

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

BLACKROCK DEBT STRATEGIES FUND

Form N-CSRS

November 05, 2007

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

FORM N-CSRS

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT
INVESTMENT COMPANIES

Investment Company Act file number 811-08603

Name of Fund: BlackRock Debt Strategies Fund, Inc.

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

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

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

Date of fiscal year end: 02/31/08

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

Item 1 - Report to Stockholders

EQUITIES FIXED INCOME REAL ESTATE
LIQUIDITY ALTERNATIVES BLACKROCK SOLUTIONS

BlackRock Debt Strategies
Fund, Inc. (DSU)

BLACKROCK

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

NOT FDIC INSURED
MAY LOSE VALUE
NO BANK GUARANTEE

BlackRock Debt Strategies Fund, Inc.

The Benefits and Risks of Leveraging

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

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

incremental yield.

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

Proxy Results

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

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

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

A Letter to Shareholders

Dear Shareholder

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

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

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

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

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

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

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

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

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

Sincerely,

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

THIS PAGE NOT PART OF YOUR FUND REPORT

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

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

Fund Summary as of August 31, 2007 (Unaudited)

Fund Information

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

- * Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.
- ** The distribution is not constant and is subject to change. A portion of the distribution may be deemed a tax return of capital or net realized gain at fiscal year end.
- *** As a percentage of managed assets, which is the total assets of the Fund (including any assets attributable to any borrowing that may be outstanding) minus the sum of accrued liabilities (other than debt representing financial leverage).

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

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

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

Portfolio Composition

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

* Amount is less than 1%.

Credit Quality Allocations*

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

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

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

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

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

+ Amount is less than 1%.

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

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

Face Amount	Corporate Bonds	Value
=====		
Aerospace & Defense -- 3.3%		
USD 5,000,000	Alliant Techsystems, Inc., 3% due 8/15/2024 (a) (m)	\$ 7,400,000
7,500,000	L-3 Communications Corp., 3% due 8/01/2035 (a) (m)	8,540,625
7,170,000	Vought Aircraft Industries, Inc., 8% due 7/15/2011	6,954,900

		22,895,525
=====		
Auto Components -- 2.0%		
245,000	Compagnie Generale de Geophysique SA, 7.50% due 5/15/2015	246,225
4,500,000	The Goodyear Tire & Rubber Co. (m): 9.135% due 12/01/2009 (b)	4,500,000
2,000	8.625% due 12/01/2011	2,031
1,020,000	Lear Corp., 8.75% due 12/01/2016	943,500
9,350,000	Metaldyne Corp., 11% due 6/15/2012	8,368,250
4,450,000	Venture Holdings Co. LLC: 12% due 6/01/2009 (e)	0
1,800,000	Series B, 9.50% due 7/01/2005 (m)	5,400

		14,065,406
=====		
Biotechnology -- 0.7%		
5,000,000	Angiotech Pharmaceuticals, Inc., 9.371% due 12/01/2013 (b)	4,950,000
=====		
Building Products -- 1.9%		
3,000,000	CPG International I, Inc.: 12.13% due 7/01/2012 (b)	3,015,000
1,300,000	10.50% due 7/01/2013	1,274,000
5,900,000	Goodman Global Holding Co., Inc., 7.875% due 12/15/2012	5,841,000
2,270,000	Masonite International Corp., 11% due 4/06/2015	1,850,050
1,050,000	Momentive Performance Materials, Inc., 10.125% due 12/01/2014 (g) (m)	976,500

		12,956,550
=====		
Capital Markets -- 0.2%		

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

2,000,000	Pennant CBO Ltd., 13.43%		
	due 3/14/2011 (m)		1,700,000
=====			
Chemicals -- 5.9%			
1,490,000	American Pacific Corp., 9% due 2/01/2015		1,467,650
3,550,000	ArCo Chemical Co., 9.80% due 2/01/2020		3,692,000
9,783,000	GEO Specialty Chemicals, Inc., 13.85%		
	due 12/31/2009 (a) (m)		8,070,975
3,100,000	Hexion U.S. Finance Corp., 10.058%		
	due 11/15/2014 (b)		3,162,000
2,515,000	Ineos Group Holdings Plc, 8.50%		
	due 2/15/2016 (m)		2,313,800
6,360,000	MacDermid, Inc., 9.50% due 4/15/2017 (m)		5,914,800
14,060,000	NOVA Chemicals Corp., 8.484%		
	due 11/15/2013 (b)		13,638,200
2,500,000	PolyOne Corp., 6.89% due 9/22/2008		2,500,000

			40,759,425
=====			
Commercial Banks -- 0.2%			
1,500,000	Investcorp SA, 7.54% due 10/21/2008		1,506,723
=====			
Commercial Services & Supplies -- 1.4%			
1,090,000	PNA Intermediate Holding Corp., 12.558%		
	due 2/15/2013 (b) (m)		1,049,125
4,280,000	Sally Holdings LLC, 10.50%		
	due 11/15/2016 (m)		4,087,400
3,270,000	West Corp., 11% due 10/15/2016		3,319,050
1,395,000	Yankee Acquisition Corp., 9.75%		
	due 2/15/2017		1,248,525

			9,704,100
=====			
	Face		
	Amount	Corporate Bonds	Value
=====			
Communications Equipment -- 0.3%			
USD	983,000	Loral Spacecom Corp., 14%	
		due 11/15/2015 (g)	\$ 1,059,183
	630,000	Nortel Networks Ltd., 9.61%	
		due 7/15/2011 (b) (m)	631,575

			1,690,758
=====			
Computers & Peripherals -- 0.4%			
	2,700,000	Viasystems, Inc., 10.50% due 1/15/2011	2,700,000
=====			
Construction Materials -- 0.7%			
	5,850,000	Nortek, Inc., 8.50% due 9/01/2014	5,060,250
=====			
Containers & Packaging -- 2.7%			
		Berry Plastics Holding Corp.:	
	665,000	8.875% due 9/15/2014	663,338
	375,000	9.569% due 9/15/2014 (b)	371,250
1,100,000	Graham Packing Co., Inc., 9.875%		
		due 10/15/2014	1,078,000
705,000	Graphic Packaging International		
		Corp., 9.50% due 8/15/2013	712,050
6,215,000	Packaging Dynamics Finance Corp., 10%		
		due 5/01/2016 (m)	6,222,769
		Smurfit-Stone Container Enterprises, Inc.:	

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

1,600,000	8.375% due 7/01/2012	1,568,000
2,600,000	8% due 3/15/2017	2,479,750
6,325,000	Wise Metals Group LLC, 10.25% due 5/15/2012	5,692,500

		18,787,657
=====		
Distributors -- 0.3%		
2,000,000	Buhrmann US, Inc., 7.875% due 3/01/2015	1,840,000
=====		
Diversified Consumer Services -- 0.5%		
3,875,000	NBC Acquisition Corp., 11% due 3/15/2013 (i)	3,448,750
=====		
Diversified Financial Services -- 1.2%		
5,743,690	Archimedes Funding III Ltd., 5.50% due 11/29/2011 (b) (m)	2,871,836
	Ford Motor Credit Co. LLC:	
760,000	5.80% due 1/12/2009	716,127
4,480,000	8.11% due 1/13/2012 (b)	4,102,824
750,000	9.81% due 4/15/2012 (b)	755,516

		8,446,303
=====		
Diversified Telecommunication Services -- 1.3%		
2,675,000	Qwest Corp., 8.944% due 6/15/2013 (b)	2,822,125
6,000,000	Time Warner Telecom Holdings, Inc., 9.25% due 2/15/2014	6,210,000

		9,032,125
=====		
Electric Utilities -- 0.8%		
5,380,000	NSG Holdings LLC, 7.75% due 12/15/2025 (l) (m)	5,225,325
=====		
Electronic Equipment & Instruments -- 1.4%		
2,675,000	Muzak Holdings, LLC, 13% due 3/15/2010 (i)	2,113,250
	NXP BV:	
5,520,000	8.11% due 10/15/2013 (b)	5,002,500
2,300,000	9.50% due 10/15/2015	1,989,500
375,000	Sanmina-SCI Corp., 8.125% due 3/01/2016	324,375

		9,429,625
=====		
Energy Equipment & Services -- 2.1%		
670,000	Compagnie Generale de Geophysique-Veritas, 7.75% due 5/15/2017	676,700
8,000,000	Ocean RIG ASA, 9.36% due 4/04/2011 (b)	7,900,000
6,300,000	SemGroup LP, 8.75% due 11/15/2015 (m)	6,063,750

		14,640,450
=====		

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

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

Face Amount	Corporate Bonds	Value
----------------	-----------------	-------

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

=====			
Food & Staples Retailing -- 0.4%			
USD	2,900,000	Rite Aid Corp., 9.375% due 12/15/2015 (m)	\$ 2,639,000
=====			
Gas Utilities -- 0.4%			
	2,900,000	El Paso Performance-Linked Trust, 7.75% due 7/15/2011 (m)	2,971,169
=====			
Health Care Providers & Services -- 2.4%			
	3,975,000	Community Health Systems, Inc., 8.875% due 7/15/2015 (m)	3,970,031
		Tenet Healthcare Corp.:	
	2,990,000	6.50% due 6/01/2012	2,481,700
	6,000,000	7.375% due 2/01/2013	4,980,000
		Universal Hospital Services, Inc. (m):	
	1,000,000	8.50% due 6/01/2015 (g)	927,826
	930,000	8.759% due 6/01/2015 (b)	897,450
	4,100,000	Vanguard Health Holding Co. I, LLC, 11.25% due 10/01/2015 (i)	2,972,500

			16,229,507
=====			
Hotels, Restaurants & Leisure -- 6.0%			
	1,250,000	Galaxy Entertainment Finance Co. Ltd., 9.875% due 12/15/2012 (m)	1,268,750
		HRP Myrtle Beach (m):	
	5,976,698	Holdings LLC, 14.50% due 4/01/2014 (g)	5,767,514
	5,000,000	Operations LLC, 10.07% due 4/01/2012 (b)	4,750,000
	5,000,000	Operations LLC, 12.50% due 4/01/2013	4,900,000
	2,560,000	Little Traverse Bay Bands of Odawa Indians, 10.25% due 2/15/2014 (m)	2,572,800
	915,000	Penn National Gaming, Inc., 6.75% due 3/01/2015	917,288
	2,700,000	Pinnacle Entertainment, Inc., 7.50% due 6/15/2015 (m)	2,484,000
	1,370,000	Shingle Springs Tribal Gaming Authority, 9.375% due 6/15/2015 (m)	1,349,450
	1,015,000	Snoqualmie Entertainment Authority, 9.063% due 2/01/2014 (b) (m)	990,894
	3,400,000	Station Casinos, Inc., 7.75% due 8/15/2016	3,255,500
	2,600,000	Travelport LLC, 10.246% due 9/01/2014 (b)	2,600,000
	3,265,000	Tropicana Entertainment, LLC, 9.625% due 12/15/2014 (m)	2,416,100
	3,000,000	Tunica-Biloxi Gaming Authority, 9% due 11/15/2015 (m)	3,000,000
	5,300,000	Universal City Florida Holding Co. I, 10.106% due 5/01/2010 (b)	5,353,000

			41,625,296
=====			
Household Durables -- 0.6%			
	175,000	Fedders North America, Inc., 9.875% due 3/01/2014	28,000
	2,610,000	Jarden Corp., 7.50% due 5/01/2017	2,440,350
	2,250,000	Stanley-Martin Communities LLC, 9.75% due 8/15/2015	1,676,250

			4,144,600
=====			
IT Services -- 0.7%			

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

4,818,000	SunGard Data Systems, Inc., 10.25% due 8/15/2015 (m)	4,962,540
=====		
Insurance -- 0.2%		
1,630,000	USI Holdings Corp., 9.433% due 11/15/2014 (b) (m)	1,515,900
=====		
Leisure Equipment & Products -- 0.2%		
2,000,000	True Temper Sports, Inc., 8.375% due 9/15/2011	1,560,000
=====		
	Face	
	Amount	Value
=====		
Machinery -- 1.7%		
USD 3,070,000	Esco Corp., 9.235% due 12/15/2013 (b) (m)	\$ 3,008,600
3,815,000	Invensys Plc, 9.875% due 3/15/2011 (m)	4,053,438
	RBS Global, Inc.:	
1,480,000	9.50% due 8/01/2014	1,494,800
1,685,000	8.875% due 9/01/2016	1,647,088
1,530,000	Titan International, Inc., 8% due 1/15/2012	1,507,968

		11,711,894
=====		
Marine -- 0.5%		
1,500,000	Navios Maritime Holdings, Inc., 9.50% due 12/15/2014 (m)	1,531,875
1,760,000	Titan Petrochemicals Group Ltd., 8.50% due 3/18/2012 (m)	1,548,800

		3,080,675
=====		
Media -- 11.6%		
	Affinion Group, Inc.:	
280,000	10.125% due 10/15/2013	280,000
800,000	11.50% due 10/15/2015	800,000
5,950,000	Cablevision Systems Corp. Series B, 9.82% due 4/01/2009 (b)	6,098,750
2,000,000	Cadmus Communications Corp., 8.375% due 6/15/2014	1,900,000
5,000,000	Canadian Satellite Radio Holdings, Inc., 12.75% due 2/15/2014 (m)	4,906,250
	Charter Communications Holdings LLC:	
3,750,000	10% due 4/01/2009	3,740,625
1,319,000	11.125% due 1/15/2011	1,282,728
1,978,000	10% due 5/15/2011	1,888,990
	Intelsat Bermuda Ltd. (b):	
8,605,000	11.409% due 6/15/2013	8,841,638
2,880,000	8.886% due 1/15/2015	2,901,600
10,350,000	Intelsat Intermediate Holding Co. Ltd., 9.25% due 2/01/2015 (i)	8,383,500
4,125,000	Liberty Media Corp., 0.75% due 3/30/2023 (a)	4,666,406
3,875,000	Mediacom LLC, 9.50% due 1/15/2013	3,875,000
750,000	NTL Cable Plc, 8.75% due 4/15/2014	759,375
580,000	Network Communications, Inc., 10.75% due 12/01/2013	580,000
4,325,000	Nielsen Finance LLC, 10% due 8/01/2014	4,433,125
2,800,000	Paxson Communications Corp., 8.61% due 1/15/2012 (b) (m)	2,761,500

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

3,235,000	Sinclair Broadcast Group, Inc. Class A, 4.875% due 7/15/2018 (a) (i)	3,000,463
5,795,000	Sirius Satellite Radio, Inc., 9.625% due 8/01/2013	5,476,275
5,230,000	TL Acquisitions, Inc., 10.50% due 1/15/2015 (m)	4,929,275
3,485,000	Umbrella Acquisition, 9.75% due 3/15/2015 (g) (m)	3,319,463
2,800,000	XM Satellite Radio, Inc., 9.856% due 5/01/2013 (b)	2,604,000
2,685,000	Young Broadcasting, Inc., 10% due 3/01/2011	2,416,500

		79,845,463
=====		
Metals & Mining -- 3.5%		
2,735,000	Aleris International, Inc., 9% due 12/15/2014 (g)	2,550,513
4,000,000	Compass Minerals International, Inc. Series B, 12% due 6/01/2013 (i)	4,020,000
10,360,000	Freeport-McMoRan Copper & Gold, Inc., 8.564% due 4/01/2015 (b)	10,670,800
2,854,000	Indalex Holding Corp. Series B, 11.50% due 2/01/2014	2,675,625
4,550,000	RathGibson, Inc., 11.25% due 2/15/2014	4,555,688

		24,472,626
=====		

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

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

Face Amount	Corporate Bonds	Value
=====		
Multi-Utilities -- 0.9%		
USD 4,142,000	CenterPoint Energy, Inc. Series B, 3.75% due 5/15/2023 (a)	\$ 6,052,498
=====		
Oil, Gas & Consumable Fuels -- 1.0%		
480,000	Berry Petroleum Co., 8.25% due 11/01/2016	472,800
3,000,000	Chaparral Energy, Inc., 8.50% due 12/01/2015	2,685,000
2,445,000	Compton Petroleum Finance Corp., 7.625% due 12/01/2013	2,322,750
1,425,000	Williams Cos., Inc., 8.625% due 6/01/2010	1,486,460

		6,967,010
=====		
Paper & Forest Products -- 9.3%		
6,500,000	Abitibi-Consolidated, Inc., 9.194% due 6/15/2011 (b)	5,590,000
	Ainsworth Lumber Co. Ltd. (b):	
9,725,000	9.11% due 10/01/2010	7,488,250
8,000,000	9.36% due 4/01/2013	6,080,000
	Boise Cascade LLC:	
2,150,000	8.235% due 10/15/2012 (b)	2,128,500
900,000	7.125% due 10/15/2014	828,000

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

7,600,000	Bowater, Inc., 8.694% due 3/15/2010 (b)	6,840,087
3,775,000	Domtar, Inc., 7.125% due 8/15/2015	3,510,750
	NewPage Corp.:	
8,000,000	11.606% due 5/01/2012 (b)	8,480,000
4,725,000	12% due 5/01/2013	4,937,625
13,625,000	Smurfit Kappa Funding Plc, 7.75% due 4/01/2015	13,148,125
	Verso Paper Holdings LLC Series B:	
4,400,000	9.106% due 8/01/2014 (b)	4,378,000
530,000	11.375% due 8/01/2016	540,600

		63,949,937
=====		
Pharmaceuticals -- 1.2%		
	Elan Finance Plc:	
3,525,000	7.75% due 11/15/2011	3,436,875
4,825,000	9.558% due 11/15/2011 (b)	4,728,500

		8,165,375
=====		
Real Estate Investment Trusts (REITs) -- 0.3%		
3,500,000	RAIT Financial Trust, 6.875% due 4/15/2027 (a) (m)	2,209,375
=====		
Real Estate Management & Development -- 2.3%		
	Realogy Corp. (m):	
4,770,000	10.50% due 4/15/2014	4,018,725
7,540,000	11% due 4/15/2014 (g)	6,107,400
7,410,000	12.375% due 4/15/2015	5,455,613

		15,581,738
=====		
Road & Rail -- 0.8%		
1,250,000	Atlantic Express Transportation Corp., 12.609% due 4/15/2012 (b) (g) (m)	1,212,500
790,000	Britannia Bulk Plc, 11% due 12/01/2011	782,100
5,060,000	St. Acquisition Corp., 13.107% due 5/15/2015 (b) (m)	3,516,700

		5,511,300
=====		
	Face	
	Amount	Corporate Bonds
		Value
=====		
Semiconductors & Semiconductor Equipment -- 3.2%		
	Amkor Technology, Inc.:	
USD 3,000,000	7.125% due 3/15/2011	\$ 2,820,000
210,000	7.75% due 5/15/2013	194,775
2,645,000	9.25% due 6/01/2016	2,565,650
	Freescale Semiconductor, Inc.:	
8,990,000	9.125% due 12/15/2014 (g)	8,046,050
5,470,000	9.569% due 12/15/2014 (b)	5,032,400
3,370,000	Spansion, Inc., 8.746% due 6/01/2013 (b) (m)	3,201,500

		21,860,375
=====		
Software -- 0.3%		
2,416,832	BMS Holdings, Inc., 12.40% due 2/15/2012 (b) (g) (m)	2,113,534
=====		

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

Specialty Retail -- 4.1%		
2,215,000	Buffets, Inc., 12.50% due 11/01/2014	1,705,550
	Claire's Stores, Inc. (m):	
500,000	9.25% due 6/01/2015	433,750
610,000	9.625% due 6/01/2015 (g)	476,993
1,110,000	10.50% due 6/01/2017	821,400
	General Nutrition Centers, Inc. (g) (m):	
5,560,000	10.009% due 3/15/2014	5,026,029
4,480,000	10.75% due 3/15/2015	4,008,533
	Michaels Stores, Inc. (m):	
3,790,000	10% due 11/01/2014	3,799,475
8,660,000	11.375% due 11/01/2016	8,421,850
8,000,000	Movie Gallery, Inc., 11% due 5/01/2012 (e)	2,000,000
1,380,000	United Auto Group, Inc., 7.75% due 12/15/2016	1,317,900

		28,011,480
=====		
Wireless Telecommunication Services -- 3.7%		
1,905,000	Centennial Communications Corp., 11.11% due 1/01/2013 (b)	1,952,625
	Cricket Communications, Inc.:	
5,250,000	9.375% due 11/01/2014	5,145,000
1,000,000	9.375% due 11/01/2014 (m)	980,000
	Digicel Group Ltd. (m):	
3,560,000	8.875% due 1/15/2015	3,253,128
7,748,000	9.125% due 1/15/2015 (g)	7,080,122
2,150,000	FiberTower Corp., 9% due 11/15/2012 (a) (m)	2,246,750
1,250,000	iPCS, Inc., 7.481% due 5/01/2013 (b) (m)	1,206,250
2,600,000	Nordic Telephone Co. Holdings ApS, 8.875% due 5/01/2016 (m)	2,691,000
	Orascom Telecom Finance SCA:	
620,000	7.875% due 2/08/2014	565,754
755,000	7.875% due 2/08/2014 (m)	688,938

		25,809,567

	Total Corporate Bonds (Cost -- \$602,872,636) -- 82.6%	569,829,831
=====		

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

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

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

			1,457,632
=====			
Airlines -- 0.7%			

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

1,890,000	Delta Airlines First Lien Term Loan, 7.36% due 5/15/2012	1,794,319
1,492,500	United Air Lines, Inc. Term Loan B, 7.625% due 1/30/2014	1,399,529
2,000,000	US Airways Group, Inc. Term Loan B, 7.86% due 3/22/2014	1,878,750

		5,072,598
=====		
Auto Components -- 1.2%		
1,000,000	Delphi Automotive Systems Term Loan B, 7.625% due 12/31/2007	980,000
2,000,000	Goodyear Tire & Rubber Co. First Lien Term Loan, 7.10% due 4/30/2014	1,880,000
1,685,185	Intermet Corp.: Letter of Credit, 10.21% due 11/08/2010	1,617,778
1,162,530	Term Loan B, 10.36% due 11/08/2010	1,116,029
86,538	Metaldyne Corp.: Letter of Credit, 5.17% - 9.125% due 1/15/2012	84,375
588,462	Term Loan B, 9.125% due 1/15/2014	573,750
1,000,000	TRW Automotive, Inc. Term Loan B, 6.875% due 2/09/2014	970,000
1,250,000	Visteon Corp. Term Loan B, 8.38% due 6/13/2013	1,150,781

		8,372,713
=====		
Beverages -- 0.4%		
1,500,000	Culligan International: Second Lien Term Loan, 7.815% due 10/24/2012	1,736,868
1,000,000	Term Loan B, 7.61% - 7.815% due 10/24/2012	910,000

		2,646,868
=====		
Chemicals -- 2.3%		
400,000	Arizona Chemical Second Lien Term Loan, 11.01% due 2/28/2014	370,667
2,000,000	Flint Group Term Loan, 7.933% due 12/20/2014	1,895,500
2,000,000	Huish Detergents, Inc.: First Lien Term Loan, 7.51% due 4/15/2014	1,835,000
1,500,000	Second Lien Term Loan, 9.57% due 10/15/2014	1,372,500
677,316	Huntsman ICI Holdings Term Loan B, 7.25% due 4/19/2014	662,782
636,000	NuSil Technology Term Loan, 8.07% due 10/31/2013	623,280
620,000	Rockwood Specialties Group, Inc. Tranche D Term Loan, 6.857% due 7/30/2012	599,463
10,000,000	Wellman, Inc. Second Lien Term Loan, 12.106% due 2/10/2010	8,700,000

		16,059,192
=====		
Face		
Amount	Floating Rate Loan Interests**	Value

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

=====			
Commercial Services & Supplies -- 5.7%			
Aramark Corp.:			
USD	533,316	Letter of Credit, 5.36% due 1/30/2014	\$ 513,183
	7,580,509	Term Loan B, 7.36% due 1/30/2014	7,294,345
Euramax International Plc:			
	2,538,314	First Lien Term Loan, 8.375% due 6/29/2012	2,346,672
	6,000,000	Second Lien Term Loan, 13.36% due 6/29/2013	5,340,000
	1,500,000	Jason, Inc. Term Loan B, 8.03% - 9.50% due 4/30/2010	1,425,000
	1,410,788	John Maneely Co. Term Loan B, 8.61% due 12/15/2013	1,262,067
	3,019,996	NES Rentals Holdings, Inc. Term Loan C, 12.125% due 7/12/2013	2,957,081
RiskMetrics Group, Inc.:			
	250,000	Second Lien Term Loan, 10.86% due 6/15/2014	242,813
	748,125	Term Loan, 7.61% due 1/15/2014	727,552
	8,670,000	Service Master Bridge Loan, 9.86% due 6/19/2008	7,542,900
	7,000,359	Waste Services, Inc. Term Loan D, 7.82% due 3/31/2011	6,790,348
	2,970,112	West Corp. Term Loan, 7.735% - 7.88% due 10/31/2013	2,864,920

			39,306,881
=====			
Communications Equipment -- 0.1%			
	1,000,000	SafeNet, Inc. First Lien Term Loan, 7.86% due 5/11/2015	930,000
=====			
Computers & Peripherals -- 0.4%			
Intergraph Corp. Term Loan:			
	430,893	7.503% due 5/15/2014	412,041
	1,000,000	11.506% due 11/15/2014	956,250
	1,500,000	Reynolds and Reynolds Co. Third Lien Term Loan, 12.86% due 10/31/2014	1,462,500

			2,830,791
=====			
Construction Materials -- 0.3%			
	2,453,125	Headwaters, Inc. Term Loan B-1, 7.36% due 4/30/2011	2,391,797
=====			
Containers & Packaging -- 1.6%			
	2,239,574	Anchor Glass Container Corp. Term Loan B, 7.61% - 7.791% due 5/03/2013	2,172,387
	8,590,000	Berry Plastics Corp. Term Loan B, 11.61% due 6/15/2014	7,387,400
	750,000	Consolidated Container Second Lien Term Loan, 10.86% - 11.065% due 10/15/2014	675,000
	495,000	Graham Packaging Term Loan B, 7.625% due 4/15/2011	480,975

			10,715,762
=====			
Distributors -- 0.2%			
	1,741,250	Keystone Automotive Operations, Inc. Term Loan B, 8.828% - 9% due 1/15/2012	1,588,891
=====			

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

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

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

	Face Amount	Floating Rate Loan Interests**	Value
=====			
Diversified Financial Services -- 0.5%			
USD 4,000,000	JG Wentworth Manufacturing Term Loan B, 7.61% due 4/15/2014		\$ 3,710,000
=====			
Diversified Telecommunication Services -- 0.9%			
995,000	Kentucky Data Link, Inc. Term Loan B, 7.815% due 2/26/2014		957,688
258,716	Transaction Network Services Term Loan B, 7.541% due 5/15/2014		250,954
3,161,871	Winstar Communications Debtor In Possession, 6.366% due 12/31/2006 (n)		5,051,089

			6,259,731
=====			
Electrical Equipment -- 0.4%			
4,000,000	Generac Portable Products, Inc. Second Lien Term Loan, 11.36% due 5/15/2014		2,663,332
=====			
Electronic Equipment & Instruments -- 0.2%			
1,500,000	CoCreate Software, Inc. Second Lien Term Loan, 12.608% due 5/30/2014		1,440,000
=====			
Energy Equipment & Services -- 0.9%			
	Dresser, Inc.:		
3,000,000	First Lien Term Loan, 8.01% - 8.038% due 5/15/2014		2,881,875
2,500,000	Second Lien Term Loan, 11.129% due 5/04/2015		2,362,500
1,234,375	MEG Energy Corp. Term Loan B, 7.36% due 4/03/2013		1,191,172

			6,435,547
=====			
Food & Staples Retailing -- 1.3%			
1,000,000	Bolthouse Farms, Inc. Second Lien Term Loan, 10.86% due 12/01/2013		967,500
1,000,000	DS Waters LP Term Loan B, 7.61% - 7.753% due 3/31/2012		940,000
	Dole Food Co., Inc.:		
323,981	Letter of Credit, 5.23% due 4/12/2013		304,542
719,846	Term Loan B, 7.438% - 9.25% due 4/12/2013		676,655
2,399,487	Term Loan C, 7.438% - 9.25% due 4/04/2013		2,255,517
969,217	Eight O'Clock Coffee Second Lien Term Loan, 8.125% due 7/21/2012		920,756
497,500	McJunkin Corp. Term Loan B, 7.815% due 1/30/2014		483,197
	Sturm Foods, Inc.:		
997,500	First Lien Term Loan, 7.875% - 7.938% due 1/30/2014		927,675

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

1,250,000	Second Lien Term Loan, 11.438%		1,165,625
	due 6/30/2014		-----
			8,641,467
=====			
Food Products -- 0.3%			
1,937,500	Jetro Holdings, Inc. Term Loan, 7.82%		1,860,000
	due 5/11/2014		-----
=====			
Health Care Providers & Services -- 0.5%			
488,011	CCS Medical First Lien Term Loan, 8.82%		471,541
	due 10/31/2012		-----
3,147,392	Rotech Healthcare, Inc. Term Loan B,		2,706,757
	11.36% due 9/26/2011		-----
			3,178,298
=====			
	Face		
	Amount	Floating Rate Loan Interests**	Value
=====			
Hotels, Restaurants & Leisure -- 2.8%			
USD 1,500,000	Golden Nugget, Inc. Term Loan Second Lien,		\$ 1,402,500
	8.84% due 11/30/2014		-----
	Green Valley Ranch Gaming LLC Term Loan:		
480,568	7.36% - 7.565% due 2/16/2014		456,540
750,000	8.791% due 8/30/2014		705,000
3,200,000	Las Vegas Sands Term Loan B, 7.11%		3,036,400
	due 5/04/2014		-----
	OSI Restaurant Partners, Inc.:		
75,188	Revolving Credit, 5.18% due 6/14/2013		71,170
924,812	Term Loan B, 7.625% due 5/15/2014		875,393
6,000,000	QCE LLC Second Lien Term Loan, 11.11%		5,715,000
	due 11/05/2013		-----
1,031,315	Tropicana Opco Term Loan B, 7.61%		979,381
	due 12/15/2011		-----
	Venetian Macau US Finance Co. LLC:		
2,500,000	Delay Draw Term Loan, 7.61% - 7.76%		2,414,285
	due 5/25/2012		-----
3,500,000	Term Loan B, 7.61% due 5/25/2013		3,379,999

			19,035,668
=====			
Household Durables -- 0.4%			
3,000,000	American Residential Services Second Lien		2,970,000
	Term Loan, 12% due 4/17/2015		-----
=====			
Household Products -- 0.8%			
	Spectrum Brands, Inc.:		
281,917	Letter of Credit, 5.17% due 4/15/2013		273,225
4,203,182	Term Loan B-1, 9.34% - 9.53%		4,073,585
	due 4/15/2013		-----
1,014,901	Term Loan B-2, 9.565% due 4/15/2013		954,007

			5,300,817
=====			
IT Services -- 0.9%			
3,686,354	Activant Solutions Term Loan B, 7.375%		3,437,525
	due 5/02/2013		-----
1,000,000	Audio Visual Services Corp. Second Lien		950,000
	Term Loan, 10.86% due 2/28/2014		-----
894,231	RedPrairie Corp. Term Loan, 8.50% - 10.25%		

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

	due 7/31/2012	1,145,021
950,000	Verifone, Inc. Term Loan B, 7.09% - 7.11%	
	due 10/31/2013	912,000

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

		11,529,126
=====		

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

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

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

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

		Loan, 8.288% due 12/15/2012	470,450
997,498	NEP Supershooters, LP Term Loan B, 7.61%	due 2/13/2014	949,286
992,500	Nielsen Finance LLC Term Loan B, 7.36%	due 8/15/2013	953,076
1,000,000	Penton Media Term Loan, 10.36% due 2/15/2014		937,500
1,500,000	Persona Communications Second Lien	Term Loan, 11.565% due 4/30/2014	1,500,000
	ProSiebenSat. 1 Media AG Term Loan B:		
EUR	500,000	6.796% due 6/30/2015	620,675
	1,000,000	7.039% due 6/30/2016	1,222,194
		Riverdeep Group Ltd.:	
USD	963,550	Bridge Loan, 11.55% due 12/21/2007	958,732
	997,494	Term Loan B, 8.11% due 12/21/2013	976,048
	4,697,987	Univision Communications, Inc. Delay Draw	
		Term Loan, 7.61% due 9/30/2014	4,337,806

			61,541,328
=====			
Multi-Utilities	--	0.6%	
		Brand Energy Term Loan B:	
498,750		7.625% - 7.813% due 2/15/2014	472,981
500,000		11.375% - 11.563% due 2/15/2015	484,167
		Coletto Creek:	
464,633		Letter of Credit, 8.11% due 7/31/2013	446,048
31,847		Term Loan B, 5.26% due 7/31/2013	30,573
750,000		Energy Transfer Equity LP Term Loan B,	
		7.106% due 11/01/2012	726,563
750,000		NE Energy Second Lien Term Loan, 9.875%	
		due 10/31/2014	723,750
1,000,000		USPF Holdings Term Loan, 7.082% - 7.09%	
		due 4/15/2014	950,000

			3,834,082
=====			
Oil, Gas & Consumable Fuels	--	3.1%	
787,500		Big West Oil & Gas Term Loan B, 7.61%	
		due 5/15/2014	744,188
373,106		Carrizo Oil & Gas, Inc. Second Lien Term	
		Loan, 10.11% due 7/21/2010	367,509
6,400,000		Frontier Drilling Term Loan B, 9.18%	
		due 6/21/2013	6,272,000
	Face		
	Amount	Floating Rate Loan Interests**	Value
=====			
Oil, Gas & Consumable Fuels	(concluded)		
USD	2,000,000	Petroleum Geo-Services ASA Term Loan B,	
		7.11% due 6/30/2015	\$ 1,931,666
	2,000,000	SandRidge Energy, Inc. Term Loan B, 8.985%	
		due 3/01/2014	1,975,000
	8,000,000	Scorpion Drilling Ltd. Second Lien Term	
		Loan, 12.86% due 5/05/2015	8,520,000
		Western Refining Co. L.P.:	
	187,500	Delay Draw Term Loan, 7.07%	
		due 3/15/2014	178,125
	1,205,357	Term Loan B, 7.07% due 3/15/2014	1,145,089

			21,133,577
=====			
Paper & Forest Products	--	1.0%	
6,695,000		Verso Paper Holdings LLC Term Loan B,	

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

	11.606% due 2/01/2013	6,661,525
=====		
Pharmaceuticals -- 0.4%		
3,000,000	Pharmaceutical Technologies & Services (PTS) Term Loan, 7.61% due 4/15/2014	2,737,500
=====		
Real Estate Management & Development -- 0.6%		
4,000,000	Enclave First Lien Term Loan, 6.14% due 3/01/2012	3,788,280
445,174	Yellowstone Club Term Loan B, 7.883% due 10/15/2010	426,625

		4,214,905
=====		
Road & Rail -- 0.6%		
4,418,605	Swift Transportation Co., Inc. Term Loan B, 8.375% due 5/15/2014	3,905,861
=====		
Software -- 1.1%		
8,000,000	Aspect Software Second Lien Term Loan, 12.438% due 7/11/2010	7,520,000
=====		
Specialty Retail -- 0.9%		
2,000,000	ADESA, Inc. Term Loan B, 7.61% due 10/30/2013	1,871,250
1,500,000	Burlington Coat Factory Warehouse Corp. Term Loan B, 7.76% due 4/15/2013	1,404,107
3,500,000	Claire's Stores Term Loan B, 8.11% due 5/24/2014	3,203,960

		6,479,317
=====		
Textiles, Apparel & Luxury Goods -- 0.3%		
997,500	David's Bridal, Inc. Term Loan B, 7.36% due 1/30/2014	927,675
300,000	Gold Toe Investment Corp. Second Lien Term Loan, 11.36% due 4/30/2014	291,000
745,733	Renfro Corp. Term Loan B, 8.61% - 8.76% due 9/30/2013	719,631

		1,938,306
=====		
Wireless Telecommunication Services -- 1.0%		
4,750,000	Centennial Cellular Operating Co. Term Loan, 7.36% - 7.541% due 2/09/2011	4,609,875
2,000,000	IPC Systems First Lien Term Loan, 7.61% due 5/25/2014	1,776,663
609,626	NG Wireless Term Loan, 10% due 7/31/2014	597,433

		6,983,971

	Total Floating Rate Loan Interests (Cost -- \$311,584,203) -- 43.3%	298,727,029
=====		

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

Schedule of Investments (continued)

(in U.S. dollars)

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

Shares Held	Common Stocks	Value
=====		
Airlines -- 0.5%		
221,600	Delta Air Lines, Inc. (d)	\$ 3,740,608
=====		
Auto Components -- 0.0%		
403	GenTek Inc. (d)	12,392
=====		
Chemicals -- 0.1%		
339,340	GEO Specialty Chemicals, Inc. (d)	339,340
=====		
Commercial Services & Supplies -- 0.4%		
90,876	Outsourcing Solutions Inc. (d)	2,544,521
=====		
Communications Equipment -- 0.9%		
150,354	Loral Space & Communications Ltd. (d)	6,026,188
=====		
Containers & Packaging -- 0.2%		
1,428,423	Viskase Cos., Inc. (d)	1,685,539
=====		
Diversified Financial Services -- 0.2%		
35,000	Preferred Term Securities VI, Ltd.	1,505,000
=====		
Electrical Equipment -- 0.4%		
286,757	Medis Technologies Ltd. (d)	3,025,287
=====		
Hotels, Restaurants & Leisure -- 0.1%		
5,000	HRP PIK Corp. Class B (m)	50
27,787	Lodgian, Inc. (d)	339,835

339,885		
=====		
Metals & Mining -- 0.1%		
144,858	Neenah Enterprises, Inc. (d)	905,364
41,149	Acme Package Corp. Senior Holdings (d)(k)	1,234

906,598		
=====		
Paper & Forest Products -- 0.2%		
36,342	Smurfit Kappa Plc (d)	795,575
211,149	Western Forest Products, Inc. Restricted Shares (d)	453,890

1,249,465		
=====		
Semiconductors & Semiconductor Equipment -- 0.2%		
55,172	Cypress Semiconductor Corp. (d)	1,381,507

Total Common Stocks		
(Cost -- \$29,850,165) -- 3.3%		22,756,330
=====		
Preferred Stocks		
=====		
Communications Equipment -- 0.3%		
10,732	Loral Spacecom Corp. Series A, 12% (g)	2,189,334
=====		
Oil, Gas & Consumable Fuels -- 1.5%		
179	EXCO Resources, Inc., 7% (a)	2,040,600
737	EXCO Resources, Inc., 11%	8,401,800

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

			10,442,400

Total Preferred Stocks			
(Cost -- \$11,284,952) -- 1.8%			12,631,734
		=====	
Shares	Warrants (h)		Value
Held			
		=====	
Auto Components -- 0.0%			
471	GenTek Inc. Tranche B (expires 11/10/2008)	\$	17,427
231	GenTek Inc. Tranche C (expires 11/10/2010)		7,392

			24,819
		=====	
Health Care Providers & Services -- 0.0%			
126,761	HealthSouth Corp. (expires 1/16/2014)		101,409
		=====	
Media -- 0.0%			
15,000	Sirius Satellite Radio, Inc. (expires 5/15/2009)		6,750
		=====	
Metals & Mining -- 0.1%			
652,739	ACP Holding Co. (expires 9/30/2013)		783,287
		=====	
Wireless Telecommunication Services -- 0.1%			
1,325	American Tower Corp. (expires 8/01/2008)		722,125

Total Warrants			
(Cost -- \$870,754) -- 0.2%			1,638,390
		=====	
Beneficial	Other Interests (f)		
Interest			
		=====	
Airlines -- 0.1%			
USD 5,505,000	Delta Air Default, 8.33% Escrow		302,775
4,200,000	Delta Air Default, 10% Escrow		220,500

			523,275
		=====	
Auto Components -- 0.0%			
3,614,601	Cambridge Industries, Inc. (Litigation Trust Certificates)		0
		=====	
Media -- 0.0%			
	Adelphia C.V.U.:		
7,500,000	Escrow		750
5,000	Preferred Escrow		0
9,406,019	Recovery Trust		941
500,000	Adelphia Recovery Trust Series ACC-6B INT		0

			1,691
		=====	
Paper & Forest Products -- 0.0%			
18	Cellu Tissue Holdings, Inc. (Escrow Shares)		0

Total Other Interests			
(Cost -- \$30,749) -- 0.1%			524,966
		=====	

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

Short-Term Securities

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

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

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

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

Aggregate cost	\$959,704,946
	=====
Gross unrealized appreciation	\$ 21,112,967
Gross unrealized depreciation	(72,829,493)

Net unrealized depreciation	\$(51,716,526)
	=====

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

- (a) Convertible security.
- (b) Floating rate security.
- (c) Investments in companies considered to be an affiliate of the Fund, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, were as follows:

	Net Activity	Interest Income
Affiliate		
BlackRock Liquidity Series, LLC Cash Sweep Series	\$(34,610)	\$227,539

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

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

common stock and are non-income producing. The purchase price and number of shares are subject to adjustment under certain conditions until the expiration date.

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

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

- (l) Subject to principal paydowns.
- (m) The security may be offered and sold to "qualified institutional buyers" under Rule 144A of the Securities Act of 1933.
- (n) As a result of bankruptcy proceedings, the company did not repay the principal amount of the security upon maturity. The security is non-income producing.
- o For Fund compliance purposes, the Fund's industry classifications refer to any one or more of the industry sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or as defined by Fund management. This definition may not apply for purposes of this report, which may combine industry sub-classifications for reporting ease. Industries are shown as a percent of net assets.
- o Forward foreign exchange contracts of August 31, 2007 were as follows:

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

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

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

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

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

Total			\$ (642,224) =====

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

See Notes to Financial Statements.

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

Statement of Assets, Liabilities and Capital

As of August 31, 2007 (Unaudited)

Assets

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

Liabilities

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

Net Assets

Net Assets	
------------------	--

Capital

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

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

Accumulated realized capital losses -- net
 Unrealized depreciation -- net

 Total accumulated losses -- net

 Total capital -- Equivalent to \$6.47 net asset value per
 share of Common Stock (market price -- \$6.41)

See Notes to Financial Statements.

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

Statement of Operations

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

Investment Income

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

 Total income

Expenses

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

 Total expenses

 Investment income -- net

Realized & Unrealized Gain (Loss) -- Net

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

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

Change in unrealized appreciation/depreciation on:

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

Total realized and unrealized loss -- net

Net Decrease in Net Assets Resulting from Operations

See Notes to Financial Statements.

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

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets:

Operations

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

Dividends to Shareholders

Dividends to shareholders from investment income -- net

Stock Transactions

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

Net Assets

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

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

See Notes to Financial Statements.

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

Statement of Cash Flows

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

=====
Cash Provided by Operating Activities

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

Cash provided by operating activities

=====
Cash Used for Financing Activities

Cash receipts from borrowings
Cash payments from borrowings
Dividends paid to shareholders

Net cash used for financing activities

=====
Cash

Net increase in cash
Cash at beginning of period

Cash at end of period

=====
Cash Flow Information

Cash paid for interest

=====
Non-Cash Financing Activities

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

Value of capital shares issued in reinvestment of dividends to shareholders

See Notes to Financial Statements.

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

Financial Highlights

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

	For the Six Months Ended August 31, 2007 (Unaudited)	For the Year Ended February 28,		
		2007	2006	2005

Per Share Operating Performance

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

Total Investment Return**

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

Ratios to Average Net Assets

Expenses, excluding interest expense99%*	.99%	1.02%	
--	-------	------	-------	--

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

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

Leverage

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

Supplemental Data

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

* Annualized.

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

*** Based on average shares outstanding.

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

+++ Aggregate total investment return.

See Notes to Financial Statements.

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

Notes to Financial Statements (Unaudited)

1. Significant Accounting Policies:

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

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

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

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

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

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

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

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

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

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

Notes to Financial Statements (continued)

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

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

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

Written and purchased options are non-income producing investments.

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

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

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

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

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

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

Notes to Financial Statements (continued)

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

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

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

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

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

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

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

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

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

2. Investment Advisory Agreement and Transactions with Affiliates:

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

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

Notes to Financial Statements (concluded)

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

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

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

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

3. Investments:

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

4. Capital Share Transactions:

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

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

5. Unfunded Loan Commitments:

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

(in Thousands)

Borrower	Unfunded Commitment	Value of Underlying Loan

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

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

6. Short-Term Borrowings:

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

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

7. Capital Loss Carryforward:

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

8. Subsequent Event:

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

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

Officers and Directors

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

Custodian

The Bank of New York
 100 Church Street New

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

York, NY 10286

Transfer Agent

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

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

BlackRock Privacy Principles

BlackRock is committed to maintaining the privacy of its current and former fund investors and individual clients (collectively, "Clients") and to safeguarding their non-public personal information. The following information is provided to help you understand what personal information BlackRock collects, how we protect that information and why in certain cases we share such information with select parties.

If you are located in a jurisdiction where specific laws, rules or regulations require BlackRock to provide you with additional or different privacy-related rights beyond what is set forth below, then BlackRock will comply with those specific laws, rules or regulations.

BlackRock obtains or verifies personal non-public information from and about you from different sources, including the following: (i) information we receive from you or, if applicable, your financial intermediary, on applications, forms or other documents; (ii) information about your transactions with us, our affiliates, or others; (iii) information we receive from a consumer reporting agency; and (iv) from visits to our Web sites.

BlackRock does not sell or disclose to non-affiliated third parties any non-public personal information about its Clients, except as permitted by law or as is necessary to respond to regulatory requests or to service Client accounts. These non-affiliated third parties are required to protect the confidentiality and security of this information and to use it only for its intended purpose.

We may share information with our affiliates to service your account or to provide you with information about other BlackRock products or services that may be of interest to you. In addition, BlackRock restricts access to non-public personal information about its Clients to those BlackRock employees with a legitimate business need for the information. BlackRock maintains physical, electronic and procedural safeguards that are designed to protect the non-public personal information of its Clients, including procedures relating to the proper storage and disposal of such information.

Availability of Quarterly Schedule of Investments

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

Electronic Delivery

Electronic copies of most financial reports and prospectuses are available on

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

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

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

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

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

GO

[PAPERLESS LOGO]

It's Fast, Convenient, & Timely!

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

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

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

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

BLACKROCK

#DEBT-8/07

- Item 2 - Code of Ethics - Not Applicable to this semi-annual report
- Item 3 - Audit Committee Financial Expert - Not Applicable to this semi-annual report
- Item 4 - Principal Accountant Fees and Services - Not Applicable to this

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

semi-annual report

- Item 5 - Audit Committee of Listed Registrants - Not Applicable to this semi-annual report
- Item 6 - Schedule of Investments - The registrant's Schedule of Investments is included as part of the Report to Stockholders filed under Item 1 of this form.
- Item 7 - Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies - Not Applicable to this semi-annual report
- Item 8 - Portfolio Managers of Closed-End Management Investment Companies - Not Applicable to this semi-annual report
- Item 9 - Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers - Not Applicable
- Item 10 - Submission of Matters to a Vote of Security Holders - The registrant's Nominating Committee will consider nominees to the Board recommended by shareholders when a vacancy becomes available. Shareholders who wish to recommend a nominee should send nominations which include biographical information and set forth the qualifications of the proposed nominee to the registrant's Secretary. There have been no material changes to these procedures.
- Item 11 - Controls and Procedures
 - 11(a) - The registrant's principal executive and principal financial officers or persons performing similar functions have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act")) are effective as of a date within 90 days of the filing of this report based on the evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act and Rule 13a-15(b) under the Securities and Exchange Act of 1934, as amended.
 - 11(b) - There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the second fiscal quarter of the period covered by this report that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.
- Item 12 - Exhibits attached hereto
 - 12(a) (1) - Code of Ethics - Not Applicable to this semi-annual report
 - 12(a) (2) - Certifications - Attached hereto
 - 12(a) (3) - Not Applicable
 - 12(b) - Certifications - Attached hereto

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

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

BlackRock Debt Strategies Fund, Inc.

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

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

Date: October 22, 2007

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

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

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

Date: October 22, 2007

By: /s/ Donald C. Burke

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

Date: October 22, 2007