

HERZFELD CARIBBEAN BASIN FUND INC
Form DEF 14A
September 05, 2003

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

Filed by the Registrant [X]
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))
[x] 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 12, 2003

MIAMI, FLORIDA
AUGUST 29, 2003

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 12, 2003, at 2:00 p.m., at the offices of Kaufman, Rossin & Co., P.A., 2699 S. Bayshore Drive, Miami, FL 33133, for the following purposes:

- (1) the election of one Class I director; 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 attached to this notice. Each stockholder is invited to attend the Annual Meeting of Stockholders in person. Stockholders of record at the close of business on August 15, 2003, have the right to vote at the meeting. If you cannot be present at the meeting, we urge you to fill in, sign, and promptly return the enclosed proxy in order that the meeting can be held without additional expense and a maximum number of shares may be voted.

CECILIA GONDOR
Secretary

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

PLEASE INDICATE YOUR VOTING INSTRUCTIONS ON THE ENCLOSED PROXY, 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 RETURNING YOUR PROXY PROMPTLY. YOUR PROXY IS REVOCABLE AT ANY TIME PRIOR TO ITS USE.

THE HERZFELD CARIBBEAN BASIN FUND, INC.

P.O. BOX 161465, MIAMI, FLORIDA 33116
PROXY STATEMENT
ANNUAL MEETING OF STOCKHOLDERS TO BE HELD
NOVEMBER 12, 2003

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 the offices of Kaufman, Rossin & Co., P.A., 2699 S. Bayshore Drive, Miami, FL 33133, on November 12, 2003 at 2:00 p.m.

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 meeting. Signing and mailing the proxy will not affect your right to give a later proxy or to attend the meeting and vote your shares in person. 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 29, 2003.

THE PERSONS 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 FOR DIRECTOR AND TO TRANSACT SUCH OTHER BUSINESS THAT MAY PROPERLY COME BEFORE THE MEETING AND ANY ADJOURNMENTS THEREOF.

On August 15, 2003, the 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 1,677,636 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 a director (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, 2003, AND THE MOST RECENT SEMI-ANNUAL REPORT

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PRECEDING THE ANNUAL REPORT 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 GONDOR, AT 800-854-3863 OR 305-271-1900.

ELECTION OF DIRECTOR
(PROPOSAL 1)

One director is 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 I director's term of office will expire in 2003, the Annual Meeting is being held for the election of that director. The Class II and Class III directors' terms of office will expire in 2004 and 2005, respectively.

If authority is granted on the accompanying proxy card to vote in the election of directors, it is the intention of the persons named in the proxy to vote at the Annual Meeting for the election of the nominee named below, who has 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 or nominees 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 nominee listed below would be unable or unwilling to serve if elected.

As of August 29, 2003, the Fund's Board of Directors consisted of five members. The Class I director of the Fund, Mr. Albert L. Weintraub, is the only nominee for election, and his current term as director will expire on the date of the Annual Meeting or when his successor is elected and qualifies. The nominee would serve until his successor has been elected and qualified.

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

NOMINEE FOR DIRECTOR - "INDEPENDENT PERSON"

| 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 Shares Held In Compliance with Rule 144 |
|---|----------------------------|--|--|---|
| ALBERT L. WEINTRAUB c/o The Herzfeld Caribbean Basin Fund, Inc. PO Box 161465 Miami, FL 33116 Age: 74 | Director | 1999 to present | Senior Partner of Weintraub, Weintraub; of counsel Orshan et al, attorneys; Chairman of E-Lysium Transaction Systems, Inc., an application service provider of transaction processing, billing and payment systems | |

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 Shares Held In Compliance with Rule 144 |
|--------------------|----------------------------|--|---|---|
| ----- | | | | |

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Officers:

| | | | |
|--|--------------------------------------|-----------------|---|
| THOMAS J. HERZFELD* PO Box 161465 Miami, FL 33116 Age: 58 | President, Chairman, Director | 1993 to present | Chairman and President of Thomas J. Herzfeld & Co., Inc., a broker dealer, and Thomas J. Herzfeld Advisors, Inc. |
| CECILIA L. GONDOR* PO Box 161465 Miami, FL 33116 Age: 41 | Secretary, Treasurer, Director | 1993 to present | Executive Vice President of Thomas J. Herzfeld & Co., Inc., a broker dealer, and Thomas J. Herzfeld Advisors, Inc. |

Independent Directors:

| | | | |
|--|----------|-----------------|--|
| ANN S. LIEFF c/o The Herzfeld Caribbean Basin Fund, Inc. PO Box 161465 Miami, FL 33116 Age: 51 | Director | 1998 to present | President of the Lieff Company, a management consulting firm that offers business solutions, strategies and CEO mentoring to corporations and women/family-owned businesses, 1998-present; former CEO Spec's Music 1980-1998, a retailer of recorded music. |
| MICHAEL A. RUBIN c/o The Herzfeld Caribbean Basin Fund, Inc. PO Box 161465 Miami, FL 33116 Age: 61 | Director | 2002 to present | Partner of Michael A. Rubin P.A., attorney at law; Broker, Oaks Management & Real Estate Corp., a real estate corporation |
| ALBERT L. WEINTRAUB c/o The Herzfeld Caribbean Basin Fund, Inc. PO Box 161465 Miami, FL 33116 Age: 74 | Director | 1999 to present | Senior Partner of Weintraub, Weintraub; of counsel Orshan et al, attorneys; Chairman of E-Lysium Transaction Systems, Inc., an application service provider of transaction processing, billing and payment systems |

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

OWNERSHIP OF FUND SECURITIES BY MANAGEMENT

INTERESTED DIRECTORS AND EXECUTIVE OFFICERS

| NAME | DOLLAR RANGE OF EQUITY IN THE FUND** | NUMBER OF SHARES HELD** | PERCENT OF CLASS** |
|--------------------|---|----------------------------|-----------------------|
| ----- | | | |
| Thomas J. Herzfeld | Over \$100,000 | 56,400 | 3.36% |
| Cecilia Gondor | \$1 - \$10,000 | 1,800 | 0.11% |

INDEPENDENT DIRECTORS

| | | | |
|--------------|----------------|-------|-------|
| Ann S. Lieff | \$1 - \$10,000 | 1,666 | 0.10% |
|--------------|----------------|-------|-------|

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| | | | |
|---|----------------|--------|-------|
| Michael A. Rubin | \$1 - \$10,000 | 1,000 | 0.06% |
| Albert L. Weintraub | \$1 - \$10,000 | 500 | 0.03% |
| All directors and executive officers as a group (five persons) | N/A | 61,366 | 3.66% |

**as of July 31, 2003

The Board of Directors of the Fund held four regular meetings during the Fund's fiscal year ended June 30, 2003. 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.

The Audit Committee of the Board currently consists of Messrs. Weintraub and Rubin, and Ms. Lieff, none of whom is an "interested person" of the Fund. Each member of the Audit Committee is considered independent under the applicable NASD listing standards. The Board of Directors has adopted a written charter for the Audit Committee. 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 once during the fiscal year ended June 30, 2003, and has reviewed and discussed the Fund's audited financial statements with Fund management. Further, the Audit Committee has discussed with Kaufman, Rossin & Co., P.A., the Fund's independent auditors, the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees). The Audit Committee has received the written disclosures and a letter from Kaufman, Rossin & Co., P.A. required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and has discussed with Kaufman, Rossin & Co., P.A. 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, 2003.

Albert L. Weintraub
Ann S. Lieff
Michael A. Rubin

The Board has a nominating committee comprised solely of independent directors which consists of Messrs. Weintraub and Rubin, and Ms. Lieff. The nominating committee is responsible for reviewing and recommending qualified candidates to the Board in the event that a directorship is vacated or created. The nominating committee will not consider nominees recommended by stockholders. The nominating committee held one meeting during the last fiscal year.

The Fund pays those directors who are not "interested persons" of the Fund \$1,000 per year in addition to \$400 for each meeting of the Board attended, plus reimbursement for expenses. Such fees totaled \$7,800 for the fiscal year ended June 30, 2003.

The aggregate compensation paid by the Fund to each of its directors serving during the fiscal year ended June 30, 2003, is set forth in the compensation table below. Mr. Herzfeld and Ms. Gondor receive no direct compensation for their services on the Fund's Board.

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| 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 |
|--|--------------------------------------|---|---|
| Thomas J. Herzfeld* President and Director | \$0 | \$0 | \$0 |
| Cecilia Gondor* Director, Treasurer & Secretary | \$0 | \$0 | \$0 |
| Ann S. Loeff Director | \$2,600 | \$0 | \$0 |
| Albert L. Weintraub Director | \$2,600 | \$0 | \$0 |
| Michael A. Rubin Director | \$2,600 | \$0 | \$0 |

*"Interested person" of the Fund as defined by Section 2(a)(19) of the Investment Company Act of 1940.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE FUND'S STOCKHOLDERS VOTE "FOR" THE ELECTION OF THE SOLE NOMINEE FOR DIRECTOR.

ADDITIONAL INFORMATION

HERZFELD/CUBA (the "Adviser"), a division of Thomas J. Herzfeld Advisors, Inc., with offices at The Herzfeld Building, P.O. Box 161465, Miami, Florida 33116, serves as the Fund's investment adviser pursuant to an Investment Advisory Contract dated June 24, 1993. The Adviser also provides certain administration services to the Fund, but the Fund has no formal administrative contract. Mr. Herzfeld and Ms. Gondor, directors of the Fund, are executives of the Adviser.

Thomas J. Herzfeld & Co., Inc., P.O. Box 161465, Miami, Florida 33116, acted as Underwriter to the Fund.

Kaufman, Rossin & Co., P.A., 2699 S. Bayshore Drive, Miami, FL 33133, independent auditors, have been selected by the Board as the Fund's independent auditors for the current fiscal year ending on June 30, 2004. A representative of Kaufman, Rossin & Co., P.A. will be present at the meeting and will have the opportunity to respond to appropriate questions from stockholders and to make such statements as desired.

INDEPENDENT AUDITORS' FEES

The following table sets forth the aggregate fees paid to the independent auditors for the most recent fiscal year for professional services rendered for: (i) the audit of the annual financial statements and the review of the financial statements included in the Fund's report to stockholders; (ii) financial information systems design and implementation services provided to the Fund, its investment advisor and entities controlling, controlled by or under common control with the investment advisor that provide services to the Fund; and (iii)

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all other non-audit services provided to the Fund, its investment advisor, and entities controlling, controlled by or under common control with the investment advisor that provide services to the Fund. The Audit Committee has determined that the provision of information technology services under clause (ii) and the provision of non-audit services under clause (iii) are compatible with maintaining the independence of the independent auditors of the Fund.

| Audit Fees Charged to the Fund | Financial Information Systems Design and Implementation Fees | Other Fees | Fiscal Year-End |
|-----------------------------------|--|------------|-----------------|
| \$19,000 | \$0 | \$4,512 | 6/30/03 |

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

As of August 15, 2003, there were no persons known by the Fund to own beneficially more than 5% of the outstanding shares of the Fund.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Fund's directors, executive officers and certain other persons (collectively, "Reporting Persons"), to file with the Securities and Exchange Commission ("SEC") initial reports of ownership and reports of changes in ownership of equity securities of the Fund. Reporting Persons are required by SEC regulations to furnish the Fund with copies of all Section 16(a) forms they file.

To the Fund's knowledge, based solely on review of the copies of such reports furnished to the Fund during the fiscal year ended June 30, 2003, all Section 16(a) filing requirements applicable to the Reporting Persons were complied with.

STOCKHOLDER PROPOSALS

Proposals intended to be presented by stockholders for consideration at the 2004 Annual Meeting of Stockholders must be received by the Secretary of the Fund no later than May 1, 2004, in order to be included in the proxy statement for the meeting. A stockholder who wishes to make a proposal at the 2004 Annual Meeting of stockholders without including the proposal in the Fund's proxy statement must notify the Fund, and the Fund's officers, of such proposal no earlier than August 12, 2004, and no later than September 11, 2004. If a stockholder fails to give notice by the later date, then the persons named as proxies in the proxies solicited by the Board for the 2004 Annual Meeting of Stockholders may exercise discretionary voting power with respect to any such proposal.

To submit a proposal, a stockholder must own 1% or \$2,000 worth of shares of the Fund for at least one year and must own those shares through the date of the 2004 Annual Meeting. Stockholders who qualify may submit only one proposal per Annual Meeting, and the proposal may be no longer than 500 words.

REPORTS TO STOCKHOLDERS AND FINANCIAL STATEMENTS

The Annual Report to Stockholders of the Fund, including audited financial statements of the Fund for the fiscal year ended June 30, 2003, is being mailed to stockholders. The Annual Report should be read in conjunction with this Proxy Statement but is not part of the proxy soliciting material. A copy of the Annual Report may be obtained from the Fund, without charge, by contacting the Fund in writing at the address on the cover of this Proxy Statement, or by calling 800-854-3863 or 305-271-1900.

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OPEN MATTERS

Management of the Fund does not know of any matters to be presented at the Annual Meeting other than those mentioned in this Proxy Statement. If any other business should come before the meeting, the proxies will vote thereon in accordance with their best judgment.

By Order of the Directors,

Cecilia Gondor
Director, Treasurer & Secretary
The Herzfeld Caribbean Basin Fund, Inc.

DATED: August 29, 2003

IF YOU CANNOT ATTEND THE ANNUAL MEETING, IT IS REQUESTED THAT YOU COMPLETE AND SIGN THE ENCLOSED PROXY AND RETURN IT IN THE ENVELOPE PROVIDED SO THAT THE MEETING MAY BE HELD AND ACTION TAKEN ON THE MATTERS DESCRIBED HEREIN WITH THE GREATEST POSSIBLE NUMBER OF SHARES PARTICIPATING.