

Edgar Filing: HERZFELD CARIBBEAN BASIN FUND INC - Form N-CSR

HERZFELD CARIBBEAN BASIN FUND INC
Form N-CSR
August 28, 2009

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT
INVESTMENT COMPANIES

Investment Company Act file number 811-06445

The Herzfeld Caribbean Basin Fund, Inc.

(Exact name of registrant as specified in charter)

P.O. BOX 161465, MIAMI, FLORIDA 33116

(Address of principal executive offices) (Zip code)

THOMAS J. HERZFELD
P.O. BOX 161465, MIAMI, FL 33116

(Name and address of agent for service)

Registrant's telephone number, including area code: 305-271-1900

Date of fiscal year end: 06/30/09

Date of reporting period: 7/01/08 - 6/30/09

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

ITEM 1. SHAREHOLDER REPORT

THE HERZFELD
CARIBBEAN BASIN
FUND, INC.

ANNUAL REPORT

Edgar Filing: HERZFELD CARIBBEAN BASIN FUND INC - Form N-CSR

JUNE 30, 2009

=====

THE HERZFELD CARIBBEAN BASIN FUND, INC.
The Herzfeld Building
PO Box 161465
Miami, FL 33116
(305) 271-1900

INVESTMENT ADVISOR
HERZFELD/CUBA
a division of Thomas J. Herzfeld Advisors, Inc.
PO Box 161465
Miami, FL 33116
(305) 271-1900

TRANSFER AGENT & REGISTRAR
State Street Bank and Trust
200 Clarendon Street, 16th Floor
Boston, MA 02116
(617) 443-6870

CUSTODIAN
State Street Bank and Trust
200 Clarendon Street, 5th Floor
Boston, MA 02116

COUNSEL
Pepper Hamilton LLP
3000 Two Logan Square
18th and Arch Streets
Philadelphia, PA 19103

INDEPENDENT AUDITORS
Rothstein Kass & Company, LLP
101 Montgomery Street, 22nd Floor
San Francisco, CA 94104

Listed NASDAQ Capital Market
Symbol: CUBA

THE HERZFELD CARIBBEAN BASIN FUND INC.'S INVESTMENT OBJECTIVE IS LONG-TERM CAPITAL APPRECIATION. TO ACHIEVE ITS OBJECTIVE, THE FUND INVESTS IN ISSUERS THAT ARE LIKELY, IN THE ADVISOR'S VIEW, TO BENEFIT FROM ECONOMIC, POLITICAL, STRUCTURAL AND TECHNOLOGICAL DEVELOPMENTS IN THE COUNTRIES IN THE CARIBBEAN BASIN, WHICH INCLUDE, AMONG OTHERS, CUBA, JAMAICA, TRINIDAD AND TOBAGO, THE BAHAMAS, THE DOMINICAN REPUBLIC, BARBADOS, ARUBA, HAITI, THE NETHERLANDS ANTILLES, THE COMMONWEALTH OF PUERTO RICO, MEXICO, HONDURAS, GUATEMALA, BELIZE, COSTA RICA, PANAMA, COLOMBIA, THE UNITED STATES AND VENEZUELA ("CARIBBEAN BASIN COUNTRIES"). THE FUND INVESTS AT LEAST 80% OF ITS TOTAL ASSETS IN EQUITY AND EQUITY-LINKED SECURITIES OF ISSUERS, INCLUDING U.S.-BASED COMPANIES WHICH ENGAGE IN SUBSTANTIAL TRADE WITH, AND DERIVE SUBSTANTIAL REVENUE FROM, OPERATIONS IN THE CARIBBEAN BASIN COUNTRIES.

Edgar Filing: HERZFELD CARIBBEAN BASIN FUND INC - Form N-CSR

LETTER TO STOCKHOLDERS

=====

[PICTURE]
THOMAS J. HERZFELD
CHAIRMAN AND PRESIDENT

August 5, 2009

Dear Fellow Shareholders:

We are pleased to present our annual report for the period ending June 30, 2009. On that date the Fund's net asset value was \$5.35 per share, which represents a loss of 23.72% for the one year period then ended (adjusted for distributions). The Fund's share price closed the fiscal year at \$6.07 per share, down from \$7.69 per share on June 30, 2008, and representing a 17.73% loss for the year (adjusted for distributions). A year-end distribution of \$0.211 per share was paid on January 5, 2009, to shareholders of record December 12, 2008.

For the first six months of calendar year 2009 the Fund benefited from a recovery in global financial markets. During that same time, the Fund's share price was up 44.52%, and net asset value per share advanced 11.69%.

Our two-fold investment focus stresses first, companies which we believe will benefit from a resumption of trade with Cuba and second, companies in the Caribbean Basin which we believe have good prospects even if there is no change in U.S. policy towards Cuba.

Over the past fiscal year, demand for goods and services of the Caribbean remained under pressure, on the other hand, continued and steady progress has been made in U.S. policy towards Cuba. For example, the U.S. government has moved on a number of initiatives which could eventually pave the road towards normalization of relations with Cuba. We are pleased that the new administration has relaxed restrictions on cash remittances and family travel by Cuban-Americans to Cuba. As

- 3 -

LETTER TO STOCKHOLDERS (CONTINUED)

=====

[PICTURE]
ERIK M. HERZFELD
PORTFOLIO MANAGER

we noted in our last report to shareholders, we anticipated that this would be one of the key first steps for the new incoming administration.

The level of interest in Cuba by the U.S. Congress has also increased. For instance, Senator Max Baucus (D-MT), who heads the Senate Finance Committee, has introduced legislation designed to ease restrictions on the sale of U.S. food to Cuba and facilitate travel to Cuba by farmers seeking sales. Senator John Kerry (D-MA), head of the Senate Foreign Relations Committee, has also argued for major changes to embargo policy.

Legislation we are watching closely includes several bills aimed at eliminating restrictions for Americans traveling to Cuba. We believe our holdings in CARNIVAL CORPORATION (NYSE: CCL), ROYAL CARIBBEAN CRUISES LTD (NYSE: RCL), and

Edgar Filing: HERZFELD CARIBBEAN BASIN FUND INC - Form N-CSR

COPA HOLDINGS, S.A. (NYSE: CPA), are prime candidates to see an increase in revenue from such changes in policy. Since Cuba lacks adequate hotel and airport facilities, cruise ships are uniquely positioned to handle the early volume of American tourists traveling to that country. Copa Holdings, S.A. through Copa Airlines already operates daily direct service to Cuba from Panama and Mexico; we believe the airline is in a strong position to continue to dominate in the region.

A list of our major holdings appears on the following page. FREEPORT-MCMORAN COPPER & GOLD INC. (NYSE: FCX) is currently our largest holding and has benefited from the surge in commodity prices. FCX, the world's largest publicly traded copper company, has registered a claim related to confiscated mines in Cuba. That claim is the second biggest claim against the government of Cuba under Title V of the International Claims Settlement Act of 1949. In addition, we believe the holding can provide a hedge against a weaker dollar.

- 4 -

LETTER TO STOCKHOLDERS (CONTINUED)

Largest Allocations

The following tables present our largest investment and geographic allocations as of June 30, 2009.

GEOGRAPHIC ALLOCATION	% OF NET ASSETS	LARGEST PORTFOLIO POSITIONS	% OF NET ASSETS
USA	46.62%	Freeport McMoran Copper & Gold	7.31%
Mexico	17.48%	Watsco Incorporated	6.89%
Panama	8.50%	Seaboard Corporation	6.78%
Cayman Islands	7.28%	Copa Holdings S.A.	6.06%
Colombia	4.03%	Consolidated Water, Inc.	5.33%
Bahamas	3.86%	Carnival Corp.	4.47%
Puerto Rico	0.98%	Bancolombia, S.A.	4.03%
Belize	0.74%	Mastec, Inc.	3.90%
Venezuela	0.05%	America Movil, S.A.B. de C.V. ADR	3.90%
Latin American Regional	0.01%	Coca Cola Femsa, S.A.B. de C.V. ADR	3.33%
Cuba	0.00%		
Cash and Other	10.45%		

Daily net asset values and press releases on the Fund are available on the Internet at www.herzfeld.com.

We would like to thank the members of the Board of Directors for their hard work and guidance and also to thank our fellow stockholders for their continued support and suggestions.

Sincerely,

/s/ Thomas J. Herzfeld

Thomas J. Herzfeld
Chairman of the Board, President and
Portfolio Manager

/s/ Erik M. Herzfeld

Edgar Filing: HERZFELD CARIBBEAN BASIN FUND INC - Form N-CSR

Erik M. Herzfeld
Portfolio Manager

- 5 -

SCHEDULE OF INVESTMENTS AS OF JUNE 30, 2009

Shares or Principal Amount	Description	Fair Value
Common stocks - 90.40% of net assets		
Airlines - 6.55%		
29,500	Copa Holdings, S.A	\$ 1,204,190
16,000	AirTran Holdings Inc	99,040
Banking and finance - 8.54%		
26,280	Bancolombia, S.A	801,540
39,000	Banco Latinoamericano de Exportaciones, S.A	484,770
6,500	Doral Financial Corp.*	16,250
16,400	Grupo Financiero Banorte, S.A. de C.V. Series O	39,910
9,900	Grupo Financiero Inbursa, S.A.B. de C.V. Series O	26,264
50,000	Popular Inc.	110,000
3,844	W Holding Co. Inc.	54,585
10,000	Western Union Company	164,000
Communications - 12.83%		
20,000	America Movil, S.A.B. de C.V. ADR	774,400
35,600	America Movil, S.A.B. de C.V. Series A	67,603
50,891	America Movil, S.A.B. de C.V. Series L	98,727
4,894	Atlantic Tele-Network, Inc.	192,285
11,900	Carso Global Telecom, S.A.B. de C.V. Series A1*	44,003
176,000	Fuego Entertainment Inc.*	26,400
871	Grupo Iusacell, S.A. de C.V. Series V*	3,009
21,120	Grupo Radio Centro, S.A.B. ADR	147,629
32,400	Grupo Televisa, S.A.B. ADR	550,800
13,400	Grupo Televisa, S.A.B. Series CPO	45,531
80,304	Spanish Broadcasting System, Inc.*	14,455
15,000	Telefonos de Mexico, S.A.B. de C.V. ADR Series L	243,150
23,800	Telefonos de Mexico, S.A.B. de C.V. Series A	19,336
78,600	Telefonos de Mexico, S.A.B. de C.V. Series L	64,156
15,000	Telmex International, S.A.B. de C.V. ADR	189,750
23,800	Telmex International Series A	14,457
78,600	Telmex International Series L	49,892
13,900	TV Azteca, S.A.B. de C.V. Series CPO	5,594
Conglomerates and holding companies - 1.15%		
250,000	Admiralty Holding Company*	175
5,400	Alfa, S.A.B. de C.V. Series A	15,212
70,348	BCB Holdings Ltd.*	144,816

* Non-income producing

SEE ACCOMPANYING NOTES.

- 6 -

SCHEDULE OF INVESTMENTS AS OF JUNE 30, 2009 (CONTINUED)

Edgar Filing: HERZFELD CARIBBEAN BASIN FUND INC - Form N-CSR

Shares or Principal Amount	Description	Fair Value

Conglomerates and holding companies (continued)		
3,200	Corporacion Interamericana de Entretenimiento, S.A.B. de C.V. Series B*	\$ 1,611
11,000	Grupo Carso, S.A.B. de C.V. Series A1	29,567
1,580	Grupo Kuo S.A.B. de C.V.*	720
20	Grupo Pochteca, S.A.B. de C.V. *	3
3,250	Shellshock Ltd. Ord.*	1,873
2,900	Vitro, S.A.B. de C.V. Series A*	1,268
27,918	Vitro, S.A.B. de C.V. ADR	33,222
Construction and related - 5.27%		
21,737	Cemex S.A.B. de C.V. ADR	203,024
51,582	Cemex S.A.B. de C.V. Series CPO	48,213
20	Ceramica Carabobo Class A ADR*	4,657
17,200	Consortio ARA, S.A.B. de C.V.	7,483
1,580	Dine S.A.B. de C.V. Series B*	720
3,583	Empresas ICA, S.A.B. de C.V.*	6,140
800	Grupo Cementos de Chihuahua, S.A.B. de C.V.	2,074
66,132	Mastec, Inc.*	775,067
Consumer products and related manufacturing - 8.13%		
13,273	Grupo Casa Saba, S.A.B. de C.V. ADR	245,551
28,000	Watsco Incorporated	1,370,040
Food, beverages and tobacco - 6.06%		
1,219	Alsea, S.A.B. de C.V.	692
12,000	Chiquita Brands International Inc.*	123,120
16,500	Coca Cola Femsa, S.A.B. de C.V. ADR	661,980
200	Coca Cola Femsa, S.A.B. de C.V. Series L	804
18,900	Fomento Economico Mexicano, S.A.B. de C.V. Series UBD	60,947
17,690	Fresh Del Monte Produce Inc.*	287,639
800	Gruma, S.A.B. de C.V. Series B*	820
7,600	Grupo Bimbo, S.A.B. de C.V. Series A	40,394
7,700	Grupo Modelo, S.A.B. de C.V. Series C	27,502
Housing - 1.66%		
1,700	Corporacion Geo S.A.B. de C.V. Series B*	3,284
100	Desarrolladora Homex, S.A.B. de C.V.*	465
33,500	Lennar Corporation	324,615
400	Sare Holding, S.A.B. de C.V. Series B*	122
1,500	Urbi Desarrollos Urbanos, S.A.B. de C.V.*	2,278

* Non-income producing

SEE ACCOMPANYING NOTES.

- 7 -

SCHEDULE OF INVESTMENTS AS OF JUNE 30, 2009 (CONTINUED)

Shares or Principal Amount	Description	Fair Value

Investment companies - 0.02%		
4,420	Shellproof Limited	\$ 2,184
147	Western Asset Emerging Markets Debt Fund	2,151
Leisure - 7.61%		
34,500	Carnival Corp.	889,065

Edgar Filing: HERZFELD CARIBBEAN BASIN FUND INC - Form N-CSR

	32,500 Royal Caribbean Cruises Ltd.	440,050
	6,000 Steiner Leisure Ltd.*	183,180
Medical - 0.21%		
	8,386 Micromet Inc.*	41,762
Mining - 7.33%		
	29,000 Freeport McMoran Copper & Gold, Inc.	1,453,190
	3,813 Grupo Mexico, S.A.B. de C.V. Series B	4,169
Pulp and paper - 0.12%		
	6,100 Kimberly-Clark de Mexico, S.A.B. de C.V. Series A	23,274
Railroad - 3.03%		
	16,000 Norfolk Southern Corporation	602,720
Retail - 0.97%		
	3,700 Controladora Comercial Mexicana, S.A.B. de C.V. Series UBC*	2,132
	1,270 Grupo Elektra, S.A.B. de C.V. Series CPO	57,857
	45,111 Wal-Mart de Mexico, S.A.B. de C.V. Series V	133,447
Service - 0.01%		
	700 Grupo Aeroportuario del Sureste, S.A.B. de C.V. Series B	2,741
	100 Promotora Ambiental, S.A.B. de C.V.*	89
Trucking and marine freight - 12.50%		
	61,404 Grupo TMM, S.A.B. ADR*	54,036
	1,201 Seaboard Corporation	1,347,522
	1,000 Seacor Holdings, Inc.	75,240
	20,000 Teekay Corporation	420,600
	8,361 Teekay LNG Partners LP	163,040
	66,797 Trailer Bridge, Inc.*	323,297
	23,000 Ultrapetrol Bahamas Ltd.*	101,890

* Non-income producing

SEE ACCOMPANYING NOTES.

- 8 -

SCHEDULE OF INVESTMENTS AS OF JUNE 30, 2009 (CONTINUED)

Shares or Principal Amount	Description	Fair Value

Utilities - 8.28%		
12,000	Caribbean Utilities Ltd. Class A	\$ 100,200
66,841	Consolidated Water, Inc.	1,059,430
700	Cuban Electric Company*	3,500
40,500	Teco Energy Inc.	483,165
Other - 0.13%		
13,000	Impellam Grp.*	5,887
55,921	Margo Caribe, Inc.*	14,539
300	Mexichem S.A.B. de C.V.	383
895	Siderurgica Venezolana Sivensa, S.A. ADR	3,960
79	Siderurgica Venezolana Sivensa, S.A. Series B	350
45,000	Xcelera, Inc. (Note 2)*	--
TOTAL COMMON STOCKS (COST \$21,915,066)		\$ 17,972,873

Edgar Filing: HERZFELD CARIBBEAN BASIN FUND INC - Form N-CSR

Bonds - 0% of net assets	
\$ 165,000 Republic of Cuba - 4.5%, 1977 - in default	
(cost \$63,038) (Note 2)*	--

OTHER ASSETS LESS LIABILITIES - 9.60% OF NET ASSETS	\$ 1,908,627

NET ASSETS - 100%	\$ 19,881,500
	=====

The investments are concentrated in the following geographic regions (as percentages of net assets):

United States of America	46.62%
Mexico	17.48%
Panama	8.50%
Cayman Islands	7.28%
Other, individually under 5%**	20.12%

	100.00%

* Non-income producing

** Amount includes other assets less liabilities of 9.60%

SEE ACCOMPANYING NOTES.

- 9 -

STATEMENT OF ASSETS AND LIABILITIES AS OF JUNE 30, 2009

ASSETS

Investments in securities, at fair value	
(cost \$21,978,104) (Notes 1 and 2)	\$17,972,873
Cash	1,966,347
Dividends receivable	16,872
Other assets	33,249

TOTAL ASSETS	19,989,341

LIABILITIES

Accrued investment advisor fee (Note 3)	66,760
Other payables	41,081

TOTAL LIABILITIES	107,841

NET ASSETS (Equivalent to \$5.35 per share based on 3,713,071 shares outstanding)	\$19,881,500
	=====

NET ASSETS CONSIST OF THE FOLLOWING:

Common stock, \$.001 par value; 100,000,000
shares authorized; 3,713,071* shares issued

Edgar Filing: HERZFELD CARIBBEAN BASIN FUND INC - Form N-CSR

and outstanding	\$ 3,713
Additional paid-in capital	26,856,478
Accumulated net realized loss on investments	(2,973,460)
Net unrealized loss on investments (Notes 4 and 5)	(4,005,231)

NET ASSETS	\$19,881,500
	=====

* 213,222 shares issued through dividend reinvestment plan and 1,812,293 shares issued through rights offering (Note 6)

SEE ACCOMPANYING NOTES.

- 10 -

STATEMENT OF OPERATIONS YEAR ENDED JUNE 30, 2009

=====	
INVESTMENT INCOME AND EXPENSES	
Dividends and interest	\$ 437,395

Investment advisor fees (Note 3)	\$ 282,795
Professional fees	92,812
Custodian fees	54,000
Insurance	45,707
CCO salary	26,913
Printing and postage	23,518
Transfer agent fees	17,500
Director fees	15,600
Listing fees	15,000
Proxy services	4,623
Other	28,939

Total investment expenses	607,407

NET INVESTMENT INCOME (LOSS)	(170,012)
REALIZED AND UNREALIZED GAIN (LOSS)	
ON INVESTMENTS AND FOREIGN CURRENCY	
Net realized gain (loss) on investments and foreign currency	(2,917,743)
Net increase (decrease) in unrealized appreciation (depreciation) on investments and foreign currency	(3,377,841)

NET LOSS ON INVESTMENTS	(6,295,584)

NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS	(\$ 6,465,596)
	=====

SEE ACCOMPANYING NOTES.

- 11 -

Edgar Filing: HERZFELD CARIBBEAN BASIN FUND INC - Form N-CSR

STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS:		
Net investment income (loss)	(\$ 170,012)	\$ 417,567
Net realized gain (loss) on investments and foreign currency	(2,917,743)	3,127,940
Net increase (decrease) in unrealized appreciation (depreciation) on investments and foreign currency	(3,377,841)	(8,184,478)
	-----	-----
NET DECREASE IN NET ASSETS resulting from operations	(6,465,596)	(4,638,971)
DISTRIBUTIONS TO STOCKHOLDERS:		
Net investment income	(600,032)	(200,000)
Long-term realized gains	(183,426)	(4,279,807)
	-----	-----
NET DISTRIBUTIONS TO STOCKHOLDERS	(783,458)	(4,479,807)
	-----	-----
CAPITAL STOCK TRANSACTIONS:		
Shares issued in reinvestment of distribution (213,222 shares in 2008) (Note 6)	--	1,692,977
Shares issued in rights offering, net of rights offering costs (1,812,293 shares in 2008) (Note 6)	--	18,075,138
	-----	-----
TOTAL INCREASE (DECREASE) IN NET ASSETS	(7,249,054)	10,649,337
NET ASSETS:		
Beginning	27,130,554	16,481,217
Ending	\$ 19,881,500	\$ 27,130,554
	=====	=====

SEE ACCOMPANYING NOTES.

- 12 -

FINANCIAL HIGHLIGHTS
YEARS ENDED JUNE 30, 2005 THROUGH 2009

	2009	2008	2007
PER SHARE OPERATING PERFORMANCE			
	-----	-----	-----

Edgar Filing: HERZFELD CARIBBEAN BASIN FUND INC - Form N-CSR

(FOR A SHARE OF CAPITAL STOCK OUTSTANDING FOR THE YEAR)

Net asset value, beginning of year	\$ 7.31	\$ 9.77	\$ 8.08
	-----	-----	-----
Operations:			
Net investment income (loss) (1)	(0.05)	0.22	(0.14)
Net realized and unrealized gain (loss) on investment transactions (1)	(1.70)	(1.40)	2.83
	-----	-----	-----
Total from operations	(1.75)	(1.18)	2.69
	-----	-----	-----
Distributions:			
From net investment income	(0.16)	(0.06)	--
From net realized gains	(0.05)	(1.22)	(1.00)
	-----	-----	-----
Total distributions	(0.21)	(1.28)	(1.00)
	-----	-----	-----
Net asset value, end of year	\$ 5.35	\$ 7.31	\$ 9.77
	-----	-----	-----
Per share market value, end of year	\$ 6.07	\$ 7.69	13.59
	-----	-----	-----
Total investment return (loss) based on market value per share	(17.73%)	(34.29%)	94.61%
	-----	-----	-----
RATIOS AND SUPPLEMENTAL DATA			
Net assets, end of year (in 000's)	\$ 19,882	\$ 27,131	\$ 16,481
	-----	-----	-----
Ratio of expenses to average net assets	3.02%	2.74%	3.28%
	-----	-----	-----
Ratio of net investment income (loss) to average net assets	(0.84%)	1.70%	(1.83%)
	-----	-----	-----
Portfolio turnover rate	17%	25%	28%
	-----	-----	-----

(1) Computed by dividing the respective year's amounts from the Statement of Operations by the average outstanding shares for each year presented. For 2008, amounts were computed using the weighted average outstanding shares due to the significant one-time increase in shares from the rights offering.

SEE ACCOMPANYING NOTES.

- 13 -

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND RELATED MATTERS

The Herzfeld Caribbean Basin Fund, Inc. (the "Fund") is a non-diversified, closed-end management investment company incorporated under the laws of the

Edgar Filing: HERZFELD CARIBBEAN BASIN FUND INC - Form N-CSR

State of Maryland on March 10, 1992, and registered under the Investment Company Act of 1940. The Fund commenced investing activities in January 1994. The Fund is listed on the NASDAQ Capital Market and trades under the symbol "CUBA".

The Fund's investment objective is to obtain long-term capital appreciation. The Fund pursues its objective by investing primarily in equity and equity-linked securities of public and private companies, including U.S.-based companies, (i) whose securities are traded principally on a stock exchange in a Caribbean Basin Country or (ii) that have at least 50% of the value of their assets in a Caribbean Basin Country or (iii) that derive at least 50% of their total revenue from operations in a Caribbean Basin Country (collectively, "Caribbean Basin Companies"). Under normal conditions, the Fund invests at least 80% of its total assets in equity and equity-linked securities of Caribbean Basin Countries. This 80% policy may be changed without stockholder approval upon sixty days written notice to stockholders. The Fund's investment objective is fundamental and may not be changed without the approval of a majority of the Fund's outstanding voting securities.

At June 30, 2009, the Fund had foreign investments in companies operating principally in Mexico and Panama representing approximately 17% and 9% of the Fund's net assets, respectively.

The Fund's custodian and transfer agent is State Street Bank & Trust Company ("SSBT"), 200 Clarendon Street, PO Box 9130, Boston, Massachusetts 02117.

SECURITY VALUATION

The Fund adopted the provisions of SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"), effective January 1, 2008. Under SFAS No. 157, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Fund uses various valuation approaches. SFAS No. 157 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

- 14 -

NOTES TO FINANCIAL STATEMENTS

=====

Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Fund. Unobservable inputs reflect the Fund's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

- Level 1: quoted prices in active markets for identical investments
- Level 2: other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3: significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors including, the

Edgar Filing: HERZFELD CARIBBEAN BASIN FUND INC - Form N-CSR

type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. Accordingly, the degree of judgment exercised by the Fund in determining fair value is greatest for securities categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls, is determined based on the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Fund's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Fund uses prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

Investments in securities traded on a national securities exchange (or reported on the NASDAQ National Market or Capital Market) are stated at the last reported sales price on the day of valuation (or at the NASDAQ official closing price); other securities traded in the over-the-counter market and listed securities for which no sale was reported on that date

- 15 -

NOTES TO FINANCIAL STATEMENTS

are stated at the last quoted bid price. Restricted securities and other securities for which quotations are not readily available are valued at fair value as determined by the Board of Directors.

The following table summarizes the classification of the Fund's investments by the above fair value hierarchy levels as of June 30, 2009:

LEVEL	Investments in Securities
Level 1	\$ 17,972,873
Level 2	\$ 0
Level 3	\$ 0*

*See Note 2, non-marketable securities owned

The Fund's Level 3 assets measured at fair value as of July 1, 2008 were \$0. There were no purchases, sales, or transfers of Level 3 assets during the year ended June 30, 2009. Changes in unrealized gains (losses) for Level 3 assets still held as of June 30, 2009 were \$0.

INCOME RECOGNITION

Edgar Filing: HERZFELD CARIBBEAN BASIN FUND INC - Form N-CSR

Security transactions are recorded on the trade date. Gains and losses on securities sold are determined on the basis of identified cost. Dividend income is recognized on the ex-dividend date or in the case of certain foreign securities, as soon as the Fund is notified, and interest income is recognized on an accrual basis. Pursuant to a custodian agreement, SSBT receives a fee reduced by credits which are determined based on the average daily cash balance the Fund maintains with SSBT. Credit balances used to reduce the Fund's custodian fees for the year ended June 30, 2009 were approximately \$27. Discounts and premiums on debt securities purchased are amortized over the life of the respective securities. It is the Fund's practice to include the portion of realized and unrealized gains and losses on investments denominated in foreign currencies as components of realized and unrealized gains and losses on investments and foreign currency.

DEPOSITS WITH FINANCIAL INSTITUTIONS

The Fund may, during the course of its operations, maintain account balances with financial institutions in excess of federally insured limits.

- 16 -

NOTES TO FINANCIAL STATEMENTS

=====

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

INCOME TAXES

The Fund's policy is to continue to comply with the provisions of the Internal Revenue Code that are applicable to regulated investment companies and to distribute all its taxable income to its stockholders. Under these provisions, the Fund is not subject to federal income tax on its taxable income and no federal income tax provision is required.

The Fund has adopted a June 30 year-end for federal income tax purposes.

DISTRIBUTIONS TO STOCKHOLDERS

Distributions to stockholders are recorded on the ex-dividend date. Income and capital gain distributions are determined in accordance with income tax regulations which may differ from accounting principles generally accepted in the United States of America. For the year ended June 30, 2009, a distribution from long-term capital gains of \$0.0494 per share and a net investment income distribution of \$0.1616 per share was declared on November 12, 2008, payable on January 5, 2009 to stockholders of record December 12, 2008. The distribution was paid in stock, unless an election to receive cash was made by the stockholder. Shares were issued at a reinvestment price of \$4.9896 per share, which was the price paid by the Fund to purchase the required number of shares in the open market in order to pay the distribution.

Edgar Filing: HERZFELD CARIBBEAN BASIN FUND INC - Form N-CSR

NOTE 2. NON-MARKETABLE AND RESTRICTED SECURITIES OWNED

Investments in securities, include \$165,000 principal, 4.5%, 1977 Republic of Cuba bonds purchased for \$63,038. The bonds were listed on the New York Stock Exchange and had been trading in default since 1960. A "regulatory halt" on trading was imposed by the New York Stock Exchange in July 1995 and trading in the bonds was suspended as of December 28, 2006. The New York Stock Exchange has stated that following the suspension of trading, application will be made to the Securities and Exchange Commission to delist the issue. As of June 30, 2009, the position was valued at \$0 by the Board of Directors, which approximates the bonds' fair value.

- 17 -

NOTES TO FINANCIAL STATEMENTS

=====

Investments in securities also include 45,000 shares of Xcelera, Inc. The security traded on the Pink Sheets until the first quarter of 2007 when trading was discontinued. As of June 30, 2009, the position was valued at \$0 by the Board of Directors, which approximates the position's fair value.

Two of the Fund's holdings are currently segregated and restricted from transfer because they appear on the OFAC list. These securities are: \$165,000 principal value Republic of Cuba, 4.5%, 1977 in default with a fair value of \$0, and 700 shares of Cuban Electric Company with a fair value of \$3,500.

NOTE 3. TRANSACTIONS WITH AFFILIATES

HERZFELD / CUBA (the "Advisor"), a division of Thomas J. Herzfeld Advisors, Inc., is the Fund's investment advisor and charges a monthly fee at the annual rate of 1.45% of the Fund's average daily net assets. Total fees for the year ended June 30, 2009 amounted to \$282,795, of which \$66,760 is payable as of June 30, 2009.

During the year ended June 30, 2009, the Fund paid \$14,550 of brokerage commissions to Thomas J. Herzfeld & Co., Inc., an affiliate of the Advisor, at an average cost per share of \$0.04.

A director of the Fund serves on the Board of Directors of Margo Caribe, Inc., a company in which the Fund has an investment.

A director of the Fund is the owner of the Advisor and Thomas J. Herzfeld & Co., Inc.

The Fund reimbursed the Advisor in the amount of \$26,913 for the portion of the chief compliance officer's (the "CCO") salary determined to be attributable to the services provided as CCO of the Fund.

NOTE 4. INVESTMENT TRANSACTIONS

During the year ended June 30, 2009, purchases and sales of investment securities were \$3,424,049 and \$5,880,414, respectively.

At June 30, 2009, the Fund's investment portfolio had gross unrealized gains of \$2,011,269 and gross unrealized losses of \$6,016,500, resulting in a net unrealized loss of \$4,005,231 for financial statement purposes.

NOTE 5. INCOME TAX INFORMATION

For financial statement purposes, the Fund's net investment loss for the year

Edgar Filing: HERZFELD CARIBBEAN BASIN FUND INC - Form N-CSR

ended June 30, 2009 does not differ from the net investment loss for tax purposes. Realized gains differ for financial statement and tax purposes primarily due to differing treatments of wash sales.

- 18 -

NOTES TO FINANCIAL STATEMENTS

As of June 30, 2009, for tax purposes the Fund's undistributed net investment loss was \$0 and its undistributed realized loss ("capital loss carryforward") on investments was \$1,256,393. This capital loss carryforward will expire, if unutilized, as of December 31, 2017. Additionally, the Fund has post October capital losses as of June 30, 2009, which is deferred until 2010 for tax purposes, of \$1,220,594.

The cost basis of securities owned for financial statement purposes is lower than the cost basis for income tax purposes by \$496,451 due to wash sale adjustments. As of June 30, 2009, gross unrealized gains were \$1,514,818 and gross unrealized losses were \$6,016,500 for income tax purposes.

Permanent differences accounted for during the year ended June 30, 2009 result from differences between book and tax accounting for the characterization of distributions and the write-off of the Fund's net investment loss for tax purposes. Such amounts have been reclassified as follows:

	Accumulated Net Investment Loss	Accumulated Net Realized Loss On Investments	Additional Paid in Capital
Year ended June 30, 2009	\$546,263	\$(373,042)	\$(173,221)

In June, 2006, FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes -- an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in accordance with FASB Statement No. 109, "Accounting for Income Taxes." This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006, and was adopted by the Fund on July 1, 2007. The adoption had no effect on the Fund's financial statements.

The Fund's policy would be to recognize accrued interest expense to unrecognized tax benefits in interest expense and penalties in operating expenses. There were none for the period ended June 30, 2009.

The Fund files income tax returns in the U.S. federal jurisdiction and various states jurisdictions. The tax years ended 2006 to 2008 are open and may be subject to examination by U.S. federal, state and local income tax authorities.

- 19 -

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL SHARE TRANSACTIONS

Edgar Filing: HERZFELD CARIBBEAN BASIN FUND INC - Form N-CSR

RIGHTS OFFERING

On October 26, 2007, the Fund issued 1,812,293 common shares in connection with a rights offering. Stockholders of record September 26, 2007 were issued one non-transferable right for every share owned on that date. The rights entitled the stockholders to purchase one new common share for every right held. In addition, the Fund had the discretion to increase the number of shares of common stock subject to subscription by up to 100% of the shares offered, or up to an additional 1,678,556 additional shares of common stock.

The subscription price was equal to 85% of the average volume-weighted sales price per share of the Fund's common stock on the NASDAQ Capital Market on October 26, 2007 and the four preceding trading days. The final subscription price was \$10.04 per share. Net proceeds to the Fund were \$18,075,138 after deducting rights offering costs of \$120,284. The net asset value of the Fund's common shares was increased by approximately \$0.09 per share as a result of the share issuance.

YEAR-END DISTRIBUTIONS

On January 5, 2009, the Fund paid a year-end distribution of \$0.211 per share paid in stock. Stockholders were also given the option of receiving the payment in cash. Shares were purchased in the open market to pay the distribution at a reinvestment price of \$4.9896 per share including brokerage commissions.

On January 9, 2008, the Fund issued 213,222 common shares in connection with a year-end distribution of \$1.28 per share paid in stock. Stockholders were also given the option of receiving the payment in cash. Shares were issued at \$7.94 per share, equal to the net asset value of the Fund on the payable date of January 9, 2008. New shares were issued at net asset value per share, therefore the reinvestment of distributions had no effect on net asset value.

- 20 -

Certified	Rothstein, Kass & Company, LLP	Beverly Hills
Public	101 Montgomery Street, 22nd Floor	Dallas
Accountants	San Francisco, CA 94596	Denver
	Tel 415.788.6666	Grand Cayman
	Fax 415.788.1890	New York
	www.rkco.com	Richmond
		San Francisco
		Walnut Creek

[LOGO] Rothstein Kass

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of The Herzfeld Caribbean Basin Fund, Inc.

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of The Herzfeld Caribbean Basin Fund, Inc. (the "Fund") as of June 30, 2009, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years then ended, and financials highlights for each of the four years in the period then ended. 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. The financial highlights for the year ended June 30, 2005 were audited

Edgar Filing: HERZFELD CARIBBEAN BASIN FUND INC - Form N-CSR

by an independent registered public accounting firm whose report dated July 14, 2005 expressed an unqualified opinion on those financial highlights.

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. The Fund is not required to have, nor were we engaged to perform, an audit of its 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of June 30, 2009, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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 The Herzfeld Caribbean Basin Fund, Inc. as of June 30, 2009, the results of its operations for the year then ended, the changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the four years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Rothstein, Kass & Company, LLP

San Francisco, California
August 12, 2009

- 21 -

DIRECTORS AND OFFICERS OF THE FUND

NAME ADDRESS AND AGE	POSITION(S) HELD WITH FUND	TERM OF OFFICE AND LENTH OF TIME SERVED	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS	OF I B
----------------------------	----------------------------------	--	--	--------------

INTERESTED DIRECTOR

THOMAS J. HERZFELD* PO Box 161465 Miami, FL 33116 Age: 64	President, Portfolio Manager, Chairman, Director	three years; 1993 to present	Chairman and President of Thomas J. Herzfeld & Co., Inc., a broker dealer, and Thomas J. Herzfeld Advisors, Inc.	
--	--	---------------------------------	--	--

INDEPENDENT DIRECTORS

Edgar Filing: HERZFELD CARIBBEAN BASIN FUND INC - Form N-CSR

<p>ANN S. LIEFF c/o The Herzfeld Caribbean Basin Fund, Inc. PO Box 161465 Miami, FL 33116 Age: 57</p>	<p>Director</p>	<p>three years; 1998 to present</p>	<p>President of the Lieff Company, a management consulting firm that offers ongoing advisory services as a corporate director to several retail operations, 1998-present; former CEO Spec's Music, 1980-1998, a retailer of recorded music.</p>
<p>MICHAEL A. RUBIN c/o The Herzfeld Caribbean Basin Fund, Inc. PO Box 161465 Miami, FL 33116 Age: 67</p>	<p>Director</p>	<p>three years; 2002 to present</p>	<p>Partner of Michael A. Rubin P.A., attorney at law; Broker, Oaks Management & Real Estate Corp., a real estate corporation</p>
<p>KAY W. TATUM, PH.D., CPA c/o The Herzfeld Caribbean Basin Fund, Inc. PO Box 161465 Miami, FL 33116 Age: 57</p>	<p>Director</p>	<p>three years; 2007 to present</p>	<p>Associate Professor of Accounting, University of Miami School of Business Administration, 1992-present; Chair, Department of Accounting, 2004-2008; Assistant Professor of Accounting, University of Miami, 1986-1992.</p>

OFFICERS

<p>ERIK M. HERZFELD PO Box 161465 Miami, FL 33116 Age: 36</p>	<p>Portfolio Manager</p>	<p>2008 to present</p>	<p>Portfolio Manager and Head of Alternative Strategies, Thomas J. Herzfeld Advisors, Inc. 2007-present; Vice President JPMorgan Chase 2000-2007, foreign exchange option trading</p>
<p>CECILIA L. GONDOR PO Box 161465 Miami, FL 33116 Age: 47</p>	<p>Secretary, Treasurer</p>	<p>1993 to present</p>	<p>Executive Vice President of Thomas J. Herzfeld & Co., Inc., a broker dealer, and Thomas J. Herzfeld Advisors, Inc.</p>

* Mr. Herzfeld is considered an "interested person" of the Fund, as defined in Section 2(a)(19) of the 1940 Act and the rules thereunder because of his position with the Advisor.

- 22 & 23 -

ADDITIONAL PORTFOLIO MANAGER

=====

In November 2008, Mr. Erik M. Herzfeld was appointed as a portfolio manager of the Fund. Prior to his appointment as a portfolio manager, Mr. Thomas J. Herzfeld was sole portfolio manager of the Fund. Erik joined Thomas J. Herzfeld Advisors, Inc. in February, 2007. Before Thomas J. Herzfeld Advisors, Inc., Erik served in quantitative research and trading roles with both Lehman Brothers and

Edgar Filing: HERZFELD CARIBBEAN BASIN FUND INC - Form N-CSR

JPMorgan, where he served as a Vice President in New York and Asia. Erik is a graduate of Johns Hopkins University with a degree in Economics and holds a Masters Degree from the MIT Sloan School of Management.

- 24 -

PRIVACY POLICY

=====

INFORMATION WE COLLECT

We collect nonpublic information about you from applications or other account forms you complete, from your transactions with us, our affiliates or others through transactions and conversations over the telephone.

INFORMATION WE DISCLOSE

We do not disclose information about you, or our former customers, to our affiliates or to service providers or other third parties except on the limited basis permitted by law. For example, we may disclose nonpublic information about you to third parties to assist us in servicing your account with us and to send transaction confirmations, annual reports, prospectuses and tax forms to you. We may also disclose nonpublic information about you to government entities in response to subpoenas.

OUR SECURITY PROCEDURES

To ensure the highest level of confidentiality and security, we maintain physical, electronic and procedural safeguards that comply with federal standards to guard your personal information. We also restrict access to your personal and account information to those employees who need to know that information to provide services to you.

- 25 -

PROXY VOTING POLICIES AND PROCEDURES

=====

A description of the policies and procedures used to determine how to vote proxies relating to portfolio securities is available without charge, upon request, by calling the Fund at 800-TJH-FUND, or by accessing the SEC's website at www.sec.gov.

Information on how the investment adviser voted proxies on the Fund's behalf for the twelve month period ended June 30 is provided in the Fund's Form N-PX which is available on the SEC's EDGAR database at www.sec.gov. In addition, the Form N-PX can be reviewed and copied at the SEC's public reference room in Washington, D.C. More information about the SEC's website or the operation of the public reference room can be obtained by calling the SEC at 800-732-0330.

- 26 -

QUARTERLY PORTFOLIO REPORTS

=====

The Fund files quarterly schedules of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Form N-Q is available by link on the Fund's website at www.herzfeld.com/cuba.htm, by calling the Fund at 800-TJH-FUND, or on the SEC's EDGAR database at www.sec.gov. In

Edgar Filing: HERZFELD CARIBBEAN BASIN FUND INC - Form N-CSR

addition, the Form N-Q can be reviewed and copied at the SEC's public reference room in Washington, D.C. More information about the SEC's website or the operation of the public reference room can be obtained by calling the SEC at 800-732-0330.

- 27 -

THE HERZFELD CARIBBEAN BASIN FUND, INC.
The Herzfeld Building
P.O. Box 161465
Miami, FL 33116

ITEM 2. CODE OF ETHICS

(a) The registrant, as of the end of the period covered by this report, 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, regardless of whether these individuals are employed by the registrant or a third party.

(c) There have been no amendments, during the period covered by this report, to a provision of the 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, regardless of whether these individuals are employed by the registrant or a third party, and that relates to any element of the code of ethics description.

(d) The registrant has not granted any waivers, including an implicit waiver, from a provision of the 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, regardless of whether these individuals are employed by the registrant or a third party, that relates to one or more of the items set forth in Item 2(b) of Form N-CSR.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT

As of the end of the period covered by the report, the registrant's board of directors has determined that Dr. Kay Tatum is an "audit committee financial expert" serving on its audit committee and that she is "independent" as such terms are defined by Item 3 of Form N-CSR.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES

(a) - (d)

Set forth in the table below are audit fees and non-audit related fees billed to the registrant by its principal accountant (the "Auditor") for the audit of the registrant's annual financial statements and services provided by the Auditor in connection with statutory and regulatory filings during and for the Registrant's fiscal years ended June 30, 2008 and 2009.

Fiscal Year Ended June 30,	Audit Fees	Audit-Related Fees (1)	Tax Fees (2)	All Other Fees (3)
2008	\$39,500	\$12,500	\$12,000	\$0
2009	\$42,500	\$6,000	\$5,750	\$0

Edgar Filing: HERZFELD CARIBBEAN BASIN FUND INC - Form N-CSR

(1) These fees related to out-of-pocket expenses incurred by the fund's auditor in connection with the audit.

(2) These fees related to services consisting of the review or preparation of U.S. federal, state, local and excise tax returns

(3) These fees related to services consisting of accounting consultations, agreed upon procedure reports, attestation reports, comfort letters and review of statutory and regulatory filings.

(e) The registrant's Audit Committee charter requires that the Audit Committee pre-approve all auditing services and non-audit services (including the fees for such services and terms thereof) to be performed for the registrant by its Auditor, and the committee has not adopted pre-approval policies and procedures, although it may determine to do so in the future. The engagement to render auditing and non-auditing services would be presented to and pre-approved by the Audit Committee. All of the audit, audit-related and tax services described above for which the Auditor billed the registrant fees for the fiscal years ended June 30, 2008 and 2009 were pre-approved by the Audit Committee.

(f) Not applicable.

(g) The aggregate non-audit fees bills by the registrant's Auditor for services rendered to the registrant, and rendered to the registrant's investment adviser, and any entity controlling, controlled by, or under common control with the adviser that provides ongoing services to the registrant for each of the last two fiscal years of the registrant were \$0 for 2008 and \$0 for 2009.

(h) Not applicable.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS

(a) The registrant has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. As of June 30, 2009, the registrant's audit committee was comprised of Kay W. Tatum, Ann S. Lieff, and Michael A. Rubin.

(b) Not applicable.

ITEM 6. INVESTMENTS

(a) Schedule of Investments in securities of unaffiliated issuers as of the close of the reporting period is included as part of the report to shareholders filed under Item 1 of this Form.

(b) Not applicable.

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES

A copy of the registrant's proxy voting policies and procedures as well as its adviser's policies and procedures are attached hereto as Appendix A.

ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES

Edgar Filing: HERZFELD CARIBBEAN BASIN FUND INC - Form N-CSR

(a) (1) Thomas J. Herzfeld, Chairman and President of The Herzfeld Caribbean Basin Fund, Inc. serves as a portfolio manager of the Fund and has held this position since its inception in 1993. This information is as of August 29, 2009.

Erik M. Herzfeld, Portfolio Manager of The Herzfeld Caribbean Basin Fund, Inc. serves as a portfolio manager of the Fund and has held this position since 2008. Before joining the Fund's investment adviser in 2007, Erik served in quantitative research and trading with both Lehman Brothers and JPMorgan, where he served as Vice President in New York and Asia. This information is as of August 29, 2009.

(a) (2) (i) and (ii) Mr. Thomas J. Herzfeld and Mr. Erik M. Herzfeld are also portfolio managers for approximately 46 other accounts comprising \$46 million under management, and 0 pooled investment vehicles comprising \$0 under management, however, none of the these accounts are managed with an investment strategy similar to the Fund's. The Fund is the only investment company managed by Mr. Thomas J. Herzfeld and Mr. Erik M. Herzfeld; the Fund has total assets of approximately \$21 million.

(a) (2) (iii) No accounts are charged fees based on performance. For accounts other than the Fund, fees are calculated as a percentage of the value of assets under management at the end of each quarter.

(a) (2) (iv) The Fund does not believe that any material conflicts are likely to arise through Mr. Thomas J. Herzfeld's or Mr. Erik M. Herzfeld's management of other accounts in addition to the Fund in that there is very little overlap in the type of investments made for the Fund and other accounts, which generally trade shares of closed-end funds. The Fund is permitted, to a limited extent, to buy shares of other closed-end funds and occasionally other clients or Mr. Herzfeld may buy shares of securities also held in the portfolio of the Fund. The advisor and the Fund have adopted procedures overseen by the Chief Compliance Officer ("CCO") intended to monitor compliance with such policies which include conflicts which may occur regarding allocation of investment opportunities between the Fund and other account. The CCO of the Fund reports directly to the Board of Directors at least annually.

(3) Mr. Thomas J. Herzfeld and Mr. Erik M. Herzfeld receive no direct compensation from the Fund for their services as Portfolio Managers. Mr. Thomas J. Herzfeld is 100% owner of the Advisor, a Subchapter S Corporation, therefore he profits from the success of the Advisor and is taxed on its profits. Portfolio managers, other than Thomas J. Herzfeld, are paid a fixed salary by the Advisor. In addition, the Advisor retains the ability to pay bonuses based on the overall profitability of the Advisor, however, compensation is not directly based upon the performance of a particular client or account, including the Fund's performance, nor the value of a particular client or account, including the value of the Fund's assets.

(4) (a) Range of value of shares of the Fund owned by Mr. Thomas J. Herzfeld as of June 30, 2009: \$100,001-\$500,000. Range of value of shares of the Fund owned by Mr. Erik M. Herzfeld as of June 30, 2009: \$100,001-\$500,000.

(4) (b) Range of value of shares of the Fund owned by Mr. Thomas J. Herzfeld as of the date of this filing: \$100,001-\$500,000. Range of value of shares of the Fund owned by Mr. Erik M. Herzfeld as of the date of this filing: \$100,001-\$500,000.

ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END FUND MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

Edgar Filing: HERZFELD CARIBBEAN BASIN FUND INC - Form N-CSR

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs
Month #1 (beginning January 1, 2009 and ending January 31, 2009)	0	n/a	n/a
Month #2 (beginning February 1, 2009 and ending February 28, 2009)	0	n/a	n/a
Month #3 (beginning March 1, 2009 and ending March 31, 2009)	0	n/a	n/a
Month #4 (beginning April 1, 2009 and ending April 30, 2009)	0	n/a	n/a
Month #5 (beginning May 1, 2009 and ending May 31, 2009)	0	n/a	n/a
Month #6 (beginning June 1, 2009 and ending June 30, 2009)	0	n/a	n/a
Total	0	n/a	n/a

ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There have been no material changes to the procedures by which the stockholders may recommend nominees to the registrant's board of directors, where those changes were implemented after the registrant last provided disclosure in response to the requirements of Item 7(d)(2)(ii)(G) of Schedule 14A (17 CFR 240.14a-101), or this Item.

ITEM 11. CONTROLS AND PROCEDURES.

(a) The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act") (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of the report that includes the disclosure required by this paragraph, based on their evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934, as amended (17 CFR 240.13a-15(b) or 240.15d-15(b)).

Edgar Filing: HERZFELD CARIBBEAN BASIN FUND INC - Form N-CSR

(b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d)) that occurred during the registrant's last fiscal half-year (the registrant's second fiscal half-year in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 12. EXHIBITS.

(a) (1) Code of ethics is filed as Exhibit 99.CodeEth to the N-CSR filing dated 8/31/05.

(a) (2) Certifications pursuant to Rule 30a-2(b) under the 1940 Act and Section 302 of the Sarbanes-Oxley Act of 2002 are filed herewith as Exhibits 99.302 Cert.

(a) (3) Not applicable.

(b) Certifications pursuant to Rule 30a-2(a) under the 1940 Act and Section 906 of the Sarbanes-Oxley Act of 2002 are filed herewith as Exhibits 99.906 Cert.

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.

The Herzfeld Caribbean Basin Fund, Inc.

By: /s/ Thomas J. Herzfeld

Thomas J. Herzfeld
President and Chairman

Date: August 28, 2009

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/ Thomas J. Herzfeld

Thomas J. Herzfeld
President and Chairman

Date: August 28, 2009

By: /s/ Cecilia L. Gondor

Cecilia L. Gondor
Secretary and Treasurer
(Principal Financial Officer)

Date: August 28, 2009

Edgar Filing: HERZFELD CARIBBEAN BASIN FUND INC - Form N-CSR

APPENDIX A THE HERZFELD CARIBBEAN BASIN FUND, INC. Proxy Voting Policy and Procedures

The Board of Directors of The Herzfeld Caribbean Basin Fund, Inc. (the "Fund") hereby adopts the following policy and procedures with respect to voting proxies relating to portfolio securities held by the Fund:

Policy

It is the policy of the Board of Directors of the Fund (the "Board") to delegate the responsibility for voting proxies relating to portfolio securities held by the Fund to the Fund's investment adviser (the "Adviser") as a part of the Adviser's general management of the Fund, subject to the Board's continuing oversight.' The voting of proxies is an integral part of the investment management services that the Adviser provides pursuant to the advisory contract.

The Adviser may, but is not required to, delegate the responsibility for voting proxies relating to portfolio securities held by the Fund to a sub-adviser ("Sub-Adviser") retained to provide investment advisory services, if applicable. If such responsibility is delegated to a Sub-Adviser, then the Sub-Adviser shall assume the fiduciary duty and reporting responsibilities of the Adviser under these policy guidelines.

Fiduciary Duty

The right to vote a proxy with respect to portfolio securities held by the Fund is an asset of the Fund. The Adviser, to which authority to vote on behalf of the Fund is delegated, acts as a fiduciary of the Fund and must vote proxies in a manner consistent with the best interest of the Fund and its shareholders.

Procedures

The following are the procedures adopted by the Board for the administration of this policy:

A. Review of Adviser Proxy Voting Procedures. The Adviser with authority to vote proxies on behalf of the Fund shall present to the Board its policies, procedures and other guidelines for voting proxies at least annually, and must notify the Board promptly of material changes to any of these documents.

B. Voting Record Reporting. No less than annually, the Adviser shall report to the Board a record of each proxy voted with respect to portfolio securities of the Fund during the year. With respect to those proxies that the Adviser has identified as involving a conflict of interest(2), the Adviser shall submit a separate report indicating the nature of the conflict of interest and how that conflict was resolved with respect to the voting of the proxy.

Revocation

The delegation by the Board of the authority to vote proxies relating to portfolio securities of the Fund is entirely voluntary and may be revoked by the Board, in whole or in part, at any time.

Annual Filing

The Fund shall file an annual report of each proxy voted with respect to its

Edgar Filing: HERZFELD CARIBBEAN BASIN FUND INC - Form N-CSR

portfolio securities during the twelve-month period ended June 30 on Form N-PX not later than August 31 of each year.

Disclosures

The Fund shall include in its annual report to stockholders:

A description of this policy and of the policies and procedures used by the Adviser to determine how to vote proxies relating to portfolio securities (3); and

A statement disclosing that information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available without charge, upon request, by calling the Fund's toll-free telephone number and on the SEC website(4).

The Fund shall also include in its annual and semi-annual reports to stockholders:

A statement disclosing that a description of the policies and procedures used by or on behalf of the Fund to determine how to vote proxies relating to portfolio securities of the Funds is available without charge, upon request, by calling the Fund's toll-free telephone number and on the SEC website.(5)

A statement disclosing that information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available without charge, upon request, by calling the Fund's toll-free telephone number and on the SEC website.(6)

Review of Policy.

At least annually, the Board shall review this Policy to determine its sufficiency and shall make and approve any changes that it deems necessary from time to time

- (1) This policy is adopted for the purpose of the disclosure requirements adopted by the Securities and Exchange Commission, Release Nos. 33-8188, 34-47304, IC-25922.
- (2) As it is used in this document, the term "conflict of interest" refers to a situation in which the Adviser or Sub-Adviser or affiliated persons of the Adviser or Sub-Adviser have a financial interest in a matter presented by a proxy other than the obligation it incurs as investment adviser to the Fund which compromises the Adviser's or Sub-Adviser's independence of judgment and action with respect to the voting of the proxy.
- (3) This disclosure shall be included in the annual report next filed by the Fund, on Form N-CSR on or after July 1, 2003.
- (4) Id.
- (5) This disclosure shall be included in the report next filed by the Fund on or after July 1, 2003.
- (6) Id.

Edgar Filing: HERZFELD CARIBBEAN BASIN FUND INC - Form N-CSR

THOMAS J. HERZFELD ADVISORS, INC.

PROXY VOTING

POLICIES AND PROCEDURES

I. POLICY

Thomas J. Herzfeld Advisors, Inc. (the "Adviser") acts as discretionary investment adviser for various clients, including The Herzfeld Caribbean Basin Fund, Inc. an investment company registered under the Investment Company Act of 1940, as amended, and clients governed by the Employee Retirement Income Security Act of 1974 ("ERISA").

Selected clients, including The Herzfeld Caribbean Basin Fund, Inc. have elected to have the Adviser vote proxies or act on the other shareholder actions on their behalf, while other clients vote proxies themselves.

When voting proxies or acting on corporate actions for clients, the Adviser's utmost concern is that all decisions be made in the best interest of its clients (for ERISA accounts, plan beneficiaries and participants, in accordance with the letter and spirit of ERISA). The Adviser will act in a manner deemed prudent and diligent and which is intended to enhance the economic value of the assets of its clients' accounts.

II. PURPOSE

The purpose of these Policies and Procedures is to memorialize the procedures and policies adopted by the Adviser to enable it to comply with its responsibilities and the requirements of Rule 206(4)-6 under the Investment Advisers Act of 1940, as amended ("Advisers Act"). These Policies and Procedures also reflect the fiduciary standards and responsibilities set forth by the Department of Labor for ERISA accounts.

III. PROCEDURES

Cecilia Gondor, Executive Vice President of the Adviser, is ultimately responsible for ensuring that all proxies received by the Adviser are voted in a timely manner and voted consistently across all portfolios. Although many proxy proposals can be voted in accordance with the Adviser's established guidelines (see Section V. below) (the "Guidelines"), the Adviser recognizes that some proposals require special consideration, which may dictate that the Adviser makes an exception to the Guidelines.

Cecilia Gondor is also responsible for ensuring that all corporate actions received by the Adviser are addressed in a timely manner and consistent action is taken across all portfolios.

A. Conflicts of Interest. Where a proxy proposal raises a material conflict of interest between the Adviser's interests and that of one or more its clients, the Adviser shall resolve such conflict in the manner described below.

1. Vote in Accordance with the Guidelines. To the extent that the Adviser has little or no discretion to deviate from the Guidelines with respect to the proposal in question, the Adviser shall vote in accordance with such pre-determined voting policy.

2. Obtain Consent of Clients. To the extent that the Adviser has discretion to deviate from the Guidelines with respect to the proposal in question, the

Edgar Filing: HERZFELD CARIBBEAN BASIN FUND INC - Form N-CSR

Adviser shall disclose the conflict to the relevant clients and obtain their consent to the proposed vote prior to voting the securities. The disclosure to the clients will include sufficient detail regarding the matter to be voted on and the nature of our conflict that the clients would be able to make an informed decision regarding the vote. When a client does not respond to such a conflict disclosure request or denies the request, the Adviser will abstain from voting the securities held by that client's account.

B. Limitations. In certain circumstances, in accordance with a client's investment advisory contract (or other written directive) or where the Adviser has determined that it is in the client's best interest, the Adviser will not vote proxies received. The following are some circumstances where the Adviser will limit its role in voting proxies received on client securities:

1. Client Maintains Proxy Voting Authority: Where a client has not specifically delegated the authority to vote proxies to the Adviser or that it has delegated the right to vote proxies to a third party, the Adviser will not vote the securities and will direct the relevant custodian to send the proxy material directly to the client. If any proxy material is received by the Adviser, it will promptly be forwarded to the client.

2. Terminated Account: Once a client account has been terminated with the Adviser in accordance with its investment advisory agreement, the Adviser will not vote any proxies received after the termination. However, the client may specify in writing that proxies should be directed to the client for action.

3. Limited Value: If the Adviser concludes that the client's economic interest or the value of the portfolio holding is indeterminable or insignificant, the Adviser will abstain from voting a client's proxies. The Adviser does not vote proxies received for securities which are no longer held by the client's account. In addition, the Adviser generally does not vote securities where the economic value of the securities in the client's account is less than \$500.

4. Securities Lending Programs: When securities are out on loan, they are transferred into the borrower's name and are voted by the borrower, in its discretion. However, where the Adviser determines that a proxy vote (or shareholder action) is materially important to the client's account, the Adviser may recall the security.

5. Unjustifiable Costs: In certain circumstances, after doing a cost-benefit analysis, the Adviser may abstain from voting where the cost of voting a client's proxy would exceed any anticipated benefits of the proxy proposal.

IV. RECORD KEEPING

In accordance with Rule 204-2 under the Advisers Act, the Adviser will maintain for the time periods set forth in the Rule (i) these proxy voting procedures and policies, and amendments thereto; (ii) all proxy statements received regarding client securities (provided however, that the Adviser may rely on the proxy statement filed on EDGAR as its records)(1); (iii) a record of votes cast on behalf of clients; (iv) records of client requests for proxy voting information; (v) any documents prepared by the adviser that were material to making a decision how to vote or that memorialized the basis for the decision; and (vi) records relating to requests made to clients regarding conflicts of interest in voting the proxy.

The Adviser will describe in its Part II of Form ADV (or other brochure fulfilling the requirement of Rule 204-3) its proxy voting policies and procedures and advising clients how they may obtain information on how the

Edgar Filing: HERZFELD CARIBBEAN BASIN FUND INC - Form N-CSR

Adviser voted their securities. Clients may obtain information on how their securities were voted or a copy of our Policies and Procedures by written request addressed to the Adviser.

V. GUIDELINES

Each proxy issue will be considered individually. The following guidelines are a partial list to be used in voting proposals contained in the proxy statements, but will not be used as rigid rules.

-
- | | | |
|----|--|---------|
| 1. | Issues regarding the issuer's Board entrenchment and anti-takeover measures such as the following: | Oppose |
| | b. Proposals to limit the ability of shareholders to call special meetings; | |
| | c. Proposals to require super majority votes; | |
| | d. Proposals requesting excessive increases in authorized common or preferred shares where management provides no explanation for the use or need for these additional shares; | |
| | e. Proposals regarding "poison pill" provisions; and | |
| | f. Permitting "green mail". | |
| 2. | Providing cumulative voting rights. | Oppose |
| 3. | "Social issues," unless specific client guidelines supersede, e.g., restrictions regarding South Africa. | Oppose |
| 4. | Election of directors recommended by management, except if there is a proxy fight. | Approve |
| 5. | Election of auditors recommended by management, unless seeking to replace if there exists a dispute over policies. | Approve |
| 6. | Date and place of annual meeting. | Approve |
| 7. | Limitation on charitable contributions or fees paid to lawyers. | Approve |
| 8. | Ratification of directors' actions on routine matters since previous annual meeting. | Approve |
-

-
- | | | |
|----|---------------------|---------|
| 9. | Confidential voting | Approve |
|----|---------------------|---------|

Confidential voting is most often proposed by shareholders as a means of eliminating undue management pressure on shareholders regarding their vote on proxy issues.

The Adviser will generally approve these proposals as shareholders can later divulge their votes to management on a selective basis if a legitimate reason arises.

Edgar Filing: HERZFELD CARIBBEAN BASIN FUND INC - Form N-CSR

10. Limiting directors' liability Approve

11. Eliminate preemptive right Approve

Preemptive rights give current shareholders the opportunity to maintain their current percentage ownership through any subsequent equity offerings. These provisions are no longer common in the U.S., and can restrict management's ability to raise new capital.

The Adviser approves the elimination of preemptive rights, but will oppose the elimination of limited preemptive rights, E.G., on proposed issues representing more than an acceptable level of total dilution.

12. Employee Stock Purchase Plan Approve

13. Establish 401(k) Plan Approve

14. Rotate annual meeting location/date Approve

15. Establish a staggered Board Approve

16. Eliminate director mandatory retirement policy Case-by-Case

17. Option and stock grants to management and directors Case-by-Case

18. Allowing indemnification of directors and/or officers after reviewing the applicable laws and extent of protection requested. Case-by-Case

EXHIBIT A

Chief Executive Officer - Thomas J. Herzfeld

Chief Financial Officer - Cecilia L. Gondor