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HERZFELD CARIBBEAN BASIN FUND INC

Form N-Q

November 13, 2009

FORM N-Q  
 QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT  
 INVESTMENT COMPANY

Investment Company Act file number 811-06445

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 The Herzfeld Caribbean Basin Fund, Inc.

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 (Exact name of registrant as specified in charter)

P.O. BOX 161465, MIAMI, FLORIDA 33116

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 (Address of principal executive offices) (Zip code)

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

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 (Name and address of agent for service)

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

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 Date of fiscal year end: 06/30/10

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 Date of reporting period: 09/30/09

ITEM 1. SCHEDULE OF INVESTMENTS

SCHEDULE OF INVESTMENTS AS OF SEPTEMBER 30, 2009 (unaudited)

Shares or Principal Amount	Description	Market Value
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Common stocks - 88.45% of net assets		
Airline - 5.87%		
28,500	Copa Holdings	\$ 1,267,965
16,000	AirTran Holdings Inc.	100,000
Banking and finance - 8.59%		
24,280	Bancolombia, S.A	1,042,340
39,000	Banco Latinoamericano de Exportaciones, S.A	554,580
50,000	Popular, Inc.	141,500
6,500	Doral Financial Corp.	24,050
3,844	W Holding Co.Inc.	51,510
10,000	Western Union Co.	189,200
Communications - 11.61%		
35,600	America Movil, S.A.B. de C.V. Series A	77,816
50,891	America Movil, S.A.B. de C.V. Series L	111,353
18,000	America Movil, S.A.B. de C.V. ADR	788,940

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5,394	Atlantic Tele-Network, Inc.	288,147
11,900	Carso Global Telecom, S.A.B. de C.V. Series A1	48,948
176,000	Fuego Entertainment	12,320
21,120	Grupo Radio Centro, S.A.B. ADR	144,883
32,400	Grupo Televisa, S.A.B. ADR	602,316
80,304	Spanish Broadcasting System Inc.	37,751
15,000	Telefonos de Mexico ADR	261,600
78,600	Telefonos de Mexico, S.A.B. de C.V. Series L	68,618
15,000	Telmex International S.A.B. de C.V ADR	209,250
78,600	Telmex International Series L	54,999
Conglomerates and holdings companies - 0.77%		
250,000	Admiralty Holding Co.	475
70,348	BCB Holdings Ltd.	137,826
3,250	Shellshock Ltd. Ord.	1,819
27,918	Vitro, S.A.B.de C.V. ADR	39,923
Construction and related - 4.94%		
21,737	Cemex, S.A.B. de C.V. Series CPO	280,842
51,582	Cemex S.A.B. de C.V. ADR	66,535
20	Ceramica Carabobo Class A ADR	--
66,132	Mastec, Inc.	803,503
Consumer products and related manufacturing - 7.33%		
13,273	Grupo Casa Saba, S.A. ADR	252,187
27,000	Watsco Inc.	1,455,570
Food, beverages and tobacco - 6.16%		
12,000	Chiquita Brands International Inc.	193,920
16,500	Coca-Cola Femsa, S.A.B. de C.V. ADR	793,650
18,900	Fomento Economico Mexicano, S.A.B. de C.V. Series UBD	71,919
16,690	Fresh Del Monte Produce Inc.	377,361
Housing - 1.99%		
32,500	Lennar Corp.	463,125
Investment companies - 0.02%		
4,420	Shellproof Limited	2,015
147	Western Asset Emerging Markets Debt Fund	2,533
Leisure - 8.81%		
33,500	Carnival Corp.	1,114,880
31,500	Royal Caribbean Cruises Ltd.	758,520
5,000	Steiner Leisure Ltd.	178,800
Medical - 0.24%		
8,386	Micromet, Inc.	55,851
Mining - 8.27%		
28,000	Freeport McMoran Copper & Gold, Inc.	1,921,080
3,863	Grupo Mexico, S.A.B. de C.V., Series B	7,117
Pulp and paper - 0.11%		
6,100	Kimberly-Clark de Mexico, S.A.B. de C.V. Series A	25,299
Railroad and landholdings - 3.14%		
17,000	Norfolk Southern Corporation	732,870
Retail - 0.89%		

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1,270 Grupo Elektra, S.A.B. de C.V. Series CPO	50,311
45,111 Wal-Mart de Mexico, S.A.B. de C.V. Series V	156,326
Service - 0.01%	
700 Grupo Aeroportuario del Sureste, S.A.B. de C.V. Series B	2,991
Trucking and marine freight - 12.06%	
12,280 Grupo TMM, S.A.B. ADR	48,015
1,201 Seaboard Corporation	1,561,324
1,000 Seacor Holdings, Inc.	81,630
20,000 Teekay Corporation	437,400
8,361 Teekay LNG Partners LP.	207,520
66,797 Trailer Bridge, Inc.	360,704
23,000 Ultrapetrol Bahamas Ltd.	113,160
Utilities - 7.44%	
12,000 Caribbean Utilities Ltd. Class A	102,720
64,841 Consolidated Water, Inc.	1,058,854
700 Cuban Electric Company	2,975
40,500 Teco Energy Inc.	570,240
Other - 0.20%	
13,000 Impellam Group	10,604
55,921 Margo Caribe, Inc.	33,553
895 Siderurgica Venezolana S.A. ADR	1,432
79 Siderurgica Venezolana S.A. Series B	126
45,000 Xcelera Inc.	--
 Total common stocks - 88.45% (cost \$21,917,333)	 \$ 20,615,581
Bonds and fixed income - 0.00% of net assets	
165,000 Republic of Cuba - 4.5%, 1977 - in default (cost \$63,038)	--
 Other assets less liabilities - 11.55% of net assets	 \$ 2,692,928
 Net assets - 100% (applicable to 3,713,070 shares; equivalent to \$6.28 per share) (a)	 \$ 23,308,519

(a) The cost for federal income tax purposes was \$21,980,371. At September 30, 2009, net unrealized loss for all securities based on tax cost was \$1,364,790. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess value over tax cost of \$2,828,421 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$4,193,211. The cost of securities owned for financial statement purposes is lower than the cost basis for income tax purposes by approximately \$22,466 due to wash sale adjustments.

### 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

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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. 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 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.

The following table summarizes the valuation of the Fund's investments by the above fair value hierarchy levels as of September 30, 2009.

	Level 1	Level 2	Level 3	Total
Assets (at fair value)				
Investments in Securities				
Common stocks	\$20,610,787	\$4,794	\$0	\$20,615,581
Debt securities			\$0	\$0
Total investments in securities	\$20,610,787	\$4,794	\$0	\$20,615,581

The following is a reconciliation of Level 3 investments for which significant unobservable inputs were used to determine fair value:

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	Common Stocks	Bonds	Total
Balance, June 30, 2009	\$0	\$0	\$0
Cost of purchases	\$0	\$0	\$0
Change in unrealized depreciation	(\$4,657)	\$0	(\$4,657)
Transfers in or out of Level 3	\$4,657	\$0	\$4,657
Balance September 30, 2009	\$0	\$0	\$0

### ITEM 2. CONTROLS AND PROCEDURES

- (a) The registrant's principal executive and principal financial officer 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 this Form N-Q that includes the disclosure required by this paragraph based on their evaluation of the 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 (17 CFR 240.13a-15(b) or 240.15d-15(b)).
- (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 quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

### ITEM 3. EXHIBITS

The certifications required by Rule 30a-2 of the Investment Company Act of 1940, as amended, is attached as an exhibit to this filing.

### 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

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Thomas J. Herzfeld  
Chairman and President

Date: November 13, 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.

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By /s/ Thomas J. Herzfeld

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Thomas J. Herzfeld  
Chairman and President

Date: November 13, 2009

By /s/ Cecilia L. Gondor

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Cecilia L. Gondor  
Treasurer

Date: November 13, 2009