

HERZFELD CARIBBEAN BASIN FUND INC
Form DEF 14A
August 30, 2013

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
 Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 Definitive Proxy Statement
 Definitive Additional Materials
 Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

The Herzfeld Caribbean Basin Fund, Inc.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

The Herzfeld Caribbean Basin Fund, Inc.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
November 13, 2013

Miami, Florida
August 30, 2013

TO THE STOCKHOLDERS OF
THE HERZFELD CARIBBEAN BASIN FUND, INC.:

The Annual Meeting of Stockholders of The Herzfeld Caribbean Basin Fund, Inc. (the "Fund") will be held on November 13, 2013, at 2:00 p.m. Eastern time at 119 Washington Avenue, Suite 504, Miami Beach, FL 33139, for the following purposes (the "Annual Meeting"):

- (1) the election of two Class II directors; and
- (2) to transact such other business as may properly come before the meeting and any adjournments thereof.

The subjects referred to above are discussed in detail in the Proxy Statement accompanying this notice. Each stockholder is invited to attend the Annual Meeting in person. Stockholders of record at the close of business on August 14, 2013, have the right to vote at the meeting. If you cannot be present at the Annual Meeting, we urge you to fill in, sign, and promptly return the enclosed proxy card in order that the Annual Meeting can be held without additional expense and a maximum number of shares may be voted.

CECILIA L. GONDOR
Secretary

Important Notice Regarding the Availability of Proxy Materials for the
Stockholder Meeting to Be Held on November 13, 2013

The proxy statement and annual report to stockholders are available at <http://www.herzfeld.com/cuba.htm> or by calling the Secretary of the Fund, Cecilia Gondor at 800-854-3863 or 305-271-1900.

**YOUR VOTE IS IMPORTANT
NO MATTER HOW MANY SHARES YOU OWNED ON THE RECORD DATE.**

PLEASE INDICATE YOUR VOTING INSTRUCTIONS ON THE ENCLOSED PROXY CARD, DATE, SIGN AND RETURN IT IN THE ENVELOPE PROVIDED, WHICH IS ADDRESSED FOR YOUR CONVENIENCE AND NEEDS NO POSTAGE IF MAILED IN THE UNITED STATES. IN ORDER TO AVOID THE ADDITIONAL EXPENSE TO THE FUND OF FURTHER SOLICITATION, WE ASK YOUR COOPERATION IN VOTING YOUR PROXY PROMPTLY. THE PROXY IS REVOCABLE AT ANY TIME PRIOR TO ITS USE.

The Herzfeld Caribbean Basin Fund, Inc.
119 Washington Avenue, Suite 504, Miami Beach, Florida 33139

PROXY STATEMENT
ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON
NOVEMBER 13, 2013

This statement is furnished in connection with the solicitation of proxies by the Board of Directors of The Herzfeld Caribbean Basin Fund, Inc. (the "Fund") for use at the Annual Meeting of Stockholders (the "Annual Meeting") to be held at 119 Washington Avenue, Suite 504, Miami Beach, FL 33139, on November 13, 2013 at 2:00 p.m. Eastern time.

Proxies may be solicited by mail, telephone, telegraph and personal interview. The Fund has also requested brokers, dealers, banks or voting trustees, or their nominees, to forward proxy material to the beneficial owners of stock of record. You may revoke your proxy at any time prior to the exercise thereof by submitting a written notice of revocation or subsequently executed proxy to the Secretary of the Fund at the address set forth above. Signing and mailing the proxy will not affect your right to give a later-dated proxy or to attend the Annual Meeting and vote your shares in person. There is no shareholder statutory right of appeal or dissent with respect to any matters to be voted on at the Annual Meeting. The cost of soliciting proxies will be paid by the Fund. This proxy statement is expected to be distributed to stockholders on or about August 30, 2013.

THE PERSON NAMED IN THE ACCOMPANYING PROXY WILL VOTE THE NUMBER OF SHARES REPRESENTED THEREBY AS DIRECTED OR, IN THE ABSENCE OF SUCH DIRECTION, FOR THE NOMINEE(S) FOR DIRECTOR AND TO TRANSACT SUCH OTHER BUSINESS THAT MAY PROPERLY COME BEFORE THE MEETING AND ANY ADJOURNMENTS THEREOF.

The Fund's shares of beneficial interest trade on the NASDAQ Capital Market under the ticker symbol "CUBA."

On August 14, 2013, the record date for determination of stockholders entitled to receive notice of and to vote at the Annual Meeting, or any adjournment thereof, there were issued and outstanding 3,713,071 shares of Common Stock of the Fund, each entitled to one vote, constituting all of the Fund's then outstanding securities.

At the Annual Meeting, a quorum shall consist of the holders of a majority of the outstanding shares of the Common Stock of the Fund entitled to vote at the meeting. If a quorum is present, a plurality of all votes cast at the Annual Meeting shall be sufficient for the election of two directors (Proposal 1). Under Maryland law, abstentions and broker non-votes will be included for purposes of determining whether a quorum is present at the Annual Meeting, but will be treated as votes not cast, and therefore, will not be counted for purposes of determining whether matters to be voted upon at the Annual Meeting have been approved.

The Fund will furnish, without charge, a copy of its annual report for its fiscal year ended June 30, 2013, to any stockholder requesting such report.

Requests for the annual report or semi-annual report should be made in writing to the Fund at the address set forth above or by calling the Secretary of the Fund, Cecilia L. Gondor, at 800-854-3863 or 305-271-1900.

ELECTION OF DIRECTORS
(Proposal 1)

Two directors are to be elected at the Annual Meeting. Pursuant to the Fund's By-Laws, the directors are classified into three classes with respect to the year of expiration of their terms of office. Because the Fund's Class II directors'

terms of office will expire in 2013, the Annual Meeting is being held for the election of such directors. The remaining Class I and Class III directors' terms of office will expire in 2015, and 2014, respectively.

If authority is granted on the accompanying proxy card to vote in the election of directors, it is the intention of the person named in the proxy to vote at the Annual Meeting for the election of the nominees named below, who have consented to being named in the proxy statement and to serve if elected. If a nominee is unavailable to serve for any reason, the person named as proxy will vote for such other nominee selected by the Board of Directors, or the Board may reduce the number of directors as provided in the Fund's By-Laws. The Fund currently knows of no reason why the nominees listed below would be unable or unwilling to serve if elected.

As of August 30, 2013, the Fund's Board of Directors consisted of five members. The Class II directors of the Fund, John A. Gelety, Esq. and Ms. Ann S. Lieff are the two nominees for election, and their current terms as directors will expire on the date of the Annual Meeting or when their successors are elected and qualified. The nominees would serve until their successors have been elected and qualified.

Certain information regarding the nominees as well as the current directors and executive officers of the Fund is set forth below.

Nominees for Director - "Independent Persons"

Name, Address, Age	Position(s) Held with Fund	Term of Office* and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios In Complex Overseen by Director	Other Directorships held by Nominee
John A. Gelety c/o The Herzfeld Caribbean Basin Fund, Inc. 119 Washington Avenue, Suite 504, Miami Beach, FL 33139 Age: 45	Director	Class II current term expires 2013 2011 to present	John A. Gelety, P.A., attorney at law, a transactional law firm that specializes in business law, with a concentration on domestic and cross-border mergers & acquisitions, private equity and commercial transactions.	1	None
Ann S. Lieff c/o The Herzfeld Caribbean Basin Fund, Inc. 119 Washington Avenue, Suite 504, Miami Beach, FL 33139 Age: 61	Director	Class II current term expires 2013 1998 to present	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.	1	Hastings Entertainment, Inc.; Furniture Brands International, Inc.

Current Directors
and Officers

Name, Address, Age	Position(s) Held with Fund	Term of Office* and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios In Complex Overseen by Director	Other Directorships held by Officer/Director
Interested Director and Officer:					
Thomas J. Herzfeld** 119 Washington Avenue, Suite 504, Miami Beach, FL 33139 Age: 68	President, Chairman, Director and Portfolio Manager	current term expires 2014 1993 to present	Chairman and President of Thomas J. Herzfeld & Co., Inc., a broker dealer, and Thomas J. Herzfeld Advisors, Inc.	2	The Cuba Fund, Inc. (in registration)

Name, Address, Age	Position(s) Held with Fund	Term of Office* and Length of Time Served	Principal Occupation(s) During Past 5 Years
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Officers:

Erik M. Herzfeld 119 Washington Avenue, Suite 504, Miami Beach, FL 33139 Age: 39	Portfolio Manager	2008 to present	Head of Alternative Investments, Thomas J. Herzfeld Advisors, Inc. 2007-present; Vice President JPMorgan Chase 2000-2007, foreign exchange options trading
Cecilia L. Gondor 119 Washington Avenue, Suite 504, Miami Beach, FL 33139 Age: 51	Secretary, Treasurer	1993 to present	Executive Vice President of Thomas J. Herzfeld & Co., Inc., a broker dealer, and Thomas J. Herzfeld Advisors, Inc.

*Each director serves a three-year term after which the director may be re-elected for additional three-year terms.

**An "interested person" (as defined in the Investment Company Act of 1940, as amended ("1940 Act")) of the Fund because he is an officer and employee of the Fund's investment advisor.

Name, Address, Age	Position(s) Held with Fund	Term of Office* and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios In Complex Overseen by Director	Other Directorships held by Officer/Director
Independent Directors:					
John A. Gelety c/o The Herzfeld Caribbean Basin Fund, Inc. 119 Washington Avenue, Suite 504, Miami Beach, FL 33139	Director	current term expires 2013 2011 to present	John A. Gelety, P.A., attorney at law, a transactional law firm that specializes in business law, with a concentration on domestic and cross-border mergers & acquisitions, private equity and commercial	1	None

Age: 45			transactions.		
Ann S. Loeff c/o The Herzfeld Caribbean Basin Fund, Inc. 119 Washington Avenue, Suite 504, Miami Beach, FL 33139 Age: 61	Director	current term expires 2013 1998 to present	President of the Loeff 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.	1	Hastings Entertainment, Inc.; Furniture Brands International, Inc.
Michael A. Rubin c/o The Herzfeld Caribbean Basin Fund, Inc. 119 Washington Avenue, Suite 504, Miami Beach, FL 33139 Age: 71	Director	current term expires 2014 2002 to present	Partner of Michael A. Rubin P.A., attorney at law; Broker, Oaks Management & Real Estate Corp., a real estate corporation	1	None
Kay W. Tatum, Ph.D, CPA c/o The Herzfeld Caribbean Basin Fund, Inc. 119 Washington Avenue, Suite 504, Miami Beach, FL 33139 Age: 61	Director	current term expires 2015 2007 to present	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.	1	None

*Each director serves a three-year term after which the director may be re-elected for additional three-year terms.

Ownership of Fund Securities by Directors and Executive Officers

Name	Dollar Range of Equity in the Fund**	Number of Shares Held**	Percent of Class**
Interested Director and Executive Officers			
Thomas J. Herzfeld	Over \$100,000	182,828	4.92%
Erik M. Herzfeld	Over \$100,000	40,000	1.08%
Cecilia L. Gondor	\$50,001 - \$100,000	6,592	0.18%
Independent Directors			
Ann S. Lieff	\$50,001 - \$100,000	10,084	0.27%
Michael A. Rubin	\$10,001 - \$50,000	2,418	0.07%
John A. Gelety	\$0 - \$10,000	925	0.02%
Kay W. Tatum, Ph.D., CPA	\$0 - \$10,000	604	0.02%
All directors and executive officers as a group (seven persons)	N/A	243,451	6.56%

**As of August 14, 2013

None of the Independent Directors, and no immediate family members of any Independent Director, owns securities of the Fund's investment adviser, or any control person of the Fund's investment adviser.

The Board of Directors of the Fund held four regular meetings during the Fund's fiscal year ended June 30, 2013. Each of the directors attended at least 75% of the aggregate number of meetings of the Board of Directors and of each committee of which he or she was a member.

Director Qualification

The following is a brief discussion of the experience, qualifications, attributes and/or skills that led to the Board of Directors' conclusion that each individual identified below is qualified to serve as a Director of the Fund. In determining that a particular Director was qualified to serve as a Director, the Board has considered a variety of criteria, none of which was controlling. The Board believes that the Directors' ability to review critically, evaluate, question and discuss information provided to them, to interact effectively with the Adviser, other service providers, counsel and independent auditors, and to exercise effective business judgment in the performance of their duties, support the conclusion that each Director is qualified to serve as a Director of the Fund.

In addition, the following specific experience, qualifications, attributes and/or skills apply to each Director: Mr. Herzfeld is the Chairman and President of Thomas J. Herzfeld Advisors, Inc., and serves as a director for the Cuba Fund, Inc.; Ms. Lieff is the President of the Lieff Company, former CEO of a music retailer and currently serves as a director to various other businesses; Mr. Rubin is a Partner of Michael A. Rubin, P.A., an attorney at law and a broker of a real estate corporation; Dr. Tatum is an Associate Professor of Accounting at the University of Miami School of Business Administration and former Chair of the Department of Accounting; and Mr. Gelety is the founding

shareholder of John A. Gelety, P.A., a transactional law firm that specializes in corporate, securities, real estate and entertainment law.

In its periodic self-assessment of the effectiveness of the Board, the Board considers the complementary individual skills and experience of the individual Directors primarily in the broader context of the Board's overall composition so that the Board, as a body, possesses the appropriate (and appropriately diverse) skills and experience to oversee the business of the Fund. The summaries set forth above as to the experience, qualifications, attributes and/or skills of the Directors do not constitute holding out the Board or any Director as having any special expertise or experience, and do not impose any greater responsibility or liability on any such person or on the Board as a whole than would otherwise be the case.

The Board has determined that its leadership structure is appropriate given the business and nature of the Fund. In connection with its determination, the Board considered that Thomas J. Herzfeld is an “interested person” (as such term is defined in the 1940 Act) of the Fund and currently serves as the Chairman of the Board. The Independent Directors believe that the Chairman’s history of effecting meaningful dialogue between Fund management, service providers, counsel, independent auditor and the Independent Directors has been of great benefit to the Fund and its Board. The Independent Directors have further determined that they can act independently and effectively without having an Independent Director serve as Chairman. Nonetheless, as currently composed, the Independent Directors constitute a substantial majority of the Board.

The Board also considered that the chairperson and every member of each Board committee is an Independent Director, which yields similar benefits with respect to the functions and activities of the various Board committees. Through the committees, the Independent Directors consider and address important matters involving the Fund, including those presenting conflicts or potential conflicts of interest for management. The Independent Directors also regularly meet outside the presence of management with Fund counsel. The Board has determined that its committees help ensure that the Fund has effective and independent governance and oversight. The Board also believes that its leadership structure facilitates the orderly and efficient flow of information to the Independent Directors from Fund management.

Audit Committee

The Audit Committee of the Board currently consists of Mr. Rubin, Dr. Tatum and Mr. Gelety none of whom is an “interested person” of the Fund. Each member of the Audit Committee is considered independent under the applicable NASDAQ Capital Market listing standards. The Board has determined that Dr. Tatum qualifies as an “audit committee financial expert” and that she is “independent” of the Fund as such terms are defined in Item 3 of Form N-CSR. The Board of Directors has adopted a written charter for the Audit Committee, which is available on the Fund’s website at www.herzfeld.com/cuba.htm. The Audit Committee reviews the scope of the audit by the Fund’s independent auditors, confers with the auditors with respect to the audit and the internal accounting controls of the Fund and with respect to such other matters as may be important to an evaluation of the audit and the financial statements of the Fund, and makes recommendations with respect to the selection of auditors for the Fund.

Audit Committee Report

The Audit Committee met twice during the fiscal year ended June 30, 2013, and has reviewed and discussed the Fund’s audited financial statements with Fund management. Further, the Audit Committee has discussed with Rothstein Kass the Fund’s independent auditors, the matters required to be discussed by Public Company Accounting Oversight Board Standards AU Section 380 (Communication with Audit Committees). The Audit Committee has received the written disclosures and a letter from Rothstein Kass required by Public Company Accounting Oversight Board (“PCAOB”) Rule 3526 (Communication with Audit Committees Concerning Independence) and has discussed with Rothstein Kass their independence. Based upon the foregoing, the Audit Committee recommended to the Board of Directors that the audited financial statements of the Fund be included in the Fund’s annual report to stockholders for filing with the U.S. Securities and Exchange Commission for the fiscal year ended June 30, 2013.

Kay W.
Tatum
John A.
Gelety
Michael A.
Rubin

Nominating Committee

The Board has a Nominating Committee comprised solely of independent directors which currently consists of Mr. Rubin, Ms. Lieff, Dr. Tatum and Mr. Gelety. The Nominating Committee is responsible for reviewing and recommending qualified candidates in the event that a directorship is vacated or created, and operates under a written charter, a copy of which is available on the Fund's website at www.herzfeld.com/cuba.htm. The Nominating Committee will not consider nominees recommended by stockholders. Each member of the Nominating Committee is an independent director under the rules promulgated by NASDAQ. The Nominating Committee believes that candidates for director should have certain

minimum qualifications, including (i) the ability to apply good business judgment and must be in a position to properly exercise their duties of loyalty and care; (ii) proven leadership capabilities, high integrity and moral character, significant business experience and a high level of responsibility within their chosen fields; (iii) the ability to quickly grasp complex principles of business, finance, international transactions and the regulatory environment in which investment companies must operate; and (iv) the ability to read and understand basic financial statements, however the committee retains the right to modify these minimum qualifications from time to time. In general, candidates will be preferred who hold an established senior or executive level position in business, finance, law, education, research or government. The committee's process for identifying and evaluating nominees is as follows: In the case of incumbent directors whose terms of office are set to expire, the Nominating Committee reviews such directors' overall service to the Fund during their term, including the number of meetings attended, level of participation, quality of performance, and any transactions of such directors with the Fund, if any, during their term, and confirms their independence if applicable. In the case of new director candidates, the committee first determines whether the nominee must be independent for purposes of The Nasdaq Stock Market and whether the candidate must be considered a disinterested director under the 1940 Act. In either case, determinations are based upon the Fund's charter and bylaws, applicable securities laws, the rules and regulations of the SEC, the rules of FINRA, and the advice of counsel, if necessary. The committee then uses its network of contacts to compile a list of potential candidates, but may also engage, if it deems appropriate, a professional search firm. The committee then meets to discuss and consider such candidates' qualifications and recommend the nominee. The Nominating Committee held two meetings during the last fiscal year.

Stockholders and other interested parties may contact the Board or any member of the Board by mail. To communicate with the Board or any member of the Board correspondence should be addressed to the Secretary of the Fund, Attention Board of Directors. All such correspondence should be sent c/o the Fund at 119 Washington Avenue, Suite 504, Miami Beach, Florida, 33139.

The Fund pays those directors who are not "interested persons" of the Fund \$2,000 per year in addition to \$800 for each meeting of the Board attended, plus reimbursement for expenses. Such fees totaled \$20,800 for the fiscal year ended June 30, 2013.

The aggregate compensation paid by the Fund to each of its directors serving during the fiscal year ended June 30, 2013, is set forth in the compensation table below. Mr. Herzfeld receives no direct compensation for his services on the Fund's Board. The Board does not have a compensation committee.

Name of Person and Position with Fund	Aggregate Compensation from the Fund	Pension or Retirement Benefits Accrued as Part of Fund Expenses	Estimated Annual Benefits Upon Retirement	Total Compensation From Fund and Fund Complex Paid to Directors
Thomas J. Herzfeld*	\$0	\$0	\$0	\$0
President and Director				
Ann S. Lieff	\$5,200	\$0	\$0	\$5,200
Director				
Michael A. Rubin	\$5,200	\$0	\$0	\$5,200
Director				
Kay W. Tatum	\$5,200	\$0	\$0	\$5,200
Director				

John A. Gelety	\$5,200	\$0	\$0	\$5.200
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