EASYLINK SERVICES INTERNATIONAL CORP
Form SC 13D
May 10, 2012

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

SCHEDULE 13D
Under the Securities Exchange Act of 1934

EasyLink Services International Corporation
(Name of Issuer)

Class A Common Stock, par value $0.01 per share
(Title of Class of Securities)

277858106
(CUSIP Number)

Gordon A. Davies
Open Text Corporation
275 Frank Tompa Drive
Waterloo, Ontario
Canada N2L OA1
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With a copy to:

James R. Stuart, III
Richard B. Holbrook Jr.
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1001 Pennsylvania Ave., N.W.
Washington, D.C. 20004
(202) 624-2500
(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications)

May 1, 2012
(Date of Event Which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§ 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box. ¨

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See § 240.13d-7 for other parties to whom copies are to be sent.

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be “filed” for the purpose of Section 18 of the Securities Exchange Act of 1934 (“Act”) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No. 277858106

1	NAMES OF REPORTING PERSONS Open Text Corporation		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS) (a) x (b) o		
3	SEC USE ONLY		
4	SOURCE OF FUNDS (SEE INSTRUCTIONS) WC		
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e) o		
6	CITIZENSHIP OR PLACE OF ORGANIZATION Canada		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH		7	SOLE VOTING POWER -0-
		8	SHARED VOTING POWER 3,374,098
		9	SOLE DISPOSITIVE POWER -0-
		10	SHARED DISPOSITIVE POWER -0-
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 3,374,098[(1)]		
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) o		
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 9.63%[(2)]		
14	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS) CO		

(1) Beneficial ownership of the above referenced Common Stock is being reported hereunder solely because the Reporting Person may be deemed to have beneficial ownership of such Common Stock as a result of the Voting Agreements described below. Neither the filing of this Schedule 13D nor any of its contents shall be deemed to constitute an admission by the Reporting Person that it is the beneficial owner of any Common Stock for purposes

of Section 13(d) of the Exchange Act, or for any other purpose, and such beneficial ownership thereof is expressly disclaimed.

(2) The above calculations are based on 32,113,320 shares of Common Stock outstanding (as represented in the Merger Agreement described below) and 2,921,947 shares of Common Stock subject to outstanding options beneficially owned by the Stockholders subject to the Voting Agreements, whether or not such options are presently exercisable or exercisable within 60 days from the date hereof or thereafter.

CUSIP No. 277858106

1	NAMES OF REPORTING PERSONS Epic Acquisition Sub Inc.
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS) (a) x (b) o
3	SEC USE ONLY
4	SOURCE OF FUNDS (SEE INSTRUCTIONS) WC
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e) o
6	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER -0-
	8	SHARED VOTING POWER 3,374,098
	9	SOLE DISPOSITIVE POWER -0-
	10	SHARED DISPOSITIVE POWER -0-

11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 3,374,098 (1)
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) o
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 9.63%(2)
14	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS) CO

(1) Beneficial ownership of the above referenced Common Stock is being reported hereunder solely because the Reporting Person may be deemed to have beneficial ownership of such Common Stock as a result of the Voting Agreements described below. Neither the filing of this Schedule 13D nor any of its contents shall be deemed to constitute an admission by the Reporting Person that it is the beneficial owner of any Common Stock for purposes of Section 13(d) of the Exchange Act, or for any other purpose, and such beneficial ownership thereof is expressly

disclaimed.

(2) The above calculations are based on 32,113,320 shares of Common Stock outstanding (as represented in the Merger Agreement described below) and 2,921,947 shares of Common Stock subject to outstanding options beneficially owned by the Stockholders subject to the Voting Agreements, whether or not such options are presently exercisable or exercisable within 60 days from the date hereof or thereafter.

CUSIP No. 277858106

Item 1. Security and Issuer

This Schedule 13D ("Schedule 13D") relates to shares of Class A Common Stock, $0.01 par value per share (the "Common Stock"), of EasyLink Services International Corporation, a Delaware corporation (the "Issuer"). The principal executive offices of the Issuer are located at 6025 The Corners Parkway, Suite 100, Norcross, GA 30092.

Item 2. Identity and Background

(a)-(c), (f) This Schedule 13D is being jointly filed, pursuant to a joint filing agreement included as Exhibit 1 hereto, by:

(1) Open Text Corporation, a Canadian corporation ("Open Text"). The address of the principal business and principal offices of Open Text is 275 Frank Tompa Drive, Waterloo, Ontario, Canada N2L OA1. Open Text is the world's largest independent provider of Enterprise Content Management software. Open Text's solutions manage information for all types of business, compliance and industry requirements in large companies, government agencies and professional service firms.

(2) Epic Acquisition Sub Inc., a Delaware corporation ("Merger Sub", and together with Open Text, the "Reporting Persons"). The address of the principal business and principal offices of Merger Sub is 275 Frank Tompa Drive, Waterloo, Ontario, Canada N2L OA1. Merger Sub is a wholly-owned indirect subsidiary of Open Text. Merger Sub was formed solely for the purpose of effecting the transactions contemplated by the Merger Agreement (defined below) and has not engaged in any activities except in connection with these transactions.

To the best of the Reporting Persons' knowledge as of the date hereof, the name, business address, present principal occupation or employment and citizenship of each executive officer and director of the Reporting Persons, as the case may be, and the name, principal business and address of any corporation or other organization in which such employment is conducted is set forth in Schedule A hereto. The information contained in Schedule A is incorporated herein by reference.

(d)-(e) During the last five years, none of the Reporting Persons, or to the best of the Reporting Persons' knowledge, any of the executive officers or directors of the Reporting Persons, have been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors), or have been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, Federal or State securities laws or finding any violation with respect to such laws.

Item 3. Source and Amount of Funds or Other Consideration

The total amount of funds required by Open Text to acquire Issuer, including the purchase all of the Common Stock pursuant to the Merger Agreement described in Item 4 (the terms of which are hereby incorporated by reference) and the Merger (as defined below), is estimated to be approximately $310 million, inclusive of debt. Open Text will use its working capital or other internally generated funds to complete the Merger.

The Voting Agreements described in Item 4 of this Schedule 13D (the terms of which are hereby incorporated by reference) were entered into among Open Text, Merger Sub and each of John S. Simon, Paul D. Lapides, Richard J. Berman, Kim D. Cooke, Patrick A. Harper, Mark J. Herold, Kevin R. Maloney, Glen E. Shipley, Teresa A. Deuel, and Thomas J. Stallings (collectively, the "Stockholders"). The Stockholders entered into the Voting Agreements as an inducement to Open Text to enter into the Merger Agreement. Open Text did not pay additional consideration to the Stockholders in connection with the execution and delivery of the Voting Agreements and no funds were used for such purpose.

Item 4. Purpose of Transaction

(a)-(b) On May 1, 2012, Open Text, Merger Sub and the Issuer entered into an Agreement and Plan of Merger ("Merger Agreement") providing for the Merger of Merger Sub into the Issuer (the "Merger") with the Issuer surviving the Merger as a wholly-owned subsidiary of Open Text, upon the terms and subject to the conditions set forth in the Merger Agreement. At the Effective Time (as defined in the Merger Agreement), each share of the Issuer's Common Stock will be converted into the right to receive $7.25 in cash, without interest. A copy of the Merger Agreement is included as Exhibit 2 hereto and the description of the Merger Agreement contained herein is qualified in its entirety by reference to Exhibit 2, which

is incorporated herein by reference.
The Merger Agreement has been included to provide investors and security holders with information regarding the terms of the Merger. It is not intended to provide any other factual information about the Issuer, Open Text or Merger Sub. The representations, warranties, covenants and agreements contained in the Merger Agreement, which were made only for purposes of that agreement and as of specific dates, were solely for the benefit of the parties to the Merger Agreement, may be subject to limitations agreed upon by the contracting parties (including being qualified by confidential disclosures made for the purposes of allocating contractual risk between the parties to the Merger Agreement instead of establishing these matters as facts) and may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors and security holders. Investors and security holders are not third-party beneficiaries under the Merger Agreement and should not rely on the representations, warranties, covenants and agreements or any descriptions thereof as characterizations of the actual state of facts or condition of the Issuer, Open Text or Merger Sub or any of their respective subsidiaries or affiliates. Moreover, information concerning the subject matter of the representations and warranties may change after the date of the Merger Agreement, which subsequent information may or may not be fully reflected in the Issuer's public disclosures.
To induce Open Text to enter into the Merger Agreement, the Stockholders entered into Voting Agreements with Open Text and Merger Sub, dated as of May 1, 2012 (the “Voting Agreements”). Pursuant to the Voting Agreements, the Stockholders have agreed to vote all securities of the Issuer (including all shares of Common Stock) owned by them in favor of the Merger and against any (i) Takeover Proposal (as defined in the Merger Agreement), (ii) reorganization, recapitalization, liquidation or winding up of the Issuer or any other extraordinary transaction involving the Issuer not contemplated by the Merger Agreement or (iii) corporate action, the consummation of which would frustrate the purposes, or prevent or delay the consummation of, the Merger or any other transactions contemplated by the Merger Agreement. In addition, each Stockholder has agreed to exercise its vested options upon the request of Open Text. The Voting Agreements terminate upon the earlier of (x) the consummation of the Merger and (y) the termination of the Merger Agreement in accordance with its terms.
Pursuant to the Voting Agreements, each Stockholder has irrevocably agreed to grant a proxy appointing Open Text and each of its corporate officers as such Stockholder's proxy to vote his or her shares of the Issuer. Any new shares of Common Stock of which beneficial ownership is acquired will automatically become subject to the terms of the Voting Agreements.
Copies of the Voting Agreements are included as Exhibits 3 through 12 hereto and the description of the Voting Agreements contained herein is qualified in its entirety by reference to Exhibits 3 through 12, which are incorporated herein by reference.
(c) No determination has been made with respect to the sale or transfer of a material amount of assets of the Issuer or any of its subsidiaries after the Merger.
(d) It is intended that upon consummation of the Merger, the directors of Merger Sub shall be the directors of Issuer, until the earlier of their resignation or removal or until their respective successors are duly elected or appointed and qualified.
(e) No determinations have been made regarding material changes in the Issuer's capitalization or dividend policy after the Merger.
(f) Upon consummation of the Merger, the Issuer will become a wholly-owned subsidiary of Open Text. No determinations have been made regarding material changes in the Issuer's business or corporate structure after the Merger.
(g) Pursuant to the Merger Agreement, upon consummation of the Merger, the Certificate of Incorporation and Bylaws of the Issuer as the surviving corporation in the Merger will be amended.
(h) Upon the consummation of the Merger, the Common Stock will de-list and no longer be quoted on the Nasdaq Global Market.
(i) Upon consummation of the Merger, the Common Stock will become eligible for termination of registration pursuant to Section 12(g)(4) of the Securities Exchange Act of 1934, as amended.
(j) Other than as described above, none of the Reporting Persons currently has any plans or proposals which relate to, or would result in, any action similar to any of the matters listed in Items 4(a)-(i) of this Schedule 13D (although Open

Text reserves the right to develop such plans, including by realigning corporate structures or by transferring assets within its corporate structure in accordance with past practice).

The description contained in this Item 4 of the transactions contemplated by the Merger Agreement and the Voting Agreements is qualified in its entirety by reference to the full texts of the Merger Agreement and the Voting Agreements, the terms of each of which are incorporated herein by reference to Exhibits 2 - 12 hereof. Except as set forth in this Schedule 13D, the Merger Agreement and the Voting Agreements, none of the Reporting Persons, and to the best of the Reporting Persons' knowledge, none of the individuals named in Schedule A hereto, have any plans or proposals which relate to or which would result in or relate to any of the actions specified in paragraphs (a) through (j) of Item 4 of Schedule 13D.

Item 5. Interest in Securities of the Issuer

(a)-(b) By virtue of the Voting Agreements, the Reporting Persons may be deemed to share with the Stockholders the power to vote, and may be deemed to be the beneficial owner of 3,374,098 shares of Common Stock (including 2,921,947 shares subject to outstanding options beneficially owned, whether or not such options are presently exercisable or exercisable within 60 days from the date hereof or thereafter) representing approximately 9.63% of the outstanding shares of Common Stock. The Reporting Persons, however, hereby disclaim all beneficial ownership of such shares and this statement shall not be construed as an admission that either of the Reporting Persons is, for any and all purposes, the beneficial owner of securities covered by this statement.

(c) Except as described in this Schedule 13D, there have been no transactions in the shares of Common Stock effected by the Reporting Persons, or to the best of the Reporting Persons' knowledge, any person or entity identified on Schedule A hereto, during the last 60 days.

(d) Not applicable.

(e) Not applicable.

Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer

The information set forth under Items 3, 4 and 5 and each of the agreements set forth on the Exhibits attached hereto are incorporated herein by reference. As described in Item 4, the Reporting Persons anticipate that Open Text will acquire the entire common equity interest in the Issuer pursuant to the Merger Agreement. Other than the Merger Agreement and the Voting Agreements described in Item 4 and incorporated herein by reference, there are no contracts, arrangements, understandings or relationships (legal or otherwise) between the Reporting Persons or, to the best of the Reporting Persons' knowledge, any person or entity listed on Schedule A hereto, and any person with respect to the securities of the Issuer, including, but not limited to, transfer or voting of any of the securities, finder's fees, joint ventures, loan or option arrangements, puts or calls, guarantees of profits, division of profits or loss, or the giving or withholding of proxies.

Item 7. Material to be Filed as Exhibits

Exhibit 1	Joint Filing Agreement, dated as of May 9, 2012, between Open Text Corporation and Epic Acquisition Sub Inc.
Exhibit 2	Agreement and Plan of Merger, dated as of May 1, 2012, by and among Open Text Corporation, Epic Acquisition Sub Inc. and EasyLink Services International Corporation (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed by Issuer on May 3, 2012).
Exhibit 3	Voting Agreement, dated as of May 1, 2012, among Open Text Corporation, Epic Acquisition Sub Inc. and John S. Simon.
Exhibit 4	Voting Agreement, dated as of May 1, 2012, among Open Text Corporation, Epic Acquisition Sub Inc. and Paul D. Lapides.
Exhibit 5	Voting Agreement, dated as of May 1, 2012, among Open Text Corporation, Epic Acquisition Sub Inc. and Richard J. Berman.
Exhibit 6	Voting Agreement, dated as of May 1, 2012, among Open Text Corporation, Epic Acquisition Sub Inc. and Kim D. Cooke.
Exhibit 7	Voting Agreement, dated as of May 1, 2012, among Open Text Corporation, Epic Acquisition Sub Inc. and Patrick A. Harper.
Exhibit 8	Voting Agreement, dated as of May 1, 2012, among Open Text Corporation, Epic Acquisition Sub Inc. and Mark J. Herold.
Exhibit 9	Voting Agreement, dated as of May 1, 2012, among Open Text Corporation, Epic Acquisition Sub Inc. and Kevin R. Maloney.
Exhibit 10	Voting Agreement, dated as of May 1, 2012, among Open Text Corporation, Epic Acquisition Sub Inc. and Glen E. Shipley.
Exhibit 11	Voting Agreement, dated as of May 1, 2012, among Open Text Corporation, Epic Acquisition Sub Inc. and Teresa A. Deuel.
Exhibit 12	Voting Agreement, dated as of May 1, 2012, among Open Text Corporation, Epic Acquisition Sub Inc. and Thomas J. Stallings.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: May 9, 2012

OPEN TEXT CORPORATION

By: /s/ Gordon A. Davies
Name: Gordon A. Davies
Title: Chief Legal Officer and Corporate Secretary

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: May 9, 2012

EPIC ACQUISITION SUB INC.

By: /s/ Gordon A. Davies

Name: Gordon A. Davies

Title: Secretary

SCHEDULE A

DIRECTORS AND EXECUTIVE OFFICERS OF OPEN TEXT

The name, business address, title and present principal occupation or employment of each of the directors and executive officers of Open Text are set forth below. If no address is given, the business address is 275 Frank Tompa Drive, Waterloo, Ontario, Canada N2L OA1.

Name, Title and Address	Present Principal Occupation, Including Name and Address of Employer	Citizenship
P. Thomas Jenkins	Executive Chairman, Chief Strategy Officer and Director of Open Text	Canada
Mark J. Barrenechea	President, Chief Executive Officer and Director of Open Text	United States
Paul McFeeters	Chief Financial Officer and Chief Administrative Officer of Open Text	Canada
Gordon A. Davies	Chief Legal Officer, Corporate Secretary and Compliance Officer of Open Text	Canada
Eugene Roman	Chief Technology Officer of Open Text	Canada
James Latham	Chief Marketing Officer of Open Text	United States
Steve Best	Senior Vice President, Americas Sales of Open Text	United States
Tony Preston	Senior Vice President, Human Resources of Open Text	United States
Walter Kohler	Senior Vice President, Worldwide Professional Services of Open Text	Germany
James McGourlay	Senior Vice President, Worldwide Customer Service of Open Text	Canada
Louis Mousseau	Senior Vice President, Portfolio Group of Open Text	Canada
Graham Pullen	Senior Vice President, APJ Sales of Open Text	Australia
David Wareham	Executive Vice President, EMEA Sales of Open Text	United Kingdom
Randy Fowlie RDM Corporation 4-608 Weber Street North Waterloo, Ontario N2V 1K4 Canada	Director of Open Text and President and Chief Executive Officer of RDM Corporation	Canada
Brian J. Jackman	Director of Open Text and President of the Jackman Group Inc.	United States
Stephen J. Sadler Enghouse Systems Limited 80 Tiverton Court, Suite 800 Markham, ON L3R G4 Canada	Director of Open Text and Chairman and Chief Executive Officer of Enghouse Systems Limited	Canada
Michael Slaunwhite	Director of Open Text and Executive Chairman of Halogen Software Inc.	Canada
Gail E. Hamilton	Director of Open Text	United States
Katharine B. Stevenson Stevenson Advisory 247 Davenport Road, Suite 303 Toronto, ON M5R 1J9 Canada	Director of Open Text and Principal of Stevenson Advisory	Canada
Deborah Weinstein LaBarge Weinstein LLP 515 Legget Drive, Suite 800 Ottawa, Ontario K2K 3G4	Director of Open Text and Co-Founder and Partner of LaBarge Weinstein LLP	Canada

Canada

DIRECTORS AND EXECUTIVE OFFICERS OF MERGER SUB

The name, business address, title and present principal occupation or employment of each of the directors and executive officers of Merger Sub are set forth below. If no address is given, the business address is 275 Frank Tompa Drive, Waterloo, Ontario, Canada N2L OA1.

Name, Title and Address	Present Principal Occupation, Including Name and Address of Employer	Citizenship
Gordon A. Davies	Director, President, Treasurer, Secretary and Chief Financial Officer	Canada

FONT> 4,749,350 **Maryland1.3%** Maryland Economic Development Corp., Senior Student Housing Revenue (University of Maryland, Baltimore Project) 5.75 10/1/33 2,550,000 2,576,291 Maryland Industrial Development Financing Authority, EDR (Medical Waste Associates Limited Partnership Facility) 8.75 11/15/10 3,710,000 3,064,571 **Massachusetts4.7%** Massachusetts Health and Educational Facilities Authority, Revenue (Civic Investments Issue) 9.00 12/15/15 2,000,000 2,455,320

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Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount ($)	Value ($)
Massachusetts (continued)				
Massachusetts Health and Educational Facilities Authority, Revenue (Partners Healthcare System)	5.75	7/1/32	3,000,000	3,268,560
Massachusetts Housing Finance Agency, Housing Revenue	5.00	6/1/30	1,000,000	1,040,260
Massachusetts Housing Finance Agency, SFHR	5.00	12/1/31	6,000,000	6,217,800
Massachusetts Turnpike Authority, Metropolitan Highway System Revenue (Insured; MBIA)	5.00	1/1/37	2,805,000	2,863,372
Massachusetts Water Pollution Abatement Trust (Pool Program)	4.38	8/1/36	5,000,000 [b]	5,020,900
Michigan3.0%				
Kent Hospital Finance Authority, Revenue (Metropolitan Hospital Project)	6.00	7/1/35	4,000,000	4,470,960
Michigan Strategic Fund, SWDR (Genesee Power Station Project)	7.50	1/1/21	8,720,000	8,720,349
Minnesota1.0%				
Saint Paul Housing and Redevelopment Authority,				

Hospital Facility Revenue				
(HealthEast Project)	6.00	11/15/25	1,000,000	1,122,500
Saint Paul Housing and				
Redevelopment Authority,				
Hospital Facility Revenue				
(HealthEast Project)	6.00	11/15/35	3,000,000	3,348,840
Mississippi.7%				
Mississippi Business Finance				
Corp., PCR (System Energy				
Resources, Inc. Project)	5.90	5/1/22	3,160,000	3,165,467
Nebraska.3%				
Nebraska Investment Finance				
Authority, SFMR	7.97	3/1/26	1,150,000 [c,d]	1,152,461
Nevada2.6%				
Clark County,				
IDR (Nevada Power Co. Project)	5.60	10/1/30	3,000,000	3,003,630

STATEMENT OF INVESTMENTS *(continued)*

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount ($)	Value ($)
Nevada (continued)				
Washoe County				
(Reno-Sparks Convention				
Center) (Insured; FSA)	6.40	1/1/10	8,000,000 [a]	8,665,200
New Hampshire3.3%				
New Hampshire Business Finance				
Authority, PCR (Public Service				
Co. of New Hampshire Project)				
(Insured; MBIA)	6.00	5/1/21	2,690,000	2,825,576
New Hampshire Business Finance				
Authority, PCR (Public Service				
Co. of New Hampshire Project)				
(Insured; MBIA)	6.00	5/1/21	6,000,000	6,302,400
New Hampshire Industrial				
Development Authority, PCR				
(Connecticut Light and Power				
Company Project)	5.90	11/1/16	5,400,000	5,553,900
New Jersey3.7%				
New Jersey Economic Development				
Authority, Special Facility				
Revenue (Continental Airlines,				
Inc. Project)	6.25	9/15/19	4,620,000	4,790,848

Tobacco Settlement Financing Corp. of New Jersey, Tobacco Settlement Asset-Backed Bonds	7.00	6/1/41	10,095,000	11,760,675
New York8.1%				
New York City Industrial Development Agency, Special Facility Revenue (American Airlines, Inc. John F. Kennedy International Airport Project)	8.00	8/1/28	3,000,000	3,710,850
New York City Industrial Development Agency, Special Facility Revenue (American Airlines, Inc. John F. Kennedy International Airport Project)	7.75	8/1/31	10,000,000	12,136,300
New York Liberty Development Corp., Revenue (Goldman Sachs Headquarters Issue)	5.25	10/1/35	12,500,000	14,905,625
New York State Dormitory Authority, Revenue (Marymount Manhattan College) (Insured; Radian)	6.25	7/1/29	4,000,000	4,268,200

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount ($)	Value ($)
New York (continued)				
New York State Dormitory Authority, Revenue (Suffolk County Judicial Facility)	9.50	4/15/14	605,000	827,755
North Carolina.6%				
North Carolina Eastern Municipal Power Agency, Power System Revenue	6.70	1/1/19	2,500,000	2,720,325
Ohio5.2%				
Cuyahoga County, Hospital Facilities Revenue (UHHS/CSAHS-Cuyahoga, Inc. and CSAHS/UHHS-Canton, Inc. Project)	7.50	1/1/30	3,500,000	3,887,940
Cuyahoga County, Hospital Improvement Revenue (The Metrohealth Systems Project)	6.15	2/15/09	10,000,000 [a]	10,645,800
Ohio Air Quality Development Authority, PCR (Cleveland				

Electric Illuminating Co. Project) (Insured; ACA)	6.10	8/1/20	2,400,000	2,475,144
Ohio Housing Finance Agency, Residential Mortgage Revenue (Mortgage-Backed Securities Program) (Collateralized; GNMA)	6.15	3/1/29	1,720,000	1,770,138
Ohio Water Development Authority, Pollution Control Facilities Revenue (Cleveland Electric Illuminating Co. Project) (Insured; ACA)	6.10	8/1/20	4,000,000	4,125,240
Oklahoma3.3%				
Oklahoma Development Finance Authority, Revenue (Saint John Health System)	6.00	2/15/29	9,000,000	9,494,910
Oklahoma Industries Authority, Health System Revenue (Obligated Group) (Insured; MBIA)	5.75	8/15/09	2,105,000 [a]	2,244,562
Oklahoma Industries Authority, Health System Revenue (Obligated Group) (Insured; MBIA)	5.75	8/15/29	2,895,000	3,060,333

STATEMENT OF INVESTMENTS *(continued)*

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount ($)	Value ($)
Oregon.5%				
Western Generation Agency, Cogeneration Project Revenue (Wauna Cogeneration Project)	5.00	1/1/16	2,110,000	2,191,868
Pennsylvania4.2%				
Allegheny County Port Authority, Special Transportation Revenue (Insured; MBIA)	6.13	3/1/09	4,750,000 [a]	5,061,457
Lehman Municipal Trust Receipts (Pennsylvania Economic Development Financing Authority)	7.75	6/1/31	7,000,000 [d,e]	7,338,835
Pennsylvania Economic Development Financing Authority, Exempt Facilities Revenue (Reliant				

Energy Seward, LLC Project)	6.75	12/1/36	2,000,000	2,174,140
Pennsylvania Housing Finance Agency, Multi-Family Development Revenue	8.25	12/15/19	241,000	241,593
Philadelphia Authority for Industrial Development, Revenue (Please Touch Museum Project)	5.25	9/1/26	3,780,000	4,043,126
Rhode Island.7%				
Rhode Island Health and Educational Building Corp., Higher Educational Facilities Revenue (University of Rhode Island) (Insured; MBIA)	5.88	9/15/09	3,000,000 [a]	3,215,400
South Carolina10.1%				
Greenville County School District, Installment Purchase Revenue (Building Equity Sooner for Tomorrow)	7.25	12/1/28	19,000,000 [d,e]	21,081,260
Greenville Hospital System, Hospital Facilities Revenue (Insured; AMBAC)	5.50	5/1/26	7,000,000	7,547,890
Medical University of South Carolina, Hospital Facilities Revenue	6.00	7/1/09	5,000,000 [a]	5,350,100

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Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount ($)	Value ($)
South Carolina (continued)				
Richland County, EIR (International Paper Co.)	6.10	4/1/23	6,500,000	7,116,785
Securing Assets for Education, Installment Purchase Revenue (Berkeley County School District Project)	5.13	12/1/30	3,280,000	3,527,115
Tennessee3.6%				
Johnson City Health and Educational Facilities Board, Hospital First Mortgage Revenue (Mountain States Health Alliance)	7.50	7/1/25	2,000,000	2,360,380
Johnson City Health and Educational Facilities Board, Hospital First Mortgage				

Revenue (Mountain States Health Alliance)	7.50	7/1/33	4,875,000	5,737,339
Memphis Center City Revenue Finance Corp., Sports Facility Revenue (Memphis Redbirds Baseball Foundation Project)	6.50	9/1/28	6,000,000	6,024,240
Tennessee Housing Development Agency (Homeownership Program)	6.00	1/1/28	1,805,000	1,806,173
Texas21.2%				
Alliance Airport Authority Inc., Special Facilities Revenue (American Airlines, Inc. Project)	7.50	12/1/29	5,000,000	5,102,500
Cities of Dallas and Fort Worth, Dallas/Fort Worth International Airport, Facility Improvement Corp., Revenue (Bombardier Inc.)	6.15	1/1/16	3,000,000	3,032,820
Gregg County Health Facilities Development Corp., HR (Good Shephard Medical Center Project) (Insured; Radian)	6.38	10/1/10	2,500,000 [a]	2,768,150

STATEMENT OF INVESTMENTS *(continued)*

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount ($)	Value ($)
Texas (continued)				
Gulf Coast Industrial Development Authority, Environmental Facilities Revenue (Microgy Holdings Project)	7.00	12/1/36	5,000,000	5,111,700
Harris County Health Facilities Development Corp., HR (Memorial Hermann Healthcare System)	6.38	6/1/11	7,000,000 [a]	7,860,440
Harris County-Houston Sports Authority, Third Lien Revenue (Insured; MBIA)	0.00	11/15/31	9,685,000	2,922,642
Katy Independent School District (Permanent School Fund Guaranteed)	6.13	2/15/09	11,360,000 [a]	11,987,754

Lubbock Housing Financing Corp., SFMR (Collateralized: FNMA and GNMA)	6.70	10/1/30	1,625,000	1,656,785
Sabine River Authority, PCR (TXU Electric Co. Project)	5.50	11/1/11	2,490,000	2,651,999
Sabine River Authority, PCR (TXU Electric Co. Project)	6.45	6/1/21	4,900,000	5,291,363
Texas (Veterans Housing Assistance Program) (Collateralized; FHA)	6.10	6/1/31	8,510,000	9,022,813
Texas (Veterans Land)	6.00	12/1/30	3,935,000	4,232,486
Texas Department of Housing and Community Affairs, Home Mortgage Revenue (Collateralized: FHLMC, FNMA and GNMA)	9.88	7/2/24	1,450,000 [e]	1,534,651
Texas Department of Housing and Community Affairs, Residential Mortgage Revenue (Collateralized: FHLMC, FNMA and GNMA)	5.35	7/1/33	5,265,000	5,466,544
Texas Transportation Commission, GO (Mobility Fund) (Insured; FGIC)	4.50	4/1/35	7,500,000	7,595,550

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount ($)	Value ($)
Texas (continued)				
Texas Turnpike Authority, Central Texas Turnpike System Revenue (Insured; AMBAC)	5.25	8/15/42	6,775,000	7,263,681
Tomball Hospital Authority, Revenue (Tomball Regional Hospital)	6.00	7/1/25	4,650,000	4,867,248
Tyler Health Facilities Development Corp., HR (East Texas Medical Center Regional Healthcare System Project)	6.75	11/1/25	5,850,000	5,910,840
Virginia5.3%				
Henrico County Industrial Development Authority, Revenue (Bon Secours Health System) (Insured; FSA)	8.46	8/23/27	7,500,000 [c]	10,557,825

Tobacco Settlement Financing Corp. of Virginia, Tobacco Settlement Asset-Backed Bonds	5.63	6/1/37	3,810,000	4,080,891
Virginia Housing Development Authority, Rental Housing Revenue	6.20	8/1/24	8,520,000	8,996,268
Washington2.4%				
Washington Higher Educational Facilities Authority, Revenue (Whitman College)	5.88	10/1/09	10,000,000 [a]	10,636,800
Wisconsin7.9%				
Badger Tobacco Asset Securitization Corp., Tobacco Settlement Asset-Backed Bonds	7.99	6/1/27	9,630,000 [d,e]	10,426,690
Badger Tobacco Asset Securitization Corp., Tobacco Settlement Asset-Backed Bonds	7.00	6/1/28	14,570,000	16,506,207
Wisconsin Health and Educational Facilities Authority, Revenue (Aurora Health Care, Inc.)	6.40	4/15/33	5,500,000	6,202,735
Wisconsin Health and Educational Facilities Authority, Revenue (Marshfield Clinic)	5.38	2/15/34	2,000,000	2,147,600

STATEMENT OF INVESTMENTS *(continued)*

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount ($)	Value ($)
Wyoming3.6%				
Sweetwater County, SWDR (FMC Corp. Project)	5.60	12/1/35	5,000,000	5,346,150
Wyoming Student Loan Corp., Student Loan Revenue	6.20	6/1/24	5,000,000	5,334,500
Wyoming Student Loan Corp., Student Loan Revenue	6.25	6/1/29	5,000,000	5,330,000
U.S. Related3.2%				
Childrens Trust Fund of Puerto Rico, Tobacco Settlement Asset-Backed Bonds	0.00	5/15/55	20,000,000	722,400
Puerto Rico Infrastructure Financing Authority, Special Tax Revenue	5.00	7/1/46	10,000,000	10,588,400
Puerto Rico Infrastructure				

Financing Authority, Special Tax Revenue (Insured; AMBAC)	0.00	7/1/35	10,000,000	2,973,600
Total Long-Term Municipal Investments (cost $600,694,813)				**636,386,734**
Short-Term Municipal Investments—1.9%				
Alabama—.1%				
Mobile County Industrial Development Authority, PCR, Refunding (ExxonMobil Project)	3.52	12/1/06	300,000 [f]	300,000
Alaska—.6%				
Valdez, Marine Terminal Revenue (BP Pipelines Inc. Project)	3.57	12/1/06	2,350,000 [f]	2,350,000
Florida—.3%				
Sunshine State Governmental Financing Commission, Revenue (Governmental Financing Program) (Insured; AMBAC and Liquidity Facility; Dexia Credit Locale)	3.57	12/1/06	1,485,000 [f]	1,485,000
Kentucky—.1%				
Breckinridge County, Lease Program Revenue (Kentucky Association of Counties Leasing Trust) (LOC; U.S. Bank NA)	3.57	12/1/06	500,000 [f]	500,000

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Short-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount ($)	Value ($)
Michigan—.4%				
Michigan Strategic Fund, LOR (Detroit Symphony Orchestra Project) (LOC; ABN-AMRO)	3.57	12/1/06	1,800,000 [f]	1,800,000
New Mexico—.2%				
Farmington, PCR, Refunding (Arizona Public Service Company Four Corners Project) (LOC; Barclays Bank PLC)	3.57	12/1/06	1,000,000 [f]	1,000,000
Texas—.2%				

Harris County Health Facilities Development Corporation, Special Facilities Revenue (Texas Medical Center Project) (Insured; MBIA and Liquidity Facility; JPMorgan Chase Bank)	3.57	12/1/06	1,000,000 [f]	1,000,000
Total Short-Term Municipal Investments (cost $8,435,000)				**8,435,000**
Total Investments (cost $609,129,813)			**145.0%**	**644,821,734**
Liabilities, Less Cash and Receivables			**(3.2%)**	**(14,222,953)**
Preferred Stock, at redemption value			**(41.8%)**	**(186,000,000**)
Net Assets Applicable to Common Shareholders			**100.0%**	**444,598,781**

[a] *These securities are prerefunded; the date shown represents the prerefunded date. Bonds which are prerefunded are collateralized by U.S. Government securities which are held in escrow and are used to pay principal and interest on the municipal issue and to retire the bonds in full at the earliest refunding date.*

[b] *Purchased on a delayed delivery basis.*

[c] *Inverse floater security the interest rate is subject to change periodically.*

[d] *Securities exempt from registration under Rule 144A of the Securities Act of 1933.These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At November 30, 2006, these securities amounted to $39,999,246 or 9.0% or net assets applicable ot Common Shareholders.*

[e] *Collateral for floating rate borrowings.*

[f] *Securities payable on demand.Variable interest rate subject to periodic change.*

STATEMENT OF INVESTMENTS *(continued)*

Summary of Abbreviations

ACA	American Capital Access	**AGC**	ACE Guaranty Corporation
AGIC	Asset Guaranty Insurance Company	**AMBAC**	American Municipal Bond Assurance Corporation
ARRN	Adjustable Rate Receipt Notes	**BAN**	Bond Anticipation Notes
BIGI	Bond Investors Guaranty Insurance	**BPA**	Bond Purchase Agreement
CGIC	Capital Guaranty Insurance Company	**CIC**	Continental Insurance Company
CIFG	CDC Ixis Financial Guaranty	**CMAC**	Capital Market Assurance Corporation
COP	Certificate of Participation	**CP**	Commercial Paper

EDR	Economic Development Revenue	**EIR**	Environmental Improvement Revenue
FGIC	Financial Guaranty Insurance Company	**FHA**	Federal Housing Administration
FHLB	Federal Home Loan Bank	**FHLMC**	Federal Home Loan Mortgage Corporation
FNMA	Federal National Mortgage Association	**FSA**	Financial Security Assurance
GAN	Grant Anticipation Notes	**GIC**	Guaranteed Investment Contract
GNMA	Government National Mortgage Association	**GO**	General Obligation
HR	Hospital Revenue	**IDB**	Industrial Development Board
IDC	Industrial Development Corporation	**IDR**	Industrial Development Revenue
LOC	Letter of Credit	**LOR**	Limited Obligation Revenue
LR	Lease Revenue	**MBIA**	Municipal Bond Investors Assurance Insurance Corporation
MFHR	Multi-Family Housing Revenue	**MFMR**	Multi-Family Mortgage Revenue
PCR	Pollution Control Revenue	**PILOT**	Payment in Lieu of Taxes
RAC	Revenue Anticipation Certificates	**RAN**	Revenue Anticipation Notes
RAW	Revenue Anticipation Warrants	**RRR**	Resources Recovery Revenue
SAAN	State Aid Anticipation Notes	**SBPA**	Standby Bond Purchase Agreement
SFHR	Single Family Housing Revenue	**SFMR**	Single Family Mortgage Revenue
SONYMA	State of New York Mortgage Agency	**SWDR**	Solid Waste Disposal Revenue
TAN	Tax Anticipation Notes	**TAW**	Tax Anticipation Warrants
TRAN	Tax and Revenue Anticipation Notes	**XLCA**	XL Capital Assurance

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Summary of Combined Ratings (Unaudited)

Fitch	or Moody□s	or	Standard & Poor□s	Value (%) □
AAA	Aaa		AAA	24.5
AA	Aa		AA	18.4
A	A		A	13.8
BBB	Baa		BBB	24.7
BB	Ba		BB	2.0
B	B		B	5.7
CCC	Caa		CCC	1.8
F1	MIG1/P1		SP1/A1	1.2
Not Rated g	Not Rated g		Not Rated g	7.9
				100.0

□ *Based on total investments.*

g *Securities which, while not rated by Fitch, Moody□s and Standard & Poor□s, have been determined by the Manager to be of comparable quality to those rated securities in which the fund may invest.*

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

November 30, 2006

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments	609,129,813	644,821,734
Cash		377,095
Interest receivable		11,149,439
Prepaid expenses		9,091
		656,357,359
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(a)		331,001
Payable for floating rate notes issued		17,815,000
Payable for investment securities purchased		4,938,350
Dividends payable to Common Shareholders		2,076,248
Interest and related expenses payable		333,018
Dividends payable to Preferred Shareholders		47,793
Commissions payable		7,626
Accrued expenses and other liabilities		209,542
		25,758,578
Auction Preferred Stock, Series A, B and C, par value $.001 per share (7,440 shares issued and outstanding at $25,000 per share liquidation value)—Note 1		186,000,000
Net Assets applicable to Common Shareholders ($)		**444,598,781**
Composition of Net Assets ($):		
Common Stock, par value, $.001 per share (48,284,842 shares issued and outstanding)		48,255
Paid-in capital		436,547,697
Accumulated undistributed investment income—net		492,978
Accumulated net realized gain (loss) on investments		(28,182,070)
Accumulated net unrealized appreciation (depreciation) on investments		35,691,921
Net Assets applicable to Common Shareholders ($)		**444,598,781**
Common Shares Outstanding (110 million shares of $.001 par value Common Stock authorized)		48,284,842
Net Asset Value per share of Common Stock ($)		**9.21**

See notes to financial statements.

STATEMENT OF OPERATIONS

Year Ended November 30, 2006

Investment Income ($):	
Interest Income	**36,386,385**
Expenses:	
Investment advisory fee—Note 3(a)	3,096,225
Administration fee—Note 3(a)	1,548,113
Interest and related expenses	538,431
Commission fees—Note 1	491,092
Professional fees	85,684
Shareholders' reports	66,289
Directors' fees and expenses—Note 3(b)	46,174
Registration fees	42,880
Shareholder servicing costs	30,916
Custodian fees	5,847
Interest expense—Note 2	2,104
Miscellaneous	51,467
Total Expenses	**6,005,222**
Less—reduction in investment advisory fee due to undertaking—Note 3(a)	(619,245)
Less—reduction in custody fees due to earnings credits—Note 1(b)	(8,414)
Net Expenses	**5,377,563**
Investment Income—Net	**31,008,822**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments	4,172,322
Net realized gain (loss) on financial futures	12,200
Net realized gain (loss) on options transactions	(284,250)
Net Realized Gain (Loss)	**3,900,272**
Net unrealized appreciation (depreciation) on investments	11,976,354
Net Realized and Unrealized Gain (Loss) on Investments	**15,876,626**
Dividends on Preferred Stock	**(6,123,205)**
Net Increase in Net Assets Resulting from Operations	**40,762,243**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Year Ended November 30,	
	2006	2005
Operations ($):		
Investment income net	31,008,822	30,171,570
Net realized gain (loss) on investments	3,900,272	3,240,390
Net unrealized appreciation (depreciation) on investments	11,976,354	3,264,265
Dividends on Preferred Stock	(6,123,205)	(4,087,520)
Net Increase (Decrease) in Net Assets Resulting from Operations	**40,762,243**	**32,588,705**
Dividends to Common Shareholders from ($):		
Investment income net	**(24,902,021)**	**(28,341,929)**
Capital Stock Transactions ($):		
Dividends reinvested Note 1(c)	272,463	663,327
Total Increase (Decrease) in Net Assets	**16,132,685**	**4,910,103**
Net Assets ($):		
Beginning of Period	428,466,096	423,555,993
End of Period	**444,598,781**	**428,466,096**
Undistributed investment income net	492,978	608,862
Capital Share Transactions (Common Shares):		
Increase in Common Shares Outstanding as a Result of Dividends Reinvested	**30,139**	**73,419**

See notes to financial statements.

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FINANCIAL HIGHLIGHTS

The following table describes the performance for the fiscal periods indicated. Total return shows how much your investment in the fund would have increased (or decreased) during each period, assuming you had reinvested all dividends and distributions.These figures have been derived from the fund s financial statements, with respect to common stock and market price data for the fund s common shares.

Year Ended November 30,

	2006	2005	2004	2003	2002
Per Share Data ($):					
Net asset value, beginning of period	8.88	8.79	8.90	8.56	8.75
Investment Operations:					
Investment income net[a]	.64	.63	.61	.64	.70
Net realized and unrealized gain (loss) on investments	.34	.13	(.06)	.36	(.26)
Dividends on Preferred Stock from investment income net	(.13)	(.08)	(.05)	(.06)	(.07)
Total from Investment Operations	.85	.68	.50	.94	.37
Distributions to Common Shareholders:					
Dividends from investment income net	(.52)	(.59)	(.61)	(.60)	(.56)
Net asset value, end of period	9.21	8.88	8.79	8.90	8.56
Market value, end of period	9.29	8.16	8.41	8.81	7.88
Total Return (%) [b]	9.94	3.78	2.48	19.89	(.36)
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net assets applicable to Common Stock [c]	1.38	1.26	1.26	1.28	1.28
Ratio of net expenses to average net assets applicable to Common Stock [c]	1.24	1.12	1.25	1.28	1.28
Ratio of net investment income to average net assets applicable to Common Stock [c]	7.16	6.98	6.96	7.35	8.10
Ratio of total expenses to total average net assets	.97	.88	.88	.86	.89
Ratio of net expenses to total average net assets	.87	.78	.86	.86	.89
Ratio of net investment income to total average net assets	5.01	4.88	4.84	5.10	5.61
Portfolio Turnover Rate	57.12	44.20	39.94	77.92	44.71
Asset coverage of Preferred Stock, end of period	339	330	328	330	321
Net Assets, net of Preferred Stock, end of period ($ x 1,000)	444,599	428,466	423,556	428,301	411,369
Preferred Stock outstanding, end of period ($ x 1,000)	186,000	186,000	186,000	186,000	186,000

a *Based on average common shares outstanding at each month end.*

b *Calculated based on market value.*

c *Does not reflect the effect of dividends to Preferred Stock shareholders.*

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1Significant Accounting Policies:

Dreyfus Strategic Municipal Bond Fund, Inc. (the fund) is registered under the Investment Company Act of 1940, as amended (the Act), as a diversified closed-end management investment company. The funds investment objective is to maximize current income exempt from federal income tax to the extent believed by the funds investment adviser to be consistent with the preservation of capital. The Dreyfus Corporation (the Manager or Dreyfus) serves as the funds investment adviser. Dreyfus is a wholly-owned subsidiary of Mellon Financial Corporation (Mellon Financial). Mellon Trust of New England, N.A. (the Custodian) acts as the funds custodian. The Custodian is a wholly-owned subsidiary of Mellon Financial. PFPC Global Fund Services (PFPC), a subsidiary of PNC Bank (PNC), serves as the funds transfer agent, dividend-paying agent, registrar and plan agent.The funds Common Stock trades on the New York Stock Exchange under the ticker symbol DSM.

On December 4, 2006, Mellon Financial and The Bank of New York Company, Inc. announced that they had entered into a definitive agreement to merge. The new company will be called The Bank of New York Mellon Corporation. As part of this transaction, Dreyfus would become a wholly-owned subsidiary of The Bank of New York Mellon Corporation.The transaction is subject to certain regulatory approvals and the approval of The Bank of New York Company, Inc.s and Mellon Financials shareholders, as well as other customary conditions to closing. Subject to such approvals and the satisfaction of the other conditions, Mellon Financial and The Bank of New York Company, Inc. expect the transaction to be completed in the third quarter of 2007.

The fund has outstanding 2,480 shares of Series A, Series B and Series C for a total of 7,440 shares of Auction Preferred Stock (APS), with a liquidation preference of $25,000 per share (plus an amount equal to accumulated but unpaid dividends upon liquidation). APS dividend rates are determined pursuant to periodic auctions. Deutsche Bank Trust Company Americas, as Auction Agent, receives a

fee from the fund for its services in connection with such auctions. The fund also compensates broker-dealers generally at an annual rate of .25% of the purchase price of the shares of APS placed by the broker-dealer in an auction.

The fund is subject to certain restrictions relating to the APS. Failure to comply with these restrictions could preclude the fund from declaring any distributions to common shareholders or repurchasing common shares and/or could trigger the mandatory redemption of APS at liquidation value.

The holders of the APS, voting as a separate class, have the right to elect at least two directors.The holders of the APS vote as a separate class on certain other matters, as required by law.The fund has designated Robin A. Melvin and John E. Zuccotti to represent holders of APS on the funds Board of Directors.

The funds financial statements are prepared in accordance with U.S. generally accepted accounting principles, which may require the use of management estimates and assumptions. Actual results could differ from those estimates.

The fund enters into contracts that contain a variety of indemnifications. The funds maximum exposure under these arrangements is unknown.The fund does not anticipate recognizing any loss related to these arrangements.

(a) Portfolio valuation: Investments in municipal debt securities are valued on the last business day of each week and month by an independent pricing service (the Service) approved by the Board of Directors. Investments for which quoted bid prices are readily available and are representative of the bid side of the market in the judgment of the Service are valued at the mean between the quoted bid prices (as obtained by the Service from dealers in such securities) and asked prices (as calculated by the Service based upon its evaluation of the market for such securities). Other investments (which constitute a majority of the portfolio securities) are carried at fair value as deter-

NOTES TO FINANCIAL STATEMENTS *(continued)*

mined by the Service, based on methods which include consideration of: yields or prices of municipal securities of comparable quality, coupon, maturity and type; indications as to values from dealers; and general market conditions. Options and financial futures on municipal securities and U.S.Treasury securities are valued at the last sales price on the securities exchange on which such securities are primarily traded or at the last sales price on the national securities market on the last business day of each week and month.

On September 20, 2006, the Financial Accounting Standards Board (FASB) released Statement of Financial Accounting Standards No. 157 "Fair Value Measurements" ("FAS 157"). FAS 157 establishes an authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair-value measurements. The application of FAS 157 is required for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. Management does not believe that the application of this standard will have a material impact on the financial statements of the fund.

(b) Securities transactions and investment income: Securities transactions are recorded on a trade date basis. Realized gain and loss from securities transactions are recorded on the identified cost basis. Interest income, adjusted for accretion of discount and amortization of premium on investments, is earned from settlement date and recognized on the accrual basis. Securities purchased or sold on a when-issued or delayed-delivery basis may be settled a month or more after the trade date.

Inverse floaters purchased after January 1, 1997 in the agency market are accounted for as financing transactions in accordance with FASB 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities."

The fund has an arrangement with the custodian bank whereby the fund receives earnings credits from the custodian when positive cash balances are maintained, which are used to offset custody fees. For financial reporting purposes, the fund includes net earnings credits as an expense offset in the Statement of Operations.

(c) Dividends to shareholders of Common Stock ("Common Shareholder(s)"): Dividends are recorded on the ex-dividend date. Dividends from investment income-net are declared and paid monthly. Dividends from net realized capital gain, if any, are normally declared and paid annually, but the fund may make distributions on a more frequent basis to comply with the distribution requirements of the Internal Revenue Code of 1986,as amended (the "Code").To the extent that net realized capital gain can be offset by capital loss carryovers, it is the policy of the fund not to distribute such gain. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from U.S. generally accepted accounting principles.

For Common Shareholders who elect to receive their distributions in additional shares of the fund, in lieu of cash, such distributions will be reinvested at the lower of the market price or net asset value per share (but not less than 95% of the market price) as defined in the dividend reinvestment plan.

On November 30, 2006, the Board of Directors declared a cash dividend of $.043 per share from investment income-net, payable on December 29, 2006 to Common Shareholders of record as of the close of business on December 14, 2006.

(d) Dividends to Shareholders of APS: For APS, dividends are currently reset every 7 days for Series A, B and C.The dividend rates in effect at November 30, 2006 were as follows: Series A — 3.48%, Series B — 3.50% and Series C — 3.55% .

(e) Federal income taxes: It is the policy of the fund to continue to qualify as a regulated investment company, which can distribute tax exempt dividends, by complying with the applicable provisions of the Internal Revenue Code of 1986 as amended, and to make distributions of income and net realized capital gain sufficient to relieve it from substantially all federal income and excise taxes.

On July 13, 2006, the FASB released FASB Interpretation No. 48 Accounting for Uncertainty in Income Taxes(FIN 48).FIN 48 provides

guidance for how uncertain tax positions should be recognized,measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the funds tax returns to determine whether the tax positions are more-likely-than-not of being sustained by the applicable tax authority.Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year.Adoption of FIN 48 is required for fiscal years beginning after December 15, 2006 and is to be applied to all open tax years as of the effective date. Management does not believe that the application of this standard will have a material impact on the financial statements of the fund.

At November 30, 2006, the components of accumulated earnings on a tax basis were as follows: undistributed tax exempt income $2,879,726, accumulated capital losses $28,408,189 and unrealized appreciation $35,918,040.

The accumulated capital loss carryover is available to be applied against future net securities profits, if any, realized subsequent to November 30, 2006. If not applied, $2,280,744 of the carryover expires in fiscal 2008, $442,201 expires in fiscal 2009, $9,253,314 expires in fiscal 2010, $5,474,907 expires in fiscal 2011 and $10,957,023 expires in fiscal 2012.

The tax character of distributions paid to shareholders during the fiscal periods ended November 30, 2006 and November 30, 2005, were as follows: tax exempt income $31,025,226 and $32,429,449, respectively.

During the period ended November 30, 2006, as a result of permanent book to tax differences, primarily due to the tax treatment for amortization adjustments, the fund decreased accumulated undistributed investment income-net by $99,480, increased net realized gain (loss) on investments by $34,267 and increased paid-in capital by $65,213. Net assets were not affected by this reclassification.

NOTE 2Bank Line of Credit:

The fund participates with other Dreyfus-managed funds in a $100 million unsecured line of credit primarily to be utilized for temporary

or emergency purposes. Interest is charged to the fund based on prevailing market rates in effect at the time of borrowing.

The average daily amount of borrowing outstanding under the line of credit during the period ended November 30, 2006 was approximately $36,900, with a related weighted average annualized interest rate of 5.70% .

NOTE 3Investment Advisory Fee, Administration Fee and
Other Transactions With Affiliates:

(a) The fee payable by the fund, pursuant to the provisions of an Investment Advisory Agreement with Dreyfus, is payable monthly based on an annual rate of .50% of the value of the funds average weekly net assets (including net assets representing auction preferred stock outstanding). The fund also has an Administration Agreement with Dreyfus, a Custody Agreement with the Custodian and a Transfer Agency and Registrar Agreement with PFPC. The fund pays in the aggregate for administration, custody and transfer agency services a monthly fee based on an annual rate of .25% of the value of the funds average weekly net assets (including net assets representing auction preferred stock outstanding); out-of pocket transfer agency and custody expenses are paid separately by the fund.

Dreyfus has agreed from December 1, 2005 through May 31, 2007, to waive receipt of a portion of the fund's investment advisory fee, in the amount of .10% of the value of the fund's average weekly net assets (including net assets representing auction preferred stock outstanding). The reduction in investment advisory fee, pursuant to the undertaking, amounted to $619,245 during the period ended November 30, 2006.

During the period ended November 30, 2006, the fund was charged $4,184 for services performed by the Chief Compliance Officer.

The components of Due to The Dreyfus Corporation and affiliates in the Statement of Assets and Liabilities consist of: management fees $253,927, administration fees $126,964 and chief compliance officer fees $1,704, which are offset against an expense reimbursement currently in effect in the amount of $51,594.

(b) Each Board member also serves as a Board member of other funds within the Dreyfus complex. Annual retainer fees and attendance fees are allocated to each fund based on net assets.

NOTE 4—Securities Transactions:

The aggregate amount of purchases and sales of investment securities, excluding short-term securities, financial futures and option transactions, during the period ended November 30, 2006, amounted to $351,019,083 and $346,985,444, respectively.

The fund may invest in financial futures contracts in order to gain exposure to or protect against changes in the market. The fund is exposed to market risk as a result of changes in the value of the underlying financial instruments. Investments in financial futures require the fund to "mark to market" on a daily basis, which reflects the change in the market value of the contracts at the close of each day's trading. Accordingly, variation margin payments are received or made to reflect daily unrealized gains or losses.When the contracts are closed, the fund recognizes a realized gain or loss.These investments require initial margin deposits with a broker. The amount of these deposits is determined by the exchange or Board of Trade on which the contract is traded and is subject to change.At November 30, 2006, there were no financial futures contracts outstanding.

At November 30, 2006, the cost of investments for federal income tax purposes was $591,088,694; accordingly, accumulated net unrealized appreciation on investments was $35,918,040, consisting of $43,897,565 gross unrealized appreciation and $7,979,525 gross unrealized depreciation.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors
Dreyfus Strategic Municipal Bond Fund, Inc.

We have audited the accompanying statement of assets and liabilities of Dreyfus Strategic Municipal Bond Fund, Inc., including the statement of investments, as of November 30, 2006, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and financial highlights for each of the years indicated therein.These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States).Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement.We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion.An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of November 30, 2006 by correspondence with the custodian and others or by other appropriate auditing procedures where replies from others were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Dreyfus Strategic Municipal Bond Fund, Inc. at November 30, 2006, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the indicated years, in conformity with U.S. generally accepted accounting principles.

New York, New York

January 17, 2007

ADDITIONAL INFORMATION (Unaudited)

Dividend Reinvestment and Cash Purchase Plan

Under the fund's Dividend Reinvestment Plan (the "Plan"), a holder of the Common Stock ("Common Shareholder") who has fund shares registered in his name will have all dividends and distributions reinvested automatically by PFPC Global Fund Services, as Plan agent (the "Agent"), in additional shares of the fund at the lower of prevailing market price or net asset value (but not less than 95% of market value at the time of valuation) unless such Common Shareholder elects to receive cash as provided below. If market price is equal to or exceeds net asset value, shares will be issued at net asset value. If net asset value exceeds market price or if a dividend or other distribution payable only in cash is declared, the Agent, as agent for the Plan participants, will buy fund shares in the open market. A Plan participant is not relieved of any income tax that may be payable on such dividends or distributions.

A Common Shareholder who owns fund shares registered in the name of his broker/dealer or other nominee (i.e., in "street name") may not participate in the Plan, but may elect to have cash dividends and distributions reinvested by his broker/dealer or other nominee in additional shares of the fund if such service is provided by the broker/dealer or other nominee; otherwise such dividends and distributions will be treated like any other cash dividend or distribution.

A Common Shareholder who has fund shares registered in his name may elect to withdraw from the Plan at any time for a $5.00 fee and thereby elect to receive cash in lieu of shares of the fund. Changes in elections must be by direct mail to PFPC Global Fund Services, Attention: Closed-End funds, Post Office Box 8030, Boston, Massachusetts 02266, or by telephone at 1-800-331-1710, and should include the shareholder's name and address as they appear on the Agent's records. Elections received by the Agent will be effective only if received prior to the record date for any distribution.

The Agent maintains all Common Shareholder accounts in the Plan and furnishes written confirmations of all transactions in the account. Shares in the account of each Plan participant will be held by the

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Agent in non-certificated form in the name of the participant, and each such participants proxy will include those shares purchased pursuant to the Plan.

The fund pays the Agents fee for reinvestment of dividends and distributions. Plan participants pay a pro rata share of brokerage commissions incurred with respect to the Agents open market purchases in connection with the reinvestment of dividends or distributions.

The fund reserves the right to amend or terminate the Plan as applied to any dividend or distribution paid subsequent to written notice of the change sent to Plan participants at least 90 days before the record date for such dividend or distribution.The Plan also may be amended or terminated by the Agent on at least 90 dayswritten notice to Plan participants.

Managed Dividend Policy

The funds dividend policy is to distribute substantially all of its net investment income to its shareholders on a monthly basis. In order to provide shareholders with a more consistent yield to the current trading price of shares of Common Stock of the fund, the fund may at times pay out less than the entire amount of net investment income earned in any particular month and may at times in any month pay out such accumulated but undistributed income in addition to net investment income earned in that month. As a result, the dividends paid by the fund for any particular month may be more or less than the amount of net investment income earned by the fund during such month.The funds current accumulated but undistributed net investment income, if any, is disclosed in the Statement of Assets and Liabilities, and Notes to Financial Statements, which comprises part of the Financial Information included in this report.

Benefits and Risks of Leveraging

The fund utilizes leverage to seek to enhance the yield and net asset value of its Common Stock.These objectives cannot be achieved in all interest rate environments.To leverage, the fund issues Preferred Stock, which pays dividends at prevailing short-term interest rates, and invests

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the proceeds in long-term municipal bonds. The interest earned on these investments is paid to Common Shareholders in the form of dividends, and the value of these portfolio holdings is reflected in the per share net asset value of the funds Common Stock.

Supplemental Information

During the period ended November 30, 2006, there were: (i) no material changes in the funds investment objectives or policies, (ii) no changes in the funds charter or by-laws that would delay or prevent a change of control of the fund, (iii) no material changes in the principal risk factors associated with investment in the fund, and (iv) no changes in the person primarily responsible for the day-to-day management of the funds portfolio.

Certifications

The funds chief executive officer has certified to the NYSE, pursuant to the requirements of Section 303A.12(a) of the NYSE Listed Company Manual, that, as of August 17, 2006, he was not aware of any violation by the fund of applicable NYSE corporate governance listing standards.The funds reports to the SEC on Form N-CSR contain certifications by the funds chief executive officer and chief financial officer as required by Rule 30a-2(a) under the 1940 Act, including certifications regarding the quality of the fund's disclosures in such reports and certifications regarding the fund's disclosure controls and procedures and internal control over financial reporting.

IMPORTANT TAX INFORMATION (Unaudited)

In accordance with federal tax law, the fund hereby designates all the dividends paid from investment income-net during the fiscal year ended November 30, 2006 as "exempt-interest dividends" (not generally subject to regular federal income tax).As required by federal tax law rules, shareholders will receive notification of their portion of the fund's taxable ordinary dividends (if any) and capital gains distributions (if any) paid for the 2006 calendar year on Form 1099-DIV and their portion of the fund's exempt-interest dividends paid for the 2006 calendar year on Form 1099-INT, both which will be mailed by January 31, 2007.

PROXY RESULTS (Unaudited)

Holders of Common Stock and holders of Auction Preferred Stock ("APS") voted together as a single class on a proposal presented at the annual shareholders' meeting held on May 18, 2006 as follows:

		Shares	
	For		Authority Withheld
To elect three Class I Directors: †			
Joseph S. DiMartino	39,466,342		785,930
William Hodding Carter III	39,315,858		936,415
Richard Leone	39,472,802		779,471

† *The terms of these Class I Directors expire in 2009.*

INFORMATION ABOUT THE REVIEW AND APPROVAL OF THE FUND'S INVESTMENT ADVISORY AGREEMENT (Unaudited)

At a Meeting of the fund's Board of Directors held on November 6, 2006, the Board considered the re-approval for an annual period of the fund's Investment Advisory Agreement, pursuant to which the Manager provides the fund with investment advisory services, and the fund's separate Administration Agreement, pursuant to which the Manager provides the fund with administrative services. The Board members, none of whom are "interested persons" (as defined in the Investment Company Act of 1940, as amended) of the fund, were assisted in their review by independent legal counsel and met with counsel in executive session separate from representatives of the Manager.

Analysis of Nature, Extent, and Quality of Services Provided to the Fund. The Board members received a presentation from representatives of the Manager regarding services provided to the fund and other funds in the Dreyfus fund complex, and discussed the nature, extent, and quality of the services provided to the fund pursuant to the fund's Investment Advisory Agreement and Administration Agreement. The Manager's representatives noted the fund's closed-end structure, the relationships the Manager has with various intermediaries, the different needs of each intermediary, and the Manager's corresponding need for broad, deep, and diverse resources to be able to provide ongoing shareholder services to fund shareholders.The Board noted the fund's asset size and considered that a closed-end fund is not subject to the inflows and outflows of assets as an open-end fund would be that would increase or decrease its asset size.

The Board members also considered the Manager's research and portfolio management capabilities and that the Manager also provides oversight of day-to-day fund operations, including fund accounting and administration and assistance in meeting legal and regulatory requirements. The Board members also considered the Manager's extensive administrative, accounting, and compliance infrastructure.

Comparative Analysis of the Fund's Investment Advisory Fee and Administration Fee and Expense Ratio and Performance. The Board members reviewed reports prepared by Lipper, Inc., an independent provider of investment company data, which included information comparing the fund's total investment advisory fee and administration

fee and expense ratio with a group of comparable "leveraged" funds (the "Expense Group") and with a broader group of funds (the "Expense Universe") that were selected by Lipper. Included in the fund's reports were comparisons of contractual and actual management fee rates and total operating expenses.

The Board members also reviewed the reports prepared by Lipper that presented the fund's performance on a net asset value and market price basis and placed significant emphasis on comparisons of total return performance for various periods ended September 30,2006 and yield performance for one-year periods ended September 30th for the fund to the same group of funds as the fund's Expense Group (the "Performance Group") and to a group of funds that was broader than the fund's Expense Universe (the "Performance Universe") that also were selected by Lipper. The Manager previously had furnished the Board with a description of the methodology Lipper used to select the fund's Expense Group and Expense Universe, and Performance Group and Performance Universe. The Manager also provided a comparison of the fund's total returns to the fund's Lipper category average returns for the past 10 calendar years.

The Board reviewed the results of the Expense Group and Expense Universe comparisons for various periods ended September 30, 2006. The Board reviewed the range of management fees and expense ratios of the funds in the Expense Group and Expense Universe, and noted that the fund's total contractual investment advisory fee and administration fee (based on net assets solely attributable to common stock after leverage) was higher than the Expense Group median and that the fund's actual total contractual investment advisory fee and administrative fee was higher than the Expense Group and Expense Universe medians. The Board also noted that the fund's total expense ratio (based on net assets solely attributable to common stock after leverage) was slightly higher than the Expense Group and Expense Universe medians. The Board noted the undertaking in effect by the Manager over the past year to waive receipt of .10% of the fund's investment advisory fee and the Manager's commitment to continue such waiver through May 31, 2007.

With respect to the fund's performance on a net asset value basis, the Board noted that the fund achieved first quintile (the first quintile

reflecting the highest performance ranking group) total return rankings in the Performance Group for each reported time period up to 5 years and first or second quintile total return rankings in the Performance Universe for each reported time period up to 5 years. The Board noted that while the fund achieved total return results that were lower than the Performance Group and Performance Universe medians for the 10-year period, the fund was not leveraged prior to October 1999. On a yield performance basis, the Board noted that in the Performance Group the fund's 1-year yields ranked in the first or second quintile for 9 of the 10 reported time periods and that in the Performance Universe the fund's 1-year yields ranked in the first or second quintile for each of the 10 reported time periods.

With respect to the fund's performance on a market price basis, the Board noted that the fund achieved a range of first, second, or third quintile total return rankings (including first quintile for the recent 1-year period) in the

Performance Group and Performance Universe for each reported time period up to 10 years. On a yield performance basis, the Board noted that the fund□s 1-year yields were higher than the Performance Group and Performance Universe medians for 7 out of the 10 reported time periods.

Representatives of the Manager reviewed with the Board members the fees paid to the Manager or its affiliates by investment companies managed by the Manager or its affiliates that were reported in the same Lipper category as the fund (the □Similar Funds□). It was noted that each Similar Fund also was a closed-end fund. The Board members considered the relevance of the fee information provided for the Similar Funds to evaluate the appropriateness and reasonableness of the fund□s management fee. The Manager□s representatives noted that there were no similarly managed institutional separate accounts or wrap fee accounts managed by the Manager or its affiliates with similar investment objectives, policies, and strategies as the fund.

Analysis of Profitability and Economies of Scale. The Manager□s representatives reviewed the dollar amount of expenses allocated and profit received by the Manager for the fund and the method used to deter-

mine such expenses and profit.The Board previously had been provided with information prepared by an independent consulting firm regarding the Manager□s approach to allocating costs to, and determining the profitability of, individual funds and the entire Dreyfus mutual fund complex.The Board also had been informed that the methodology had also been reviewed by an independent registered public accounting firm which, like the consultant, found the methodology to be reason-able.The consulting firm also analyzed where any economies of scale might emerge in connection with the management of a fund. The Board members evaluated the profitability analysis in light of the relevant circumstances for the fund, including any decline in fund assets from the prior year, and the extent to which economies of scale would be realized if the fund grows and whether fee levels reflect these economies of scale for the benefit of fund shareholders. The Board members also considered potential benefits to the Manager from acting as investment adviser to the fund and noted that there were no soft dollar arrangements in effect with respect to trading the fund□s portfolio.

It was noted that the Board members should consider the Manager□s profitability with respect to the fund as part of their evaluation of whether the fees under the Investment Advisory and Administration Agreements bear a reasonable relationship to the mix of services provided by the Manager, including the nature, extent, and quality of such services and that a discussion of economies of scale is predicated on increasing assets and that, if a fund□s assets had been decreasing, the possibility that the Manager may have realized any economies of scale would be less. It was noted that the profitability percentage for managing the fund was within ranges determined by appropriate court cases to be reasonable given the services rendered and the fund□s overall performance and generally superior service levels provided. The Board also noted the Manager□s waiver of receipt of a portion of the investment advisory fee over the past year and its effect on the profitability of the Manager.

At the conclusion of these discussions, the Board agreed that it had been furnished with sufficient information to make an informed busi-

ness decision with respect to continuation of the fund□s Investment Advisory Agreement and Administration Agreement. Based on its discussions and considerations as described above, the fund□s Board made the following conclusions and determinations.

- The Board concluded that the nature,extent,and quality of the services provided by the Manager to the fund are adequate and appropriate.
- The Board was satisfied with the fund□s performance.
- The Board concluded that the total investment advisory fee and administration fee paid to the Manager by

the fund was reasonable in light of the services provided, comparative performance and expense and management fee information, including the Managers undertaking to waive receipt of 0.10% of the funds investment advisory fee through May 31, 2007, costs of the services provided and profits to be realized and benefits derived or to be derived by the Manager from its relationship with the fund.

- The Board determined that the economies of scale which may accrue to the Manager and its affiliates in connection with the man- agement of the fund had been adequately considered by the Manager in connection with the management fee rate charged to the fund, and that, to the extent in the future it were to be deter- mined that material economies of scale had not been shared with a fund, the Board would seek to have those economies of scale shared with the fund.

The Board members considered these conclusions and determinations, along with the information received on a routine and regular basis throughout the year, and, without any one factor being dispositive, the Board determined that re-approval of the funds Investment Advisory Agreement and Administration Agreement was in the best interests of the fund and its shareholders.

BOARD MEMBERS INFORMATION (Unaudited)

Joseph S. DiMartino (63)
Chairman of the Board (1995) *Current term expires in 2009*

Principal Occupation During Past 5 Years:
 Corporate Director and Trustee

Other Board Memberships and Affiliations:

- The Muscular Dystrophy Association, Director
- Century Business Services, Inc., a provider of outsourcing functions for small and medium size companies, Director
- The Newark Group, a provider of a national market of paper recovery facilities, paperboard mills and paperboard converting plants, Director
- Sunair Services Corporation, engaging in the design, manufacture and sale of high frequency systems for long-range voice and data communications, as well as providing certain outdoor-related services to homes and businesses, Director

No. of Portfolios for which Board Member Serves: 190

David W. Burke **(70)**
Board Member **(1994)** *Current term expires in 2008*

Principal Occupation During Past 5 Years:
 Corporate Director and Trustee.

Other Board Memberships and Affiliations:

- John F. Kennedy Library Foundation, Director
- U.S.S. Constitution Museum, Director

No. of Portfolios for which Board Member Serves: 81

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William Hodding Carter III (71)

Board Member (1988) *Current term expires in 2009*

Principal Occupation During Past 5 Years:

- Professor of Leadership & Public Policy, University of North Carolina, Chapel Hill (January 1, 2006-present)
- President and Chief Executive Officer of the John S. and James L. Knight Foundation (February 1, 1998-February 1, 2006)

Other Board Memberships and Affiliations:

- The Century Foundation, Emeritus Director
- The Enterprise Corporation of the Delta, Director

No. of Portfolios for which Board Member Serves: 28

Gordon J. Davis (65)

Board Member (2006) *Current term expires in 2007*

Principal Occupation During Past 5 Years:

□ Partner in the law firm of LeBoeuf, Lamb, Greene & MacRae, LLP

□ President, Lincoln Center for the Performing Arts, Inc. (2001)

Other Board Memberships and Affiliations:

- Consolidated Edison, Inc., a utility company, Director
- Phoenix Companies, Inc., a life insurance company, Director
- Board Member/Trustee for several not-for-profit groups

No. of Portfolios for which Board Member Serves: 37

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Joni Evans (64)

Board Member (2006) *Current term expires in 2009*

Principal Occupation During Past 5 Years:

□ Principal, Joni Evans Ltd.

□ Senior Vice President of the William Morris Agency (2005)

No. of Portfolios for which Board Member Serves: 28

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Arnold S. Hiatt (79)
Board Member (2006) *Current term expires in 2007*

Principal Occupation During Past 5 Years:
□ Chairman of The Stride Rite Charitable Foundation
Other Board Memberships and Affiliations:
□ Isabella Stewart Gardner Museum,Trustee
□ John Merck Fund, a charitable trust,Trustee
□ Business for Social Responsibility, Director
□ The A.M. Fund,Trustee

No. of Portfolios for which Board Member Serves: 28

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Ehud Houminer (66)
Board Member (1994) *Current term expires in 2007*

No. of Portfolios for which Board Member Serves: 76

Principal Occupation During Past 5 Years:
□ Executive-in-Residence at the Columbia Business School, Columbia University
Other Board Memberships and Affiliations:
□ Avnet Inc., an electronics distributor, Director
□ International Advisory Board to the MBA Program School of Management, Ben Gurion University, Chairman
□ Explore Charter School, Brooklyn, NY, Chairman

Richard C. Leone (66)
Board Member (1987) *Current term expires in 2009*

Principal Occupation During Past 5 Years:
□ President of The Century Foundation (formerly,The Twentieth Century Fund, Inc.), a tax exempt research foundation engaged in the study of economic, foreign policy and domestic issues

Other Board Memberships and Affiliations:

- The American Prospect, Director
- Center for American Progress, Director

No. of Portfolios for which Board Member Serves: 28

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Hans C. Mautner (69)
Board Member (1987) *Current term expires in 2008*

Principal Occupation During Past 5 Years:
□ President□International Division and an Advisory Director of Simon Property Group, a real estate investment company (1998-present)
□ Director and Vice Chairman of Simon Property Group (1998-2003)
□ Chairman and Chief Executive Officer of Simon Global Limited (1999-present)

Other Board Memberships and Affiliations:

- Capital and Regional PLC, a British co-investing real estate asset manager, Director
- Member - Board of Managers of: Mezzacappa Long/Short Fund LLC
  Mezzacappa Partners LLC

No. of Portfolios for which Board Member Serves: 28

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Robin A. Melvin (43)
Board Member (1995) *Current term expires in 2007*

Principal Occupation During Past 5 Years:
□ Director, Boisi Family foundation, a private family foundation that supportsyouth-serving organizations that promote the self sufficiency of youth from disadvantaged circumstances

No. of Portfolios for which Board Member Serves: 28

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Burton N.Wallack (56)
Board Member (2006) *Current term expires in 2008*

Principal Occupation During Past 5 Years:
□ President and co-owner of Wallack Management Company, a real estate management company

No. of Portfolios for which Board Member Serves: 28

John E. Zuccotti (69)
Board Member (1987) *Current term expires in 2008*

Principal Occupation During Past 5 Years:
□ Chairman of Brookfield Financial Properties, Inc.
□ Senior Counsel of Weil, Gotshal & Manges, LLP

- Chairman of the Real Estate Board of New York

Other Board Memberships and Affiliations:

- Emigrant Savings Bank, Director
- Wellpoint, Inc., Director
- Visiting Nurse Service of New York, Director
- Columbia University,Trustee
- Doris Duke Charitable Foundation,Trustee

No. of Portfolios for which Board Member Serves: 28

The address of the Board Members and Officers is in c/o The Dreyfus Corporation, 200 Park Avenue, New York, New York 10166.

OFFICERS OF THE FUND (Unaudited)

J. DAVID OFFICER, President since
January 2007.

Chief Operating Officer,Vice Chairman and a director of the Manager, and an officer of 90 investment companies (comprised of 190 portfolios) managed by the Manager. He is 58 years old and has been an employee of the Manager since April 1, 1998.

A. PAUL DISDIER, Executive Vice
President since March 2000.

Executive Vice President of the Fund, Director of Dreyfus Municipal Securities, and an officer of 3 other investment companies (comprised of 3 portfolios) managed by the Manager. He is 51 years old and has been an employee of the Manager since February 1988.

MARK N. JACOBS, Vice President since
March 2000.

Executive Vice President, Secretary and General Counsel of the Manager, and an officer of 91 investment companies (comprised of 206 portfolios) managed by the Manager. He is 60 years old and has been an employee of the Manager since June 1977.

MICHAEL A. ROSENBERG, Vice President
and Secretary since August 2005.

Associate General Counsel of the Manager, and an officer of 91 investment companies (comprised of 206 portfolios) managed by the Manager. He is 46 years old and has been an employee of the Manager since October 1991.

JAMES BITETTO, Vice President and
Assistant Secretary since August 2005.

Associate General Counsel and Assistant Secretary of the Manager, and an officer of 91 investment companies (comprised of 206 portfolios) managed by the Manager. He is 40 years old and has been an employee of the Manager since December 1996.

JONI LACKS CHARATAN, Vice President and Assistant Secretary since August 2005.

Associate General Counsel of the Manager, and an officer of 91 investment companies (comprised of 206 portfolios) managed by the Manager. She is 51 years old and has been an employee of the Manager since October 1988.

JOSEPH M. CHIOFFI, Vice President and Assistant Secretary since August 2005.

Associate General Counsel of the Manager, and an officer of 91 investment companies (comprised of 206 portfolios) managed by the Manager. He is 45 years old and has been an

JANETTE E. FARRAGHER, Vice President and Assistant Secretary since August 2005.

Associate General Counsel of the Manager, and an officer of 91 investment companies (comprised of 206 portfolios) managed by the Manager. She is 43 years old and has been an employee of the Manager since February 1984.

JOHN B. HAMMALIAN, Vice President and Assistant Secretary since August 2005.

Associate General Counsel of the Manager, and an officer of 91 investment companies (comprised of 206 portfolios) managed by the Manager. He is 43 years old and has been an employee of the Manager since February 1991.

ROBERT R. MULLERY, Vice President and Assistant Secretary since August 2005.

Associate General Counsel of the Manager, and an officer of 91 investment companies (comprised of 206 portfolios) managed by the Manager. He is 54 years old and has been an employee of the Manager since May 1986.

JEFF PRUSNOFSKY, Vice President and Assistant Secretary since August 2005.

Associate General Counsel of the Manager, and an officer of 91 investment companies (comprised of 206 portfolios) managed by the Manager. He is 41 years old and has been an employee of the Manager since October 1990.

JAMES WINDELS, Treasurer since November 2001.

Director-Mutual Fund Accounting of the Manager, and an officer of 91 investment companies (comprised of 206 portfolios) managed by the Manager. He is 48 years old and has been an employee of the Manager since April 1985.

ERIK D. NAVILOFF, Assistant Treasurer since August 2005.

Senior Accounting Manager - Taxable Fixed Income Funds of the Manager, and an officer of 91 investment companies (comprised of 206 portfolios) managed by the Manager. He is 38 years old and has been an employee of the Manager since November 1992.

ROBERT ROBOL, Assistant Treasurer since August 2005.

Senior Accounting Manager – Money Market and Municipal Bond Funds of the Manager, and an officer of 91 investment companies (comprised of 206 portfolios) managed by the Manager. He is 42 years old and has been an employee of the Manager since October 1988.

ROBERT SVAGNA, Assistant Treasurer since August 2005.

Senior Accounting Manager - Equity Funds of the Manager, and an officer of 91 investment companies (comprised of 206 portfolios) managed by the Manager. He is 39 years old and has been an employee of the Manager since November 1990.

GAVIN C. REILLY, Assistant Treasurer since December 2005.

Tax Manager of the Investment Accounting and Support Department of the Manager, and an officer of 91 investment companies (comprised of 206 portfolios) managed by the Manager. He is 38 years old and has been an employee of the Manager since April 1991.

JOSEPH W. CONNOLLY, Chief Compliance Officer since October 2004.

Chief Compliance Officer of the Manager and The Dreyfus Family of Funds (91 investment companies, comprised of 206 portfolios). From November 2001 through March 2004, Mr. Connolly was first Vice-President, Mutual Fund Servicing for Mellon Global Securities Services. In that capacity, Mr. Connolly was responsible for managing Mellon's Custody, Fund Accounting and Fund Administration services to third-party mutual fund clients. He is 49 years old and has served in various capacities with the Manager since 1980, including manager of the firm's Fund Accounting Department from 1997 through October 2001.

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200 Park Avenue New York, NY 10166

Directors
Joseph S. DiMartino
David W. Burke
William Hodding Carter, III
Gordon J. Davis
Joni Evans
Arnold S. Hiatt
Ehud Houminer
Richard C. Leone
Hans C. Mautner
Robin A. Melvin
Burton N.Wallack
John E. Zuccotti
Auction Preferred Stock Directors

Officers
President
J. David Officer
Executive Vice Presidents
A. Paul Disdier
Vice President
Mark N. Jacobs
Vice President and Secretary
Michael A. Rosenberg
Vice President and Assistant Secretaries
James Bitetto
Joni Lacks Charatan
Joseph M. Chioffi
Janette E. Farragher
John B. Hammalian
Robert R Mullery
Jeff Prusnofsky
Treasurer
James Windels
Assistant Treasurers
Erik D. Naviloff
Robert Robol
Robert Svagna
Gavin C. Reilly

Chief Compliance Officer
Joseph W. Connolly

Portfolio Managers
Joseph P. Darcy
A. Paul Disdier
Douglas J. Gaylor
Joseph A. Irace
Colleen A. Meehan
W. Michael Petty
James Welch
Monica S.Wieboldt
Bill Vasiliou

Investment Adviser and Administrator
The Dreyfus Corporation

Custodian
Mellon Trust of New England, N.A.

Counsel
Stroock & Stroock & Lavan LLP

Transfer Agent, Dividend-Paying Agent, Registrar and Disbursing Agent
PFPC Global Fund Services

(Common Stock)
Deutsche Bank Trust Company Americas
(Auction Preferred Stock)

Auction Agent
Deutsche Bank Trust Company Americas
(Auction Preferred Stock)

Stock Exchange Listing
NYSE Symbol: DSM

Initial SEC Effective Date

11/22/89

The Net Asset Value appears in the following publications:Barrons,Closed-End Bond Funds section under the heading Municipal Bond Fundsevery Monday;Wall Street Journal,Mutual Funds section under the heading Closed-End Fundsevery Monday; NewYork Times,Business section under the heading Closed-End Bond FundsMunicipal Bond Fundsevery Monday.

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940,as amended,that the fund may purchase shares of its common stock in the open market when it can do so at prices below the then current net asset value per share.

For More Information

Dreyfus Strategic Municipal Bond Fund, Inc.
200 Park Avenue
New York, NY 10166

Manager

The Dreyfus Corporation

200 Park Avenue
New York, NY 10166

Custodian
Mellon Trust of
New England, N.A.
One Boston Place
Boston, MA 02108

Transfer Agent, Dividend-Paying Agent, Registrar and Disbursing Agent
PFPC Global Fund Services
(Common Stock)
101 Federal Street

Boston, MA 02110

The fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year on Form N-Q. The fund's Forms N-Q are available on the SECs website at http://www.sec.gov and may be reviewed and copied at the SECs Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-202-551-8090.

Information regarding how the fund voted proxies relating to portfolio securities for the 12-month period ended June 30, 2006, is available on the SECs website at http://www.sec.gov and without charge, upon request, by calling 1-800-645-6561.

Item 2. Code of Ethics.

The Registrant has adopted a code of ethics that applies to the Registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. There have been no amendments to, or waivers in connection with, the Code of Ethics during the period covered by this Report.

Item 3. Audit Committee Financial Expert.

The Registrant's Board has determined that Richard C. Leone, a member of the Audit Committee of the Board, is an audit committee financial expert as defined by the Securities and Exchange Commission (the "SEC"). Richard C. Leone is "independent" as defined by the SEC for purposes of audit committee financial expert determinations.

Item 4. Principal Accountant Fees and Services

(a) Audit Fees. The aggregate fees billed for each of the last two fiscal years (the "Reporting Periods") for professional services rendered by the Registrant's principal accountant (the "Auditor") for the audit of the Registrant's annual financial statements, or services that are normally provided by the Auditor in connection with the statutory and regulatory filings or engagements for the Reporting Periods, were $34,374 in 2005 and $36,008 in 2006.

(b) Audit-Related Fees. The aggregate fees billed in the Reporting Periods for assurance and related services by the Auditor that are reasonably related to the performance of the audit of the Registrant's financial statements and are not reported under paragraph (a) of this Item 4 were $16,800 in 2005 and $5,122 in 2006. These services consisted of (i) security counts required by Rule 17f-2 under the Investment Company Act of 1940, as amended and (ii) advisory services as to the accounting or disclosure treatment of Registrant transactions or events.

The aggregate fees billed in the Reporting Periods for non-audit assurance and related services by the Auditor to the Registrant's investment adviser (not including any sub-investment adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by or under common control with the investment adviser that provides ongoing services to the Registrant ("Service Affiliates"), that were reasonably related to the performance of the annual audit of the Service Affiliate, which required pre-approval by the Audit Committee were $0 in 2005 and $0 in 2006.

Note: *For the second paragraph in each of (b) through (d) of this Item 4, certain of such services were not pre-approved prior to May 6, 2003, when such services were required to be pre-approved. On and after May 6, 2003, 100% of all services provided by the Auditor were pre-approved as required. For comparative purposes, the fees shown assume that all such services were pre-approved, including services that were not pre-approved prior to the compliance date of the pre-approval requirement.*

(c) Tax Fees. The aggregate fees billed in the Reporting Periods for professional services rendered by the Auditor for tax compliance, tax advice and tax planning ("Tax Services") were $2,994 in 2005 and $3,060 in 2006. These services consisted of (i) review or preparation of U.S. federal, state, local and excise tax returns;

(ii) U.S. federal, state and local tax planning, advice and assistance regarding statutory, regulatory or administrative developments and (iii) tax advice regarding tax qualification matters and/or treatment of various financial instruments held or proposed to be acquired or held.

The aggregate fees billed in the Reporting Periods for Tax Services by the Auditor to Service Affiliates which required pre-approval by the Audit Committee were $0 in 2005 and $0 in 2006.

(d) All Other Fees. The aggregate fees billed in the Reporting Periods for products and services provided by the Auditor, other than the services reported in paragraphs (a) through (c) of this Item, were $0 in 2005 and $0 in 2006.

The aggregate fees billed in the Reporting Periods for Non-Audit Services by the Auditor to Service Affiliates, other than the services reported in paragraphs (b) through (c) of this Item, which required pre-approval by the Audit Committee were $0 in 2005 and $0 in 2006.

Audit Committee Pre-Approval Policies and Procedures. The Registrant's Audit Committee has established policies and procedures (the "Policy") for pre-approval (within specified fee limits) of the Auditor's engagements for non-audit services to the Registrant and Service Affiliates without specific case-by-case consideration. Pre-approval considerations include whether the proposed services are compatible with maintaining the Auditor's independence. Pre-approvals pursuant to the Policy are considered annually.

Non-Audit Fees. The aggregate non-audit fees billed by the Auditor for services rendered to the Registrant, and rendered to Service Affiliates, for the Reporting Periods were $917,339 in 2005 and $375,571 in 2006.

Auditor Independence. The Registrant's Audit Committee has considered whether the provision of non-audit services that were rendered to Service Affiliates which were not pre-approved (not requiring pre-approval) is compatible with maintaining the Auditor's independence.

Item 5. Audit Committee of Listed Registrants.

The Registrant has a separately-designated standing Audit Committee established in accordance with Section 3(a) (58) (A) of the Securities Exchange Act of 1934, consisting of the following members: Richard C. Leone, Joseph S. DiMartino, David W. Burke, Hodding Carter III, Gordon J. Davis, Joni Evans, Arnold S. Hiatt, Ehud Houminer, Hans C. Mautner, Robin A. Melvin, Burton N. Wallack, and John E. Zuccotti.

Item 6. Schedule of Investments.

Not applicable.

Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.

Not applicable.

Item 8. Portfolio Managers of Closed-End Management Investment Companies.

(a) (1) The following information is as of January 26, 2007, the date of the filing of this report:

James S. Welch has been the primary portfolio manager of the Registrant since November 2001 and has been employed by The Dreyfus Corporation (Dreyfus) since October 2001.

(a) (2) The following information is as of the Registrants most recently completed fiscal year, except where otherwise noted:

Portfolio Managers. The Manager manages the Fund's portfolio of investments in accordance with the stated policies of the Fund, subject to the approval of the Fund's Board. The Manager is responsible for investment decisions and provides the Fund with portfolio managers who are authorized by the Fund's Board to execute purchases and sales of securities. The Fund's portfolio managers are James S. Welch, Joseph P. Darcy, A. Paul Disdier, Douglas J. Gaylor, Joseph A. Irace, Colleen A. Meehan, W. Michael Petty, Bill Vasiliou, James Welch and Monica S. Wieboldt. The Manager also maintains a research department with a professional staff of portfolio managers and securities analysts who provide research services for the Fund and for other funds advised by the Manager.

Portfolio Manager Compensation. Portfolio manager compensation is comprised primarily of a market-based salary and an incentive compensation plan. The Funds portfolio managers are compensated by Dreyfus or its affiliates and not by the Fund. The incentive compensation plan is comprised of three components: Fund performance (approximately 60%), individual qualitative performance (approximately 20%) and Dreyfus financial performance as measured by Dreyfus pre-tax net income (approximately 20%). Up to 10% of the incentive plan compensation may be paid in Mellon restricted stock.

Portfolio performance is measured by a combination of yield (35%) and total return (65%) relative to the appropriate Lipper peer group. 1-year performance in each category is weighted at 40% and 3-year performance at 60%. The portfolio managers performance is measured on either a straight average (each account weighted equally) or a combination of straight average and asset-weighted average. Generally, if the asset-weighted average is higher, then that is used to measure performance. If the straight average is higher, then typically an average of the two is used to measure performance.

Individual qualitative performance is based on Dreyfus Chief Investment Officers evaluation of the portfolio managers performance based on any combination of the following: marketing contributions; new product development; performance on special assignments; people development; methodology enhancements; fund growth/gain in market; and support to colleagues. The Chief Investment Officer may consider additional factors at his discretion.

Portfolio managers are also eligible for Dreyfus Long Term Incentive Plan. Under that plan, cash and/or Mellon restricted stock is awarded at the discretion of the Chief Investment Officer based on individual performance and contributions to the Investment Management Department and the Mellon organization.

Additional Information About Portfolio Managers. The following table lists the number and types of other accounts advised by the Funds primary portfolio manager and assets under management in those accounts as of the end of the Funds fiscal year:

Portfolio Manager	**Registered Investment Company Accounts**	**Assets Managed**	**Pooled Accounts**	**Assets Managed**	**Other Accounts**	**Assets Managed**
James S. Welch	7	$2.2 billion	0	0	0	0

None of the funds or accounts are subject to a performance-based advisory fee.

The dollar range of Fund shares beneficially owned by the primary portfolio manager are as follows as of the end of the Fund’s fiscal year:

Portfolio Manager	**Registrant Name**	**Dollar Range of Registrant Shares Beneficially Owned**
James S. Welch	Dreyfus Strategic Municipal Bond Fund, Inc.	None

Portfolio managers may manage multiple accounts for a diverse client base, including mutual funds, separate accounts (assets managed on behalf of institutions such as pension funds, insurance companies and foundations), bank common trust accounts and wrap fee programs (“Other Accounts”).

Potential conflicts of interest may arise because of Dreyfus’ management of the Fund and Other Accounts. For example, conflicts of interest may arise with both the aggregation and allocation of securities transactions and allocation of limited investment opportunities, as Dreyfus may be perceived as causing accounts it manages to participate in an offering to increase Dreyfus’ overall allocation of securities in that offering, or to increase Dreyfus’ ability to participate in future offerings by the same underwriter or issuer. Allocations of bunched trades, particularly trade orders that were only partially filled due to limited availability and allocation of investment opportunities generally, could raise a potential conflict of interest, as Dreyfus may have an incentive to allocate securities that are expected to increase in value to preferred accounts. Initial public offerings, in particular, are frequently of very limited availability. Additionally, portfolio managers may be perceived to have a conflict of interest if there are a large number of Other Accounts, in addition to the Fund, that they are managing on behalf of Dreyfus. Dreyfus periodically reviews each portfolio manager’s overall responsibilities to ensure that he or she is able to allocate the necessary time and resources to effectively manage the Fund. In addition, Dreyfus could be viewed as having a conflict of interest to the extent that Dreyfus or its affiliates and/or portfolio managers have a materially larger investment in Other Accounts than their investment in the Fund.

Other Accounts may have investment objectives, strategies and risks that differ from those of the Fund. For these or other reasons, the portfolio manager may purchase different securities for the Fund and the Other Accounts, and the performance of securities purchased for the Fund may vary from the performance of securities purchased for Other Accounts. The portfolio manager may place transactions on behalf of Other Accounts that are directly or indirectly contrary to investment decisions made for the Fund, which could have the potential to adversely impact the Fund, depending on market conditions.

A potential conflict of interest may be perceived to arise if transactions in one account closely follow related transactions in another account, such as when a purchase increases the value of securities previously purchased by the other account, or when a sale in one account lowers the sale price received in a sale by a second account.

Dreyfus’ goal is to provide high quality investment services to all of its clients, while meeting Dreyfus’ fiduciary obligation to treat all clients fairly. Dreyfus has adopted and implemented policies and procedures, including brokerage and trade allocation policies and procedures that it believes address the conflicts associated with managing multiple accounts for multiple clients. In addition, Dreyfus monitors a variety of areas, including compliance with Fund guidelines, the allocation of IPOs, and compliance with the firm’s Code of Ethics. Furthermore, senior investment and business personnel at Dreyfus periodically review the performance of the portfolio managers for Dreyfus-managed funds.

Item 9. Purchases of Equity Securities by Closed-End Management Investment Companies and Affiliated Purchasers.

None

Item 10. Submission of Matters to a Vote of Security Holders.

The Registrant has a Nominating Committee (the "Committee"), which is responsible for selecting and nominating persons for election or appointment by the Registrant's Board as Board members. The Committee has adopted a Nominating Committee Charter (the "Charter"). Pursuant to the Charter, the Committee will consider recommendations for nominees from shareholders submitted to the Secretary of the Registrant, c/o The Dreyfus Corporation Legal Department, 200 Park Avenue, 8th Floor East, New York, New York 10166. A nomination submission must include information regarding the recommended nominee as specified in the Charter. This information includes all information relating to a recommended nominee that is required to be disclosed in solicitations or proxy statements for the election of Board members, as well as information sufficient to evaluate the factors to be considered by the Committee, including character and integrity, business and professional experience, and whether the person has the ability to apply sound and independent business judgment and would act in the interests of the Registrant and its shareholders.

Nomination submissions are required to be accompanied by a written consent of the individual to stand for election if nominated by the Board and to serve if elected by the shareholders, and such additional information must be provided regarding the recommended nominee as reasonably requested by the Committee.

Item 11. Controls and Procedures.

(a) The Registrant's principal executive and principal financial officers have concluded, based on their evaluation of the Registrant's disclosure controls and procedures as of a date within 90 days of the filing date of this report, that the Registrant's disclosure controls and procedures are reasonably designed to ensure that information required to be disclosed by the Registrant on Form N-CSR is recorded, processed, summarized and reported within the required time periods and that information required to be disclosed by the Registrant in the reports that it files or submits on Form N-CSR is accumulated and communicated to the Registrant's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

(b) The Registrant has revised its internal control over financial reporting with respect to investments in certain inverse floater structures to account for such investments as secured borrowing and to report the related income and expense.

Item 12.

Exhibits.

(a)(1) Code of ethics referred to in Item 2.

(a)(2) Certifications of principal executive and principal financial officers as required by Rule 30a-2(a) under the Investment Company Act of 1940.

(a)(3) Not applicable.

(b) Certification of principal executive and principal financial officers as required by Rule 30a-2(b) under the Investment Company Act of 1940.

SIGNATURES

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.

Dreyfus Strategic Municipal Bond Fund, Inc.

By:	/s/J. David Officer J. David Officer President
Date:	January 29, 2007

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

By:	/s/ J. David Officer J. David Officer President
Date:	January 29, 2007
By:	/s/ James Windels James Windels Treasurer
Date:	January 29, 2007

EXHIBIT INDEX

(a)(1) Code of ethics referred to in Item 2.

(a)(2) Certifications of principal executive and principal financial officers as required by Rule 30a-2(a) under the Investment Company Act of 1940. (EX-99.CERT)

(b) Certification of principal executive and principal financial officers as required by Rule 30a-2(b) under the Investment Company Act of 1940. (EX-99.906CERT)