - 7.50% due 4/07/2011 |
| | 7,860,000 | Insight Midwest Holdings LLC Term Loan C, 6.063% due 12/31/2009 |
| | 885,043 | New Skies Satellites, BV Term Loan, 5.875% - 6.063% due 5/04/2011 |
| | 6,000,000 | Olympus Cable Holdings LLC Term Loan B, 9% due 9/30 |
| | 1,500,000 | Olympus Cable Holdings LLC Tranche 2 Term Loan A, 9% due 6/30/2010 |
| Chemicals - 3.0% | 3,016,676 | Huntsman ICI Holdings Term Loan B, 5.72% due 8/16/2 |
| | 3,470,868 | Invista B.V. New Tranche B-1 Term Loan, 6.313% due |
| | 1,491,515 | Invista B.V. New Tranche B-2 Term Loan, 6.313% due |
| | 916,457 | Pinnacle Polymers Term Loan, 6.58% - 9% due 12/15/2 |
| | 3,184,000 | Rockwood Specialties Group, Inc. Tranche D Term Loa 5.93% due 12/10/2012 |
| | 8,000,000 | Wellman, Inc. Second Lien Term Loan, 11% due 2/10/2 |

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(in U.S. dollars)

| Industry | Face Amount | Floating Rate Loan Interests* |
|--------------------------------|----------------|--|
| ----- | | |
| Consumer - Durables - 0.7% | \$ 5,000,000 | Simmons Co. Term Loan, 7% due 6/19/2012 |
| Consumer - Non-Durables - 1.5% | 9,800,000 | Levi Strauss & Co. Tranche A Term Loan, 10.989% - 1 due 9/29/2009 |
| Energy - Exploration & | 10,000,000 | Exco Holdings, Inc. Term Loan, 9% due 8/30/2006 |

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|--------------------------------|------------|---|
| Production - 1.8% | 2,500,000 | TXOK Acquisition Term Loan C, 8.875% due 9/27/2010 |
| <hr/> | | |
| Energy - Other - 1.3% | 1,148,861 | Dresser, Inc. Term Loan C, 6.72% due 4/10/2009 |
| | 2,500,000 | Dresser, Inc. Term Loan Unsecured, 6.91% due 2/25/2010 |
| | 2,000,000 | EPCO, Inc. Term Loan B, 6.409% due 8/18/2010 |
| | 3,000,000 | Scorpion Drilling Ltd. Second Lien Term Loan, 11.64% |
| <hr/> | | |
| Food & Tobacco - 0.5% | 3,564,111 | Dr Pepper/Seven Up Bottling Group, Inc. Term Loan B, 5.863% - 6.181% due 12/19/2010 |
| <hr/> | | |
| Gaming - 0.6% | 3,945,577 | Buffington Harbor Parking Associates LLC Term Loan, 10.875% due 7/01/2011 |
| <hr/> | | |
| Health Care - 1.1% | 4,500,000 | HealthSouth Corp. Term Loan A, 10.375% due 1/16/2011 |
| | 3,040,121 | Medpointe Healthcare Inc. Tranche B Term Loan, 9.49% |
| <hr/> | | |
| Housing - 3.3% | 4,620,197 | General Growth Properties, Inc. Term Loan B, 6.22% |
| | 4,980,066 | Headwaters, Inc. Term Loan B-1, 6.43% - 8.25% due 4/15/2011 |
| | 2,939,910 | LNR Property Corp. Tranche B Term Loan, 6.71% - 6.77% |
| | 10,000,000 | Stile U.S. Acquisition Corp. Bridge Loan, 10.384% due 12/15/2010 |
| <hr/> | | |
| Information Technology - 0.9% | 3,088,750 | Fidelity National Information Solutions, Inc. Term Loan, 5.864% due 3/09/2013 |
| | 3,358,125 | Telcordia Technologies, Inc. Term Loan, 6.61% due 9/15/2011 |
| <hr/> | | |
| Manufacturing - 0.7% | 5,000,000 | Invensys International Holdings Ltd. Second Lien Term Loan, 8.529% due 12/04/2009 |
| <hr/> | | |
| Metal - Other - 1.3% | 663,158 | Euramax International Plc Second Lien Term Loan, 10.55% |
| | 2,992,500 | Euramax International Plc Tranche 3 Term Loan B, 8.52% |
| | 5,336,842 | Euramax International Plc Tranche 4 Second Lien Term Loan, 10.55% due 6/29/2013 |
| <hr/> | | |
| Packaging - 1.0% | 6,774,814 | Owens-Illinois Group, Inc. Tranche Term Loan C, 6.1% |
| <hr/> | | |
| Service - 0.6% | 3,940,000 | Waste Services, Inc. Tranche B Term Loan, 8.02% - 8.02% |
| <hr/> | | |
| Steel - 0.0% | 7,711,830 | Acme Metals, Inc. Term Loan, 11.75% - 12.25% due 12/15/2010 |
| <hr/> | | |
| Utility - 1.6% | 2,600,000 | Calpine Corp. Second Lien Term Loan, 9.90% due 7/15/2011 |
| | 5,000,000 | Covanta Energy Corp. Second Lien Term Loan, 9.461% - 9.613% due 6/24/2013 |
| | 1,500,000 | El Paso Corp. Deposit Account, 2.77% due 11/23/2009 |
| | 2,460,000 | El Paso Corp. Term Loan, 6.813% due 11/23/2009 |
| <hr/> | | |
| Wireless Communications - 0.9% | 5,910,000 | Centennial Cellular Operating Co. Term Loan, 6.27% due 2/09/2011 |

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Total Floating Rate Loan Interests (Cost - \$205,070)

Debt Strategies Fund, Inc.
 Schedule of Investments as of November 30, 2005 (in U.S. dollars)

| Industry | Shares Held | Common Stocks |
|---------------------------|-------------|---|
| Chemicals - 0.2% | 339,340 | GEO Specialty Chemicals, Inc. (j) |
| Energy - Other - 0.7% | 199,154 | Trico Marine Services, Inc. (j) |
| Financial - 0.4% | 35,000 | Preferred Term Securities VI (d) (j) |
| Food & Tobacco - 0.5% | 1,428,423 | Viskase Cos., Inc. |
| Leisure - 0.0% | 27,787 | Lodgian, Inc. (j) |
| Manufacturing - 0.2% | 724,291 | ACP Holding Co. (d) (j) |
| Paper - 0.1% | 211,149 | Western Forest Products, Inc. (j) |
| Service - 0.4% | 90,876 | Outsourcing Solutions Inc. (j) |
| Steel - 0.0% | 41,149 | Acme Package Corp. Senior Holdings (j) (l) |
| Telecommunications - 0.1% | 59,534 | IDT Corp. Class B (j) |
| | | Total Common Stocks (Cost - \$16,452,498) - 2.6% |
| Preferred Stocks | | |
| Automotive - 0.5% | 200,000 | General Motors Corp. Series C, 6.25% (d) (k) |
| Broadcasting - 0.0% | 2 | Paxson Communications Corp., 9.75% (b) (d) (k) |
| Cable - U.S. - 0.0% | 5,000 | Adelphia Communications Corp. Series B, 13% |
| | | Total Preferred Stocks (Cost - \$5,357,315) - 0.5% |
| Warrants (g) | | |
| Broadcasting - 0.0% | 15,000 | Sirius Satellite Radio, Inc. (expires 5/15/2009) |
| Health Care - 0.0% | 126,761 | HealthSouth Corp. (expires 1/16/2014) |
| Manufacturing - 0.2% | 652,739 | ACP Holding Co. (expires 9/30/2013) |
| Paper - 0.0% | 18 | Cellu Tissue Holdings, Inc. Series A (expires 9/28/ |

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7,000 MDP Acquisitions Plc (expires 10/01/2013)

 Wireless 1,325 American Tower Corp. (expires 8/01/2008)
 Communications - 0.1%

Total Warrants (Cost - \$870,754) - 0.3%

 Beneficial
 Interest Other Interests (e)

Airlines - 0.2% \$ 2,641,443 US Airways Group, Inc. (Certificate of Beneficial I

Automotive - 0.0% 3,614,601 Cambridge Industries, Inc. (Litigation Trust Certif

Cable - U.S. - 0.1% 9,500,000 Pegasus Satellite Communications, Inc.
 (Litigation Trust Certificates) (j)

 Total Other Interests (Cost - \$2,153,868) - 0.3%

Short-Term Securities

 \$ 1,439,790 Merrill Lynch Liquidity Series, LLC Cash Sweep Seri

 Total Short-Term Securities (Cost - \$1,439,790) - 0

 Total Investments (Cost - \$1,009,621,618**) - 140

Liabilities in Excess of Other Assets - (40.7%)

Net Assets - 100.0%

Debt Strategies Fund, Inc.
 Schedule of Investments as of November 30, 2005 (in U.S. dollars)

* Floating rate loan interests in which the Fund invests generally pay interest at rates that are periodically redetermined by reference to a base lending rate plus a premium. The base lending rates are generally (i) the lending rate offered by one or more European banks, such as LIBOR (London InterBank Offered Rate), (ii) the prime rate offered by one or more U.S. banks or (iii) the certificate of deposit rate.

** The cost and unrealized appreciation (depreciation) of investments as of November 30, 2005, as computed for federal income tax purposes, were as follows:

| | |
|-------------------------------|------------------|
| Aggregate cost | \$ 1,009,862,684 |
| | ===== |
| Gross unrealized appreciation | \$ 36,781,956 |
| Gross unrealized depreciation | (81,497,751) |
| | ----- |
| Net unrealized depreciation | \$ (44,715,795) |

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=====

- (a) Floating rate note.
- (b) Represents a pay-in-kind security, which may pay interest/dividends in additional face/shares.
- (c) Represents a step bond; the interest rate shown reflects the effective yield at the time of purchase.
- (d) The security may be offered and sold to "qualified institutional buyers" under Rule 144A of the Securities Act of 1933.
- (e) Other interests represent beneficial interest in liquidation trusts and other reorganization entities.
- (f) Mortgage-Backed Securities are subject to principal paydowns as a result of prepayments or refinancing of the underlying mortgage instruments. As a result, the average life may be substantially less than the original maturity.
- (g) 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.
- (h) 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 | Interest I |
|---|--------------|------------|
| Merrill Lynch Liquidity Series, LLC Cash Sweep Series I | \$ 1,236,108 | \$ 2 |

- (i) Non-income producing security; issuer filed for bankruptcy or is in default of interest payments.
- (j) Non-income producing security.
- (k) Convertible security.
- (l) Restricted securities as to resale, representing 0.0% of net assets, were as follows:

| Issue | Acquisition Date | Cost | Value |
|------------------------------------|------------------|------|-------|
| Acme Package Corp. Senior Holdings | 11/25/2002 | - | - |

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

Swaps outstanding as of November 30, 2005 were as follows:

| | Notional Amount | Unrealized Appreciation (Depreciation) |
|--|-----------------|--|
| | | |

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Sold credit default protection on General Motors Corp. and receive 5%

| | | |
|--|--------------|--------------|
| Broker, Citibank N.A. Expires December 2006 | \$ 8,000,000 | \$ (118,411) |
|--|--------------|--------------|

Sold credit default protection on General Motors Corp. and receive 5%

| | | |
|--|--------------|--------|
| Broker, Lehman Brothers Special Finance Expires December 2006 | \$ 7,000,000 | 84,495 |
|--|--------------|--------|

| | | |
|-------|--|-------------|
| ----- | | |
| Total | | \$ (33,916) |
| | | ===== |

Item 2 - Controls and Procedures

2(a) - The registrant's certifying officers have reasonably designed such disclosure controls and procedures to ensure material information relating to the registrant is made known to us by others particularly during the period in which this report is being prepared. The registrant's certifying officers have determined that the registrant's disclosure controls and procedures are effective based on our evaluation of these controls and procedures as of a date within 90 days prior to the filing date of this report.

2(b) - There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Act (17 CFR 270.30a-3(d)) that occurred during the last fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3 - Exhibits

Certifications - Attached hereto

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

Debt Strategies Fund, Inc.

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

 Robert C. Doll, Jr.
 Chief Executive Officer
 Debt Strategies Fund, Inc.

Date: January 25, 2006

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

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

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Robert C. Doll, Jr.
Chief Executive Officer
Debt Strategies Fund, Inc.

Date: January 25, 2006

By: /s/ Donald C. Burke

Donald C. Burke
Chief Financial Officer
Debt Strategies Fund, Inc.

Date: January 25, 2006