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DEBT STRATEGIES FUND

Form N-Q

July 26, 2006

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

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY

Investment Company Act File number 811-8603

Name of Fund: Debt Strategies Fund, Inc.

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

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

Registrant's telephone number, including area code: (609) 282-2800

Date of fiscal year end: 02/28/2007

Date of reporting period: 03/01/06 - 05/31/06

Item 1 - Schedule of Investments

Debt Strategies Fund, Inc.
Schedule of Investments as of May 31, 2006 (in U.S. dollars)

	Face Amount	Corporate Bonds

Aerospace & Defense - 4.1%	\$ 5,000,000	Alliant Techsystems, Inc., 3% due 8/15/2024 (d) (k)
	7,500,000	L-3 Communications Corp., 3% due 8/01/2035 (d) (k)
	9,765,000	Standard Aero Holdings, Inc., 8.25% due 9/01/2014
	8,120,000	Vought Aircraft Industries, Inc., 8% due 7/15/2011

Automotive - 3.3%	700,000	Advanced Accessory Systems LLC, 10.75% due 6/15/2011
	3,150,000	Cooper-Standard Automotive, Inc., 8.375% due 12/15/2014
	2,700,000	Delco Remy International, Inc., 9.068% due 4/15/2009 (a)
	4,625,000	Exide Technologies, 10.50% due 3/15/2013 (d)
	5,000,000	General Motors Acceptance Corp., 5.968% due 1/16/2007 (i)
	9,050,000	Metaldyne Corp., 11% due 6/15/2012
	925,000	Tenneco Automotive, Inc. Series B, 10.25% due 7/15/2013
	4,450,000	Venture Holdings Co. LLC, 12% due 6/01/2009 (i)
	1,800,000	Venture Holdings Co. LLC Series B, 9.50% due 7/01/2005

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Broadcasting - 6.8%	5,000,000	Canadian Satellite Radio Holdings, Inc., 12.75% due 2/1
	1,100,000	LIN Television Corp. Series B, 6.50% due 5/15/2013
	2,800,000	Paxson Communications Corp., 8.318% due 1/15/2012 (a) (d)
	5,625,000	Paxson Communications Corp., 11.318% due 1/15/2013 (a) (d)
	3,235,000	Sinclair Broadcast Group, Inc. Class A, 4.875% due 7/15/2013
	13,300,000	Sirius Satellite Radio, Inc., 9.625% due 8/01/2013
	10,000,000	Xm Satellite Radio, Inc., 9.649% due 5/01/2013 (a) (d)
	8,500,000	Xm Satellite Radio, Inc., 9.75% due 5/01/2014 (d)
	2,000,000	Young Broadcasting Inc., 10% due 3/01/2011

Cable -	750,000	NTL Cable Plc, 8.75% due 4/15/2014
International - 1.2%	3,500,000	New Skies Satellites NV, 10.414% due 11/01/2011 (a)
	3,700,000	New Skies Satellites NV, 9.125% due 11/01/2012

Cable - U.S. - 9.1%	7,500,000	Adelphia Communications Corp., 6% due 2/15/2006 (k) (m)
	3,450,000	CSC Holdings, Inc., 7.25% due 7/15/2008
	4,225,000	Cablevision Systems Corp. Series B, 9.62% due 4/01/2009
	3,750,000	Charter Communications Holdings LLC, 10% due 4/01/2009
	2,000,000	Charter Communications Holdings LLC, 11.75% due 1/15/2010
	2,000,000	Charter Communications Holdings LLC, 11.125% due 1/15/2010
	725,000	Charter Communications Holdings LLC, 9.92% due 4/01/2011
	3,000,000	Charter Communications Holdings LLC, 10% due 5/15/2011
	2,500,000	Insight Midwest, LP, 9.75% due 10/01/2009
	3,825,000	Intelsat Subsidiary Holding Co. Ltd., 9.614% due 1/15/2010
	3,375,000	Intelsat Subsidiary Holding Co. Ltd., 8.25% due 1/15/2010
	4,800,000	Intelsat Subsidiary Holding Co. Ltd., 8.625% due 1/15/2010
	1,023,000	Loral Spacecom Corp., 14% due 10/15/2015 (b)
	2,350,000	Mediacom Broadband LLC, 11% due 7/15/2013
	3,875,000	Mediacom LLC, 9.50% due 1/15/2013
	11,750,000	PanAmSat Holding Corp., 9.926% due 11/01/2014 (c)
	10,000,000	Rainbow National Services LLC, 10.375% due 9/01/2014 (d)
	10,350,000	Zeus Special Subsidiary Ltd., 9.25% due 2/01/2015 (c) (d)

Chemicals - 8.8%	3,550,000	ArCo Chemical Co., 9.80% due 2/01/2020
	4,000,000	Compass Minerals International, Inc. Series B, 12% due 6/01/2013 (c)

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Face Amount	Corporate Bonds
\$ 9,783,000	GEO Specialty Chemicals, Inc., 13.50% due 12/31/2009 (k)
1,900,000	Huntsman International, LLC, 9.875% due 3/01/2009
1,199,000	Huntsman International, LLC, 10.125% due 7/01/2009
1,500,000	Innophos, Inc., 8.875% due 8/15/2014
2,400,000	Millennium America, Inc., 7.625% due 11/15/2026
18,000,000	Nova Chemicals Corp., 8.405% due 11/15/2013 (a)
10,000,000	Omnova Solutions, Inc., 11.25% due 6/01/2010

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	5,025,101	PCI Chemicals Canada, Inc., 10% due 12/31/2008
	2,500,000	PolyOne Corp., 6.89% due 9/22/2008
	2,612,000	Rockwood Specialties Group, Inc., 10.625% due 5/15/2011
	450,000	Rockwood Specialties Group, Inc., 7.50% due 11/15/2014

Consumer - Durables - 1.6%	16,500,000	Simmons Co., 11.074% due 12/15/2009 (c)

Consumer -	9,000,000	Hines Nurseries, Inc., 10.25% due 10/01/2011
Non-Durables - 1.6%	2,750,000	Levi Strauss & Co., 9.74% due 4/01/2012 (a)

Diversified Media - 3.9%	2,350,000	AMC Entertainment, Inc., 11% due 2/01/2016 (d)
	2,000,000	Cadmus Communications Corp., 8.375% due 6/15/2014
	7,000,000	Houghton Mifflin Co., 12.031% due 5/15/2011 (a) (d)
	7,500,000	Liberty Media Corp., 0.75% due 3/30/2023 (k)
	2,675,000	Muzak Holdings, LLC, 13% due 3/15/2010
	3,875,000	NBC Acquisition Corp., 11% due 3/15/2013 (c)
	375,000	Universal City Florida Holding Co. I, 8.375% due 5/01/2012
	5,300,000	Universal City Florida Holding Co. I, 9.899% due 5/01/2012

Energy - Exploration & Production - 2.0%	3,000,000	Chaparral Energy, Inc., 8.50% due 12/01/2015 (d)
	5,500,000	Compton Petroleum Finance Corp., 7.625% due 12/01/2013
	6,000,000	Tronox Worldwide LLC, 9.50% due 12/01/2012 (d)

Energy - Other - 3.7%	6,150,000	Aventine Renewable Energy Holdings, Inc., 11.329% due 12/01/2015 (d)
	1,000,000	Dresser, Inc., 9.375% due 4/15/2011
	2,045,000	Dresser-Rand Group, Inc., 7.375% due 11/01/2014
	8,000,000	Ocean RIG ASA, 8.99% due 4/04/2011
	6,950,000	SemGroup LP, 8.75% due 11/15/2015 (d)
	2,000,000	VeraSun Energy Corp., 9.875% due 12/15/2012 (d)

Financial - 1.0%	5,743,690	Archimedes Funding III Ltd., 5.50% due 11/29/2011 (a) (d)
	1,500,000	Investcorp SA, 7.54% due 10/21/2008
	2,000,000	Pennant CBO Ltd., 13.43% due 3/14/2011

Food & Drug - 0.2%	1,000,000	Stripes Acquisition LLC, 10.625% due 12/15/2013 (d)

Food & Tobacco - 0.2%	842,946	Archibald Candy Corp., 10% due 11/01/2007 (i)
	1,175,000	Doane Pet Care Co., 10.75% due 3/01/2010

Gaming - 3.6%	9,250,000	Galaxy Entertainment Finance Co. Ltd., 10.42% due 12/15/2011
	1,250,000	Galaxy Entertainment Finance Co. Ltd., 9.875% due 12/15/2011
	5,250,000	Inn of the Mountain Gods Resort & Casino, 12% due 11/15/2011
	2,000,000	Jacobs Entertainment, Inc., 11.875% due 2/01/2009
	3,275,000	Little Traverse Bay Bands of Odawa Indians, 10.25% due 12/15/2011

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Debt Strategies Fund, Inc.

Schedule of Investments as of May 31, 2006

(in U.S. dollars)

	Face Amount	Corporate Bonds
	\$ 915,000	Penn National Gaming, Inc., 6.75% due 3/01/2015
	3,000,000	Tunica-Biloxi Gaming Authority, 9% due 11/15/2015 (d)

Health Care - 4.3%	3,525,000	CDRV Investors, Inc., 9.75% due 1/01/2015 (c)
	5,000,000	Cinacalcet Royalty Corp., 8% due 3/30/2017 (d)
	3,525,000	Elan Finance Plc, 7.75% due 11/15/2011
	4,825,000	Elan Finance Plc, 9.17% due 11/15/2011 (a)
	5,000,000	Risperdal Consta Pharma, 7% due 1/01/2018
	6,000,000	Tenet Healthcare Corp., 7.375% due 2/01/2013
	1,400,000	VWR International, Inc., 8% due 4/15/2014
	4,100,000	Vanguard Health Holding Co. I, LLC, 11.25% due 10/01/2012

Housing - 4.2%	3,000,000	Compression Polymers Corp., 11.44% due 7/01/2012 (a) (d)
	1,300,000	Compression Polymers Corp., 10.50% due 7/01/2013 (d)
	3,190,000	Goodman Global Holding Co., Inc., 8.329% due 6/15/2012
	8,200,000	Goodman Global Holding Co., Inc., 7.875% due 12/15/2012
	2,500,000	Nortek, Inc., 8.50% due 9/01/2014
	5,450,000	Ply Gem Industries, Inc., 9% due 2/15/2012
	2,250,000	Stanley-Martin Communities LLC, 9.75% due 8/15/2015
	5,000,000	Technical Olympic USA, Inc., 8.25% due 4/01/2011 (d)

Information Technology - 5.6%	6,950,000	Amkor Technology, Inc., 9.25% due 2/15/2008
	1,000,000	Cypress Semiconductor Corp., 1.25% due 6/15/2008 (k)
	4,725,000	Freescale Semiconductor, Inc., 7.818% due 7/15/2009 (a)
	1,375,000	MagnaChip Semiconductor SA, 8.579% due 12/15/2011 (a)
	1,050,000	MagnaChip Semiconductor SA, 8% due 12/15/2014
	7,075,000	Sungard Data Systems, Inc., 9.125% due 8/15/2013 (d)
	3,825,000	Sungard Data Systems, Inc., 9.431% due 8/15/2013 (a) (d)
	4,818,000	Sungard Data Systems, Inc., 10.25% due 8/15/2015 (d)
	2,925,000	Telcordia Technologies, Inc., 10% due 3/15/2013 (d)
	5,075,000	Viasystems, Inc., 10.50% due 1/15/2011

Leisure - 3.3%	6,600,000	Felcor Lodging LP, 9.57% due 6/01/2011 (a)
	5,000,000	HRP Myrtle Beach Operations LLC, 9.829% due 4/01/2012 (d)
	5,000,000	HRP Myrtle Beach Operations LLC, 12.50% due 4/01/2013 (d)
	5,000,000	HRP Myrtle Beach Holdings LLC, 14.50% due 4/01/2014
	2,000,000	True Temper Sports, Inc., 8.375% due 9/15/2011

Manufacturing - 2.2%	4,000,000	CPI Holdco, Inc., 10.561% due 2/01/2015 (a)
	4,525,000	EaglePicher Inc., 9.75% due 9/01/2013 (i)
	5,875,000	Invensys Plc, 9.875% due 3/15/2011 (d)
	2,500,000	Propex Fabrics, Inc., 10% due 12/01/2012

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Metal - Other - 2.8%	1,100,000	Aleris International, Inc., 9% due 11/15/2014
	5,000,000	Indalex Holding Corp., 11.50% due 2/01/2014 (d)
	8,500,000	James River Coal Co., 9.375% due 6/01/2012
	4,550,000	RathGibson, Inc., 11.25% due 2/15/2014 (d)
Packaging - 1.4%	1,100,000	Graham Packing Co., Inc., 9.875% due 10/15/2014
	4,000,000	Packaging Dynamics Finance Corp., 10% due 5/01/2016 (d)
	6,325,000	Wise Metals Group LLC, 10.25% due 5/15/2012
Paper - 9.4%	6,500,000	Abitibi-Consolidated, Inc., 8.829% due 6/15/2011 (a)
	9,725,000	Ainsworth Lumber Co. Ltd., 8.71% due 10/01/2010 (a)
<p>Debt Strategies Fund, Inc. Schedule of Investments as of May 31, 2006 (in U.S. dollars)</p>		
	Face Amount	Corporate Bonds
	\$ 8,000,000	Ainsworth Lumber Co. Ltd., 9.068% due 4/01/2013 (a) (d)
	2,150,000	Boise Cascade LLC, 7.943% due 10/15/2012 (a)
	900,000	Boise Cascade LLC, 7.125% due 10/15/2014
	7,600,000	Bowater, Inc., 8.329% due 3/15/2010 (a)
	3,775,000	Domtar, Inc., 7.125% due 8/15/2015
	2,000,000	Graphic Packaging International Corp., 9.50% due 8/15/2015
	13,625,000	JSG Funding Plc, 7.75% due 4/01/2015
	8,000,000	NewPage Corp., 11.399% due 5/01/2012 (a)
	4,725,000	NewPage Corp., 12% due 5/01/2013
	1,600,000	Smurfit-Stone Container Enterprises, Inc., 8.375% due 7/15/2015
Retail - 1.6%	6,000,000	Neiman-Marcus Group, Inc., 9% due 10/15/2015 (d)
	5,000,000	Neiman-Marcus Group, Inc., 10.375% due 10/15/2015 (d)
Service - 3.8%	250,000	Avis Budget Car Rental LLC, 7.576% due 5/15/2014 (a) (d)
	2,000,000	Buhrmann US, Inc., 7.875% due 3/01/2015
	7,500,000	HydroChem Industrial Services, Inc., 9.25% due 2/15/2015
	3,000,000	Neff Rental LLC, 11.25% due 6/15/2012 (d)
	14,825,000	United Rentals North America, Inc., 7.75% due 11/15/2015
Telecommunications - 5.5%	5,000,000	ADC Telecommunications, Inc., 5.795% due 6/15/2013 (a) (d)
	7,500,000	Cincinnati Bell, Inc., 8.375% due 1/15/2014
	2,600,000	Nordic Telephone Co. Holdings ApS, 8.875% due 5/01/2016
	7,900,000	Qwest Communications International, Inc., 8.67% due 2/15/2009 (a)

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	2,675,000	Qwest Corp., 8.579% due 6/15/2013 (a)
	7,000,000	Time Warner Telecom Holdings, Inc., 9.17% due 2/15/2011
	6,000,000	Time Warner Telecom Holdings, Inc., 9.25% due 2/15/2014

Transportation - 0.8%	3,000,000	Progress Rail Services Corp., 7.75% due 4/01/2012 (d)
	2,500,000	Titan Petrochemicals Group Ltd., 8.50% due 3/18/2012 (d)

Utility - 1.3%	4,142,000	Centerpoint Energy, Inc. Series B, 3.75% due 5/15/2023
	3,375,000	Dynegy Holdings, Inc., 8.375% due 5/01/2016 (d)
	1,425,000	Williams Cos., Inc., 8.625% due 6/01/2010

Wireless	2,500,000	iPCS Escrow Co., 11.50% due 5/01/2012
Communications - 1.6%	1,600,000	Rural Cellular Corp., 9.41% due 3/15/2010 (a)
	6,600,000	US Unwired, Inc., 9.579% due 6/15/2010 (a)

		Total Corporate Bonds (Cost - \$723,088,166) - 98.9%

		Floating Rate Loan Interests**

Airlines - 1.1%	3,000,000	Delta Air Lines Term Loan B, 11.01% due 3/16/2008
	3,000,000	Delta Air Lines Term Loan B, 13.51% due 3/16/2008
	250,000	United Air Lines Delay Draw Term Loan, 8.875% due 2/01/2012
	1,750,000	United Air Lines Term Loan B, 8.625% due 2/01/2012

Automotive - 2.4%	7,775,042	Delphi Automotive Systems Term Loan B, 13.50% due 6/14/2010
	1,685,185	Intermet Corp. Letter of Credit, 8.49% due 11/08/2010
	4,814,815	Intermet Corp. Term Loan B, 9.87% due 11/08/2010
	2,185,236	Tenneco Automotive, Inc. Term Loan B, 7.19% due 12/12/2010
	959,936	Tenneco Automotive, Inc. Tranche B-1 Credit Linked Depository Note, 8.50% due 12/12/2010

Debt Strategies Fund, Inc.		
Schedule of Investments as of May 31, 2006		(in U.S. dollars)
	Face	
	Amount	Floating Rate Loan Interests**

Cable - U.S. - 7.8%	\$10,000,000	Adelphia Communications Corp. Term Loan B, 10% due 6/30/2010
	4,310,344	Cebridge Connections Term Loan B, 7.319% due 11/05/2013
	7,000,000	Century Cable Holdings LLC, Discretionary Term Loan, 10.00% due 12/31/2010

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	20,000,000	Charter Communications, Inc. Term Loan B, 7.776% due 4/
	7,820,000	Insight Midwest Holdings LLC Term Loan C, 7% due 12/31/
	6,000,000	Olympus Cable Holdings LLC Term Loan B, 10% due 9/30/20
	1,500,000	Olympus Cable Holdings LLC Tranche 2 Term Loan A, 9.25%

Chemicals - 2.3%	2,876,190	Huntsman ICI Holdings Term Loan B, 6.831% due 8/16/2012
	3,168,000	Rockwood Specialties Group, Inc. Tranche D Term Loan, 7
	10,000,000	Wellman, Inc. Second Lien Term Loan, 11.899% due 2/10/2

Energy - Exploration & Production - 0.2%	1,250,000	MEG Energy Corp. Term Loan B, 7% due 4/03/2013

Energy - Other - 1.6%	377,915	Dresser, Inc. Term Loan C, 7.60% due 4/10/2009
	2,500,000	Dresser, Inc. Term Loan Unsecured, 8.65% due 2/25/2010
	6,000,000	Scorpion Drilling Ltd. Second Lien Term Loan, 12.581% d
	2,000,000	Scorpion Drilling Ltd. Second Lien Term Loan, 12.581% d

Financial - 0.8%	3,000,000	JG Wentworth Manufacturing Term Loan, 8.545% due 4/12/2
	3,000,000	JG Wentworth Manufacturing Term Loan, 8.545% due 4/14/2

Food & Tobacco - 2.1%	1,000,000	Bolthouse Farms, Inc. Second Lien Term Loan, 10.37% due
	2,860,000	Commonwealth Brands Term Loan, 7.438% due 12/22/2012
	465,116	Dole Food Co., Inc. Letter of Credit, 4.92% due 4/12/20
	1,046,512	Dole Food Co., Inc. Term Loan B, 6.875%-8.75% due 4/12/
	3,488,372	Dole Food Co., Inc. Term Loan C, 6.875%-8.75% due 4/04/
	6,000,000	QCE LLC Second Lien Term Loan, 10.938% due 10/24/2013

Housing - 2.3%	4,672,338	Headwaters, Inc. Term Loan B-1, 7.08% due 4/30/2011
	2,157,110	LNR Property Corp. Tranche B Term Loan, 8.04%-8.08% due
	10,000,000	Stile U.S. Acquisition Corp. Bridge Loan, 11% due 4/06/

Information Technology - 1.4%	3,960,000	Activant Solutions Term Loan B, 7.188% due 5/02/2013
	3,071,250	Fidelity National Information Solutions, Inc. Term Loan due 3/09/2013
	3,341,250	Telcordia Technologies, Inc. Term Loan, 7.668%-7.727% d

Manufacturing - 0.7%	5,000,000	Invensys International Holdings Ltd. Second Lien Term L due 12/04/2009

Metal - Other - 1.2%	1,989,474	Euramax International Plc Second Lien Term Loan, 12% du

Debt Strategies Fund, Inc.
Schedule of Investments as of May 31, 2006

(in U.S. dollars)

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	Face Amount	Floating Rate Loan Interests**
	\$ 2,551,265	Euramax International Plc Tranche 3 Term Loan B, 7.688%
	4,010,526	Euramax International Plc Tranche 4 Second Lien Term Loan due 6/29/2013
Packaging - 1.8%	4,285,714	Anchor Glass Container Corp. Term Loan B, 7.309% due 5/
	2,000,000	Graham Packaging Co. LP Second Lien Term Loan, 9.25% due
	6,774,814	Owens-Illinois Group, Inc. Tranche Term Loan C, 6.78% due
Service - 0.9%	2,160,000	Waste Services, Inc. Term Loan B, 8.09%-8.34% due 3/31/
	3,920,000	Waste Services, Inc. Term Loan B, 8.33%-8.34% due 3/31/
Steel - 0.0%	7,000,072	Acme Metals, Inc. Term Loan, 11.75%-12% due 12/01/2005
	711,758	Acme Metals, Inc. Term Loan, 12.25% due 12/01/2005 (m)
Telecommunications - 0.6%	3,161,871	Winstar Communications Debtor In Possession, 6.366% due
Utility - 1.5%	2,000,000	Calpine Corp. Delay Draw Term Loan, 8.979% due 12/20/20
	5,000,000	Covanta Energy Corp. Second Lien Term Loan, 10.47%-10.5
	1,500,000	El Paso Corp. Deposit Account, 4.29% due 11/23/2009
	1,940,000	El Paso Corp. Term Loan, 7.75% due 11/23/2009
Wireless Communications - 0.8%	5,500,000	Centennial Cellular Operating Co. Term Loan, 7.21%-7.57
		Total Floating Rate Loan Interests (Cost - \$210,608,166)
	Shares Held	Common Stocks
Cable - U.S. - 0.6%	142,475	Loral Space & Communications Ltd. (j)
Chemicals - 0.1%	339,340	GEO Specialty Chemicals, Inc. (j)
Financial - 0.3%	35,000	Preferred Term Securities VI (d)
Food & Tobacco - 0.5%	1,428,423	Viskase Cos., Inc. (j)
Food Products - 0.2%	173,918	New World Pasta Co. (l)
Leisure - 0.0%	27,787	Lodgian, Inc. (j)
Manufacturing - 1.1%	724,291	ACP Holding Co. (j)
	286,757	Medis Technologies Ltd. (j)

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Paper - 0.1%	211,149	Western Forest Products, Inc. Restricted Shares (j)
Service - 0.5%	90,876	Outsourcing Solutions, Inc. (j)
Steel - 0.0%	41,149	Acme Package Corp. Senior Holdings (j) (l)
Total Common Stocks (Cost - \$26,722,494) - 3.4%		

Preferred Stocks

Automotive - 0.6%	200,000	General Motors Corp. Series C, 6.25% (k)
Broadcasting - 0.0%	2	Paxson Communications Corp., 9.75% (b) (d) (k)
Cable - U.S. - 0.2%	5,000	Adelphia Communications Corp. Series B, 13% (j)
	8,956	Loral Spacecom Corp. Series A, 12%
Total Preferred Stocks (Cost - \$7,130,961) - 0.8%		

Warrants (h)

Broadcasting - 0.0%	15,000	Sirius Satellite Radio, Inc. (expires 5/15/2009)
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Schedule of Investments as of May 31, 2006 (in U.S. dollars)

Shares
Held Warrants (h)

Food Products - 0.1%	128,828	New World Pasta Co. Series A (expires 12/07/2010) (l)
	143,142	New World Pasta Co. Series B (expires 12/07/2010) (l)
Health Care - 0.0%	126,761	HealthSouth Corp. (expires 1/16/2014)
Manufacturing - 0.2%	652,739	ACP Holding Co. (expires 9/30/2013)
Paper - 0.0%	17	Cellu Tissue Holdings, Inc. Series A (expires 9/28/2011)
	7,000	MDP Acquisitions Plc (expires 10/01/2013)
Wireless Communications - 0.1%	1,325	American Tower Corp. (expires 8/01/2008)

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Total Warrants (Cost - \$1,490,560) - 0.4%

	Beneficial Interest	Other Interests (e)
Automotive - 0.0%	\$ 3,614,601	Cambridge Industries, Inc. (Litigation Trust Certificat
Cable - U.S. - 0.1%	9,500,000	Pegasus Satellite Communications, Inc. (Litigation Trus
Total Other Interests (Cost - \$1,440,678) - 0.1%		

Short-Term Securities

15,935 Merrill Lynch Liquidity Series, LLC Cash Sweep Series I

Total Short-Term Securities (Cost - \$15,935) - 0.0%

Total Investments (Cost - \$970,496,960*) - 133.1%

Liabilities in Excess of Other Assets - (33.1%)

Net Assets - 100.0%

* The cost and unrealized appreciation (depreciation) of investments as of May 31, 2006, as computed for federal income tax purposes, were as follows:

Aggregate cost	\$ 970,754,900
Gross unrealized appreciation	\$ 33,691,657
Gross unrealized depreciation	(48,010,200)
Net unrealized depreciation	\$ (14,318,543)

- ** Floating rate loan interests in which the Fund invests generally pay interest at rates that are periodically redetermined by reference to a base lending rate plus a premium. The base lending rates are generally (i) the lending rate offered by one or more European banks, such as LIBOR (London InterBank Offered Rate), (ii) the prime rate offered by one or more U.S. banks or (iii) the certificate of deposit rate.
- (a) Floating rate note.
 - (b) Represents a pay-in-kind security which may pay interest/dividends in additional face/shares.
 - (c) Represents a step bond; the interest rate shown reflects the effective yield at the time of purchase.
 - (d) The security may be offered and sold to "qualified institutional buyers" under Rule 144A of the Securities Act of 1933.
 - (e) Other interests represent beneficial interest in liquidation trusts and other reorganization entities and are non-income producing.
 - (f) Investments in companies considered to be an affiliate of the Fund, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, were as follows:

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Affiliate	Net Activity	Interest Income
Merrill Lynch Liquidity Series, LLC Cash Sweep Series I	\$15,935	\$34,651

- (g) Represents the current yield as of 5/31/2006.
- (h) Warrants entitle the Fund to purchase a predetermined number of shares of common stock and are non-income producing. The purchase price and number of shares are subject to adjustment under certain conditions until the expiration date.
- (i) Non-income producing security; issuer filed for bankruptcy or is in default of interest payments.
- (j) Non-income producing security.
- (k) Convertible security.

Debt Strategies Fund, Inc.
Schedule of Investments as of May 31, 2006 (in U.S. dollars)

- (l) Restricted securities as to resale, representing 0.3% of net assets, were as follows:

Issue	Acquisition Date	
Acme Package Corp. Senior Holdings	11/25/2002	
New World Pasta Co.	5/19/2006	\$ 4
New World Pasta Co. Series A (expires 12/07/2010)	5/19/2006	
New World Pasta Co. Series B (expires 12/07/2010)	5/19/2006	
Total		\$ 5

- (m) As a result of bankruptcy proceedings, the company did not repay the principal amount of the security upon maturity and is non-income producing.
- o For Fund compliance purposes, the Fund's industry classifications refer to any one or more of the industry sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or as defined by Fund management. This definition may not apply for purposes of this report, which may combine industry sub-classifications for reporting ease. Industries are shown as a percent of net assets.
- o Swaps outstanding as of May 31, 2006 were as follows:

	Notional Amount

Sold credit default protection on General Motors Corp.

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and receive 5%

Broker, Citibank N.A.
Expires December 2006

\$ 8,000,000

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

Broker, Lehman Brothers Special Finance
Expires December 2006

\$ 7,000,000

Total

Item 2 - Controls and Procedures

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

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

Item 3 - Exhibits

Certifications - Attached hereto

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

Debt Strategies Fund, Inc.

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

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

Date: July 21, 2006

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

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

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

Date: July 21, 2006

By: /s/ Donald C. Burke

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

Date: July 21, 2006