AUTOMATIC DATA PROCESSING INC
Form 10-Q
May 09, 2008

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

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 2008

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period From to

Commission File Number 1-5397

AUTOMATIC DATA PROCESSING, INC.

(Exact name of registrant as specified in its charter)

Delaware	**22-1467904**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
One ADP Boulevard, Roseland, New Jersey	**07068**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: (973) 974-5000

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer o

Non-accelerated filer o (Do not check if a smaller reporting company) Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

The number of shares outstanding of the registrant s common stock as of April 30, 2008 was 518,418,086.

Part 1. FINANCIAL INFORMATION

Item 1. Financial Statements

Automatic Data Processing, Inc. and Subsidiaries

Statements of Consolidated Earnings

(In millions, except per share amounts)

(Unaudited)

	Three Months Ended March 31,		**Nine Months Ended March 31,**	
	2008	**2007**	**2008**	**2007**
REVENUES:				
Revenues, other than interest on funds held for clients and PEO revenues	$1,931.0	$1,725.1	$5,273.4	$4,679.6
Interest on funds held for clients	198.5	198.3	515.0	475.3
PEO revenues (A)	297.7	247.6	780.9	645.2
TOTAL REVENUES	2,427.2	2,171.0	6,569.3	5,800.1
EXPENSES:				
Costs of revenues:				
Operating expenses	1,033.5	891.4	2,921.6	2,516.4
Systems development and programming costs	132.0	122.2	385.1	355.7
Depreciation and amortization	58.9	53.5	177.9	154.4
TOTAL COSTS OF REVENUES	1,224.4	1,067.1	3,484.6	3,026.5

Selling, general and administrative expenses	585.3	549.8	1,673.4	1,557.0
Interest expense	7.9	7.0	68.0	74.7
TOTAL EXPENSES	1,817.6	1,623.9	5,226.0	4,658.2
Other income, net	(25.9)	(24.3)	(114.2)	(174.2)
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	635.5	571.4	1,457.5	1,316.1
Provision for income taxes	231.9	211.3	521.8	488.9
NET EARNINGS FROM CONTINUING OPERATIONS	$403.6	$360.1	$935.7	$827.2
Earnings from discontinued operations, net of provision for income taxes of $0.9 and $53.6 for the three months ended March 31, 2008 and 2007, respectively, and $31.7 and $103.8 for the nine months ended March 31, 2008 and 2007, respectively	10.0	28.8	66.5	116.8
NET EARNINGS	$413.6	$388.9	$1,002.2	$944.0
Basic Earnings Per Share from Continuing Operations	$0.78	$0.65	$1.79	$1.50
Basic Earnings Per Share from Discontinued Operations	0.02	0.05	0.13	0.21
BASIC EARNINGS PER SHARE	$0.80	$0.70	$1.91	$1.71
Diluted Earnings Per Share from Continuing Operations	$0.77	$0.65	$1.77	$1.48
Diluted Earnings Per Share from Discontinued Operations	0.02	0.05	0.13	0.21
DILUTED EARNINGS PER SHARE	$0.79	$0.70	$1.89	$1.69
Basic weighted average shares outstanding	519.8	552.1	524.0	551.6
Diluted weighted average shares outstanding	523.2	558.7	529.9	558.5
Dividends declared per common share	$0.2900	$0.2300	$0.8100	$0.6450

(A) Professional Employer Organization (PEO) revenues are net of direct pass-through costs, primarily consisting of payroll wages and payroll taxes, of $3,043.9 and $2,417.8 for the three months ended March 31, 2008 and 2007, respectively, and $8,413.0 and $6,763.1 for the nine months ended March 31, 2008 and 2007, respectively.

See notes to the consolidated financial statements.

Automatic Data Processing, Inc. and Subsidiaries

Consolidated Balance Sheets

(In millions, except per share amounts)

(Unaudited)

Assets	**March 31, 2008**	**June 30, 2007**
Current assets:		
Cash and cash equivalents	$ 1,644.7	$ 1,746.1
Short-term marketable securities	31.6	70.4
Accounts receivable, net	1,179.1	1,041.9
Other current assets	592.5	448.1
Assets of discontinued operations		57.7
Total current assets before funds held for clients	3,447.9	3,364.2
Funds held for clients	24,372.1	18,489.2
Total current assets	27,820.0	21,853.4
Long-term marketable securities	59.1	68.1
Long-term receivables, net	240.0	226.5
Property, plant and equipment, net	732.6	723.8
Other assets	843.9	735.5
Goodwill	2,420.7	2,353.6
Intangible assets, net	659.2	688.0
Total assets	$ 32,775.5	$ 26,648.9
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	$ 99.4	$ 125.9
Accrued expenses and other current liabilities	1,597.7	1,527.1
Income taxes payable	207.6	118.7
Liabilities of discontinued operations		19.1
Total current liabilities before client funds obligations	1,904.7	1,790.8
Client funds obligations	23,958.1	18,673.0
Total current liabilities	25,862.8	20,463.8
Long-term debt	52.5	43.5
Other liabilities	576.9	390.5
Deferred income taxes	281.6	127.7
Long-term deferred revenues	502.9	475.5
Total liabilities	27,276.7	21,501.0
Stockholders equity:		
Preferred stock, $1.00 par value:		
Authorized, 0.3 shares; issued, none		
Common stock, $0.10 par value:		
Authorized, 1,000.0 shares; issued 638.7 shares at March 31, 2008 and June 30, 2007;outstanding, 518.2 and 535.8 shares at March 31, 2008 and June 30, 2007, respectively	63.9	63.9
Capital in excess of par value	463.6	351.8
Retained earnings	9,952.9	9,378.5
Treasury stock- at cost: 120.5 and 102.9 shares at March 31, 2008 and June 30, 2007, respectively	(5,459.7)	(4,612.9)
Accumulated other comprehensive income (loss)	478.1	(33.4)
Total stockholders equity	5,498.8	5,147.9
Total liabilities and stockholders equity	$ 32,775.5	$ 26,648.9

See notes to the consolidated financial statements.

Automatic Data Processing, Inc. and Subsidiaries

Statements of Consolidated Cash Flows

(In millions)

(Unaudited)

	Nine Months Ended March 31, 2008	2007
Cash Flows from Operating Activities:		
Net earnings	$1,002.2	$944.0
Adjustments to reconcile net earnings to cash flows provided by operating activities:		
Gain on sale of cost-based investment		(38.6)
Depreciation and amortization	246.2	213.0
Deferred income taxes	3.1	(13.9)
Stock-based compensation expense	94.8	103.6
Net pension expense	28.8	30.3
Net realized gain from the sales of marketable securities	(0.5)	(17.3)
Net amortization of premiums and accretion of discounts on available-for-sale securities	29.5	31.3
Gain on sale of discontinued businesses, net of tax	(66.5)	(19.5)
Other	70.5	26.5
Changes in operating assets and liabilities, net of effects from acquisitions and divestitures of businesses:		
Increase in accounts receivable	(127.1)	(143.2)
Increase in other assets	(43.8)	(66.2)
Decrease in accounts payable	(16.2)	(23.8)
Increase in accrued expenses and other liabilities	77.6	13.2
Operating activities of discontinued operations		72.6
Net cash flows provided by operating activities	1,298.6	1,112.0
Cash Flows from Investing Activities:		
Purchases of corporate and client funds marketable securities	(4,783.6)	(3,347.7)
Proceeds from the sales and maturities of corporate and client funds marketable securities	3,455.7	3,513.6
Net (increase) in restricted cash and cash equivalents and other restricted assets held to satisfy client funds obligations	(3,809.7)	(6,065.1)
Capital expenditures	(127.0)	(121.3)
Additions to intangibles	(67.7)	(138.4)
Acquisitions of businesses, net of cash acquired	(90.4)	(433.0)
Proceeds from the sale of cost-based investment		38.6
Dividend received from Broadridge Financial Solutions, Inc., net of $29.9 million in cash retained by Broadridge Financial Solutions, Inc.		660.1
Other	18.2	16.3
Proceeds from the sale of businesses included in discontinued operations, net of cash divested	112.4	17.2
Investing activities of discontinued operations		(29.5)
Net cash flows used in investing activities	(5,292.1)	(5,889.2)
Cash Flows from Financing Activities:		
Net increase in client funds obligations	5,175.2	6,225.4
Proceeds from issuance of debt	21.2	0.4
Payments of debt	(9.7)	(1.6)
Repurchases of common stock	(1,111.7)	(906.3)
Proceeds from stock purchase plan and exercises of stock options	170.3	224.5
Dividends paid	(401.4)	(334.0)

Financing activities of discontinued operations		134.1
Net cash flows provided by financing activities	3,843.9	5,342.5
Effect of exchange rate changes on cash and cash equivalents	33.5	7.5
Net change in cash and cash equivalents	(116.1)	572.8
Cash and cash equivalents of continuing operations, beginning of period	1,746.1	1,800.1
Cash and cash equivalents of discontinued operations, beginning of period	14.7	100.5
Cash and cash equivalents, end of period	1,644.7	2,473.4
Less cash and cash equivalents of discontinued operations, end of period		59.3
Cash and cash equivalents of continuing operations, end of period	$1,644.7	$2,414.1

See notes to the consolidated financial statements.

Automatic Data Processing, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

(Tabular dollars in millions, except per share amounts)

(Unaudited)

Note 1. Basis of Presentation

The accompanying unaudited consolidated financial statements reflect all adjustments which, in the opinion of management, are necessary for a fair presentation of the results for the interim periods. Adjustments are of a normal recurring nature. These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes of Automatic Data Processing, Inc. and subsidiaries (ADP or the Company) as of and for the year ended June 30, 2007. The results of operations for the three and nine months ended March 31, 2008 may not be indicative of the results to be expected for the fiscal year ending June 30, 2008.

Note 2. Reclassifications within Consolidated Balance Sheets and Statements of Consolidated Cash Flows

The Company has reclassified funds held for clients and client funds obligations that had been previously presented outside of current assets and current liabilities, respectively, within the Consolidated Balance Sheets, to current assets and current liabilities, respectively, for all periods presented. Previously presented amounts reclassified were as follows:

	June 30, 2007	**2006**
Funds held for clients	$18,489.2	$17,483.9
Client funds obligations	$18,673.0	$17,787.4

This reclassification had no impact on total assets or total liabilities for any period presented.

Additionally, the Company has reclassified the net increase (decrease) in client funds obligations in the Statements of Consolidated Cash Flows from investing activities to financing activities for all periods presented. The impacts of the reclassification were as follows:

	Year ended June 30, 2007	**2006**	**2005**	**Nine months ended March 31, 2007**
Net cash flows provided by (used in) investing activities - as previously reported	$ 430.8	$ 452.2	$ (437.9)	$ 336.2
Impact of reclassification	$ (707.7)	$ 174.3	$ (5,018.9)	$ (6,225.4)

Net cash flows (used in) provided by investing activities - as reclassified	$	(276.9)	$	626.5	$	(5,456.8)	$	(5,889.2)
Net cash flows used in financing activities - as previously reported	$	(1,884.4)	$	(1,348.8)	$	(746.5)	$	(882.9)
Impact of reclassification	$	707.7	$	(174.3)	$	5,018.9	$	6,225.4
Net cash flows (used in) provided by financing activities - as reclassified	$	(1,176.7)	$	(1,523.1)	$	4,272.4	$	5,342.5

This reclassification had no impact on the net change in cash and cash equivalents or cash flows from operating activities for any period presented.

Refer to Note 11 Corporate Investments and Funds Held for Clients for additional disclosures related to funds held for clients and client funds obligations.

Note 3. Divestitures

On June 30, 2007, the Company entered into a definitive agreement to sell its Travel Clearing business for approximately $116.0 million in cash. The Company completed the sale of its Travel Clearing business on July 6, 2007. The Travel Clearing business was previously reported in the Other segment. In connection with the disposal of this business, the Company has classified the results of this business as discontinued operations for all periods presented. Additionally, in January 2008, the Company finalized a purchase price adjustment and received an additional payment of $7.2 million, for which the Company recorded a gain of $7.2 million, or $4.9 million after taxes, within earnings from discontinued operations on the Statements of Consolidated Earnings. During the nine months ended March 31, 2008, the Company reported a gain of $95.7 million, or $62.1 million after taxes, within earnings from discontinued operations on the Statements of Consolidated Earnings.

On March 30, 2007, the Company completed the tax-free spin-off of its former Brokerage Services Group business, comprised of Brokerage Services and Securities Clearing and Outsourcing Services, into an independent publicly traded company called Broadridge Financial Solutions, Inc. (Broadridge). As a result of the spin-off, ADP stockholders of record on March 23, 2007 (the record date) received one share of Broadridge common stock for every four shares of ADP common stock held by them on the record date and cash for any fractional shares of Broadridge common stock. ADP distributed approximately 138.8 million shares of Broadridge common stock in the distribution. The spin-off was made without the payment of any consideration or the exchange of any shares by ADP stockholders. The Company has classified the results of operations of the spun-off business as discontinued operations for all periods presented.

On January 23, 2007, the Company completed the sale of Sandy Corporation, a business within the Dealer Services segment, which specializes in sales and marketing training, for approximately $4.0 million in cash and the assumption of certain liabilities by the buyer, plus an additional earn-out payment if certain revenue targets are achieved. The Company has classified the results of operations of this business as discontinued operations for all periods presented. Additionally, during the fiscal year ended June 30, 2007, the Company reported a gain of $11.2 million, or $6.9 million after tax, within earnings from discontinued operations on the Statements of Consolidated Earnings. In March 2008, the Company received an additional payment of $2.5 million, which represented a purchase price adjustment for the sale of Sandy Corporation. The Company recorded an additional gain of $2.5 million, or $1.6 million, net of tax, within earnings from discontinued operations during the three and nine months ended March 31, 2008.

During the three and nine months ended March 31, 2008, the Company recorded a net gain of $3.5 million and $2.8 million, net of taxes, respectively, within earnings from discontinued operations related to a change in estimated taxes on the divestitures of businesses, partially offset by professional fees incurred in connection with the divestitures of businesses.

Operating results of these discontinued operations were as follows:

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007	Nine Months Ended March 31, 2008	Nine Months Ended March 31, 2007
Revenues	$	$ 576.8	$	$ 1,499.1
Earnings from discontinued operations before income taxes		71.2		196.2
Provision for income taxes		49.3		98.9
Net earnings from discontinued operations before gain on disposal of discontinued operations		21.9		97.3
Gain on disposal of discontinued operations, net of provision for income taxes of $0.9 and $4.3 for the three months ended March 31, 2008 and 2007, respectively, and $31.7 and $4.9 for the nine months ended March 31, 2008 and 2007, respectively	10.0	6.9	66.5	19.5
Net earnings from discontinued operations	$ 10.0	$ 28.8	$ 66.5	$ 116.8

There were no assets or liabilities of discontinued operations as of March 31, 2008. The following are the major classes of assets and liabilities related to the discontinued operations as of June 30, 2007:

	June 30, 2007
Assets:	
Cash	$ 14.7
Accounts receivable, net	12.7
Property, plant and equipment, net	5.3
Goodwill	10.1
Intangible assets, net	9.6
Other assets	5.3
Total	$ 57.7
Liabilities:	
Accrued expenses	$ 15.9
Income taxes payable	1.4
Other liabilities	1.8
Total	$ 19.1

Note 4. New Accounting Pronouncements

In March 2008, the Financial Accounting Standards Board (FASB) issued Statement No. 161, Disclosures about Derivative Instruments and Hedging Activities (SFAS No. 161). SFAS No. 161 amends and expands the disclosure requirements of Statement No. 133, Accounting for Derivative Instruments and Hedging Activities. It requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company does not anticipate the adoption of SFAS No. 161 will have a material impact on its results of operations, cash flows or financial condition.

In December 2007, the FASB issued Statement No. 141 (revised 2007), Business Combinations (SFAS No. 141R). SFAS No. 141R establishes principles and requirements for how the acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any controlling interest in the business and the goodwill acquired. SFAS No. 141R further requires that acquisition-related costs and costs associated with restructuring or exiting activities of an acquired entity will be expensed as incurred. SFAS No. 141R also establishes disclosure requirements that will require disclosure of the nature and financial effects of the business combination. SFAS No. 141R will impact business combinations for the Company that may be completed on or after July 1, 2009. The Company cannot anticipate whether the adoption of SFAS No. 141R will have a material impact on its results of operations and financial condition as the impact is solely dependent on whether the Company enters into a business combination after July 1, 2009 and the terms of such a transaction.

In December 2007, the FASB issued Statement No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51 (SFAS No. 160). SFAS No. 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent s ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS No. 160 also establishes reporting requirements that provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS No. 160 will impact business combinations for the Company that may be completed on or after July 1, 2009. Currently, the Company does not anticipate the adoption of SFAS No. 160 will have a material impact on its results of operations or financial condition.

In March 2007, the FASB ratified EITF Issue No. 06-11 (EITF 06-11), Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards. EITF 06-11 requires companies to recognize, as an increase to additional paid-in capital, the income tax benefit realized from dividends or dividend equivalents that are charged to retained earnings and paid to employees for non-vested equity-classified employee share-based payment awards. EITF 06-11 is effective for fiscal years beginning after September 15, 2007. The Company does not expect EITF 06-11 to have a material impact on its results of operations or cash flows.

In February 2007, the FASB issued Statement No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS No. 159). SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. This statement provides companies with an option to measure selected financial assets and liabilities at fair value. The Company is currently evaluating the effect that the adoption of SFAS No. 159 will have, if any, on its consolidated results of operations or financial condition.

In September 2006, the FASB issued Statement No. 157, Fair Value Measurements (SFAS No. 157). This statement clarifies the definition of fair value, establishes a framework for measuring fair value, and expands the disclosures on fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The Company believes that the adoption of SFAS No. 157 will not have a material effect on its consolidated results of operations, cash flows or financial condition.

In July 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 (FIN 48). FIN 48 applies to all tax positions accounted for under SFAS No. 109, Accounting for Income Taxes and defines the confidence level that a tax position must meet in order to be recognized in the financial statements. The interpretation requires that the tax effects of a position be recognized only if it is more-likely-than-not to be sustained by the taxing authority as of the reporting date. If a tax position is not considered more-likely-than-not to be sustained, then no benefits of the position are to be recognized. The Company adopted the provisions of FIN 48 as of July 1, 2007, which resulted in a decrease to stockholders equity of $11.7 million (see Note 18).

Note 5. Acquisitions

The Company acquired three businesses during the nine months ended March 31, 2008 for approximately $42.1 million, net of cash acquired. These acquisitions resulted in approximately $26.2 million of goodwill. Intangible assets acquired, which totaled approximately $17.5 million, consisted primarily of customer contracts and lists and software that are being amortized over a weighted average life of approximately 10 years. The acquisitions were not material, either individually or in the aggregate, to the Company s operations, financial position or cash flows. The Company also made $48.3 million of contingent payments during the nine months ended March 31, 2008, relating to previously consummated acquisitions.

Note 6. Earnings per Share (EPS)

	Basic	Effect of Zero Coupon Subordinated Notes	Effect of Employee Stock Option Shares	Effect of Employee Stock Purchase Plan Shares	Effect of Employee Restricted Stock Shares	Diluted
Three months ended March 31,						
2008						
Net earnings from continuing operations	$403.6	$	$	$	$	$403.6
Weighted average shares (in millions)	519.8		2.3		1.1	523.2
EPS from continuing operations	$0.78					$0.77
2007						
Net earnings from continuing operations	$360.1	0.3	$	$	$	$360.4
Weighted average shares (in millions)	552.1	0.9	5.0	0.4	0.3	558.7
EPS from continuing operations	$0.65					$0.65
Nine months ended March 31,						
2008						
Net earnings from continuing operations	$935.7	$	$	$	$	$935.7
Weighted average shares (in millions)	524.0		4.5	0.4	1.0	529.9
EPS from continuing operations	$1.79					$1.77
2007						
Net earnings from continuing operations	$827.2	1.1	$	$	$	$828.3
Weighted average shares (in millions)	551.6	1.0	4.4	0.5	1.0	558.5
EPS from continuing operations	$1.50					$1.48

Options to purchase 24.3 million and 13.0 million shares of common stock for the three months ended March 31, 2008 and 2007, respectively, and 12.8 million and 19.0 million shares of common stock for the nine months ended March 31, 2008 and 2007, respectively, were excluded from the calculation of diluted earnings per share because their exercise prices exceeded the average market price of outstanding common shares for the respective period.

Note 7. Fair Value Accounting for Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with SFAS No. 123R, Share-Based Payment (SFAS No. 123R), which requires the measurement of stock-based compensation expense to be recognized in net earnings based on the fair value of the award on the date of grant. Stock-based compensation consists of the following:

Stock Options. Stock options are granted to employees at exercise prices equal to the fair market value of the Company s common stock on the dates of grant. Stock options are issued under a grade vesting schedule, generally vest ratably over five years and have a term of 10 years. Compensation expense for stock options is recognized over the requisite service period for each separately vesting portion of the stock option award. In the fiscal year ended June 30, 2007, the Company reduced the number of stock options issued to employees and replaced these awards with the issuance of performance-based restricted stock.

Employee Stock Purchase Plan. The Company offers an employee stock purchase plan that allows eligible employees to purchase shares of common stock at a price equal to 85% of the market value for the common stock at the date the purchase price for the offering is determined. Compensation expense for the employee stock purchase plan is recognized on a straight-line basis over the vesting period of 24 months.

Restricted Stock.

- **Time-Based Restricted Stock.** The Company has a time-based restricted stock program under which shares of common stock have been issued to certain key employees. These shares are restricted as to transfer and in certain circumstances must be returned to the Company at the original purchase price. The Company records stock compensation expense relating to the issuance of time-based restricted stock over the period during which the transfer restrictions exist, which is up to five years from the date of grant. The value of the Company s time-based restricted stock, based on market prices on the date of grant, is recognized as compensation expense over the restriction period on a straight-line basis.

- **Performance-Based Restricted Stock.** In the fiscal year ended June 30, 2007, the Company revised its stock-based compensation programs for non-executives, and began awarding two-year performance-based restricted stock in place of stock options. In addition, in the fiscal year ended June 30, 2007, the existing time-based restricted stock program for key employees was largely eliminated and replaced by two-year performance-based restricted stock on a prospective basis. The performance-based restricted stock program contains a two-year performance period and a subsequent six-month service period. Under this program, the Company communicates target awards to employees at the beginning of a performance period and, as such, dividends are not paid in respect of the target awards during the performance period. After the two-year performance period, if the performance targets are achieved, associates are eligible to receive dividends on any shares awarded under the program. The performance target is based on EPS growth over the performance period with possible payouts ranging from 0% to 125% of the target awards . SFAS No. 123R requires the measurement of stock-based compensation based upon the fair value of the award on the grant date. Compensation expense is recognized on a straight-line basis over the vesting term of approximately 30 months based upon the probable performance target that will be met.

The Company currently utilizes treasury stock to satisfy stock option exercises, issuances under the Company s employee stock purchase plan and restricted stock awards. Stock-based compensation expense of $31.4 million and $33.4 million was recognized in earnings from continuing operations for the three months ended March 31, 2008 and 2007, respectively, as well as related tax benefits of $9.2 million and $10.2 million, respectively. Stock-based compensation expense of $94.8 million and $103.6 million was recognized in earnings from continuing operations for the nine months ended March 31, 2008 and 2007, respectively, as well as related tax benefits of $28.3 million and $31.1 million, respectively.

	Three Months Ended March 31, 2008	2007	Nine Months Ended March 31, 2008	2007
Operating expenses	$ 7.3	$ 6.3	$ 19.4	$ 18.0
Selling, general and administrative expenses	18.3	21.3	58.8	67.9
System development and programming costs	5.8	5.8	16.6	17.7
Total pretax stock-based compensation expense included in continuing operations	$ 31.4	$ 33.4	$ 94.8	$ 103.6
Total pretax stock-based compensation expense included in discontinued operations		5.5		18.2
Total pretax stock-based compensation expense	$ 31.4	$ 38.9	$ 94.8	$ 121.8

As of March 31, 2008, the total remaining unrecognized compensation cost related to non-vested stock options, the employee stock purchase plan and restricted stock awards amounted to $51.7 million, $28.9 million and $97.0 million, respectively, which will be amortized over the weighted-average remaining requisite service periods of 2.0 years, 1.5 years and 1.7 years, respectively.

During the nine months ended March 31, 2008, the following activity occurred under our existing plans:

Stock Options:

	Number of Options (in thousands)	Weighted Average Price (in dollars)
Options outstanding at July 1, 2007	53,786	$ 40
Options granted	2,037	$ 41
Options exercised	(3,656)	$ 34
Options canceled	(1,342)	$ 42
Options outstanding at March 31, 2008	50,825	$ 41

Performance-Based Restricted Stock:

	Number of Shares (in thousands)
Restricted shares outstanding at July 1, 2007	1,711
Restricted shares granted	1,487
Restricted shares vested	(122)

Restricted shares forfeited	(99)
Restricted shares outstanding at March 31, 2008	2,977

The fair value of each stock option issued prior to January 1, 2005 was estimated on the date of grant using a Black-Scholes option pricing model. For stock options issued on or after January 1, 2005, the fair value of each stock option was estimated on the date of grant using a binomial option pricing model. The binomial model considers a range of assumptions related to volatility, risk-free interest rate and employee exercise behavior. Expected volatilities utilized in the binomial model are based on a combination of implied market volatilities, historical volatility of the Company s stock price and other factors. Similarly, the dividend yield is based on historical experience and expected future changes. The risk-free rate is derived from the U.S. Treasury yield curve in effect at the time of grant. The binomial model also incorporates exercise and forfeiture assumptions based on an analysis of historical data. The expected life of the stock option grants is derived from the output of the binomial model and represents the period of time that options granted are expected to be outstanding.

The following assumptions were used to determine the fair values estimated at the date of grant for stock options:

	Nine Months Ended March 31, 2008	2007
Risk-free interest rate	2.8 % 4.6%	4.7 % 5.0%
Dividend yield	1.7 % 2.5%	1.6 % 1.7%
Weighted average volatility factor	24.5 %-25.6%	23.9 % 24.7%
Weighted average expected life (in years)	5.0	4.9-5.6
Weighted average fair value (in dollars)	$ 8.31	$ 10.77

Note 8. Other Income, net

	Three Months Ended March 31, 2008	2007	Nine Months Ended March 31, 2008	2007
Interest income on corporate funds	$ (25.0)	$ (24.8)	$ (112.0)	$ (118.3)
Gain on sale of investment				(38.6)
Realized gains on available-for-sale securities	(3.4)	(0.4)	(8.8)	(20.5)
Realized losses on available-for-sale securities	3.0	0.9	8.3	3.2
Other, net	(0.5)		(1.7)	
Other income, net	$ (25.9)	$ (24.3)	$ (114.2)	$ (174.2)

Proceeds from sales and maturities of available-for-sale securities were $3,455.7 million and $3,513.6 million for the nine months ended March 31, 2008 and 2007, respectively.

During the nine months ended March 31, 2007, the Company sold a minority investment that was previously accounted for using the cost basis. The Company s sale of this investment resulted in a gain of approximately $38.6 million.

The Company has an outsourcing agreement with Broadridge pursuant to which the Company will continue to provide data center outsourcing, principally information technology services and service delivery network services, to Broadridge in the same capacity post-spin as had been provided pre-spin. As a result of the outsourcing agreement, the Company recognized income of $27.0 million and $79.8 million for the three and nine months ended March 31, 2008, respectively, and recognized expenses directly associated with providing such services of $26.5 million and $78.1 million, respectively, both of which were recorded in other income, net, on the Statements of Consolidated Earnings. The Company had a $9.4 million and $9.6 million receivable from Broadridge for the services under this agreement within accounts receivable on the Consolidated Balance Sheets as of March 31, 2008 and June 30, 2007, respectively.

Note 9. Comprehensive Income

	Three Months Ended March 31, 2008	2007	Nine Months Ended March 31, 2008	2007
Net earnings	$ 413.6	$ 388.9	$ 1,002.2	$ 944.0
Other comprehensive income:				
Foreign currency translation adjustments	(3.2)	(23.8)	112.4	8.1
Unrealized net gain (loss) on available-for-sale securities, net of tax	162.6	32.5	394.3	143.6
Pension benefit plans adjustment, net of tax	1.6		4.8	
Comprehensive income	$ 574.6	$ 397.6	$ 1,513.7	$ 1,095.7

Note 10. Interim Financial Data by Segment

In the fiscal year ended June 30, 2007, the Company implemented several key changes to its operations, including the spin-off of its Brokerage Services Group business on March 30, 2007. In addition, there were changes in the Company s executive management team. As a result of these changes, the Company reassessed its reportable segments under SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, and determined that PEO Services should be a reportable segment in addition to Employer Services and Dealer Services. Based upon similar economic characteristics and operational characteristics, the Company s strategic business units have been aggregated into the following three reportable segments: Employer Services, PEO Services and Dealer Services. The Company has restated its previously reported segment results for all periods presented to reflect this change in the Company s reportable segments. The primary components of Other are miscellaneous processing services, and corporate allocations and expenses, including stock-based compensation expense. Certain revenues and expenses are charged to the reportable segments at a standard rate for management purposes. Other costs are recorded based on management responsibility. The prior year reportable segments revenues and earnings from continuing operations before income taxes have been adjusted to reflect updated budgeted foreign exchange rates for the fiscal year ending June 30, 2008. In addition, there is a reconciling item for the difference between actual interest income earned on invested funds held for clients and interest credited to Employer Services and PEO Services at a standard rate of 4.5%. The reportable segments results also include an internal cost of capital charge related to the funding of acquisitions and other investments. All of these adjustments/charges are reconciling items to the Company s reportable segments revenues and/or earnings from continuing operations before income taxes and results in the elimination of these adjustments/charges in consolidation.

Segment Results:

Revenues

	Three Months Ended March 31, 2008	2007	Nine Months Ended March 31, 2008	2007
Employer Services	$ 1,758.5	$ 1,615.0	$ 4,705.7	$ 4,272.9
PEO Services	299.6	249.1	786.4	649.5
Dealer Services	343.8	318.7	1,009.8	931.2
Other	0.9	(2.0)	1.1	(1.6)
Reconciling items:				
Foreign exchange	34.1	(13.6)	71.1	(43.8)
Client fund interest	(9.7)	3.8	(4.8)	(8.1)
Total	$ 2,427.2	$ 2,171.0	$ 6,569.3	$ 5,800.1

	Earnings from Continuing Operations Before Income Taxes			
	Three Months Ended March 31, 2008	2007	Nine Months Ended March 31, 2008	2007
Employer Services	$ 577.9	$ 516.2	$ 1,276.0	$ 1,129.9
PEO Services	27.9	21.5	79.3	59.3
Dealer Services	58.1	52.5	165.1	146.2
Other	(52.7)	(48.7)	(153.2)	(88.9)
Reconciling items:				
Foreign exchange	5.8	(3.4)	10.5	(6.5)
Client fund interest	(9.7)	3.8	(4.8)	(8.1)
Cost of capital charge	28.2	29.5	84.6	84.2
Total	$ 635.5	$ 571.4	$ 1,457.5	$ 1,316.1

Note 11. Corporate Investments and Funds Held for Clients

Corporate investments and funds held for clients at March 31, 2008 and June 30, 2007 are as follows:

	March 31, 2008			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Type of issue:				
Money market securities and other cash equivalents	$10,668.0	$	$	$10,668.0
Available-for-sale securities:				
U.S. Treasury and direct obligations of U.S. government agencies	6,449.0	237.2	(0.2)	6,686.0
Corporate bonds	4,045.0	107.3	(6.4)	4,145.9
Asset-backed securities	1,953.6	38.3	(1.4)	1,990.5
Canadian government obligations and Canadian government agency obligations	1,018.4	33.4		1,051.8
Other securities	1,543.9	34.5	(13.1)	1,565.3
Total available-for-sale securities	15,009.9	450.7	(21.1)	15,439.5
Total corporate investments and funds held for clients	$25,677.9	$ 450.7	$ (21.1)	$26,107.5

	June 30, 2007	
	Amortized Cost	Gross Unrealized Gains
Type of issue:		
Money market securities and other cash equivalents	$7,004.4	$
Available-for-sale securities:		
U.S. Treasury and direct obligations of U.S. government agencies	6,010.9	1.7
Corporate bonds	3,388.6	2.0
Asset-backed securities	1,906.5	0.6
Canadian government obligations and Canadian government agency obligations	1,042.5	

Schedule of Investments (continued)

Blac

February 28, 2019

(Per

Security

Diversified Telecommunication Services 3.0%
CenturyLink, Inc.:
2017 Term Loan A, (1 mo. LIBOR + 2.75%), 5.24%, 11/01/22
2017 Term Loan B, (1 mo. LIBOR + 2.75%), 5.24%, 01/31/25
Frontier Communications Corp., Delayed Draw Term Loan A, (1 mo. LIBOR + 2.75%), 5.25%, 03/31
Hargray Communications Group, Inc., 2017 Term Loan B, (1 mo. LIBOR + 3.00%, 1.00% Floor), 5.49%, 05/16/24
Level 3 Financing, Inc., 2017 Term Loan B, (1 mo. LIBOR + 2.25%), 4.73%, 02/22/24
MTN Infrastructure TopCo, Inc, 1st Lien Term Loan B, (1 mo. LIBOR + 3.00%, 1.00% Floor), 5.49%, 11/15/24
Sprint Communications, Inc.:
1st Lien Term Loan B, (1 mo. LIBOR + 2.50%), 5.00%, 02/02/24
2018 Term Loan B, (1 mo. LIBOR + 3.00%), 5.50%, 02/02/24
TDC A/S, Term Loan, (1 mo. EURIBOR + 2.75%), 2.75%, 06/04/25
Telenet Financing USD LLC, Term Loan AN, (1 mo. LIBOR + 2.25%), 4.74%, 08/15/26
Telesat Canada, Term Loan B4, (3 mo. LIBOR + 2.50%), 5.31%, 11/17/23
Virgin Media Investment Holdings Ltd., Term Loan L, (1 mo. LIBOR + 3.25%), 3.98%, 01/15/27

Electric Utilities 0.3%
Texas Competitive Electric Holdings Co. LLC/TCEH Finance, Inc., Term Loan, 11/10/19[(a)]
Vistra Energy Corp., 1st Lien Term Loan B3, (1 mo. LIBOR + 2.00%), 4.48%, 12/31/25

Electrical Equipment 0.6%
Gates Global LLC, 2017 Repriced Term Loan B, (1 mo. LIBOR + 2.75%, 1.00% Floor), 5.24%, 04/0

Energy Equipment & Services 0.9%
Gavilan Resources LLC, 2nd Lien Term Loan, (1 mo. LIBOR + 6.00%, 1.00% Floor), 8.49%, 03/01/2
GrafTech Finance, Inc., 2018 Term Loan B, (1 mo. LIBOR + 3.50%, 1.00% Floor), 5.99%, 02/12/25
Pioneer Energy Services Corp., Term Loan, (1 mo. LIBOR + 7.75%, 1.00% Floor), 10.23%, 11/08/22
Seadrill Partners Finco LLC, Term Loan B, (3 mo. LIBOR + 6.00%, 1.00% Floor), 8.80%, 02/21/21
Weatherford International Ltd., Term Loan, (1 mo. LIBOR + 2.50%), 4.80%, 07/13/20
Woodford Express LLC, 2018 Term Loan B, (1 mo. LIBOR + 5.00%, 1.00% Floor), 7.49%, 01/17/25

Security
Equity Real Estate Investment Trusts (REITs) 1.7%
Capital Automotive LP, 2017 1st Lien Term Loan, (1 mo. LIBOR + 2.50%, 1.00% Floor), 5.00%, 03/
Iron Mountain, Inc., 2018 Term Loan B, (1 mo. LIBOR + 1.75%), 4.24%, 01/02/26[(a)]
MGM Growth Properties Operating Partnership LP, 2016 Term Loan B, (1 mo. LIBOR + 2.00%), 4.49%, 03/21/25
VICI Properties 1 LLC, Replacement Term Loan B, (1 mo. LIBOR + 2.00%), 4.48%, 12/20/24

Food & Staples Retailing 1.6%
Albertsons LLC, Term Loan B7, (1 mo. LIBOR + 3.00%), 5.49%, 11/17/25
Hearthside Food Solutions LLC:
2018 Incremental Term Loan, (1 mo. LIBOR + 4.00%), 6.49%, 05/23/25

2018 Term Loan B, (1 mo. LIBOR + 3.69%), 6.18%, 05/23/25
Hostess Brands LLC, 2017 Repriced Term Loan, (1 mo. LIBOR + 2.25%), 4.89%, 08/03/22
US Foods, Inc., 2016 Term Loan B, (1 mo. LIBOR + 2.00%), 4.49%, 06/27/23

Food Products 2.0%
8th Avenue Food & Provisions, Inc., 2018 1st Lien Term Loan, (1 mo. LIBOR + 3.75%), 6.26%, 10/0
Chobani LLC, 2017 Term Loan B, (1 mo. LIBOR + 3.50%, 1.00% Floor), 5.99%, 10/10/23
JBS USA LLC, 2017 Term Loan B, (1 mo. LIBOR + 2.50%), 5.26%, 10/30/22
Post Holdings, Inc., 2017 Series A Incremental Term Loan, (1 mo. LIBOR + 2.00%), 4.49%, 05/24/2
Reynolds Group Holdings, Inc., 2017 Term Loan, (1 mo. LIBOR + 2.75%), 5.24%, 02/05/23

Gas Utilities 0.2%
AL Midcoast Holdings LLC, 2018 Term Loan B, (3 mo. LIBOR + 5.50%), 8.30%, 07/31/25

Health Care Equipment & Supplies 1.9%
Agiliti Health, Inc., Term Loan, (1 mo. LIBOR + 3.00%), 5.56%, 01/04/26[a]
CryoLife, Inc., Term Loan B, (3 mo. LIBOR + 3.25%, 1.00% Floor), 6.05%, 11/14/24[a]
Immucor, Inc., Extended Term Loan B, (3 mo. LIBOR + 5.00%, 1.00% Floor), 7.80%, 06/15/21
Orchid Orthopedic Solutions LLC, 1st Lien Term Loan, 02/26/26[a][k]
Ortho-Clinical Diagnostics SA, 2018 Term Loan B, (1 mo. LIBOR + 3.25%), 5.75%, 06/30/25

Health Care Providers & Services 4.9%
AHP Health Partners, Inc., 2018 Term Loan, (1 mo. LIBOR + 4.50%, 1.00% Floor), 6.99%, 06/30/25
CHG Healthcare Services, Inc., 2017 1st Lien Term Loan B, (1 mo. LIBOR + 3.00%, 1.00% Floor), 5.65%, 06/07/23

Schedule of Investments (continued) **Blac**

February 28, 2019 **(Per**

Security

Health Care Providers & Services (continued)

Concentra, Inc.:

2018 1st Lien Term Loan, (1 mo. LIBOR + 2.75%), 5.27%, 06/01/22

2018 2nd Lien Term Loan, (1 mo. LIBOR + 6.50%, 1.00% Floor), 9.02%, 06/01/23

DaVita HealthCare Partners, Inc., Term Loan B, (1 mo. LIBOR + 2.75%), 5.24%, 06/24/21

DentalCorp Perfect Smile ULC:

1st Lien Term Loan, (1 mo. LIBOR + 3.75%, 1.00% Floor), 6.24%, 06/06/25

Delayed Draw Term Loan, (1 mo. LIBOR + 3.75%, 1.00% Floor), 5.58%, 06/06/25

Diplomat Pharmacy, Inc., 2017 Term Loan B, (1 mo. LIBOR + 4.50%, 1.00% Floor), 7.00%, 12/20/2

Envision Healthcare Corp., 2018 1st Lien Term Loan, (1 mo. LIBOR + 3.75%), 6.24%, 10/10/25

Gentiva Health Services, Inc.:

2018 1st Lien Term Loan, (1 mo. LIBOR + 3.75%), 6.25%, 07/02/25[(a)]

2018 2nd Lien Term Loan, (1 mo. LIBOR + 7.00%), 9.50%, 07/02/26

HCA, Inc., 2018 Term Loan B10, (1 mo. LIBOR + 2.00%), 4.49%, 03/13/25

LGC Science Holdings Ltd., USD Term Loan B3, (1 mo. LIBOR + 3.50%), 5.99%, 03/08/23

Lifescan Global Corp., 2018 1st Lien Term Loan, (3 mo. LIBOR + 6.00%), 8.80%, 09/27/24

MPH Acquisition Holdings LLC, 2016 Term Loan B, (3 mo. LIBOR + 2.75%, 1.00% Floor), 5.55%,

National Mentor Holdings, Inc., Term Loan B, (3 mo. LIBOR + 3.00%), 5.80%, 01/31/21

nThrive, Inc., 2016 1st Lien Term Loan, (1 mo. LIBOR + 4.50%, 1.00% Floor), 6.99%, 10/20/22

NVA Holdings, Inc., Term Loan B3, (1 mo. LIBOR + 2.75%, 1.00% Floor), 5.24%, 02/02/25

ScribeAmerica Intermediate Holdco LLC, 2018 Term Loan, (1 mo. LIBOR + 4.50%), 7.01%, 04/03/2

Team Health Holdings, Inc., 1st Lien Term Loan, (1 mo. LIBOR + 2.75%, 1.00% Floor), 5.24%, 02/0

Vizient, Inc., 2017 Term Loan B, (1 mo. LIBOR + 2.75%, 1.00% Floor), 5.24%, 02/13/23

WP CityMD Bidco LLC, 2018 1st Lien Term Loan, (3 mo. LIBOR + 3.50%, 1.00% Floor), 6.30%, 0

Health Care Services 0.2%

Sound Inpatient Physicians:

2018 1st Lien Term Loan, (1 mo. LIBOR + 2.75%), 5.24%, 06/27/25

2018 2nd Lien Term Loan, (1 mo. LIBOR + 6.75%), 9.24%, 06/26/26

Health Care Technology 1.9%

Change Healthcare Holdings, Inc., 2017 Term Loan B, (1 mo. LIBOR + 2.75%, 1.00% Floor), 5.24%,

Security

Health Care Technology (continued)

GoodRx, Inc., 1st Lien Term Loan, (1 mo. LIBOR + 3.00%), 5.49%, 10/10/25

Press Ganey Holdings, Inc.:

2018 1st Lien Term Loan, (1 mo. LIBOR + 2.75%, 1.00% Floor), 5.24%, 10/23/23

2nd Lien Term Loan, (1 mo. LIBOR + 6.50%, 1.00% Floor), 8.99%, 10/21/24

Quintiles IMS, Inc., 2017 Term Loan B, (3 mo. LIBOR + 2.00%), 4.80%, 03/07/24

VVC Holding Corp., 2019 Term Loan B, (3 mo. LIBOR + 4.50%), 7.20%, 02/11/26

Hotels, Restaurants & Leisure 7.1%
Aristocrat Technologies, Inc., 2018 1st Lien Term Loan, (3 mo. LIBOR + 1.75%), 4.53%, 10/19/24
Boyd Gaming Corp., Term Loan B3, (1 Week LIBOR + 2.25%), 4.66%, 09/15/23
Bronco Midstream Funding LLC, Term Loan B, (1 mo. LIBOR + 3.50%), 5.99%, 08/14/23
Burger King Newco Unlimited Liability Co., Term Loan B3, (1 mo. LIBOR + 2.25%, 1.00% Floor), 4.74%, 02/16/24
Caesars Resort Collection LLC, 2017 1st Lien Term Loan B, (1 mo. LIBOR + 2.75%), 5.24%, 12/22/
CCM Merger, Inc., Term Loan B, (1 mo. LIBOR + 2.25%), 4.74%, 08/08/21
CEC Entertainment, Inc., Term Loan B, (1 mo. LIBOR + 3.25%, 1.00% Floor), 5.74%, 02/14/21
ESH Hospitality, Inc., 2018 Term Loan B, (1 mo. LIBOR + 2.00%), 4.49%, 08/30/23
Four Seasons Hotels Ltd., 1st Lien Term Loan, (1 mo. LIBOR + 2.00%), 4.49%, 11/30/23
GVC Holdings PLC, 2018 Term Loan, (1 mo. LIBOR + 2.50%, 1.00% Floor), 4.99%, 03/29/24
Hilton Worldwide Finance LLC, Term Loan B2, (1 mo. LIBOR + 1.75%), 4.24%, 10/25/23
IRB Holding Corp., 1st Lien Term Loan, (3 mo. LIBOR + 3.25%, 1.00% Floor), 5.74%, 02/05/25
KFC Holding Co., 2018 Term Loan B, (1 mo. LIBOR + 1.75%), 4.23%, 04/03/25
Lakeland Tours LLC, 2017 1st Lien Term Loan B, (3 mo. LIBOR + 4.00%, 1.00% Floor), 6.79%, 12/
Marriott Ownership Resorts, Inc., 2018 Term Loan B, (1 mo. LIBOR + 2.25%), 4.74%, 08/29/25
Penn National Gaming, Inc., 2018 1st Lien Term Loan B, (3 mo. LIBOR + 2.25%), 4.84%, 10/15/25
Playa Resorts Holding BV, 2017 Term Loan B, (1 mo. LIBOR + 2.75%, 1.00% Floor), 5.24%, 04/29/
Sabre GLBL, Inc., 2018 Term Loan B, (1 mo. LIBOR + 2.00%), 4.49%, 02/22/24
Scientific Games International, Inc., 2018 Term Loan B5, (2 mo. LIBOR + 2.75%), 5.31%, 08/14/24
Stars Group Holdings BV, 2018 Incremental Term Loan, (3 mo. LIBOR + 3.50%), 6.30%, 07/10/25

SCHEDULE OF INVESTMENTS

Schedule of Investments (continued) **Blac**

February 28, 2019 **(Per**

Security

Hotels, Restaurants & Leisure (continued)

Station Casinos LLC, 2016 Term Loan B, (1 mo. LIBOR + 2.50%), 5.00%, 06/08/23
Tackle S.A.R.L, 2017 EUR Term Loan, 08/08/22(k)

Household Products 0.3%

Energizer Holdings, Inc., 2018 Term Loan B, (1 mo. LIBOR + 2.25%), 4.74%, 12/17/25
SIWF Holdings, Inc., 1st Lien Term Loan, (1 mo. LIBOR + 4.25%), 6.73%, 06/15/25

Independent Power and Renewable Electricity Producers 0.9%

Calpine Construction Finance Co. LP, 2017 Term Loan B, (1 mo. LIBOR + 2.50%), 4.99%, 01/15/25
Calpine Corp., Term Loan B6, (3 mo. LIBOR + 2.50%), 5.31%, 01/15/23
Compass Power Generation LLC, 2018 Term Loan B, (1 mo. LIBOR + 3.50%, 1.00% Floor), 5.99%,
Granite Acquisition, Inc.:
Term Loan B, (3 mo. LIBOR + 3.50%, 1.00% Floor), 6.30%, 12/19/21
Term Loan C, (3 mo. LIBOR + 3.50%, 1.00% Floor), 6.30%, 12/19/21
NRG Energy, Inc., 2016 Term Loan B, (1 mo. LIBOR + 1.75%), 4.24%, 06/30/23

Industrial Conglomerates 0.8%

Cortes NP Acquisition Corp., 2017 Term Loan B, (3 mo. LIBOR + 4.00%, 1.00% Floor), 6.63%, 11/3
Sequa Mezzanine Holdings LLC, 1st Lien Term Loan, (1 mo. LIBOR + 5.00%, 1.00% Floor), 7.78%,

Insurance 2.9%

Achilles Acquisition LLC, 2018 Term Loan, (1 mo. LIBOR + 4.00%), 6.50%, 10/03/25
Alliant Holdings I, Inc., 2018 Term Loan B, (1 mo. LIBOR + 2.75%), 5.23%, 05/09/25
AmWINS Group, Inc., 2017 Term Loan B, (1 mo. LIBOR + 2.75%, 1.00% Floor), 5.25%, 01/25/24
AssuredPartners, Inc., 2017 1st Lien Add-On Term Loan, (1 mo. LIBOR + 3.25%), 5.74%, 10/22/24
Davis Vision, Inc., 1st Lien Term Loan B, (1 mo. LIBOR + 3.00%, 1.00% Floor), 5.49%, 12/02/24
Hub International Ltd., 2018 Term Loan B, (3 mo. LIBOR + 2.75%), 5.51%, 04/25/25
Sedgwick Claims Management Services, Inc., Term Loan B, (1 mo. LIBOR + 3.25%), 5.74%, 12/31/2
Stratose Intermediate Holdings II LLC, 1st Lien Term Loan, (1 mo. LIBOR + 3.25%, 1.00% Floor),
5.74%, 06/22/23

Security

Interactive Media & Services 1.2%

Go Daddy Operating Co. LLC, 2017 Repriced Term Loan, (1 mo. LIBOR + 2.25%), 4.74%, 02/15/24
Inmar Holdings, Inc., 2017 1st Lien Term Loan, (1 mo. LIBOR + 3.50%, 1.00% Floor), 5.99%, 05/01

Rackspace Hosting, Inc., 2017 Incremental 1st Lien Term Loan, (3 mo. LIBOR + 3.00%, 1.00% Floor
5.74%, 11/03/23
TierPoint LLC, 2017 1st Lien Term Loan, (1 mo. LIBOR + 3.75%, 1.00% Floor), 6.24%, 05/06/24
ZPG PLC, 2018 Term Loan B, (3 mo. LIBOR + 4.75%), 5.48%, 06/30/25

Internet & Direct Marketing Retail 0.2%
Harbor Freight Tools USA, Inc., 2018 Term Loan B, (1 mo. LIBOR + 2.50%), 4.99%, 08/18/23

IT Services 4.1%
Access CIG LLC, 2018 1st Lien Term Loan, (1 mo. LIBOR + 3.75%), 6.24%, 02/27/25
Altran Technologies SA, 1st Lien Term Loan, (3 mo. LIBOR + 2.25%), 5.04%, 03/20/25
Epicor Software Corp., 1st Lien Term Loan, (1 mo. LIBOR + 3.25%, 1.00% Floor), 5.75%, 06/01/22
Evertec Group LLC, 2018 Term Loan B, (1 mo. LIBOR + 2.25%), 4.74%, 11/27/24
First Data Corp., 2024 Term Loan, (1 mo. LIBOR + 2.00%), 4.49%, 04/26/24
Flexential Intermediate Corp., 2017 1st Lien Term Loan, (3 mo. LIBOR + 3.50%), 6.30%, 08/01/24
Global Payments, Inc.:
2018 Term Loan B3, (1 mo. LIBOR + 1.75%), 4.24%, 04/21/23
2018 Term Loan B4, (1 mo. LIBOR + 1.75%), 4.24%, 10/17/25
Greeneden US Holdings II LLC, 2018 Term Loan B, (1 mo. LIBOR + 3.25%), 5.74%, 12/01/23
Optiv Security, Inc., 1st Lien Term Loan, (1 mo. LIBOR + 3.25%, 1.00% Floor), 5.74%, 02/01/24[a]
Peak 10 Holding Corp., 2nd Lien Term Loan, (3 mo. LIBOR + 7.25%, 1.00% Floor), 9.99%, 08/01/25
TKC Holdings, Inc.:
2017 1st Lien Term Loan, (1 mo. LIBOR + 3.75%, 1.00% Floor), 6.25%, 02/01/23
2017 2nd Lien Term Loan, (1 mo. LIBOR + 8.00%, 1.00% Floor), 10.50%, 02/01/24
Trans Union LLC:
2018 Term Loan B4, (1 mo. LIBOR + 2.00%), 4.49%, 06/19/25
Term Loan B3, (1 mo. LIBOR + 2.00%), 4.49%, 04/10/23
WEX, Inc., 2017 Term Loan B2, (1 mo. LIBOR + 2.25%), 4.74%, 06/30/23
Worldpay LLC, 2018 1st Lien Term Loan B4, (1 Week LIBOR + 1.75%), 4.21%, 08/09/24

Schedule of Investments (continued) **Blac**

February 28, 2019 **(Perc**

Security

Leisure Products 0.1%

MND Holdings III Corp., 2018 1st Lien Term Loan, (3 mo. LIBOR + 3.50%, 1.00% Floor), 6.30%, 0

Life Sciences Tools & Services 0.1%

Albany Molecular Research, Inc.:
2017 1st Lien Term Loan, (1 mo. LIBOR + 3.25%, 1.00% Floor), 5.74%, 08/30/24
2017 2nd Lien Term Loan, (1 mo. LIBOR + 7.00%, 1.00% Floor), 9.49%, 08/30/25

Machinery 1.2%

Clark Equipment Co., 2018 Term Loan B, (3 mo. LIBOR + 2.00%), 4.80%, 05/18/24
Gardner Denver, Inc., 2017 Term Loan B, (1 mo. LIBOR + 2.75%), 5.24%, 07/30/24
Titan Acquisition Ltd., 2018 Term Loan B, (1 mo. LIBOR + 3.00%), 5.49%, 03/28/25
Welbilt, Inc., 2018 Term Loan B, (1 mo. LIBOR + 2.50%), 4.99%, 10/23/25[a]

Media 6.5%

Altice Financing SA:
2017 1st Lien Term Loan, (1 mo. LIBOR + 2.75%), 5.23%, 01/31/26[a]
2017 Term Loan B, (1 mo. LIBOR + 2.75%), 5.24%, 07/15/25
Altice France SA, 2018 Term Loan B13, (1 mo. LIBOR + 4.00%), 6.49%, 08/14/26
Charter Communications Operating LLC, 2017 Term Loan B, (1 mo. LIBOR + 2.00%), 4.50%, 04/30
CSC Holdings LLC, 2018 Term Loan B, (1 mo. LIBOR + 2.50%), 4.99%, 01/25/26
Gray Television, Inc., 2018 Term Loan C, (1 mo. LIBOR + 2.50%), 5.01%, 01/02/26
Intelsat Jackson Holdings SA, 2017 Term Loan B4, (1 mo. LIBOR + 4.50%, 1.00% Floor), 6.98%, 01
Learfield Communications LLC, 2016 1st Lien Term Loan, (1 mo. LIBOR + 3.25%, 1.00% Floor), 5.
12/01/23[a]
Lions Gate Capital Holdings LLC, 2018 Term Loan B, (1 mo. LIBOR + 2.25%), 4.74%, 03/24/25
Meredith Corp., 2018 Term Loan B, (1 mo. LIBOR + 2.75%), 5.24%, 01/31/25
MH Sub I LLC, 2017 1st Lien Term Loan, (1 mo. LIBOR + 3.75%), 6.24%, 09/13/24
PSAV Holdings LLC, 2018 1st Lien Term Loan, (3 mo. LIBOR + 3.25%, 1.00% Floor), 5.86%, 03/0
Radiate Holdco LLC, 1st Lien Term Loan, (1 mo. LIBOR + 3.00%), 5.49%, 02/01/24
Trader Corp., 2017 Term Loan B, (1 mo. LIBOR + 3.00%, 1.00% Floor), 5.49%, 09/28/23[a]
Tribune Media Co., Term Loan C, (1 mo. LIBOR + 3.00%), 5.49%, 01/27/24
Unitymedia Finance LLC:
Term Loan B, (1 mo. LIBOR + 2.25%), 4.74%, 09/30/25
USD Term Loan D, (1 mo. LIBOR + 2.25%), 4.74%, 01/15/26

Security

Media (continued)

Unitymedia Hessen GmbH & Co. KG, 2018 Term Loan E, (1 mo. LIBOR + 2.00%), 4.49%, 06/01/23
Univision Communications, Inc., Term Loan C5, (1 mo. LIBOR + 2.75%, 1.00% Floor), 5.24%, 03/1

Virgin Media Bristol LLC, 2017 Term Loan, (1 mo. LIBOR + 2.50%), 4.99%, 01/15/26
William Morris Endeavor Entertainment LLC, 2018 1st Lien Term Loan, (1 mo. LIBOR + 2.75%), 5.
05/18/25
Ziggo Secured Finance Partnership, Term Loan E, (1 mo. LIBOR + 2.50%), 4.99%, 04/15/25

Metals & Mining 0.1%
Ball Metalpack LLC, 2018 1st Lien Term Loan B, (1 mo. LIBOR + 4.50%), 6.99%, 07/24/25

Multiline Retail 0.3%
Eyemart Express LLC, 2017 Term Loan B, (1 mo. LIBOR + 3.00%, 1.00% Floor), 5.50%, 08/04/24
Hudson s Bay Co., 2015 Term Loan B, (1 mo. LIBOR + 3.25%, 1.00% Floor), 5.75%, 09/30/22
Neiman Marcus Group, Inc., 2020 Term Loan, (1 mo. LIBOR + 3.25%, 1.00% Floor), 5.76%, 10/25/2

Oil & Gas Equipment & Services 0.3%
McDermott Technology Americas, Inc., 2018 1st Lien Term Loan, (1 mo. LIBOR + 5.00%, 1.00% Fl
7.49%, 05/10/25

Oil, Gas & Consumable Fuels 1.2%
BCP Raptor II LLC, 1st Lien Term Loan, (2 mo. LIBOR + 4.75%), 7.37%, 11/03/25
BCP Raptor LLC, Term Loan B, (3 mo. LIBOR + 4.25%, 1.00% Floor), 6.88%, 06/24/24
California Resources Corp.:
2017 1st Lien Term Loan, (1 mo. LIBOR + 4.75%, 1.00% Floor), 7.24%, 12/31/22
Second Out Term Loan, (1 mo. LIBOR + 10.37%, 1.00% Floor), 12.87%, 12/31/21
CONSOL Energy, Inc.:
1st Lien Term Loan A, (1 mo. LIBOR + 4.25%), 6.75%, 11/26/21[(a)]
1st Lien Term Loan B, (1 mo. LIBOR + 6.00%, 1.00% Floor), 8.50%, 11/28/22
Edgewater Generation LLC, Term Loan, (1 mo. LIBOR + 3.75%), 6.24%, 12/13/25
EG Group Ltd., 2018 Term Loan B, (3 mo. LIBOR + 4.00%), 6.81%, 02/07/25

Personal Products 0.3%
Clover Merger Sub, Inc., 2017 2nd Lien Term Loan, (1 mo. LIBOR + 7.75%), 10.24%, 09/26/25
Prestige Brands, Inc., Term Loan B4, (1 mo. LIBOR + 2.00%), 4.49%, 01/26/24

Pharmaceuticals 3.5%
Akorn, Inc., Term Loan B, (1 mo. LIBOR + 5.50%, 1.00% Floor), 8.00%, 04/16/21

Schedule of Investments (continued) **Blac**

February 28, 2019 **(Per**

Security

Pharmaceuticals (continued)

Amneal Pharmaceuticals LLC, 2018 Term Loan B, (1 mo. LIBOR + 3.50%), 6.00%, 05/04/25
Endo Luxembourg Finance Co. I Sarl, 2017 Term Loan B, (1 mo. LIBOR + 4.25%), 6.75%, 04/29/24
Grifols Worldwide Operations USA, Inc., 2017 Acquisition Term Loan, (1 Week LIBOR + 2.25%), 4.67%, 01/31/25
Jaguar Holding Co. II, 2018 Term Loan, (1 mo. LIBOR + 2.50%, 1.00% Floor), 4.99%, 08/18/22
Valeant Pharmaceuticals International, Inc., 2018 Term Loan B, (1 mo. LIBOR + 3.00%), 5.51%, 06/(

Professional Services 1.8%

Cast and Crew Payroll LLC, 2019 1st Lien Term Loan, 02/09/26[k]
Dun & Bradstreet Corp., Term Loan, 02/01/26[k]
Guidehouse LLP, 2018 Term Loan, (1 mo. LIBOR + 3.00%), 5.49%, 05/01/25[a]
Information Resources, Inc., 2018 1st Lien Term Loan, (3 mo. LIBOR + 4.50%), 7.13%, 12/01/25
ON Assignment, Inc., 2018 Term Loan B, (1 mo. LIBOR + 2.00%), 4.49%, 04/02/25
SIRVA Worldwide, Inc., 2018 1st Lien Term Loan, (3 mo. LIBOR + 5.50%), 8.07%, 08/04/25[a]

Real Estate Management & Development 1.8%

CityCenter Holdings LLC, 2017 Term Loan B, (1 mo. LIBOR + 2.25%), 4.74%, 04/18/24
DTZ US Borrower LLC, 2018 Add On Term Loan B, (1 mo. LIBOR + 3.25%), 5.74%, 08/21/25
Forest City Enterprises LP, Term Loan B, (1 mo. LIBOR + 4.00%), 6.51%, 12/07/25
Realogy Corp., 2018 Term Loan B, (1 mo. LIBOR + 2.25%), 4.74%, 02/08/25
SMG Holdings, Inc., 2017 1st Lien Term Loan, (1 mo. LIBOR + 3.00%), 5.49%, 01/23/25

Road & Rail 0.1%

Moda Ingleside Energy Center LLC, 2018 Term Loan B, (1 mo. LIBOR + 3.25%), 5.74%, 09/29/25

Semiconductors & Semiconductor Equipment 0.4%

Microchip Technology, Inc., 2018 Term Loan B, (1 mo. LIBOR + 2.00%), 4.49%, 05/29/25
ON Semiconductor Corp., 2018 1st Lien Term Loan B, (1 mo. LIBOR + 1.75%), 4.24%, 03/31/23

Software 13.8%

Applied Systems, Inc.:
2017 1st Lien Term Loan, (1 mo. LIBOR + 3.00%, 1.00% Floor), 5.49%, 09/19/24
2017 2nd Lien Term Loan, (1 mo. LIBOR + 7.00%, 1.00% Floor), 9.49%, 09/19/25
BMC Software Finance, Inc., 2017 Term Loan, (3 mo. LIBOR + 4.25%), 7.05%, 10/02/25

Security

Software (continued)

Cypress Intermediate Holdings III, Inc.:
2017 1st Lien Term Loan, (1 mo. LIBOR + 3.00%, 1.00% Floor), 5.50%, 04/26/24
2017 2nd Lien Term Loan, (1 mo. LIBOR + 6.75%, 1.00% Floor), 9.24%, 04/27/25
Dell, Inc., 2017 1st Lien Term Loan, (1 mo. LIBOR + 2.00%), 4.50%, 09/07/23
Digicel International Finance Ltd., 2017 Term Loan B, (3 mo. LIBOR + 3.25%), 5.88%, 05/28/24
DTI Holdco, Inc., 2018 Term Loan B, (3 mo. LIBOR + 4.75%, 1.00% Floor), 7.49%, 09/30/23
Financial & Risk US Holdings, Inc.:
2018 EUR Term Loan, (6 mo. EURIBOR + 4.00%), 4.00%, 10/01/25
2018 USD Term Loan, (1 mo. LIBOR + 3.75%), 6.24%, 10/01/25
Infor (US), Inc., Term Loan B6, (1 mo. LIBOR + 2.75%, 1.00% Floor), 5.24%, 02/01/22
Informatica Corp., 2018 Term Loan, (1 mo. LIBOR + 3.25%), 5.74%, 08/05/22
IQOR US, Inc., Term Loan B, (3 mo. LIBOR + 5.00%, 1.00% Floor), 7.80%, 04/01/21
Kronos, Inc.:
2017 Term Loan B, (3 mo. LIBOR + 3.00%, 1.00% Floor), 5.74%, 11/01/23
2nd Lien Term Loan, (3 mo. LIBOR + 8.25%, 1.00% Floor), 10.99%, 11/01/24
McAfee LLC, 2018 Term Loan B, (1 mo. LIBOR + 3.75%), 6.24%, 09/30/24
Mitchell International, Inc.:
2017 1st Lien Term Loan, (1 mo. LIBOR + 3.25%), 5.74%, 11/29/24
2017 2nd Lien Term Loan, (1 mo. LIBOR + 7.25%), 9.74%, 12/01/25
PowerSchool, 2018 Term Loan B, (1 mo. LIBOR + 3.25%), 5.99%, 08/01/25
Renaissance Learning, Inc., 2018 Add On Term Loan, (1 mo. LIBOR + 3.25%), 5.74%, 05/30/25
RP Crown Parent LLC, 2016 Term Loan B, (1 mo. LIBOR + 2.75%, 1.00% Floor), 5.24%, 10/12/23
SolarWinds Holdings, Inc., 2018 Term Loan B, (1 mo. LIBOR + 2.75%), 5.24%, 02/05/24
Solera LLC, Term Loan B, (1 mo. LIBOR + 2.75%), 5.24%, 03/03/23
Sophia LP, 2017 Term Loan B, (3 mo. LIBOR + 3.25%, 1.00% Floor), 6.05%, 09/30/22
SS&C Technologies Holdings Europe, 2018 Term Loan B4, (1 mo. LIBOR + 2.25%), 4.74%, 04/16/2
SS&C Technologies, Inc.:
2017 Term Loan B1, (1 mo. LIBOR + 2.25%), 4.74%, 07/08/22
2018 Term Loan B3, (1 mo. LIBOR + 2.25%), 4.74%, 04/16/25
2018 Term Loan B5, (1 mo. LIBOR + 2.25%), 4.74%, 04/16/25
Tempo Acquisition LLC, Term Loan, (1 mo. LIBOR + 3.00%), 5.49%, 05/01/24
Tibco Software, Inc., Repriced Term Loan B, (1 mo. LIBOR + 3.50%, 1.00% Floor), 6.01%, 12/04/20

Schedule of Investments (continued) **Blac**

February 28, 2019 **(Per**

Security

Software (continued)

Vertafore, Inc., 2018 1st Lien Term Loan, (3 mo. LIBOR + 3.25%), 6.05%, 07/02/25

Specialty Retail 1.7%

Academy Ltd., 2015 Term Loan B, (1 mo. LIBOR + 4.00%, 1.00% Floor), 6.51%, 07/01/22
Belron Finance US LLC[(a)]:
Term Loan B, (3 mo. LIBOR + 2.25%), 4.99%, 11/07/24
Term Loan B, (3 mo. LIBOR + 2.50%), 5.19%, 11/13/25
CD&R Firefly Bidco Ltd., 2018 GBP Term Loan B1, (3 mo. LIBOR + 4.50%), 5.41%, 06/23/25
Leslie s Poolmart, Inc., 2018 Term Loan, (2 mo. LIBOR + 3.50%, 1.00% Floor), 6.08%, 08/16/23
Petco Animal Supplies, Inc., 2017 Term Loan B, (3 mo. LIBOR + 3.25%, 1.00% Floor), 5.99%, 01/26
Research Now Group, Inc., 2017 1st Lien Term Loan, (1 mo. LIBOR + 5.50%, 1.00% Floor), 7.99%,
Staples, Inc., 2017 Term Loan B, (1 mo. LIBOR + 4.00%, 1.00% Floor), 6.51%, 09/12/24
TruGreen LP, 2017 Term Loan, (1 mo. LIBOR + 4.00%, 1.00% Floor), 6.50%, 04/13/23[(a)]

Technology Hardware, Storage & Peripherals 0.7%

Western Digital Corp., 2018 Term Loan B4, (1 mo. LIBOR + 1.75%), 4.23%, 04/29/23

Textiles, Apparel & Luxury Goods 0.5%

Ascend Performance Materials Operations LLC, Term Loan B, (3 mo. LIBOR + 5.25%, 1.00% Floor)
8.05%, 08/12/22
Varsity Brands, Inc., 2017 Term Loan B, (1 mo. LIBOR + 3.50%, 1.00% Floor), 5.99%, 12/15/24

Thrifts & Mortgage Finance 0.4%

IG Investment Holdings LLC, 2018 1st Lien Term Loan, (3 mo. LIBOR + 3.50%, 1.00% Floor),
6.12%, 05/23/25

Trading Companies & Distributors 1.0%

Beacon Roofing Supply, Inc., 2017 Term Loan B, (1 mo. LIBOR + 2.25%), 4.77%, 01/02/25
HD Supply, Inc., Term Loan B5, (1 mo. LIBOR + 1.75%), 4.24%, 10/17/23
Oxbow Carbon LLC, 2017 1st Lien Term Loan B, (1 mo. LIBOR + 3.50%), 5.99%, 01/04/23
United Rentals, Inc., Term Loan B, (1 mo. LIBOR + 1.75%), 4.24%, 10/31/25

Transportation 0.3%

Safe Fleet Holdings LLC :
2018 1st Lien Term Loan, (1 mo. LIBOR + 3.00%, 1.00% Floor), 5.52%, 02/01/25
2018 2nd Lien Term Loan, (1 mo. LIBOR + 6.75%, 1.00% Floor), 9.27%, 02/01/26

Security

Utilities 0.1%

ExGen Renewables IV LLC, Term Loan B, (3 mo. LIBOR + 3.00%, 1.00% Floor), 5.63%, 11/28/24

Wireless Telecommunication Services 1.2%

Geo Group, Inc. (The), 2018 Term Loan B, (1 mo. LIBOR + 2.00%), 4.50%, 03/22/24
Ligado Networks LLC, PIK Exit Term Loan (9.75% PIK), 11.55%, 12/07/20
SBA Senior Finance II LLC, 2018 Term Loan B, (1 mo. LIBOR + 2.00%), 4.50%, 04/11/25

Total Floating Rate Loan Interests 102.1%
(Cost $660,418,557)

Investment Companies 1.5%

Diversified Financial Services 1.5%

Invesco Senior Loan ETF

Total Investment Companies 1.5%
(Cost $9,458,218)

Other Interests[(a)(b)(l)] 0.0%

IT Services 0.0%

Millennium Corp.
Millennium Lender Claims

Total Other Interests 0.0%
(Cost $)

Preferred Securities 1.6%

Capital Trusts 1.3%

Banks[(i)] 0.4%

Bankia SA, 6.38%[(e)]
Citigroup, Inc.[(h)]:
5.90%
Series T, 6.25%
Cooperatieve Rabobank UA, 6.63%[(h)]
Erste Group Bank AG, 6.50%[(h)]
Hongkong & Shanghai Banking Corp. Ltd., Series 3H, 2.94%[(d)]

Intesa Sanpaolo SpA, 7.00%(h)
National Westminster Bank PLC, Series C, 2.88%(e)
Wells Fargo & Co., Series U, 5.88%(h)

Capital Markets 0.1%
Goldman Sachs Group, Inc., Series P, 5.00%(e)(i)

Chemicals 0.0%
Solvay Finance SA, 5.12%(h)(i)

Diversified Financial Services(i) 0.6%
ATF Netherlands BV, 3.75%(h)
Bank of America Corp.(h):
Series AA, 6.10%

SCHEDULE OF INVESTMENTS

Schedule of Investments (continued) **Blac**

February 28, 2019 **(Per**

Security

Diversified Financial Services[i] (continued)

Series DD, 6.30%
Series X, 6.25%
Credit Agricole SA, 6.50%[h]
HBOS Capital Funding LP, 6.85%
HSBC Holdings PLC, 6.00%[h]
JPMorgan Chase & Co.[h]:
Series 1, 6.22%
Series V, 5.00%
Royal Bank of Scotland Group PLC, 8.63%[h]

Diversified Telecommunication Services 0.1%

Telefonica Europe BV[h][i]:
3.75%
4.20%
5.00%

Electric Utilities 0.1%

Enel SpA, 7.75%, 09/10/75[h]
Naturgy Finance BV, 3.38%[e][i]
Origin Energy Finance Ltd., 4.00%, 09/16/74[h]
RWE AG, 2.75%, 04/21/75[h]

Oil, Gas & Consumable Fuels 0.0%

Repsol International Finance BV, 4.50%, 03/25/75[h]

Total Capital Trusts 1.3%
(Cost $7,996,737)

Preferred Stock 0.1%

Capital Markets 0.1%

Goldman Sachs Group, Inc., Series J, 5.50%[h][i]

Total Preferred Stocks 0.1%
(Cost $338,750)

Trust Preferreds 0.2%

Diversified Financial Services 0.2%
GMAC Capital Trust I, Series 2, 8.47%, 2/15/40[h]

Total Trust Preferreds 0.2%
(Cost $1,547,459)

Total Preferred Securities 1.6%
(Cost $9,882,946)

Warrants 0.0%

Metals & Mining 0.0%
AFGlobal Corp. (Expires 12/20/20)[a]

Security
Software 0.0%
HMH Holdings/EduMedia (Issued/exercisable 03/09/10, 19 Shares for 1 Warrant, Expires 06/22/19, S
Price $42.27)[a]

Transportation Infrastructure 0.0%
Turbo Cayman Ltd. (Strike Price $0.01)[a]

Total Warrants 0.0%
(Cost $31)

Total Long-Term Investments 146.9%
(Cost $978,435,699)

Short-Term Securities 0.6%
BlackRock Liquidity Funds, T-Fund, Institutional Class,
2.29%[m][n]

Total Short-Term Securities 0.6%
(Cost $3,616,393)

Options Purchased 0.0%
(Cost $36,035)

Total Investments 147.5%
(Cost $982,088,127)
Liabilities in Excess of Other Assets (47.5)%

Net Assets 100.0%

(a) Security is valued using significant unobservable inputs and is classified as Level 3 in the fair valu

(b) Non-income producing security.

(c) Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933, as amer
transactions exempt from registration to qualified institutional investors.

(d) Variable rate security. Rate shown is the rate in effect as of period end.

(e) Variable or floating rate security, which interest rate adjusts periodically based on changes in curre
underlying pool of assets. Rate shown is the rate in effect as of period end.

(f) Payment-in-kind security which may pay interest/dividends in additional par/shares and/or in cash.
possible payment rates.

(g) Issuer filed for bankruptcy and/or is in default.

(h) Variable rate security. Security may be issued at a fixed coupon rate, which converts to a variable r
rate in effect as of period end.

(i) Perpetual security with no stated maturity date.

(j) When-issued security.

(k) Represents an unsettled loan commitment at period end. Certain details associated with this purcha
date, including coupon rate.

(l) Other interests represent beneficial interests in liquidation trusts and other reorganization or private

(m) Annualized 7-day yield as of period end.

(n) During the year ended February 28, 2019, investments in issuers considered to be an affiliate of the
the Investment Company Act of 1940, as amended, were as follows:

Affiliate	*Shares Held at 02/28/18*	*Net Activity*	*Shares Held at 02/28/19*	*Value at 02/28/19*
BlackRock Liquidity Funds, T-Fund, Institutional Class		3,616,393	3,616,393	$ 3,616,393

(a) Includes net capital gain distributions, if applicable.

For Fund compliance purposes, the Fund s industry classifications refer to one or more of the industry
widely recognized market indexes or rating group indexes, and/or as defined by the investment advise
purposes of this report, which may combine such sector sub-classifications for reporting ease.

Derivative Financial Instruments Outstanding as of Period End

Futures Contracts

Description	*Number of Contracts*	*Expiration Date*
Long Contracts:		
Euro Stoxx 50 Index	1	03/15/19
Euro Stoxx 600 Index	1	03/15/19
Short Contracts:		
Euro Bobl	1	03/07/19
Euro Bund	1	03/07/19
Long Gilt	1	06/26/19

Forward Foreign Currency Exchange Contracts

Currency Purchased		*Currency Sold*		*Counterparty*
USD	17,042,591	EUR	14,790,000	UBS AG
USD	388,162	EUR	340,000	Bank of America N.A.
USD	17,671,804	EUR	15,433,000	HSBC Bank USA N.A.
USD	6,125,903	GBP	4,600,000	Barclays Bank PLC
EUR	15,433,000	USD	17,627,418	HSBC Bank USA N.A.
GBP	4,600,000	USD	6,116,477	Barclays Bank PLC
USD	79,074	EUR	70,000	Citibank N.A.
USD	115,925	EUR	102,000	Goldman Sachs International
USD	185,232	EUR	164,000	Nomura International PLC
USD	241,132	EUR	213,000	State Street Bank and Trust Co.
USD	118,482	GBP	92,000	State Street Bank and Trust Co.
USD	6,065,256	GBP	4,617,000	State Street Bank and Trust Co.

Net Unrealized Appreciation

SCHEDULE OF INVESTMENTS

Schedule of Investments (continued) **Blac**

February 28, 2019

Exchange-Traded Options Purchased

Description	*Number of Contracts*	*Expiration Date*	
Call			
SPDR S&P 500 ETF Trust	290	04/18/19	USD
Put			
Invesco Senior Loan ETF	685	04/18/19	USD
Invesco Senior Loan ETF	200	05/17/19	USD

OTC Options Purchased

Description	*Counterparty*	*Number of Contracts*	*Expiration Date*
Call			
Marsico Parent Superholdco LLC	Goldman Sachs & Co.	6	12/14/19

OTC Credit Default Swaps Sell Protection

Reference Obligation/Index	*Financing Rate Received by the Fund*	*Payment Frequency*	*Counterparty*	*Termination Date*	*Credit Rating* [(a)]	*No Ar (0*
Casino Guichard Perrachon SA	1.00%	Quarterly	JPMorgan Chase Bank N.A.	12/20/22	BB	EUR
Casino Guichard Perrachon SA	1.00	Quarterly	BNP Paribas S.A.	06/20/23	BB	EUR
Casino Guichard Perrachon SA	1.00	Quarterly	JPMorgan Chase Bank N.A.	06/20/23	BB	EUR
Casino Guichard Perrachon SA	1.00	Quarterly	Bank of America N.A.	06/20/23	BB	EUR
Casino Guichard Perrachon SA	1.00	Quarterly	Citibank N.A.	06/20/23	BB	EUR

Casino Guichard Perrachon SA	1.00	Quarterly	JPMorgan Chase Bank N.A.	06/20/23	BB	EUR
Casino Guichard Perrachon SA	1.00	Quarterly	Citibank N.A.	06/20/23	BB	EUR
Casino Guichard Perrachon SA	1.00	Quarterly	JPMorgan Chase Bank N.A.	06/20/23	BB	EUR
Casino Guichard Perrachon SA	1.00	Quarterly	JPMorgan Chase Bank N.A.	06/20/23	BB	EUR
Casino Guichard Perrachon SA	1.00	Quarterly	Barclays Bank PLC	06/20/23	BB	EUR
Intrum Justitia AB	5.00	Quarterly	Credit Suisse International	06/20/23	BB+	EUR
Intrum Justitia AB	5.00	Quarterly	Credit Suisse International	06/20/23	BB+	EUR
Intrum Justitia AB	5.00	Quarterly	Credit Suisse International	06/20/23	BB+	EUR
Intrum Justitia AB	5.00	Quarterly	Citibank N.A.	06/20/23	BB+	EUR
Intrum Justitia AB	5.00	Quarterly	Citibank N.A.	06/20/23	BB+	EUR
Thomas Cook Group PLC	5.00	Quarterly	Goldman Sachs International	06/20/23	B+	EUR
Casino Guichard Perrachon SA	1.00	Quarterly	Goldman Sachs International	12/20/23	BB	EUR
CenturyLink, Inc.	1.00	Quarterly	Barclays Bank PLC	12/20/23	B+	USD
Chesapeake Energy Corp.	5.00	Quarterly	Barclays Bank PLC	12/20/23	B+	USD
Chesapeake Energy Corp.	5.00	Quarterly	Barclays Bank PLC	12/20/23	B+	USD
Garfunkelux Holdco 2 SA	5.00	Quarterly	JPMorgan Chase Bank N.A.	12/20/23	B-	EUR
Garfunkelux Holdco 2 SA	5.00	Quarterly	Credit Suisse International	12/20/23	B-	EUR
Garfunkelux Holdco 2 SA	5.00	Quarterly	Credit Suisse International	12/20/23	B-	EUR
Tesco PLC	1.00	Quarterly	Citibank N.A.	12/20/23	BB+	EUR
CenturyLink, Inc.	1.00	Quarterly	Barclays Bank PLC	06/20/25	B+	USD
Virgin Media Finance PLC	5.00	Quarterly	Credit Suisse International	12/20/25	BB+	EUR

(a) Using S&P s rating of the issuer or the underlying securities of the index, as applicable.

(b) The maximum potential amount the Fund may pay should a negative credit event take place as c agreement.

OTC Total Return Swaps

Paid by the Fund		Received by the Fund				
Reference	*Frequency*	*Rate*	*Frequency*	*Counterparty*	*Termination Date*	*No Amoun*

IBOXX US Dollar Liquid High Yield	Quarterly	3-Month LIBOR, 2.62%	Quarterly	Goldman Sachs International	03/20/19	USD

Schedule of Investments (continued) **Blac**

February 28, 2019

Balances Reported in the Statement of Assets and Liabilities for OTC Swaps

	Swap Premiums Paid	*Pre Re*
OTC Swaps	$ 23,891	$ ((

Derivative Financial Instruments Categorized by Risk Exposure

As of period end, the fair values of derivative financial instruments located in the Statement of Assets

	Commodity Contracts	*Credit Contracts*	*Equity Contracts*	*Fore Curre Excha Contra*
Assets Derivative Financial Instruments				
Futures contracts				
Net unrealized appreciation[a]	$	$	$ 3,096	$
Forward foreign currency exchange contracts				
Unrealized appreciation on forward foreign currency exchange contracts				305,
Options purchased				
Investments at value unaffiliated[b]			27,320	
Swaps OTC				
Unrealized appreciation on OTC swaps; Swap premiums paid		29,760		
	$	$ 29,760	$ 30,416	$ 305,
Liabilities Derivative Financial Instruments				
Futures contracts				
Net unrealized depreciation[a]	$	$	$	$
Forward foreign currency exchange contracts				
Unrealized depreciation on forward foreign currency exchange contracts				152,
Swaps OTC				
Unrealized depreciation on OTC swaps; Swap premiums received		101,924		
	$	$ 101,924	$	$ 152,

(a) Includes cumulative appreciation (depreciation) on futures contracts, if any, as reported in the S
day s variation margin is reported within the Statement of Assets and Liabilities.
(b) Includes options purchased at value as reported in the Schedule of Investments.

For the year ended February 28, 2019, the effect of derivative financial instruments in the Statement o

	Commodity Contracts	*Credit Contracts*	*Equity Contracts*	*Foreig Currenc Exchang Contrac*
Net Realized Gain (Loss) from:				
Futures contracts	$	$	$ (4,906)	$
Forward foreign currency exchange contracts				1,858,65
Swaps		265,670		
	$	$ 265,670	$ (4,906)	$ 1,858,65
Net Change in Unrealized Appreciation (Depreciation) on:				
Futures contracts	$	$	$ 2,601	$
Forward foreign currency exchange contracts				(289,95
Options purchased[a]			(2,848)	
Swaps		(147,400)		
	$	$ (147,400)	$ (247)	$ (289,95

(a) Options purchased are included in net change in unrealized appreciation (depreciation) on inves

SCHEDULE OF INVESTMENTS

Schedule of Investments (continued) **Blac**

February 28, 2019

Average Quarterly Balances of Outstanding Derivative Financial Instruments

Futures contracts:
Average notional value of contracts long
Average notional value of contracts short
Forward foreign currency exchange contracts:
Average amounts purchased in USD
Average amounts sold in USD
Options:
Average value of option contracts purchased
Credit default swaps:
Average notional value buy protection
Average notional value sell protection
Total return swaps:
Average notional amount
For more information about the Fund s investment risks regarding derivative financial instruments, re

Derivative Financial Instruments Offsetting as of Period End

The Fund s derivative assets and liabilities (by type) were as follows:

Derivative Financial Instruments:
Futures contracts
Forward foreign currency exchange contracts
Options
Swaps OTC [b]

Total derivative assets and liabilities in the Statement of Assets and Liabilities
Derivatives not subject to a Master Netting Agreement or similar agreement (MNA)

Total derivative assets and liabilities subject to an MNA

[a] Includes options purchased at value which is included in Investments at value unaffiliated in t
and reported in the Schedule of Investments.
[b] Includes unrealized appreciation (depreciation) on OTC swaps and swap premiums (paid/receiv
Liabilities.

The following table presents the Fund s derivative assets (and liabilities) by counterparty net of amou
net of the related collateral received (and pledged) by the Fund:

Counterparty	*Derivative Assets Subject to an MNA by Counterparty*	*Derivatives Available for Offset* [a]	*N Co R*
Bank of America N.A.	$ 416	$ (416)	$
Barclays Bank PLC	22,109	(22,109)	
Citibank N.A.	3,600	(3,600)	
Credit Suisse International	13,768	(5,065)	
Goldman Sachs International	574,179	(22,000)	(4
HSBC Bank USA N.A.	71,557	(71,557)	
UBS AG	218,321		
	$ 903,950	$ (124,747)	$ (4

Counterparty	*Derivative Liabilities Subject to an MNA by Counterparty*	*Derivatives Available for Offset* [a]	*N Co*
Bank of America N.A.	$ 1,301	$ (416)	$
Barclays Bank PLC	71,698	(22,109)	
BNP Paribas S.A.	1,407		
Citibank N.A.	5,460	(3,600)	
Credit Suisse International	5,065	(5,065)	
Goldman Sachs International	22,000	(22,000)	
HSBC Bank USA N.A.	71,708	(71,557)	
JPMorgan Chase Bank N.A.	11,932		
Nomura International PLC	1,325		
State Street Bank and Trust Co.	63,523		
	$ 255,419	$ (124,747)	$

Schedule of Investments (continued) **Blac**

February 28, 2019

(a) The amount of derivatives available for offset is limited to the amount of derivative asset and/or
(b) Net amount represents the net amount receivable from the counterparty in the event of default.
(c) Net amount represents the net amount payable due to counterparty in the event of default.

Fair Value Hierarchy as of Period End

Various inputs are used in determining the fair value of investments and derivative financial instrume
policy regarding valuation of investments and derivative financial instruments, refer to the Notes to Fi

The following tables summarize the Fund s investments and derivative financial instruments categori

	Level 1	*Lev*
Assets:		
Investments:		
Long-Term Investments:		
Asset-Backed Securities	$	$ 15,604,
Common Stocks	13,807	92,
Corporate Bonds		240,662,
Floating Rate Loan Interests		612,728,
Investment Companies	9,576,000	
Preferred Securities	1,883,408	8,116,
Warrants		
Short-Term Securities	3,616,393	
Options Purchased:		
Equity contracts	27,320	
Liabilities:		
Unfunded Floating Rate Loan Interests[a]		(
	$ 15,116,928	$ 877,203,
Derivative Financial Instruments[b]		
Assets:		
Foreign currency exchange contracts	$	$ 305,
Credit contracts		5,
Equity contracts	3,096	
Interest rate contracts	1,935	569,
Liabilities:		
Foreign currency exchange contracts		(152,
Credit contracts		(39,
Interest rate contracts	(4,188)	
	$ 843	$ 688,

(a) Unfunded floating rate loan interests are valued at the unrealized appreciation (depreciation) on
(b) Derivative financial instruments are swaps, futures contracts and forward foreign currency exch
contracts and forward foreign currency exchange contracts are valued at the unrealized apprecia

The Fund may hold assets and/or liabilities in which the fair value approximates the carrying amount
period end, bank borrowings payable of $278,000,000 is categorized as Level 2 within the disclosure

During the year ended February 28, 2019, there were no transfers between Level 1 and Level 2.

A reconciliation of Level 3 investments is presented when the Fund had a significant amount of Level
of the period in relation to net assets. The following table is a reconciliation of Level 3 investments fo
were used in determining fair value:

	Common Stocks	*Asset-Backed Securities*	*Corporate Bonds*	
Assets:				
Opening balance, as of February 28, 2018	$ 3,224,021	$ 725,000	$ 10,179,073	$
Transfers into Level 3[a]	88,200			
Transfers out of Level 3[b]				(
Accrued discounts/premiums				
Net realized gain (loss)		(47,062)		
Net change in unrealized appreciation (depreciation)[c][d]	(1,431,596)		(2,536,609)	
Purchases	1,194,775		507,363	
Sales		(677,938)		(
Closing balance, as of February 28, 2019	$ 3,075,400	$	$ 8,149,827	$
Net change in unrealized appreciation (depreciation) on investments still held at February 28, 2019[d]	$ (1,431,584)	$	$ (2,536,609)	$

Schedule of Investments

Schedule of Investments (continued) **Blac**

February 28, 2019

[(a)] As of February 28, 2018, the Fund used observable inputs in determining the value of certain in Fund used significant unobservable inputs in determining the value of the same investments. As of period value were transferred from Level 2 to Level 3 in the disclosure hierarchy.
[(b)] As of February 28, 2018, the Fund used significant unobservable inputs in determining the valu February 28, 2019, the Fund used observable inputs in determining the value of the same invest beginning of period value were transferred from Level 3 to Level 2 in the disclosure hierarchy.
[(c)] Included in the related net change in unrealized appreciation (depreciation) in the Statement of
[(d)] Any difference between net change in unrealized appreciation (depreciation) and net change in on investments still held at February 28, 2019 is generally due to investments no longer held or

The following table summarizes the valuation approaches used and unobservable inputs utilized by th Methodologies Committee (the Global Valuation Committee) to determine the value of certain of t end. The table does not include Level 3 investments with values based upon unadjusted third party pri $42,470,478. A significant change in the third party information could result in a significantly lower o investments.

	Value	*Valuation Approach*	*Unobservable Inputs*
Assets:			
Common Stocks[(a)]	$ 2,954,536	Market	EBITDA Multipl
Corporate Bonds[(c)]	8,149,827	Market	EBITDA Multipl
	$ 11,104,363		

[(a)] For the period ended February 28, 2019, the valuation technique for investments classified as co changed to a Current Value. The investments were previously valued utilizing Option Pricing M consideration of liquidation preferences and exit strategy.
[(b)] Increase in unobservable input may result in a significant increase to value, while a decrease in significant decrease to value.
[(c)] For the period ended February 28, 2019, the valuation technique for investments classified as co changed to a Current Value. The investments were previously valued utilizing Option Pricing M consideration of liquidation preferences and exit strategy.

See notes to financial statements.

Statement of Assets and Liabilities

February 28, 2019

ASSETS
Investments at value unaffiliated (cost $978,471,734)
Investments at value affiliated (cost $3,616,393)
Cash
Cash pledged for futures contracts
Foreign currency at value (cost $149,343)
Receivables:
Investments sold
Interest unaffiliated
Dividends affiliated
Variation margin on futures contracts
Swap premiums paid
Unrealized appreciation on:
Forward foreign currency exchange contracts
OTC derivatives
Prepaid expenses
Other assets

Total assets

LIABILITIES
Payables:
Bank borrowings
Investments purchased
Interest expense
Investment advisory fees
Directors and Officer s fees
Income dividend distributions
Options written
Other accrued expenses
Swap premiums received
Unrealized depreciation on:
Forward foreign currency exchange contracts
OTC derivatives
Unfunded floating rate loan interests

Total liabilities

NET ASSETS

NET ASSETS CONSIST OF
Paid-in capital
Accumulated loss

NET ASSETS

Netasset value, based on net assets of $641,220,022 and 52,739,184 shares outstanding, 400 million sl
$0.10 par value

See notes to financial statements.

FINANCIAL STATEMENTS

Statement of Operations

Year Ended February 28, 2019

INVESTMENT INCOME
Interest unaffiliated
Dividends unaffiliated
Dividends affiliated
Other income

Total investment income

EXPENSES
Investment advisory
Professional
Transfer agent
Accounting services
Custodian
Directors and Officer
Printing
Registration
Miscellaneous

Total expenses excluding interest expense
Interest expense

Total expenses
Less fees waived and/or reimbursed by the Manager

Total expenses after fees waived and/or reimbursed

Net investment income

REALIZED AND UNREALIZED GAIN (LOSS)
Net realized gain (loss) from:
Investments unaffiliated
Futures contracts
Forward foreign currency exchange contracts
Foreign currency transactions
Capital gain distributions from investment companies affiliated
Swaps

Net change in unrealized appreciation (depreciation) on:
Investments unaffiliated
Futures contracts
Forward foreign currency exchange contracts
Foreign currency translations
Swaps
Unfunded floating rate loan interests

Net realized and unrealized loss

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS

See notes to financial statements.

Statements of Changes in Net Assets

INCREASE (DECREASE) IN NET ASSETS

OPERATIONS
Net investment income
Net realized gain (loss)
Net change in unrealized appreciation (depreciation)

Net increase in net assets resulting from operations

DISTRIBUTIONS TO SHAREHOLDERS[a][b]
Decrease in net assets resulting from distributions to shareholders

CAPITAL SHARE TRANSACTIONS
Redemption of shares resulting from share repurchases (including transaction costs)

NET ASSETS[b]
Total decrease in net assets
Beginning of year

End of year

[a] Distributions for annual periods determined in accordance with U.S. federal income tax regulations
[b] Prior year distribution character information and distributions in excess of net investment income h
with current year Regulation S-X presentation changes. Refer to Note 12 for this prior year informa

See notes to financial statements.

Statement of Cash Flows

Year Ended February 28, 2019

CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES
Net increase in net assets resulting from operations
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by o
Proceeds from sales of long-term investments and principal paydowns
Purchases of long-term investments
Net proceeds from purchases of short-term securities
Amortization of premium and accretion of discount on investments and other fees
Paid-in-kind income
Premiums paid on closing options written
Net realized loss on investments
Net unrealized depreciation on investments, swaps, foreign currency translations and unfunded floatin
(Increase) Decrease in Assets:
Receivables:
Interest unaffiliated
Dividends affiliated
Variation margin on futures contracts
Swap premiums paid
Prepaid expenses
Other assets
Increase (Decrease) in Liabilities:
Cash received as collateral for OTC derivatives
Payables:
Investment advisory fees
Interest expense
Directors and Officer s fees
Variation margin on futures contracts
Variation margin on centrally cleared swaps
Other accrued expenses
Swap premiums received

Net cash provided by operating activities

CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES
Payments on redemption of Common Shares
Proceeds from bank borrowings
Payments for bank borrowings
Cash dividends paid to Common Shareholders

Net cash used for financing activities

CASH IMPACT FROM FOREIGN EXCHANGE FLUCTUATIONS
Cash impact from foreign exchange fluctuations

CASH AND FOREIGN CURRENCY
Net decrease in restricted and unrestricted cash and foreign currency
Restricted and unrestricted cash and foreign currency at beginning of year

Restricted and unrestricted cash and foreign currency at end of year

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION
Cash paid during the year for interest expense

RECONCILIATION OF RESTRICTED AND UNRESTRICTED CASH AND FOREIGN CUR END OF YEAR TO THE STATEMENT OF ASSETS AND LIABILITIES
Cash
Cash pledged for futures contracts
Foreign currency at value

See notes to financial statements.

Statement of Cash Flows (continued)

Year Ended February 28, 2019

RECONCILIATION OF RESTRICTED AND UNRESTRICTED CASH AND FOREIGN CUR
BEGINNING OF YEAR TO THE STATEMENT OF ASSETS AND LIABILITIES

Cash
Cash pledged:
Futures contracts
Centrally cleared swaps
Foreign currency at value

See notes to financial statements.

Financial Highlights

(For a share outstanding throughout each period)

	DS		
	Year Ended February 28,		
	2019	2018	2017[a]
Net asset value, beginning of year	$ 12.62	$ 12.70	$ 11.38
Net investment income[c]	0.79	0.78	0.73
Net realized and unrealized gain (loss)	(0.43)	(0.04)	1.34
Net increase (decrease) from investment operations	0.36	0.74	2.07
Distributions from net investment income[d]	(0.82)	(0.82)	(0.75
Net asset value, end of year	$ 12.16	$ 12.62	$ 12.70
Market price, end of year	$ 10.78	$ 11.47	$ 11.68
Total Return[e]			
Based on net asset value	3.86%	6.60%[f]	19.57
Based on market price	1.30%	5.35%	25.53
Ratios to Average Net Assets			
Total expenses	2.23%	1.86%	1.36
Total expenses after fees waived and/or reimbursed	2.23%	1.85%	1.35
Total expenses after fees waived and/or reimbursed and excluding interest expense	0.96%	0.94%	0.87
Net investment income	6.40%	6.12%	6.04
Supplemental Data			
Net assets, end of year (000)	$ 641,220	$ 742,204	$ 780,810
Borrowings outstanding, end of year (000)	$ 278,000	$ 338,000	$ 318,000

Asset coverage, end of year per $1,000 of bank borrowings	$ 3,308	$ 3,196	$ 3,455
Portfolio turnover rate	62%	59%	55

(a) Consolidated Financial Highlights through November 30, 2017.

(b) Per share operating performance amounts have been adjusted to reflect a one-for-three reverse stoc on November 15, 2016 for the shareholders of record on November 15, 2016.

(c) Based on average shares outstanding.

(d) Distributions for annual periods determined in accordance with U.S. federal income tax regulations

(e) Total returns based on market price, which can be significantly greater or less than the net asset val returns. Where applicable, excludes the effects of any sales charges and assumes the reinvestment o prices.

(f) Includes payment received from an affiliate, which had no impact on the Fund s total return.

(g) Ratios do not include expenses incurred indirectly as a result of investments in underlying funds of

(h) Ratios do not include expenses incurred indirectly as a result of investments in underlying funds of

See notes to financial statements.

Notes to Financial Statements

1. ORGANIZATION

BlackRock Debt Strategies Fund, Inc. (the Fund) is registered under the Investment Company Act
Fund is registered as a diversified, closed-end management investment company. The Fund is organiz
determines and makes available for publication the net asset value (NAV) of its Common Shares o

The Fund, together with certain other registered investment companies advised by BlackRock Adviso
included in a complex of non-index fixed-income mutual funds and all BlackRock-advised closed-end
Fixed-Income Complex.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in conformity with accounting principles generally accepted in t
GAAP), which may require management to make estimates and assumptions that affect the reported
financial statements, disclosure of contingent assets and liabilities at the date of the financial statemen
and decreases in net assets from operations during the reporting period. Actual results could differ fro
an investment company under U.S. GAAP and follows the accounting and reporting guidance applica
summary of significant accounting policies:

Investment Transactions and Income Recognition: For financial reporting purposes, investment tra
transactions are executed (the trade dates). Realized gains and losses on investment transactions ar
Dividend income is recorded on the ex-dividend date. Dividends from foreign securities where the ex-
subsequently recorded when the Fund is informed of the ex-dividend date. Under the applicable forei
rates may be imposed on capital gains, dividends and interest. Interest income, including amortization
on debt securities is recognized on an accrual basis.

Foreign Currency Translation: The Fund s books and records are maintained in U.S. dollars. Secu
denominated in foreign currencies are translated into U.S. dollars using exchange rates determined as
Stock Exchange (NYSE). Purchases and sales of investments are recorded at the rates of exchange
transactions. Generally, when the U.S. dollar rises in value against a foreign currency, the investment
value; the opposite effect occurs if the U.S. dollar falls in relative value.

The Fund does not isolate the portion of the results of operations arising as a result of changes in the e
market prices of investments held or sold for financial reporting purposes. Accordingly, the effects of
are not segregated in the Statement of Operations from the effects of changes in market prices of thos
component of net realized and unrealized gain (loss) from investments. The Fund reports realized cur
related transactions as components of net realized gain (loss) for financial reporting purposes, wherea
ordinary income for U.S. federal income tax purposes.

Segregation and Collateralization: In cases where the Fund enters into certain investments (e.g., fut
exchange contracts and swaps) that would be treated as senior securities for 1940 Act purposes, the
books and records cash or liquid assets having a market value at least equal to the amount of its future
Doing so allows the investment to be excluded from treatment as a senior security. Furthermore, if
agreement, the Fund may be required to deliver/deposit cash and/or securities to/with an exchange, or
for certain investments or obligations.

Distributions: Distributions from net investment income are declared and paid monthly. Distributions
ex-dividend date and made at least annually. The character and timing of distributions are determined
tax regulations, which may differ from U.S. GAAP.

Deferred Compensation Plan: Under the Deferred Compensation Plan (the Plan) approved by the
(Independent Directors) may defer a portion of their annual complex-wide compensation. Deferred
though equivalent dollar amounts had been invested in common shares of certain funds in the BlackRo
the Independent Directors. This has the same economic effect for the Independent Directors as if the I
deferred amounts directly in certain funds in the BlackRock Fixed-Income Complex.

The Plan is not funded and obligations thereunder represent general unsecured claims against the gene
Deferred compensation liabilities are included in the Directors and Officer s fees payable in the Stat
remain as a liability of the Fund until such amounts are distributed in accordance with the Plan.

Recent Accounting Standards: In March 2017, the Financial Accounting Standards Board issued Ac
Amortization of Purchased Callable Debt Securities which amends the amortization period for certai
the new guidance, the premium amortization of purchased callable debt securities that have explicit, n
at fixed prices will be amortized to the earliest call date. The guidance will be applied on a modified r
fiscal years, and their interim periods, beginning after December 15, 2018. Management continues to
Fund.

In August 2018, the Financial Accounting Standards Board issued Accounting Standards Update 2018
Requirements for Fair Value Measurement which modifies disclosure requirements for fair value me
fiscal years beginning after December 15, 2019 and for interim periods within those fiscal years. Man
of this guidance to the Fund.

Indemnifications: In the normal course of business, the Fund enters into contracts that contain a varie
indemnification. The Fund s maximum exposure under these arrangements is unknown because it inv
Fund, which cannot be predicted with any certainty.

Notes to Financial Statements (continued)

Other: Expenses directly related to the Fund are charged to the Fund. Other operating expenses share
managed by the Manager, are prorated among those funds on the basis of relative net assets or other a

3. INVESTMENT VALUATION AND FAIR VALUE MEASUREMENTS

Investment Valuation Policies: The Fund s investments are valued at fair value (also referred to as
statements) as of the close of trading on the NYSE (generally 4:00 p.m., Eastern time). U.S. GAAP de
would receive to sell an asset or pay to transfer a liability in an orderly transaction between market pa
Fund determines the fair values of its financial instruments using various independent dealers or prici
Board of Directors of the Fund (the Board). The BlackRock Global Valuation Methodologies Com
the committee formed by management to develop global pricing policies and procedures and to overs
instruments.

Fair Value Inputs and Methodologies: The following methods and inputs are used to establish the f
liabilities:

Equity investments traded on a recognized securities exchange are valued at the official closin
investments traded on more than one exchange, the official closing price on the exchange whe
Equity investments traded on a recognized exchange for which there were no sales on that day
(long positions) or ask (short positions) price.

Fixed-income securities for which market quotations are readily available are generally valued
current market quotations provided by independent dealers or third party pricing services. Floa
mean of the bid prices from one or more independent brokers or dealers as obtained from a thi
generally value fixed-income securities assuming orderly transactions of an institutional round
such securities in smaller, odd lot sizes. Odd lots may trade at lower prices than institutional ro
matrix pricing or valuation models that utilize certain inputs and assumptions to derive values,
representative bids and offers), credit quality information, perceived market movements, news
fixed-income securities, including asset-backed and mortgage related securities may be valued
the estimated cash flows of each tranche of the entity, establish a benchmark yield and develop
the benchmark yield based on the unique attributes of the tranche. The amortized cost method
debt obligations with sixty days or less remaining to maturity unless the Manager determines s

Generally, trading in foreign instruments is substantially completed each day at various times prior to
Occasionally, events affecting the values of such instruments may occur between the foreign market c
that may not be reflected in the computation of the Fund s net assets. Each business day, the Fund use
valuation of certain foreign exchange-traded equity securities and foreign exchange-traded and over-t
Fair Value Price). Using current market factors, the Systematic Fair Value Price is designed to value
at fair value as of the close of trading on the NYSE, which follows the close of the local markets.

Investments in open-end U.S. mutual funds are valued at NAV each business day.

Futures contracts traded on exchanges are valued at their last sale price.

Forward foreign currency exchange contracts are valued at the mean between the bid and ask p
trading on the NYSE. Interpolated values are derived when the settlement date of the contract i
not available.

Exchange-traded options are valued at the mean between the last bid and ask prices at the close
options trade. An exchange-traded option for which there is no mean price is valued at the last
positions) price. If no bid or ask price is available, the prior day s price will be used, unless it
longer reflects the fair value of the option. OTC options are valued by an independent pricing s
incorporates a number of market data factors, such as the trades and prices of the underlying in

Swap agreements are valued utilizing quotes received daily by the Fund s pricing service or th
daily swap curves and models that incorporate a number of market data factors, such as discou
underlying reference instruments.

If events (e.g., a company announcement, market volatility or a natural disaster) occur that are expecte
investments, or in the event that the application of these methods of valuation results in a price for an
representative of the market value of such investment, or if a price is not available, the investment wil
Committee, or its delegate, in accordance with a policy approved by the Board as reflecting fair value
valuation approaches that may be used by the Global Valuation Committee will include market approa
Valuation techniques such as discounted cash flow, use of market comparables and matrix pricing are
typically used in determining fair value. When determining the price for Fair Valued Investments, the
delegate, seeks to determine the price that the Fund might reasonably expect to receive or pay from th
liability in an arm s-length transaction. Fair value determinations shall be based upon all available fac
or its delegate, deems relevant and consistent with the principles of fair value measurement.

The Global Valuation Committee, or its delegate, employs various methods for calibrating valuation a
market does not exist, including regular due diligence of the Fund s pricing vendors, regular reviews
transactional back-testing or disposition analysis to compare unrealized gains and losses to realized ga
prices and large movements in market values and reviews of any market related activity. The pricing c
subsequently reported to the Board or a committee thereof on a quarterly basis. As a result of the inhe
investments, the fair values may differ from the values that would have been used had an active marke

Notes to Financial Statements (continued)

For investments in equity or debt issued by privately held companies or funds (Private Company or
other Fair Valued Investments, the fair valuation approaches that are used by third party pricing servic
limited to, the following inputs.

	Standard Inputs Generally Considered By Third Party Pricing Se
Market approach	(i) recent market transactions, including subsequent rounds of f comparable issuers; (ii) recapitalizations and other transactions across the capital s (iii) market multiples of comparable issuers.
Income approach	(i) future cash flows discounted to present and adjusted as appr risks; (ii) quoted prices for similar investments or assets in active m (iii) other risk factors, such as interest rates, yield curves, volati credit risks, recovery rates, liquidation amounts and/or default rat
Cost approach	(i) audited or unaudited financial statements, investor communi issued by the Private Company; (ii) changes in the valuation of relevant indices or publicly tra Company; (iii) relevant news and other public sources; and (iv) known secondary market transactions in the Private Compa activity in companies comparable to the Private Company.

Investments in series of preferred stock issued by Private Companies are typically valued utilizing ma
enterprise value of the company. Such investments often contain rights and preferences that differ fro
stock of the same issuer. Valuation techniques such as an option pricing model (OPM), a probabilit
or a hybrid of those techniques are used in allocating enterprise value of the company, as deemed app
of OPM and PWERM techniques involve a determination of the exit scenarios of the investment in or
value of the company among the various parts of its capital structure.

The Private Companies are not subject to the public company disclosure, timing, and reporting standa
Typically, the most recently available information by a Private Company is as of a date that is earlier
NAV. This factor may result in a difference between the value of the investment and the price the Fun
investment.

Fair Value Hierarchy: Various inputs are used in determining the fair value of investments and deri
to valuation techniques are categorized into a fair value hierarchy consisting of three broad levels for f

Level 1 Unadjusted price quotations in active markets/exchanges for identical assets or liabil

Level 2 Other observable inputs (including, but not limited to, quoted prices for similar asset quoted prices for identical or similar assets or liabilities in markets that are not active, inputs ot for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, rates) or other market corroborated inputs)

Level 3 Unobservable inputs based on the best information available in the circumstances, to available (including the Fund s own assumptions used in determining the fair value of investm

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical ass and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of jud is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on th the fair value measurement in its entirety. Investments classified within Level 3 have significant unob Valuation Committee in determining the price for Fair Valued Investments. Level 3 investments inclu Companies. There may not be a secondary market, and/or there are a limited number of investors. Lev reflect illiquidity and/or non-transferability, with the amount of such discount estimated by the Global market information.

Changes in valuation techniques may result in transfers into or out of an assigned level within the hier policy, transfers between different levels of the fair value hierarchy are deemed to have occurred as of The categorization of a value determined for investments and derivative financial instruments is based investments and derivative financial instruments and is not necessarily an indication of the risks assoc

4. SECURITIES AND OTHER INVESTMENTS

Asset-Backed and Mortgage-Backed Securities: Asset-backed securities are generally issued as pas instruments. Asset-backed securities issued as pass-through certificates represent undivided fractional of assets. Asset-backed securities issued as debt instruments, which are also known as collateralized o of a special purpose entity organized solely for the purpose of owning such assets and issuing such de backed by a pool of assets representing the obligations of a number of different parties. The yield char securities may differ from traditional debt securities. One such major difference is that all or a princip any time because the underlying assets (i.e., loans) may be prepaid at any time. As a result, a decrease in increases in the level of prepayments as borrowers, particularly mortgagors, refinance and repay the with respect to an asset-backed security will have the effect of shortening the maturity of the security. have to reinvest the proceeds at lower interest rates. If a fund has purchased such an asset-backed secu prepayment rate could result in a loss of principal to the extent of the premium paid.

Notes to Financial Statements (continued)

For mortgage pass-through securities (the Mortgage Assets) there are a number of important differe
instrumentalities of the U.S. Government that issue mortgage-related securities and among the securiti
mortgage-related securities guaranteed by Ginnie Mae are guaranteed as to the timely payment of prin
guarantee is backed by the full faith and credit of the United States. However, mortgage-related securi
Mae, including Freddie Mac and Fannie Mae guaranteed mortgage pass-through certificates, which ar
and Fannie Mae, are not backed by or entitled to the full faith and credit of the United States, but are s
borrow from the U.S. Treasury.

Non-agency mortgage-backed securities are securities issued by non-governmental issuers and have n
of payment and are subject to various risks. Non-agency mortgage loans are obligations of the borrow
insured or guaranteed by any other person or entity. The ability of a borrower to repay a loan is depen
borrower. A number of factors, including a general economic downturn, acts of God, terrorism, social
a borrower s ability to repay its loans.

Collateralized Debt Obligations: Collateralized debt obligations (CDOs), including collateralized
loan obligations (CLOs), are types of asset-backed securities. A CDO is an entity that is backed by
or syndicated bank loans (CLOs). The cash flows of the CDO can be split into multiple segments, call
and yield. The riskiest segment is the subordinated or equity tranche. This tranche bears the greates
in the CDO and serves to protect the other, more senior, tranches from default in all but the most sever
defaults by the more junior tranches, a senior tranche will typically have higher credit ratings and l
and often receive investment grade ratings from one or more of the nationally recognized rating agenc
junior tranches, senior tranches can experience substantial losses due to actual defaults, increased sens
disappearance of one or more protecting tranches as a result of changes in the credit profile of the und

Capital Securities and Trust Preferred Securities: Capital securities, including trust preferred secu
generally in the form of interest-bearing notes with preferred securities characteristics. In the case of t
business trust of a corporation issues these securities, generally in the form of beneficial interests in su
structured securities. The securities can be structured with either a fixed or adjustable coupon that can
date. For trust preferred securities, the issuing bank or corporation pays interest to the trust, which is t
securities as a dividend. Dividends can be deferred without creating an event of default or acceleration
unless all cumulative payment obligations have been met. The deferral of payments does not affect the
open market. These securities generally are rated below that of the issuing company s senior debt sec
option.

Preferred Stocks: Preferred stock has a preference over common stock in liquidation (and generally i
subordinated to the liabilities of the issuer in all respects. As a general rule, the market value of prefer
conversion element varies inversely with interest rates and perceived credit risk, while the market pric
also reflects some element of conversion value. Because preferred stock is junior to debt securities and
deterioration in the credit quality of the issuer will cause greater changes in the value of a preferred st
with similar stated yield characteristics. Unlike interest payments on debt securities, preferred stock di
the issuer s board of directors. Preferred stock also may be subject to optional or mandatory redempti

Warrants: Warrants entitle a fund to purchase a specified number of shares of common stock and are
price and number of shares are subject to adjustment under certain conditions until the expiration date
underlying stock does not rise above the strike price before the warrant expires, the warrant generally
will lose any amount it paid for the warrant. Thus, investments in warrants may involve more risk tha

may trade in the same markets as their underlying stock; however, the price of the warrant does not ne
underlying stock.

Floating Rate Loan Interests: Floating rate loan interests are typically issued to companies (the bor
institutions, or privately and publicly offered corporations (the lender). Floating rate loan interests a
involve borrowers whose financial condition is troubled or uncertain and companies that are highly lev
addition, transactions in floating rate loan interests may settle on a delayed basis, which may result in
available for a fund to make additional investments or meet its redemption obligations. Floating rate lo
term loans or revolving lines of credit. Floating rate loan interests are typically senior in the corporate
rate loan interests generally pay interest at rates that are periodically determined by reference to a base
rates reset only periodically, changes in prevailing interest rates (and particularly sudden and significa
some fluctuations in the NAV of a fund to the extent that it invests in floating rate loan interests. The b
lending rate offered by one or more European banks, such as the London Interbank Offered Rate (LI
more U.S. banks or the certificate of deposit rate. Floating rate loan interests may involve foreign borr
denominated in foreign currencies. These investments are treated as investments in debt securities for

When a fund purchases a floating rate loan interest, it may receive a facility fee and when it sells a flo
facility fee. On an ongoing basis, a fund may receive a commitment fee based on the undrawn portion
a floating rate loan interest. Facility and commitment fees are typically amortized to income over the t
commitment, respectively. Consent and amendment fees are recorded to income as earned. Prepaymen
a fund upon the prepayment of a floating rate loan interest by a borrower, are recorded as realized gain
tranches of a loan. A different series or tranche may have varying terms and carry different associated

Floating rate loan interests are usually freely callable at the borrower s option. A fund may invest in s
loans (Participations) or assignments (Assignments) of all or a portion of loans from third partie
having a contractual relationship only with the lender, not with the borrower. A fund has the right to re
any fees to which it is entitled only from the lender selling the Participation and only upon receipt by t
borrower. In connection with purchasing Participations, a fund generally will have no right to enforce

Notes to Financial Statements (continued)

by the borrower with the terms of the loan agreement, nor any rights of offset against the borrower. A collateral supporting the loan in which it has purchased the Participation. As a result, a fund assumes t lender that is selling the Participation. A fund s investment in loan participation interests involves the intermediaries who are parties to the transactions. In the event of the insolvency of the lender selling t a general creditor of the lender and may not benefit from any offset between the lender and the borrow having a direct contractual relationship with the borrower, and a fund may enforce compliance by the agreement.

In connection with floating rate loan interests, the fund may also enter into unfunded floating rate loan with these commitments, the fund earns a commitment fee, typically set as a percentage of the commit included in interest income in the Statement of Operations, is recognized ratably over the commitment interests are marked-to-market daily, and any unrealized appreciation (depreciation) is included in the Statement of Operations. As of period end, the fund had the following unfunded floating rate loan inte

		C
Borrower	*Par*	
DentalCorp Perfect Smile ULC	$ 49,078	S

Forward Commitments and When-Issued Delayed Delivery Securities: The fund may purchase se purchase or sell securities on a forward commitment basis. Settlement of such transactions normally o purchase or sale commitment is made. The fund may purchase securities under such conditions with t but may enter into a separate agreement to sell the securities before the settlement date. Since the valu prior to settlement, the fund may be required to pay more at settlement than the security is worth. In ac the interest earned prior to settlement. When purchasing a security on a delayed delivery basis, the fun ownership of the security, including the risk of price and yield fluctuations. In the event of default by amount of loss is the unrealized appreciation of unsettled when-issued transactions.

5. DERIVATIVE FINANCIAL INSTRUMENTS

The Fund engages in various portfolio investment strategies using derivative contracts both to increase its exposure to certain risks such as credit risk, equity risk, interest rate risk, foreign currency exchang risks (e.g., inflation risk). Derivative financial instruments categorized by risk exposure are included i contracts may be transacted on an exchange or OTC.

Futures Contracts: Futures contracts are purchased or sold to gain exposure to, or manage exposure risk), and changes in the value of equity securities (equity risk) or foreign currencies (foreign currency

Futures contracts are agreements between the Fund and a counterparty to buy or sell a specific quantit specified price and on a specified date. Depending on the terms of a contract, it is settled either throug instrument on the settlement date or by payment of a cash amount on the settlement date. Upon enteri required to deposit initial margin with the broker in the form of cash or securities in an amount that va profile. The initial margin deposit must then be maintained at an established level over the life of the c considered restricted, are included in cash pledged for futures contracts in the Statement of Assets and

Securities deposited as initial margin are designated in the Schedule of Investments and cash deposite
futures contracts in the Statement of Assets and Liabilities. Pursuant to the contract, the Fund agrees t
amount of cash equal to the daily fluctuation in market value of the contract (variation margin). Va
appreciation (depreciation) and, if any, shown as variation margin receivable (or payable) on futures c
Liabilities. When the contract is closed, a realized gain or loss is recorded in the Statement of Operatio
notional amount of the contract at the time it was opened and the notional amount at the time it was cl
the risk of an imperfect correlation in the movements in the price of futures contracts and interest, fore
assets.

Forward Foreign Currency Exchange Contracts: Forward foreign currency exchange contracts are
foreign currencies (foreign currency exchange rate risk).

A forward foreign currency exchange contract is an agreement between two parties to buy and sell a c
specified date. These contracts help to manage the overall exposure to the currencies in which some o
denominated and in some cases, may be used to obtain exposure to a particular market.

The contract is marked-to-market daily and the change in market value is recorded as unrealized appre
Assets and Liabilities. When a contract is closed, a realized gain or loss is recorded in the Statement o
between the value at the time it was opened and the value at the time it was closed. Non-deliverable fo
contracts are settled with the counterparty in cash without the delivery of foreign currency. The use of
contracts involves the risk that the value of a forward foreign currency exchange contract changes unf
the referenced foreign currencies. Cash amounts pledged for forward foreign currency exchange contr
included in cash pledged as collateral for OTC derivatives in the Statement of Assets and Liabilities.

Options: The Fund purchases and writes call and put options to increase or decrease its exposure to th
including equity risk, interest rate risk and/or commodity price risk and/or, in the case of options writt
premiums.

Notes to Financial Statements (continued)

A call option gives the purchaser (holder) of the option the right (but not the obligation) to buy, and ol
option is exercised) the underlying instrument at the exercise or strike price at any time or at a specifie
option gives the holder the right to sell and obligates the writer to buy the underlying instrument at the
specified time during the option period.

Premiums paid on options purchased and premiums received on options written, as well as the daily fl
investments at value unaffiliated and options written at value, respectively, in the Statement of Asse
purchased or sold through the exercise of an option, the premium is offset against the cost or proceeds
option expires, a realized gain or loss is recorded in the Statement of Operations to the extent of the pr
is closed or sold, a gain or loss is recorded in the Statement of Operations to the extent the cost of the
received or paid. When the Fund writes a call option, such option is typically covered, meaning tha
being called by the option counterparty. When the Fund writes a put option, such option is covered by
obligation. These amounts, which are considered restricted, are included in cash pledged as collateral
Assets and Liabilities.

In purchasing and writing options, the Fund bears the risk of an unfavorable change in the value of the
may not be able to enter into a closing transaction due to an illiquid market. Exercise of a written optio
selling a security when it otherwise would not, or at a price different from the current market value.

Swaps: Swap contracts are entered into to manage exposure to issuers, markets and securities. Such c
and a counterparty to make periodic net payments on a specified notional amount or a net payment up
privately negotiated in the OTC market and may be entered into as a bilateral contract (OTC swaps

For OTC swaps, any upfront premiums paid and any upfront fees received are shown as swap premiur
respectively, in the Statement of Assets and Liabilities and amortized over the term of the contract. Th
recorded as unrealized appreciation (depreciation) on OTC Swaps in the Statement of Assets and Liab
recorded in the Statement of Operations as realized gains or losses, respectively. When an OTC swap
recorded in the Statement of Operations equal to the difference between the proceeds from (or cost of)
basis in the contract, if any. Generally, the basis of the contract is the premium received or paid.

Credit default swaps Credit default swaps are entered into to manage exposure to the market
risk exposure to defaults of corporate and/or sovereign issuers or to create exposure to corporat
is not otherwise exposed (credit risk).

The Fund may either buy or sell (write) credit default swaps on single-name issuers (corporate or sove
single-name issuers or traded indexes. Credit default swaps are agreements in which the protection bu
seller in consideration for a promise from the protection seller to make a specific payment should a ne
to the referenced entity (e.g., bankruptcy, failure to pay, obligation acceleration, repudiation, moratori
underlying credit event occurs, the Fund will either (i) receive from the seller an amount equal to the n
the referenced security or underlying securities comprising the index, or (ii) receive a net settlement o
swap less the recovery value of the security or underlying securities comprising the index. As a seller
occurs, the Fund will either pay the buyer an amount equal to the notional amount of the swap and tak
underlying securities comprising the index or pay a net settlement of cash equal to the notional amoun
the security or underlying securities comprising the index.

Total return swaps Total return swaps are entered into to obtain exposure to a security or market wit directly in such market or to exchange the risk/return of one market (e.g., fixed-income) with another (equity risk, commodity price risk and/or interest rate risk).

Total return swaps are agreements in which there is an exchange of cash flows whereby one party con return (distributions plus capital gains/losses) of an underlying instrument, or basket or underlying ins rate interest payments. If the total return of the instrument(s) or index underlying the transaction exce floating interest rate obligation, the Fund receives payment from or makes a payment to the counterpa

Master Netting Arrangements: In order to define its contractual rights and to secure rights that will Fund may enter into an International Swaps and Derivatives Association, Inc. Master Agreement (IS agreement with its counterparties. An ISDA Master Agreement is a bilateral agreement between the F certain OTC derivatives and typically contains, among other things, collateral posting terms and nettin and/or termination event. Under an ISDA Master Agreement, the Fund may, under certain circumstan derivative financial instruments payables and/or receivables with collateral held and/or posted and c provisions of the ISDA Master Agreement typically permit a single net payment in the event of defaul of the counterparty. Bankruptcy or insolvency laws of a particular jurisdiction may restrict or prohibit insolvency or other events.

Collateral Requirements: For derivatives traded under an ISDA Master Agreement, the collateral re netting the mark-to-market amount for each transaction under such agreement and comparing that am currently pledged by the Fund and the counterparty.

Cash collateral that has been pledged to cover obligations of the Fund and cash collateral received fro separately in the Statement of Assets and Liabilities as cash pledged as collateral and cash received as collateral pledged by the Fund, if any, is noted in the Schedule of Investments. Generally, the amount is subject to a certain minimum transfer amount threshold before a transfer is required, which is deter Any additional required collateral is delivered to/pledged by the Fund on the next business day. Typic sell, re-pledge or use cash and non-cash collateral it receives. The Fund generally agrees not to use no absent default or certain other circumstances defined in the underlying ISDA Master Agreement, be p such cases, interest may be paid pursuant to the collateral arrangement with the counterparty. To the e counterparties are not fully

Notes to Financial Statements (continued)

collateralized, it bears the risk of loss from counterparty non-performance. Likewise, to the extent the
counterparty and stands ready to perform under the terms of its agreement with such counterparty, it b
the amount of the value of the collateral in the event the counterparty fails to return such collateral. Ba
may not be required for all derivative contracts.

For financial reporting purposes, the Fund does not offset derivative assets and derivative liabilities th
any, in the Statement of Assets and Liabilities.

6. INVESTMENT ADVISORY AGREEMENT AND OTHER TRANSACTIONS WITH AFFILI

Investment Advisory: The Fund entered into an Investment Advisory Agreement with the Manager,
indirect, wholly-owned subsidiary of BlackRock, Inc. (BlackRock), to provide investment advisory
responsible for the management of the Fund s portfolio and provides the personnel, facilities, equipm
the operations of the Fund.

For such services, the Fund pays the Manager a monthly fee at an annual rate equal to 0.55% of the av
plus the proceeds of any debt securities or outstanding borrowings used for leverage. For purposes of
total assets of the Fund minus the sum of its accrued liabilities.

Expense Waivers and Reimbursements: The Manager voluntarily agreed to waive its investment ad
advisory fees the Fund pays to the Manager indirectly through its investment in affiliated money mark
waiver). This amount is included in fees waived and/or reimbursed by the Manager in the Statement
February 28, 2019, the amounts waived were $2,535.

The Manager contractually agreed to waive its investment advisory fee with respect to any portion of
equity and fixed-income mutual funds and affiliated exchange-traded funds that have a contractual ma
agreement can be renewed for annual periods thereafter, and may be terminated on 90 days notice, e
Fund s Independent Directors. For the year ended February 28, 2019, there were no fees waived and/
this arrangement.

Directors and Officers: Certain directors and/or officers of the Fund are directors and/or officers of B
reimburses the Manager for a portion of the compensation paid to the Fund s Chief Compliance Offic
Officer in the Statement of Operations.

Other Transactions: The Fund may purchase securities from, or sell securities to, an affiliated fund p
having a common investment adviser, common officers, or common directors. For the year ended Feb
transactions and any net realized gains (losses) with an affiliated fund in compliance with Rule 17a-7

Purchases	*Sales*
$	$ 72,491,999

7. PURCHASES AND SALES

For the year ended February 28, 2019, purchases and sales of investments including paydowns and ex
$608,443,949 and $742,548,900, respectively.

8. INCOME TAX INFORMATION

It is the Fund s policy to comply with the requirements of the Internal Revenue Code of 1986, as ame
companies, and to distribute substantially all of its taxable income to its shareholders. Therefore, no U
required.

The Fund files U.S. federal and various state and local tax returns. No income tax returns are currently
limitations on the Fund s U.S. federal tax returns generally remains open for each of the four years en
limitations on the Fund s state and local tax returns may remain open for an additional year dependin

Management has analyzed tax laws and regulations and their application to the Fund as of February 28
years, and does not believe that there are any uncertain tax positions that require recognition of a tax l

U.S. GAAP requires that certain components of net assets be adjusted to reflect permanent differences
These reclassifications have no effect on net assets or net asset values per share. As of period end, the
attributable to the expiration of capital loss carryforwards were reclassified to the following accounts:

Paid-in capital
Accumulated loss

The tax character of distributions paid was as follows:

Ordinary income

NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements (continued)

As of February 28, 2019, the tax components of accumulated loss were as follows:

Undistributed ordinary income	
Non-expiring capital loss carryforward[a]	
Net unrealized gains (losses)[b]	

[a] Amount available to offset future realized capital gains.

[b] The differences between book-basis and tax-basis net unrealized losses were attributable primar sales and straddles, the accrual of income on securities in default, the realization for tax purpose futures and foreign currency contracts, the deferral of compensation to directors and the classifi

As of February 28, 2019, gross unrealized appreciation and depreciation for investments and derivativ tax purposes were as follows:

Tax cost	
Gross unrealized appreciation	
Gross unrealized depreciation	
Net unrealized depreciation	

9. BANK BORROWINGS

The Fund is party to a senior committed secured, 360-day rolling line of credit facility and a separate s with State Street Bank and Trust Company (SSB). SSB may elect to terminate its commitment upo period end, the Fund has not received any notice to terminate. The Fund has granted a security interes

The SSB Agreement allows for the maximum commitment amount of $340,000,000.

Prior to May 1, 2018, the maximum commitment amount was $377,000,000.

Advances will be made by SSB to the Fund, at the Fund s option of (a) the higher of (i) 0.80% above Overnight LIBOR or (b) 0.80% above 7-day, 30-day, 60-day or 90-day LIBOR. Overnight LIBOR an

In addition, the Fund paid a commitment fee (based on the daily unused portion of the commitments). agreements are included in the Statement of Operations as borrowing costs, if any. Advances to the Fu Statement of Assets and Liabilities as bank borrowings payable. Based on the short-term nature of the the variable interest rate, the carrying amount of the borrowings approximates fair value.

The Fund may not declare dividends or make other distributions on shares or purchase any such share distribution or purchase, asset coverage with respect to the outstanding short-term borrowings is less t

For the year ended February 28, 2019, the average amount of bank borrowings and the daily weighted loans under the revolving credit agreements was $293,419,178 and 2.87%, respectively.

10. PRINCIPAL RISKS

In the normal course of business, the Fund invests in securities or other instruments and may enter int subject the Fund to various risks, including among others, fluctuations in the market (market risk) or f obligations. The value of securities or other instruments may also be affected by various factors, inclu economy; (ii) the overall market as well as local, regional or global political and/or social instability; (tax treaties between various countries; or (iv) currency, interest rate and price fluctuations.

The Fund may be exposed to prepayment risk, which is the risk that borrowers may exercise their opti scheduled during periods of declining interest rates, which would force the Fund to reinvest in lower y exposed to reinvestment risk, which is the risk that income from the Fund s portfolio will decline if th traded or called fixed-income securities at market interest rates that are below the Fund portfolio s cu

Valuation Risk: The market values of equities, such as common stocks and preferred securities or equ and options, may decline due to general market conditions which are not specifically related to a partic to factors which affect a particular industry or industries. The Fund may invest in illiquid investments. that the Fund reasonably expects cannot be sold or disposed of in current market conditions in seven c disposition significantly changing the market value of the investment. The Fund may experience diffic timely manner at the price that it believes the investments are worth. Prices may fluctuate widely over company, market or economic news. Markets also tend to move in cycles, with periods of rising and fa Fund s NAV to experience significant increases or decreases over short periods of time. If there is a g markets, the NAV of the Fund may lose value, regardless of the individual results of the securities and invests.

Notes to Financial Statements (continued)

The price the Fund could receive upon the sale of any particular portfolio investment may differ from
particularly for securities that trade in thin or volatile markets or that are valued using a fair valuation
independent pricing service. Changes to significant unobservable inputs and assumptions (i.e., publicl
time to exit) due to the lack of observable inputs may significantly impact the resulting fair value and
As a result, the price received upon the sale of an investment may be less than the value ascribed by th
greater than expected loss or lesser than expected gain upon the sale of the investment. The Fund s ab
impacted by technological issues and/or errors by pricing services or other third party service provider

Counterparty Credit Risk: The Fund may be exposed to counterparty credit risk, or the risk that an e
on its commitments related to unsettled or open transactions. The Fund manages counterparty credit ri
counterparties that the Manager believes have the financial resources to honor their obligations and by
counterparties. Financial assets, which potentially expose the Fund to market, issuer and counterparty
financial instruments and receivables due from counterparties. The extent of the Fund s exposure to m
with respect to these financial assets is approximately their value recorded in the Statement of Assets a
the Fund.

A derivative contract may suffer a mark-to-market loss if the value of the contract decreases due to an
values of the underlying instrument. Losses can also occur if the counterparty does not perform under

The Fund s risk of loss from counterparty credit risk on OTC derivatives is generally limited to the ag
any collateral held by the Fund.

For OTC options purchased, the Fund bears the risk of loss in the amount of the premiums paid plus th
any collateral held by the Fund should the counterparty fail to perform under the contracts. Options wr
rise to counterparty credit risk, as options written generally obligate the Fund, and not the counterparty
to counterparty credit risk with respect to options written to the extent the Fund deposits collateral wit

With exchange-traded options purchased and futures, there is less counterparty credit risk to the Fund
counterparty to such instruments, guarantees against a possible default. The clearinghouse stands betw
contract; therefore, credit risk is limited to failure of the clearinghouse. While offset rights may exist u
have a contractual right of offset against a clearing broker or clearinghouse in the event of a default (in
Additionally, credit risk exists in exchange-traded futures with respect to initial and variation margin t
accounts. While clearing brokers are required to segregate customer margin from their own assets, in t
insolvent or goes into bankruptcy and at that time there is a shortfall in the aggregate amount of margi
clients, typically the shortfall would be allocated on a pro rata basis across all the clearing broker s cu
the Fund.

Concentration Risk: The Fund invests a significant portion of its assets in fixed-income securities an
fixed-income markets. Changes in market interest rates or economic conditions may affect the value a
Interest rate risk is the risk that prices of bonds and other fixed-income securities will increase as inter
rise. The Funds may be subject to a greater risk of rising interest rates due to the current period of hist
has begun to raise the Federal Funds rate, and each increase results in more pronounced interest rate ri

The Fund may invest in securities that are rated below investment grade quality (sometimes called ju
speculative, have greater credit risk and generally are less liquid than, and have more volatile prices th

11. CAPITAL SHARE TRANSACTIONS

The Fund is authorized to issue 400 million shares, all of which were initially classified as Common S
to reclassify any unissued shares to Preferred Shares without the approval of Common Shareholders.

Open Market Share Repurchase Program: The Fund participates in an open market share repurcha
From December 1, 2017 through November 30, 2018, the Fund was permitted to repurchase up to 5%
the Repurchase Program, based on common shares outstanding as of the close of business on Novemb
From December 1, 2018 through November 30, 2019, the Fund may repurchase up to 5% of its outsta
Repurchase Program, based on common shares outstanding as of the close of business on November 3
There is no assurance that the Fund will purchase shares in any particular amounts.

For the periods shown, shares repurchased and cost, including transaction costs were as follows:

Year Ended February 28,
2019
2018

Discount Management Program: The Fund s three-year discount management program (the Progr
Program, the Fund intends to offer to repurchase its common shares based on three 3-month measuren
trade at an average daily discount to net asset value (NAV) of more than 7.5% during a measureme
guarantee that shareholders will be able to sell all of the shares that they desire to sell in any particular

NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements (continued)

The discount trigger was met for the first measurement period, which began on December 1, 2017 and
the Fund conducted a tender offer for 10% of its outstanding shares of common stock. The tender offe
purchased 5,879,192 common shares at a purchase price of $12.4068 per share, for a total amount of $

The discount trigger was met for the second measurement period, which began on December 1, 2018 a
result, the Fund will conduct a tender offer for 5% of its outstanding shares of common stock.

12. REGULATION S-X AMENDMENTS

On August 17, 2018, the SEC adopted amendments to certain disclosure requirements in Securities Ac
Update and Simplification. The Trust has adopted the amendments pertinent to Regulation S-X in this
impacted certain disclosure presentation on the Statement of Assets and Liabilities, Statement of Chan
Statements.

Prior year distribution information and distributions in excess of net investment income in the Stateme
modified to conform to the current year presentation in accordance with the Regulation S-X changes.

Distributions for the year ended February 28, 2018 were classified as follows:

DSU

Distributions in excess of net investment income as of February 28, 2018 was $(649,167).

13. SUBSEQUENT EVENTS

Management s evaluation of the impact of all subsequent events on the Fund s financial statements w
statements were issued and the following items were noted:

The Fund paid a net investment income dividend of $0.068500 per share on March 29, 2019 to Comm
2019.

Additionally, the Fund declared a net investment income dividend of $0.068500 per share on April 1,
record on April 15, 2019.

As a result of the discount trigger being met during the second measurement period, the Fund conduct
5% of its outstanding shares of common stock. The tender offer expired on April 15, 2019 and the Fur
a purchase price of $11.9854 per share, for a total amount of $31,605,008.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of BlackRock Debt Strategies Fund, Inc.:

Opinion on the Financial Statements and Financial Highlights

We have audited the accompanying statement of assets and liabilities of BlackRock Debt Strategies Fu
schedule of investments, as of February 28, 2019, the related statements of operations and cash flows
changes in net assets for each of the two years in the period then ended, the financial highlights for ea
ended, and the related notes. In our opinion, the financial statements and financial highlights present f
position of the Fund as of February 28, 2019, and the results of its operations and cash flows for the y
assets for each of the two years in the period then ended, and the financial highlights for each of the fi
conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements and financial highlights are the responsibility of the Fund s management.
on the Fund s financial statements and financial highlights based on our audits. We are a public accou
Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent
with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exc

We conducted our audits in accordance with the standards of the PCAOB. Those standards require tha
reasonable assurance about whether the financial statements and financial highlights are free of materi
fraud. The Fund is not required to have, nor were we engaged to perform, an audit of its internal contr
audits we are required to obtain an understanding of internal control over financial reporting but not fo
the effectiveness of the Fund s internal control over financial reporting. Accordingly, we express no s

Our audits included performing procedures to assess the risks of material misstatement of the financia
whether due to error or fraud, and performing procedures that respond to those risks. Such procedures
evidence regarding the amounts and disclosures in the financial statements and financial highlights. O
accounting principles used and significant estimates made by management, as well as evaluating the o
statements and financial highlights. Our procedures included confirmation of securities owned as of Fe
the custodian, agent banks, and brokers; when replies were not received from agent banks or brokers,
We believe that our audits provide a reasonable basis for our opinion.

Deloitte & Touche LLP

Boston, Massachusetts

April 23, 2019

We have served as the auditor of one or more BlackRock investment companies since 1992.

Important Tax Information (unaudited)

During the fiscal year ended February 28, 2019, the following information is provided with respect to the Fund.

Qualified Dividend Income for Individuals[a]

Dividends Qualifying for the Dividends Received Deduction for Corporations[a]
Interest-Related Dividends for Non-U.S. Residents[b]

[a] The Fund hereby designates the percentage indicated above or the maximum amount allowable l
[b] Represents the portion of the taxable ordinary income dividends eligible for exemption from U.S aliens and foreign corporations.

Automatic Dividend Reinvestment Plan

Pursuant to the Fund s Dividend Reinvestment Plan (the Reinvestment Plan), Common Shareholde distributions of dividends and capital gains and other distributions reinvested by Computershare Trust Agent) in the respective Fund s Common Shares pursuant to the Reinvestment Plan. Shareholders w Plan will receive all distributions in cash paid by check and mailed directly to the shareholders of reco or other nominee name, then to the nominee) by the Reinvestment Plan Agent, which serves as agent f Reinvestment Plan.

After the Fund declares a dividend or determines to make a capital gain or other distribution, the Rein for the participants accounts, depending upon the following circumstances, either (i) through receipt Fund (newly issued shares) or (ii) by purchase of outstanding shares on the open market or on the F purchases). If, on the dividend payment date, the net asset value per share (NAV) is equal to or le estimated brokerage commissions (such condition often referred to as a market premium), the Rein amount in newly issued shares acquired on behalf of the participants. The number of newly issued sha account will be determined by dividing the dollar amount of the dividend by the NAV on the date the less than 95% of the market price on the dividend payment date, the dollar amount of the dividend wil on the dividend payment date. If, on the dividend payment date, the NAV is greater than the market pr commissions (such condition often referred to as a market discount), the Reinvestment Plan Agent acquired on behalf of the participants in open-market purchases. If the Reinvestment Plan Agent is una open-market purchases, or if the market discount shifts to a market premium during the purchase perio invest any un-invested portion in newly issued shares. Investments in newly issued shares made in this same process described above and the date of issue for such newly issued shares will substitute for the

You may elect not to participate in the Reinvestment Plan and to receive all dividends in cash by conta address set forth below.

Participation in the Reinvestment Plan is completely voluntary and may be terminated or resumed at a received and processed by the Reinvestment Plan Agent prior to the dividend record date. Additionally process notices received after the record date but prior to the payable date and such notices often will Where late notices are not processed by the applicable payable date, such termination or resumption w subsequently declared dividend or other distribution.

The Reinvestment Plan Agent s fees for the handling of the reinvestment of distributions will be paid will pay a pro rata share of brokerage commissions incurred with respect to the Reinvestment Plan Ag with the reinvestment of all distributions. The automatic reinvestment of all distributions will not relie or local income tax that may be payable on such dividends or distributions.

The Fund reserves the right to amend or terminate the Reinvestment Plan. There is no direct service c Plan; however, the Fund reserves the right to amend the Reinvestment Plan to include a service charge that request a sale of shares are subject to a $0.02 per share sold brokerage commission. All correspon should be directed to Computershare Trust Company, N.A. through the internet at http://www.comput Computershare, P.O. Box 505000, Louisville, KY 40233, Telephone: (800) 699-1236. Overnight corr Reinvestment Plan Agent at Computershare, 462 South 4th Street, Suite 1600, Louisville, KY 40202.

Director and Officer Information

Independent Directors [(a)]

Name Year of Birth [(b)]	Position(s) Held (Length of Service) [(c)]	Principal Occupation(s) During Past Five Years	Number of BlackRock Registered Investment C (RICs) Consis Investment Portfo (Portfolios) Ove
Richard E. Cavanagh 1946	Co-Chair of the Board and Director (Since 2007)	Director, The Guardian Life Insurance Company of America since 1998; Board Chair, Volunteers of America (a not-for-profit organization) from 2015 to 2018 (board member since 2009); Director, Arch Chemicals (chemical and allied products) from 1999 to 2011; Trustee, Educational Testing Service from 1997 to 2009 and Chairman thereof from 2005 to 2009; Senior Advisor, The Fremont Group since 2008 and Director thereof since 1996; Faculty Member/Adjunct Lecturer, Harvard University since 2007 and Executive Dean from 1987 to 1995; President and Chief Executive Officer, The Conference Board, Inc. (global business research organization) from 1995 to 2007.	88 RICs consisting of 11
Karen P. Robards 1950	Co-Chair of the Board and Director (Since 2007)	Principal of Robards & Company, LLC (consulting and private	88 RICs consisting of 11

		investing) since 1987; Co-founder and Director of the Cooke Center for Learning and Development (a not-for-profit organization) since 1987; Director of Enable Injections, LLC (medical devices) since 2019; Investment Banker at Morgan Stanley from 1976 to 1987.	
Michael J. Castellano 1946	Director (Since 2011)	Chief Financial Officer of Lazard Group LLC from 2001 to 2011; Chief Financial Officer of Lazard Ltd from 2004 to 2011; Director, Support Our Aging Religious (non-profit) from 2009 to June 2015 and since 2017; Director, National Advisory Board of Church Management at Villanova University since 2010; Trustee, Domestic Church Media Foundation since 2012; Director, CircleBlack Inc. (financial technology company) since 2015.	88 RICs consisting of 11
Cynthia L. Egan 1955	Director (Since 2016)	Advisor, U.S. Department of the Treasury from 2014 to 2015; President, Retirement Plan Services for T. Rowe Price Group, Inc. from 2007 to 2012; executive positions within Fidelity Investments from 1989 to 2007.	88 RICs consisting of 11
Frank J. Fabozzi 1948	Director Director (Since 2007)	Editor of The Journal of Portfolio Management since 1986; Professor of Finance, EDHEC Business School (France) since 2011; Visiting Professor, Princeton	88 RICs consisting of 11

		University for the 2013 to 2014 academic year and Spring 2017 semester; Professor in the Practice of Finance, Yale University School of Management from 1994 to 2011 and currently a Teaching Fellow in Yale s Executive Programs; affiliated professor Karlsruhe Institute of Technology from 2008 to 2011.	
Henry Gabbay 1947	Director (Since 2019)	Board Member, BlackRock Equity-Bond Board from 2007 to 2018; Board Member, BlackRock Equity-Liquidity and BlackRock Closed-End Fund Boards from 2007 through 2014; Consultant, BlackRock, Inc. from 2007 to 2008; Managing Director, BlackRock, Inc. from 1989 to 2007; Chief Administrative Officer, BlackRock Advisors, LLC from 1998 to 2007; President of BlackRock Funds and BlackRock Allocation Target Shares (formerly, BlackRock Bond Allocation Target Shares) from 2005 to 2007 and Treasurer of certain closed-end funds in the BlackRock fund complex from 1989 to 2006.	88 RICs consisting of 11

Director and Officer Information (continued)

Independent Directors [(a)] (continued)

Name **Year of Birth** [(b)]	**Position(s) Held** **(Length of Service)** [(c)]	**Principal Occupation(s) During Past Five Years**	**Number of BlackRock-Registered Investment C (RICs) Consist Investment Portfo (Portfolios) Ove**
R. Glenn Hubbard 1958	Director (Since 2007)	Dean, Columbia Business School since 2004; Faculty member, Columbia Business School since 1988.	88 RICs consisting of 113
W. Carl Kester 1951	Director (Since 2007)	George Fisher Baker Jr. Professor of Business Administration, Harvard Business School since 2008; Deputy Dean for Academic Affairs from 2006 to 2010; Chairman of the Finance Unit, from 2005 to 2006; Senior Associate Dean and Chairman of the MBA Program from 1999 to 2005; Member of the faculty of Harvard Business School since 1981.	88 RICs consisting of 113
Catherine A. Lynch 1961	Director (Since 2016)	Chief Executive Officer, Chief Investment Officer and various other positions, National Railroad Retirement Investment Trust from 2003 to 2016; Associate Vice President for Treasury Management, The George Washington University from 1999 to 2003; Assistant Treasurer, Episcopal Church of	88 RICs consisting of 113

America from 1995 to 1999.

Interested Directors (a)(d)

Name Year of Birth (b)	Position(s) Held (Length of Service) (c)	Principal Occupation(s) During Past Five Years	Number of BlackRock- Registered Investment C (RICs) Consist Investment Portfo (Portfolios) Ove
Robert Fairbairn 1965	Director (Since 2018)	Senior Managing Director of BlackRock, Inc. since 2010; oversees BlackRock s Strategic Partner Program and Strategic Product Management Group; Member of BlackRock s Global Executive and Global Operating Committees; Co-Chair of BlackRock s Human Capital Committee; Member of the Board of Managers of BlackRock Investments, LLC from 2011 to 2018; Global Head of BlackRock s Retail and iShares® businesses from 2012 to 2016.	128 RICs consisting of 29 Portfolios
John M. Perlowski 1964	Director (Since 2015) and President and Chief Executive Officer (Since 2010)	Managing Director of BlackRock, Inc. since 2009; Head of BlackRock Global Accounting and Product Services since 2009; Advisory Director of Family Resource Network (charitable foundation) since 2009.	128 RICs consisting of 29 Portfolios

(a) The address of each Director is c/o BlackRock, Inc., 55 East 52nd Street, New York, NY 10055.

(b) Each Independent Director holds office until his or her successor is duly elected and qualifies or u
retirement or removal as provided by the Fund s by-laws or charter or statute, or until December 31 o
Directors who are interested persons, as defined in the Investment Company Act serve until their su
their earlier death, resignation, retirement or removal as provided by the Fund s by-laws or statute, or
they turn 72. The Board may determine to extend the terms of Independent Directors on a case-by-cas

(c) Following the combination of Merrill Lynch Investment Managers, L.P. (MLIM) and BlackRoc
MLIM and legacy BlackRock fund boards were realigned and consolidated into three new fund board
first became members of the boards of other legacy MLIM or legacy BlackRock funds as follows: Ric
Fabozzi, 1988; R. Glenn Hubbard, 2004; W. Carl Kester, 1995; and Karen P. Robards, 1998. Mr. Gab
open-end funds in the Fixed-Income Complex in 2007.

(d) Mr. Fairbairn and Mr. Perlowski are both interested persons, as defined in the 1940 Act, of the
Inc. and its affiliates. Mr. Fairbairn and Mr. Perlowski are also board members of the BlackRock Mult

Director and Officer Information (continued)

Officers Who Are Not Directors [a]

Name **Year of Birth** [b]	**Position(s) Held** **(Length of Service)**	**Principal Occupation(s) Dur**
Jonathan Diorio 1980	Vice President (Since 2015)	Managing Director of BlackRock, Inc. since 2015; D 2015.
Neal J. Andrews 1966	Chief Financial Officer (Since 2007)	Managing Director of BlackRock, Inc. since 2006.
Jay M. Fife 1970	Treasurer (Since 2007)	Managing Director of BlackRock, Inc. since 2007.
Charles Park 1967	Chief Compliance Officer (Since 2014)	Anti-Money Laundering Compliance Officer for cert to 2015; Chief Compliance Officer of BlackRock Ad Funds in the Multi-Asset Complex and the Fixed-Inc and Chief Compliance Officer for iShares® Delaware BlackRock Fund Advisors (BFA) since 2006; Chi iShares® exchange traded funds since 2006; Chief C Management International Inc. since 2012.
Janey Ahn 1975	Secretary (Since 2012)	Managing Director of BlackRock, Inc. since 2018; D 2017.

(a) The address of each Officer is c/o BlackRock, Inc., 55 East 52nd Street, New York, NY 10055.

(b) Officers of the Fund serve at the pleasure of the Board.

Effective January 1, 2019, Richard E. Cavanagh and Karen P. Robards were appointed as a Co-Chair
Cavanagh served as Chair of the Board and Ms. Robards served as Vice Chair of the Board. In additio
Gabbay was appointed as a Director of the Fund.

Investment Adviser

BlackRock Advisors, LLC

Wilmington, DE 19809

Transfer Agent

Computershare Trust Company, N.A.

Canton, MA 02021

Accounting Agent and Custodian

State Street Bank and Trust Company

Boston, MA 02111

Independent Registered Public Accounting Firm

Deloitte & Touche LLP

Boston, MA 02116

Legal Counsel

Willkie Farr & Gallagher LLP

New York, NY 10019

Address of the Fund

100 Bellevue Parkway

Wilmington, DE 19809

DIRECTOR AND OFFICER INFORMATION

Additional Information

Fund Certification

The Fund is listed for trading on the NYSE and has filed with the NYSE its annual chief executive off
with the NYSE s listing standards. The Fund filed with the SEC the certification of its chief executive
by section 302 of the Sarbanes-Oxley Act.

Dividend Policy

The Fund s dividend policy is to distribute all or a portion of its net investment income to its sharehol
shareholders with a more stable level of dividend distributions, the distributions paid by the Fund for a
than the amount of net investment income earned by the Fund during such month. The portion of distr
and accumulated earnings and profits, which are measured on a tax basis, will constitute a nontaxable
of the Fund s taxable income and net capital gains, but not in excess of the Fund s earnings and profi
income and will not constitute a nontaxable return of capital. The Fund s current accumulated but unc
disclosed in the Statement of Assets and Liabilities, which comprises part of the financial information

General Information

During the period there were no material changes in the Fund s investment objectives or policies or to
delay or prevent a change of control of the Fund that were not approved by the shareholders or in the p
investment in the Fund. There have been no changes in the persons who are primarily responsible for t
portfolio.

In accordance with Section 23(c) of the Investment Company Act of 1940, the Fund may from time to
in the open market or in private transactions.

Quarterly performance, semi-annual and annual reports, current net asset value and other information
BlackRock s website, which can be accessed at **http://www.blackrock.com**. Any reference to BlackR
allow investors public access to information regarding the Fund and does not, and is not intended to, in
report.

Electronic Delivery

Shareholders can sign up for e-mail notifications of quarterly statements, annual and semi-annual shar
electronic delivery program. Electronic copies of shareholder reports are available on BlackRock s w

To enroll in electronic delivery:

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

Please contact your financial advisor. Please note that not all investment advisers, banks or brokerages

Householding

The Fund will mail only one copy of shareholder documents, annual and semi-annual reports and prox
multiple accounts at the same address. This practice is commonly called householding and is intend

duplicate mailings of shareholder documents. Mailings of your shareholder documents may be househ otherwise. If you do not want the mailing of these documents to be combined with those for other mer Fund at (800) 882-0052.

Availability of Quarterly Schedule of Investments

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters Fund s Forms N-Q are available on the SEC s website at http://www.sec.gov. The Fund s Forms N- without charge by calling (800) 882-0052.

Availability of Proxy Voting Policies and Procedures

A description of the policies and procedures that the Fund uses to determine how to vote proxies relati request and without charge (1) by calling (800) 882-0052; (2) at **http://www.blackrock.com**; and (3) http://www.sec.gov.

Availability of Proxy Voting Record

Information about how the Fund voted proxies relating to securities held in the Fund s portfolio durin June 30 is available upon request and without charge (1) at **http://www.blackrock.com**; or by calling website at http://www.sec.gov.

Availability of Fund Updates

BlackRock will update performance and certain other data for the Fund on a monthly basis on its webs **http://www.blackrock.com** as well as certain other material information as necessary from time to tin check the website for updated performance information

Additional Information (continued)

and the release of other material information about the Fund. This reference to BlackRock s website i
to information regarding the Fund and does not, and is not intended to, incorporate BlackRock s webs

Section 19(a) Notices

The amounts and sources of distributions reported are estimates and are being provided to you pursua
being provided for tax reporting purposes. The actual amounts and sources for tax reporting purposes
experience during its fiscal year and may be subject to changes based on tax regulations. The Fund wi
year that will tell you how to report these distributions for U.S. federal income tax purposes.

February 28, 2019

Total Fiscal Year to Date Cumulative Distributions by Character					Percentage of Fiscal Yea b		
Net Investment Income	*Net Realized Capital Gains Short Term*	*Net Realized Capital Gains Long Term*	*Return of Capital*	*Total Per Common Share*	*Net Investment Income*	*Net Realized Capital Gains Short Term*	*Ne Cap*
$0.822000	$	$	$	$0.822000	100%	0%	

Section 19(a) notices for the Fund, as applicable, are available on the BlackRock website at **http:// wv**

BlackRock Privacy Principles

BlackRock is committed to maintaining the privacy of its current and former fund investors and indivi
safeguarding their non-public personal information. The following information is provided to help you
BlackRock collects, how we protect that information and why in certain cases we share such informat

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

BlackRock obtains or verifies personal non-public information from and about you from different sou
(i) information we receive from you or, if applicable, your financial intermediary, on applications, for
about your transactions with us, our affiliates, or others; (iii) information we receive from a consumer
our websites.

BlackRock does not sell or disclose to non-affiliated third parties any non-public personal information
law or as is necessary to respond to regulatory requests or to service Client accounts. These non-affili
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 informati
services that may be of interest to you. In addition, BlackRock restricts access to non-public personal
BlackRock employees with a legitimate business need for the information. BlackRock maintains phys
that are designed to protect the non-public personal information of its Clients, including procedures re
such information.

ADDITIONAL INFORMATION

Glossary of Terms Used in this Report

Currency

EUR	Euro
GBP	British Pound
USD	U.S. Dollar

Portfolio Abbreviations

CLO	Collateralized Loan Obligation
EURIBOR	Euro Interbank Offered Rate
LIBOR	London Interbank Offered Rate
PIK	Payment-In-Kind

This report is intended for current holders. It is not a prospectus. Past performance results shown in th
representation of future performance. The Fund has leveraged its Common Shares, which creates risks
likelihood of greater volatility of net asset value and market price of the Common Shares, and the risk
rates may reduce the Common Shares yield. Statements and other information herein are as dated an

CEFDSU-2/19-AR

Item 2 Code of Ethics The registrant (or the Fund) has adopted a code of ethics, as of the end to the registrant s principal executive officer, principal financial officer, principal accountin performing similar functions. During the period covered by this report, the code of ethics wa and to make other non-material changes. During the period covered by this report, there hav of ethics. The registrant undertakes to provide a copy of the code of ethics to any person upo 1-800-882-0052, option 4.

Item 3 Audit Committee Financial Expert The registrant s board of directors (the board of dire the following audit committee financial experts serving on its audit committee and (ii) each independent:

Michael Castellano

Frank J. Fabozzi

Henry Gabbay

Catherine A. Lynch

Karen P. Robards

The registrant s board of directors has determined that Karen P. Robards qualifies as an auc Item 3(c)(4) of Form N-CSR.

Ms. Robards has a thorough understanding of generally accepted accounting principles, fina financial reporting as well as audit committee functions. Ms. Robards has been President of firm, since 1987. Ms. Robards was formerly an investment banker for more than 10 years w and assessing the performance of companies based on their financial results. Ms. Robards ha financial statements. She also is a member of the audit committee of one publicly held comp

Under applicable securities laws, a person determined to be an audit committee financial ex purpose, including without limitation for the purposes of Section 11 of the Securities Act of identified as an audit committee financial expert. The designation or identification as an auc impose on such person any duties, obligations, or liabilities greater than the duties, obligatic as a member of the audit committee and board of directors in the absence of such designatio identification of a person as an audit committee financial expert does not affect the duties, o member of the audit committee or board of directors.

2

Item 4 Principal Accountant Fees and Services

The following table presents fees billed by Deloitte & Touche LLP (D&T) in each of the last two f
Fund:

	(a) Audit Fees		(b) Audit-Related Fees[1]		(c) Tax Fees[2,	
Entity Name	**Current Fiscal Year End**	**Previous Fiscal Year End**	**Current Fiscal Year End**	**Previous Fiscal Year End**	**Current Fiscal Year End**	**Pre Fisca E**
BlackRock Debt Strategies Fund, Inc.	$98,532	$98,532	$0	$0	$15,400	$28

The following table presents fees billed by D&T that were required to be approved by the registrant s
services that relate directly to the operations or financial reporting of the Fund and that are rendered o
the Investment Adviser or BlackRock) and entities controlling, controlled by, or under common
sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by an
ongoing services to the Fund (Affiliated Service Providers):

	Current Fiscal Year End
(b) Audit-Related Fees[1]	$0
(c) Tax Fees[2, 4]	$0
(d) All Other Fees[3]	$2,050,500

[1] The nature of the services includes assurance and related services reasonably related to the performa
statements not included in Audit Fees, including accounting consultations, agreed-upon procedure rep
out-of-pocket expenses and internal control reviews not required by regulators.

[2] The nature of the services includes tax compliance and/or tax preparation, including services relating
state or local income tax returns, regulated investment company qualification reviews, taxable income

[3] Non-audit fees of $2,050,500 and $2,274,000 for the current fiscal year and previous fiscal year, resp
accountant in their entirety by BlackRock, in connection with services provided to the Affiliated Servi
other funds sponsored and advised by BlackRock or its affiliates for a service organization review and
These amounts represent aggregate fees paid by BlackRock and were not allocated on a per fund basis

[4] Includes fees for the Fund and the Fund s subsidiary.

(e)(1) Audit Committee Pre-Approval Policies and Procedures:

The Committee has adopted policies and procedures with regard to the pre-approval of services. Audit
services provided to the registrant on an annual basis require specific pre-approval by the Committee.
non-audit services provided to the registrant and those non-audit services provided to the Investment A
that relate directly to the operations and the financial reporting of the registrant. Certain of these non-a
are (a) consistent with the SEC s auditor independence rules and (b) routine and recurring services th

independent accountants may be approved by the Committee without consideration on a specific case-
term of any general pre-approval is 12 months from the date of the pre-approval, unless the Committe
other non-audit services provided to the registrant which have a direct impact on the operations or fina
be deemed pre-approved provided that any individual project does not exceed $10,000 attributable to t
this purpose, multiple projects will be aggregated to determine if they exceed the previously mentione

Any proposed services exceeding the pre-approved cost levels will require specific pre-approval by th
not subject to general pre-approval (e.g., unanticipated but permissible services). The Committee is in
to general pre-approval at the next regularly scheduled in-person board meeting. At this meeting, an ar
Committee for ratification. The Committee may delegate to the Committee Chairman the authority to
specific engagement of permitted non-audit services, including services exceeding pre-approved cost l

3

(e)(2) None of the services described in each of Items 4(b) through (d) were approved by the Committ
paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

(f) Not Applicable

(g) The aggregate non-audit fees, defined as the sum of the fees shown under Audit-Related Fees,
accountant for services rendered by the accountant to the registrant, the Investment Adviser and the A

Entity Name	Current Fiscal Year End	Previous Fiscal Year End
BlackRock Debt Strategies Fund, Inc.	$15,400	$28,900

Additionally, the amounts billed by D&T in connection with services provided to the Affiliated Servic
funds sponsored or advised by BlackRock or its affiliates during the current and previous fiscal years
accounting research tool subscription were:

Current Fiscal Year End	Previous Fiscal Year End
$2,050,500	$2,274,000

These amounts represent aggregate fees paid by BlackRock and were not allocated on a per fund basis

(h) The Committee has considered and determined that the provision of non-audit services that were r
Affiliated Service Providers that were not pre-approved pursuant to paragraph

(c)(7)(ii) of Rule 2-01 of Regulation S-X is compatible with maintaining the principal accountant s in

Item 5 Audit Committee of Listed Registrants

(a) The following individuals are members of the registrant s separately-designated s
accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934 (15 U

Michael Castellano

Frank J. Fabozzi

Henry Gabbay

Catherine A. Lynch

Karen P. Robards

(b) Not Applicable

4

Item 6 Investments

(a) The registrant s Schedule of Investments is included as part of the Report to Stockholde

(b) Not Applicable due to no such divestments during the semi-annual period covered since

Item 7 Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investme delegated the voting of proxies for the Fund s portfolio securities to the Investment Adviser voting guidelines. Under these guidelines, the Investment Adviser will vote proxies related t the Fund and its stockholders. From time to time, a vote may present a conflict between the one hand, and those of the Investment Adviser, or any affiliated person of the Fund or the In event, provided that the Investment Adviser s Equity Investment Policy Oversight Commit Oversight Committee) is aware of the real or potential conflict or material non-routine m reasonably believe it is able to follow its general voting guidelines (or if the particular proxy and vote impartially, the Oversight Committee may retain an independent fiduciary to advis or to cast votes on behalf of the Investment Adviser s clients. If the Investment Adviser det fiduciary, or does not desire to follow the advice of such independent fiduciary, the Oversig the proxy after consulting with the Investment Adviser s Portfolio Management Group and Compliance Department and concluding that the vote cast is in its client s best interest notv Fund s Proxy Voting Policy and Procedures are attached as Exhibit 99.PROXYPOL. Infor relating to portfolio securities during the most recent 12-month period ended June 30 is avai www.blackrock.com and (ii) on the SEC s website at http://www.sec.gov.

Item 8 Portfolio Managers of Closed-End Management Investment Companies

(a)(1) As of the date of filing this Report:

The Fund is managed by a team of investment professionals comprised of James E. Keena Mitchell Garfin, Managing Director at BlackRock and David Delbos, Managing Director a and Delbos are the Fund s co-portfolio managers and are responsible for the day-to-day m selection of its investments. Messrs. Keenan, Garfin and Delbos have been a members of t since 2009, 2016 and 2018, respectively.

5

Portfolio Manager	Biography
James E. Keenan	Managing Director of BlackRock since 2008 and Head of the Lev BlackRock from 2006 to 2007.
Mitchell Garfin	Managing Director of BlackRock since 2009; Director of BlackRo
David Delbos	Managing Director of BlackRock, Inc. since 2012; Director of Bla President of BlackRock, Inc. from 2005 to 2006.

(a)(2) As of February 28, 2019:

(i) Name of Portfolio Manager	**(ii) Number of Other Accounts Managed and Assets by Account Type**			**(i**
	Other Registered Investment Companies	**Other Pooled Investment Vehicles**	**Other Accounts**	**Oth Regis Invest Comp**
James E. Keenan	16	25	16	(
	$27.19 Billion	$16.34 Billion	$7.50 Billion	$
Mitchell Garfin	19	14	20	(
	$29.60 Billion	$11.29 Billion	$9.65 Billion	$
David Delbos	18	14	20	(
	$26.75 Billion	$11.69 Billion	$8.29 Billion	$

(iv) Portfolio Manager Potential Material Conflicts of Interest

BlackRock has built a professional working environment, firm-wide compliance culture and complian protect against potential incentives that may favor one account over another. BlackRock has adopted p allocation of investment opportunities, execution of portfolio transactions, personal trading by employ interest that are designed to ensure that all client accounts are treated equitably over time. Neverthele management and advisory services to numerous clients in addition to the Fund, and BlackRock may, c investment recommendations to other clients or accounts (including accounts which are hedge funds o BlackRock, or in which portfolio managers have a personal interest in the receipt of such fees), which those made to the Fund. In addition, BlackRock, Inc., its affiliates and significant shareholders and an employee may or may not have an interest in the securities whose purchase and sale BlackRock recom any of its affiliates or significant shareholders, or any officer, director, shareholder, employee or any r different actions than those recommended to the Fund by BlackRock with respect to the same securiti from rendering any advice or services concerning securities of companies of which any of BlackRock shareholders) officers, directors or employees are directors or officers, or companies as to which Bla significant shareholders or the officers, directors and employees of any of them has any substantial ec non-public information. Certain portfolio managers also may manage accounts whose investment stra strategy utilized for a fund. It should also be noted that Messrs. Keenan, Garfin, and Delbos may be m accounts, or may be part of a team managing hedge fund and/or long only accounts, subject to incenti Delbos may therefore be entitled to receive a portion of any incentive fees earned on such accounts.

6

As a fiduciary, BlackRock owes a duty of loyalty to its clients and must treat each client fairly. When
for more than one account, the trades must be allocated in a manner consistent with its fiduciary dutie
investments in a fair and equitable manner among client accounts, with no account receiving preferent
Inc. has adopted policies that are intended to ensure reasonable efficiency in client transactions and pr
flexibility to allocate investments in a manner that is consistent with the particular investment discipli

(a)(3) *Portfolio Manager Compensation Overview*

The discussion below describes the portfolio managers compensation as of February 28, 2019.

BlackRock s financial arrangements with its portfolio managers, its competitive compensation and its
the value senior management places on key resources. Compensation may include a variety of compo
based on a number of factors. The principal components of compensation include a base salary, a perf
participation in various benefits programs and one or more of the incentive compensation programs es

Base Compensation. Generally, portfolio managers receive base compensation based on their positio

Discretionary Incentive Compensation

Discretionary incentive compensation is a function of several components: the performance of BlackR
manager s group within BlackRock, the investment performance, including risk-adjusted returns, of t
supervision by that portfolio manager relative to predetermined benchmarks, and the individual s per
performance of these portfolios and BlackRock. In most cases, these benchmarks are the same as the b
the performance of the Fund or other accounts managed by the portfolio managers are measured. Amo
Investment Officers make a subjective determination with respect to each portfolio manager s compe
Fund and other accounts managed by each portfolio manager relative to the various benchmarks. Perf
measured on a pre-tax and/or after-tax basis over various time periods including 1-, 3- and 5- year per
portfolio managers, such benchmarks for the Fund and other accounts are: a combination of market-ba
Barclays U.S. Corporate High Yield 2% Issuer Cap Index), certain customized indices and certain fun

Distribution of Discretionary Incentive Compensation. Discretionary incentive compensation is dis
combination of cash, deferred BlackRock, Inc. stock awards, and/or deferred cash awards that notiona
investment products.

Portfolio managers receive their annual discretionary incentive compensation in the form of cash. Port
is above a specified threshold also receive deferred BlackRock, Inc. stock awards annually as part of t
Paying a portion of discretionary incentive compensation in the form of deferred BlackRock, Inc. stoc
manager for a given year at risk based on BlackRock s ability to sustain and improve its performan
additional deferred BlackRock, Inc. stock may be granted to certain key employees as part of a long-te
align interests with long-term shareholders and motivate performance. Deferred BlackRock, Inc. stock
of BlackRock, Inc. restricted stock units that vest pursuant to the terms of the applicable plan and, onc
common stock. The portfolio managers of this Fund have deferred BlackRock, Inc. stock awards.

For certain portfolio managers, a portion of the discretionary incentive compensation is also distribute
notionally track the returns of select BlackRock investment products they manage, which provides dir
discretionary incentive compensation with investment product results. Deferred cash awards vest ratab
vested, settle in the form of cash. Only portfolio managers who manage specified products and whose
threshold are eligible to participate in the deferred cash award program.

Other Compensation Benefits. In addition to base salary and discretionary incentive compensation, p
receive or participate in one or more of the following:

Incentive Savings Plans BlackRock, Inc. has created a variety of incentive savings plans in which B
participate, including a 401(k) plan, the BlackRock Retirement Savings Plan (RSP), and the BlackRoc
The employer contribution components of the RSP include a company match equal to 50% of the first
capped at $5,000 per year, and a company retirement contribution equal to 3-5% of eligible compensa
limit ($280,000 for 2019). The RSP offers a range of investment options, including registered investm
funds managed by the firm. BlackRock, Inc. contributions follow the investment direction set by parti
absent participant investment direction, are invested into a target date fund that corresponds to, or is cl
attains age 65. The ESPP allows for investment in BlackRock, Inc. common stock at a 5% discount on
purchase date. Annual participation in the ESPP is limited to the purchase of 1,000 shares of common
on its fair market value on the purchase date. All of the eligible portfolio managers are eligible to parti

(a)(4) *Beneficial Ownership of Securities* As of February 28, 2019.

Portfolio Manager	Dollar Range of Equity Securities of the Fund Beneficially Owned
James Keenan	$10,001 - $50,000
Mitchell Garfin	$100,001 - $500,000
David Delbos	$100,001 - $500,000

(b) Not Applicable

Item 9 Purchases of Equity Securities by Closed-End Management Investment Company and Affilia

Period	(a) Total Number of Shares Purchased[1]	(b) Average Price Paid per Share	(c) Total Numb Shares Purchase of Publicly Ann Plans or Progra
September 1-30, 2018	0	--	0
October 1-31, 2018	119,509	$10.8983	11,509
November 1-30, 2018	0	--	0
December 1-31, 2018	0	--	0
January 1-31, 2019	0	--	0
February 1-28, 2019	0	--	0
Total:	119,509	$10.8983	119,50

[1] On September 6, 2017, the Fund announced a continuation of the open market share repurchase prog repurchase through November 30, 2018, up to 5% of its outstanding shares based on common shares c open market transactions. On September 7, 2018, the Fund announced a further continuation of its ope Commencing on December 1, 2018, the Fund may repurchase through November 30, 2019, up to 5% close of business on November 30, 2018, subject to certain conditions.

Item 10 Submission of Matters to a Vote of Security Holders There have been no material chang

Item 11 Controls and Procedures

(a) The registrant s principal executive and principal financial officers, or persons perfo the registrant s disclosure controls and procedures (as defined in Rule 30a-3(c) under the amended (the 1940 Act)) are effective as of a date within 90 days of the filing of this re and procedures required by Rule 30a-3(b) under the 1940 Act and Rule 13a-15(b) under th amended.

(b) There were no changes in the registrant s internal control over financial reporting (a Act) that occurred during the second fiscal quarter of the period covered by this report that reasonably likely to materially affect, the registrant s internal control over financial report

9

Item 12 Disclosure of Securities Lending Activities for Closed-End Management Investment Comp

(a) The following table shows the dollar amounts of income, and dollar amounts of fees an
Fund s securities lending activities during the fiscal year ended February 28, 2019. The Fu
activity during the fiscal year ended February 28, 2019.

		BlackRock Debt Strategies Fund, Inc.
(1)	**Gross income from securities lending activities**	
(2)	*Fees and/or compensation for securities lending activities and related services*	
	(a) Securities lending income paid to BIM for services as securities lending agent	
	(b) Collateral management expenses (including fees deducted from a polled cash collateral not included in (a)	
	(c) Administrative fees not included in (a)	
	(d) Indemnification fees not included in (a)	
	(e) Rebate (paid to borrowers)	
	(f) Other fees not included in (a)	
(3)	**Aggregate fees/compensation for securities lending activities**	
(4)	**Net income from securities lending activities**	

(b) BlackRock Investment Management, LLC (BIM) serves as securities lending agent
Fund s securities lending program pursuant to the terms of a securities lending agency agr
BIM.

Item 13 Exhibits attached hereto

(a)(1) Code of Ethics See Item 2

(a)(2) Certifications Attached hereto

(a)(3) Not Applicable

(a)(4) Not Applicable

(b) Certifications Attached hereto

10

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

BlackRock Debt Strategies Fund, Inc.

By: /s/ John M. Perlowski
John M. Perlowski
Chief Executive Officer (principal executive officer) of
BlackRock Debt Strategies Fund, Inc.

Date: May 3, 2019

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Ac
below by the following persons on behalf of the registrant and in the capacities and on the dates indica

By: /s/ John M. Perlowski
John M. Perlowski
Chief Executive Officer (principal executive officer) of
BlackRock Debt Strategies Fund, Inc.

Date: May 3, 2019

By: /s/ Neal J. Andrews
Neal J. Andrews
Chief Financial Officer (principal financial officer) of
BlackRock Debt Strategies Fund, Inc.

Date: May 3, 2019