

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, P.C. 4 Becker Farm Road Roseland, NJ 07068

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

Listed NASDAQ Capital Market Symbol: CUBA

Letter to Stockholders

August 9, 2011

Dear Fellow Stockholders:

We are pleased to present our Annual report for the period ended June 30, 2011. On that date the net asset value of The Herzfeld Caribbean Basin Fund, Inc. (CUBA) stood at \$8.13 per share, up 32.84% for the one year period. The Fund's share price closed at \$7.14 per share, a gain of 25.93% for the fiscal year.

The Herzfeld Caribbean Basin Fund seeks long-term capital appreciation through investment in companies which the Advisor believes are poised to benefit from economic,



Thomas J. Herzfeld Chairman, President and Portfolio Manager

political, structural and technological developments in countries of the Caribbean Basin. We believe that Cuba plays a pivotal role in the region, changes in that country are poised to shape the development and future economic growth of the entire region. For that reason, our investment focus remains two-fold: we look for companies which we believe will benefit from a resumption of trade with Cuba, and also, for companies in the region which we believe have good prospects even if there is no change in U.S. policy towards Cuba.

We remain optimistic on the political and diplomatic state of affairs in Washington. Following President Obama's executive order issued in January allowing greater exchanges with universities and permitting people-to-people trips with organizations and cultural exchange programs, the U.S. Treasury Department and Cuba agreed on expanding the number of U.S. airports providing air service to Cuba. Nine new airports are expected to start service this year, including Atlanta, Tampa, Fort Lauderdale, Baltimore, Chicago, New Orleans, Dallas, Houston and San Juan, Puerto Rico. Previously, only three airports, Miami, Los Angeles and New York were providing direct flights to Cuba.

Letter to Stockholders (continued)



Erik M. Herzfeld Portfolio Manager

Within Cuba we continue to see changes. For instance, the Cuban Government has announced its intention to introduce new economic laws before the end of the year that include land leases for developing agricultural properties; licenses for self-employment and small businesses; buying and selling of houses and automobiles; leasing state properties for private businesses; government decentralization and less bureaucratic controls; and fewer restrictions and commissions on foreign remittances and on credit from state banks to small businesses and farmers.

Additionally, the Spanish oil company Repsol YPF is expected to start exploratory deepwater drilling in Cuban

waters by October. If the company strikes a large deposit, it is expected that the trade embargo could be significantly revised. The greater the drilling and production, the greater the pressure will be to engage in a complete overhaul of the U.S. trade embargo against Cuba.

Discount to Net Asset Value

After briefly trading at an interday premium in January, the discount between the Fund's share price and net asset value has widened during calendar 2011. The Fund traded at its widest discount since the financial crisis on August 9, 2011 closing at a level of -17%. We, the officers of Thomas J. Herzfeld Advisors, Inc., took advantage of market weakness to add to our existing holdings in the Fund in early August. You can access insider holding reports from our website at http://www.herzfeld.com/cuba.htm.

Portfolio Positioning

Our top holdings remain relatively unchanged since our last report. This is because the motivation for holding these positions has not changed. In fact, the most significant investment decision over the last six months was to become more fully invested. We began to accumulate a few new names, and as of the date of this letter, we have deployed almost all of the \$2 million that we held in Treasury Bills as of calendar year-end.

Letter to Stockholders (continued)

Largest Allocations

The following tables present our largest investment and geographic allocations as of June 30, 2011.

Geographic Allocation	% of Net Assets	Largest Portfolio Positions % of	Net Assets
USA	55.94%	Seaboard Corporation	10.59%
Mexico	19.49%	Coca Cola Femsa, S.A.B.	
Panama	9.16%	de C.V. ADR	6.94%
Bahamas	5.27%	Copa Holdings, S.A.	6.75%
Colombia	4.71%	Watsco Incorporated	6.45%
Cayman Island	2.42%	Royal Caribbean Cruises Ltd.	5.55%
Puerto Rico	0.70%	Carnival Corp.	5.18%
Belize	0.21%	Norfolk Southern Corporation	4.72%
Cuba	0.00%	Bancolombia, S.A.	4.71%
Cash and Other	Countries 2.10%	Mastec, Inc.	4.65%
		América Móvil, S.A.B. de C.V. ADI	R 4.04%

Daily net asset values and press releases issued by 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 thank our fellow stockholders for their continued support and suggestions.

Sincerely,

Thomas J. Herzfeld

Chairman of the Board, President and

Portfolio Manager

Erik M. Herzfeld Portfolio Manager

Schedule of Investments as of June 30, 2011

Shares or P	Fair Value							
Common s	Common stocks - 98.16% of net assets							
Airlines - 6	Airlines - 6.75%							
30,500	Copa Holdings, S.A.	\$ 2,035,570						
Banking an	d finance - 9.07%							
21,280	Bancolombia, S.A.	1,420,014						
42,000	Banco Latinoamericano de Exportacione	es, S.A. 727,440						
11,500	Doral Financial Corp.*	22,540						
60,000	Popular Inc.*	165,600						
3,844	W Holding Co. Inc.*	1,115						
20,000	Western Union Company	400,600						
Communic	ations - 12.13%							
22,595	América Móvil, S.A.B. de C.V. ADR	1,217,419						
71,200	América Móvil, S.A.B. de C.V. Series A	94,716						
209,144	América Móvil, S.A.B. de C.V. Series L	281,608						
13,698	Atlantic Tele-Network, Inc.	525,455						
377,100	Fuego Enterprises Inc.*	12,067						
23,666	Grupo Radio Centro, S.A.B. ADR*	230,034						
32,400	Grupo Televisa, S.A.B. ADR	797,040						
80,304	Spanish Broadcasting System, Inc.*	56,212						
23,000	Telefonos de Mexico, S.A.B. de C.V. AI	OR Series L 379,500						
78,600	Telefonos de Mexico, S.A.B. de C.V. Ser	ries L 64,948						
Conglomer	ates and holding companies - 0.21%							
250,000	Admiralty Holding Company (Note 2)*							
70,348	BCB Holdings Ltd.*	60,988						
3,250	Shellshock Ltd. Ord.*	2,765						
Construction	on and related - 6.39%							
55,438	Cemex S.A.B. de C.V. ADR*	476,767						
	Cemex S.A.B. de C.V. Series CPO*	47,860						
20	Ceramica Carabobo Class A ADR (Note							
71,132	Mastec, Inc.*	1,402,723						

^{*}Non-income producing

Schedule of Investments as of June 30, 2011 (continued)

Shares or F	rincipal Amount Description	Fair Value					
Consumer products and related manufacturing - 7.17%							
	Grupo Casa Saba, S.A.B. de C.V. ADR*	\$ 219,005					
28,600	Watsco Incorporated	1,944,514					
Food, beve	Food, beverages and tobacco - 10.40%						
20,000	Chiquita Brands International Inc.*	260,400					
53,874	Cleanpath Resources Corp.*	539					
22,500	Coca Cola Femsa, S.A.B. de C.V. ADR	2,092,725					
18,900	Fomento Económico Mexicano, S.A.B. de C.V. Series UBD	125,469					
2,000	Fomento Económico Mexicano S.A.B. de C.V. ADR	132,980					
19,690	Fresh Del Monte Produce Inc.	525,132					
Housing - 2	2.26%						
37,500	Lennar Corporation	680,625					
Investment	companies - 1.18%						
4,420	Shellproof Limited*	3,335					
4,000	iShares MSCI Mexico Investable Market Index Fund	250,240					
2,000	iShares S&P Latin America 40 Index Fund	103,240					
Leisure - 1	2.93%						
41,500	Carnival Corp.	1,561,645					
44,500	Royal Caribbean Cruises Ltd.*	1,674,980					
14,527	Steiner Leisure Ltd.*	633,593					
Mining - 0	05%						
3,863	Grupo México, S.A.B. de C.V. Series B	12,735					
Pulp and paper - 0.13%							
	Kimberly-Clark de México, S.A.B. de C.V. Series A	40,053					
Railroad -	5.21%						
	Norfolk Southern Corporation	1,423,670					
	Rail America Inc.*	450,000					

^{*}Non-income producing

Schedule of Investments as of June 30, 2011 (continued)

Shares or P	rincipal Amount Description		Fair Value
Retail - 2.1	2%		
1,270	Grupo Elektra, S.A.B. de C.V. Series CPO	\$	64,979
6,000	Pricemart, Inc.		307,380
90,222	Wal-Mart de México, S.A.B. de C.V. Series	V	267,352
Service - 0	.01%		
700	Grupo Aeroportuario del Sureste, S.A.B. de	C.V. Series B	4,113
Trucking a	nd marine freight - 15.41%		
12,280	Grupo TMM, S.A.B. ADR*		21,367
1,321	Seaboard Corporation		3,194,178
2,000	Seacor Holdings, Inc.*		199,920
20,000	Teekay Corporation		617,600
8,361	Teekay LNG Partners LP		309,273
93,687	Trailer Bridge, Inc.*		168,637
28,000	Ultrapetrol Bahamas Ltd.*		138,320
Utilities - 5	5.27%		
12,000	Caribbean Utilities Ltd. Class A		110,280
66,841	Consolidated Water, Inc.		620,953
700	Cuban Electric Company (Note 2)*		56
45,500	Teco Energy Inc.		859,495
Other - 0.4	7%		
100,000	Cuba Business Development (Note 2)*		
25,000	Geltech Solutions Inc.*		43,750
13,000	Impellam Group*		75,657
55,921	Margo Caribe, Inc.*		22,368
895	Siderurgica Venezolana Sivensa, S.A. ADR	(Note 2)*	
79	Siderurgica Venezolana Sivensa, S.A. Serie	s B (Note 2)*	
Total com	mon stocks (cost \$25,371,697)	\$2	29,613,539

^{*}Non-income producing

Schedule of Investments as of June 30, 2011 (continued)

Shares or Principal Amount		Fair Value	
Bonds - 0% of net assets \$165,000 Republic of Cuba - 4.5% (Note 2)*	, 1977 - in default (Cost \$63,038)	_	<u>-</u> -
Other assets less liabilities - 1.84%	\$	555,542	
Net assets - 100%	\$3	0,169,081	

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

United States of America	55.94%
Mexico	19.49%
Panama	9.16%
Bahamas	5.27%
Other, individually under 5%**	10.14%
	100.00%

^{*}Non-income producing

^{**}Amount includes other assets less liabilities of 1.84%

Statement of Assets and Liabilities as of June 30, 2011

ASSETS		
Investments in securities, at fair value (cost \$25,434,735) (Notes 1 and 2) Cash Dividends receivable Other assets		\$29,613,539 655,688 15,868 18,867
TOTAL ASSETS		30,303,962
LIABILITIES		
Accrued investment advisor fee (Note 3) Other payables	\$ 107,693 27,188	
TOTAL LIABILITIES		134,881
NET ASSETS (Equivalent to \$8.13 per share based on 3,713,071 shares outstanding)		\$30,169,081
Net assets consist of the following:		
Common stock, \$.001 par value; 100,000,000 shares authorized; 3,713,071* shares issued		
and outstanding		\$ 3,713
Additional paid-in capital		26,344,063
Accumulated net realized loss on investments		(357,499)
Net unrealized gain on investments (Notes 4 and 5)		4,178,804
NET ASSETS		\$30,169,081

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

Statement of Operations Year Ended June 30, 2011

INVESTMENT INCOME AND EXPENSES				
Dividends and interest			\$	513,749
Investment advisor fees (Note 3)	\$	403,592		
Professional fees		85,000		
Custodian fees		76,000		
Insurance		46,138		
CCO salary		26,913		
Director fees		20,800		
Transfer agent fees		19,792		
Listing fees		15,000		
Printing and postage		12,260		
Proxy services		10,050		
Other		21,977		
Total investment expenses	-	<u> </u>	_	737,522
NET INVESTMENT LOSS				(223,773)
REALIZED AND UNREALIZED GAIN (LOSS)				
ON INVESTMENTS AND FOREIGN CURRENCY				
Net realized gain on investments and foreign				
currency		943,018		
Net increase in unrealized appreciation (depreciation)				
on investments and foreign currency	-	6,742,688		
NET GAIN ON INVESTMENTS				7,685,706
NET INCREASE IN NET ASSETS RESULTING				
FROM OPERATIONS			\$ 7	7,461,933

Statements of Changes in Net Assets Years Ended June 30, 2011 and 2010

		2011	2010
INCREASE (DECREASE) IN NET ASSETS RESULT	ING		
FROM OPERATIONS	(d)	222 552)	(0.246.020)
Net investment loss	(\$	223,773)	(\$ 246,930)
Net realized gain on investments and foreign currency		943,018	1,631,231
Net increase in unrealized appreciation		943,010	1,031,231
(depreciation) on investments and foreign currency		6,742,688	1,441,347
(uspression) on my sounding and reversing		o,,, . 2 ,000	
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	,	7,461,933	2,825,648
DISTRIBUTIONS TO STOCKHOLDERS			
Net investment income			
Long-term realized gains			
NET DISTRIBUTIONS TO STOCKHOLDERS			
TOTAL INCREASE (DECREASE) IN NET ASSETS		7,461,933	2,825,648
NET ASSETS			
Beginning	2	2,707,148	19,881,500
Ending	\$_3	0,169,081	<u>\$22,707,148</u>

Financial Highlights Years Ended June 30, 2007 through 2011

160		<i>ueu 5</i>	oune ———	50, 200	/ ll	IIO	ugn .	2011			
2007	\$8.08	(0.14)	2.83 2.69	 (1.00) (1.00)	\$9.77	\$13.59	94.61%	\$16,481 3.28%	(1.83%) 28%	ares for each int one-time	
2008	\$9.77	0.22	$\frac{(1.40)}{(1.18)}$	(0.06) (1.22) (1.28)	\$7.31	87.69	(34.29%)	\$27,131 2.74%	1.70% 25%	outstanding sh to the significa	
<u>2009</u>	\$7.31	(0.05)	$\frac{(1.70)}{(1.75)}$	(0.16) (0.05) (0.21)	\$5.35	\$6.07	(17.73%)	\$19,882 3.02%	(0.84%) 17%	by the average ing shares due	
2010	\$5.35	(0.07)	$\frac{0.84}{0.77}$	1 1 1	\$6.12	\$5.67	(6.59%)	\$22,707 2.78%	(1.05%) 27%	of Operations l erage outstand	es.
2011	\$6.12	(0.06)	$\frac{2.07}{2.01}$	1 1 1	\$8.13	\$7.14	25.93%	\$30,169 2.66%	$\frac{(0.81\%)}{22\%}$	the Statement the weighted av	See accompanying notes.
	PER SHARE OPERATING PERFORMANCE (For a share of capital stock outstanding for the year) Net asset value, beginning of year	Operations: Net investment income (loss) ¹	Net realized and unrealized gain (10ss) on investment transactions ¹ Total from operations	Distributions: From net investment income From net realized gains Total distributions	Net asset value, end of year	Per share market value, end of year	Total investment return (loss) based on market value per share	RATIOS AND SUPPLEMENTAL DATA Net assets, end of year (in 000's) Ratio of expenses to average net assets	Katio of net investment income (loss) to average net assets Portfolio turnover rate	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 acc

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 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, 2011, the Fund had foreign investments in companies operating principally in Mexico and Panama representing approximately 19.49% and 9.16% 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.

These financial statements were approved by management and available for issuance on August 15, 2011. Subsequent events have been evaluated through this date.

Security Valuation

In accordance with accounting principles generally accepted in the United States of America ("GAAP"), 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. In accordance with GAAP, 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.

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.

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 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, 2011:

LEVEL	Investments in Securities*
Level 1	\$29,572,948
Level 2	\$40,535
Level 3	\$56**

^{*}See schedule of investments for further disaggregation of securities held

The following is a reconciliation of assets in which significant unobservable inputs (Level 3) were used in determining fair value:

	Investment in Securities
Balance as of 6/30/10	\$0
Unrealized gain/(loss)	8,299
Net purchases/(sales)	(11,250)
Transfer in/(out) of Level 3	<u>3,007</u>
Balance as of 6/30/11	\$56

Income Recognition

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, 2011 were approximately \$729. Discounts and premiums on debt

^{**}See Note 2, non-marketable securities owned

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.

Counterparty Brokers

In the normal course of business, substantially all of the Fund's money balances and security positions are custodied with the Fund's custodial broker, SSBT. The Fund transacts with other brokers, including its introducing broker, Thomas J. Herzfeld & Co., Inc. The Fund is subject to credit risk to the extent any broker with which it conducts business is unable to fulfill contractual obligations on its behalf. The Fund's management monitors the financial condition of such brokers and does not anticipate any losses from these counterparties.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP 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, 2011, the Fund did not declare a distribution.

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, 2011, the position was valued at \$0 by the Board of Directors, which approximates the bonds' fair value.

Investments in securities also include 250,000 shares of Admiralty Holding Company, 20 shares of Ceramica Carabobo Class AADR, 895 shares of Siderurgica Venezolana Sivensa, S.A. ADR, 79 shares of Siderurgica Venezolana Sivensa, S.A. Series B, and 100,000 shares of Cuba Business Development. As of June 30, 2011, the positions were valued at \$0 by the Board of Directors, which approximates their 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 \$56.

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, 2011 amounted to \$403,592, of which \$107,693 is payable as of June 30, 2011.

During the year ended June 30, 2011, the Fund paid \$4,473 of brokerage commissions to Thomas J. Herzfeld & Co., Inc., an affiliate of the Advisor, at an average cost per share of \$0.032.

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, 2011, purchases and sales of investment securities were \$5,782,907 and \$6,366,593, respectively.

At June 30, 2011, the Fund's investment portfolio had gross unrealized gains of \$7,533,245 and gross unrealized losses of \$3,354,441, resulting in a net unrealized gain of \$4,178,804 for financial statement purposes.

NOTE 5. INCOME TAX INFORMATION

For financial statement purposes, the Fund's net investment loss for the year ended June 30, 2011 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.

As of June 30, 2011, for tax purposes the Fund's undistributed net investment loss was \$0 and its undistributed realized loss ("capital loss carryforward") on investments was \$0. The Fund has utilized its capital loss carryforwards of \$735,871 as of June 30, 2011. Additionally, the Fund has no post October capital losses as of June 30, 2011, and its accumulated net realized gain on investments is \$235,285.

The cost basis of securities owned for financial statement purposes is lower than the cost basis for income tax purposes by \$592,784 due to wash sale adjustments. As of June 30, 2011, gross unrealized gains were \$6,940,461 and gross unrealized losses were \$3,354,441 for income tax purposes.

Permanent differences accounted for during the year ended June 30, 2011 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, 2011	223,773	\$14	(\$223,787)

In accordance with GAAP, the Fund is required to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The Fund files an income tax return in the U.S. federal jurisdiction, and may file income tax returns in various U.S. states and foreign jurisdictions. Generally the Fund is no longer subject to income tax examinations by major taxing authorities for years before June 30, 2008. The tax benefit recognized is measured as the largest amount of benefit that has a greater than fifty percent likelihood of being realized upon ultimate

settlement. De-recognition of a tax benefit previously recognized results in the Fund recording a tax liability that reduces ending net assets. This policy has been applied to all existing tax positions upon the Fund's initial adoption for the period ended June 30, 2008. Based on its analysis, the Fund has determined that the adoption of this policy did not have a material impact on the Fund's financial statements upon adoption. However, the Fund's conclusions regarding this policy may be subject to review and adjustment at a later date based on factors including, but not limited to, ongoing analyses of and changes to tax laws, regulations and interpretations thereof.

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, 2011.

NOTE 6. CAPITAL SHARE TRANSACTIONS

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 yearend 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.

No distributions were declared during the fiscal years ended June 30, 2010 or June 30, 2011.

Certified Public Accountants Rothstein, Kass & Company, P.C. 4 Becker Farm Road Roseland, NJ 07068 tel 973.994.6666 fax 973.994.0337 www.rkco.com Beverly Hills
Dallas
Denver
Grand Cayman
Irvine
New York
Roseland
San Francisco

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, 2011, 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 financial highlights for each of the five 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.

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 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, 2011, 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, 2011, 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 five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

Rothstein, Kass x Cempany, P.C.

Roseland, New Jersey August 15, 2011

Directors and Officers of the Fund

Name Address and Age	()	Term of Office and ngth of Time Served
Interested Director		
Thomas J. Herzfeld* PO Box 161465 Miami, FL 33116 Age: 66	President, Portfolio Manager, Chairman, Director	three years; 1993 to present
Independent Directors		
Ann S. Lieff c/o The Herzfeld Caribbean Basin Fund, Inc. PO Box 161465 Miami, FL 33116 Age: 59	Director	three years; 1998 to present
Michael A. Rubin c/o The Herzfeld Caribbean Basin Fund, Inc. PO Box 161465 Miami, FL 33116 Age: 69	Director	three years; 2002 to present
Kay W. Tatum, Ph.D., CPA c/o The Herzfeld Caribbean Basin Fund, Inc. PO Box 161465 Miami, FL 33116 Age: 59	Director	three years; 2007 to present
John A. Gelety c/o The Herzfeld Caribbean Basin Fund, Inc. PO Box 161465 Miami, FL 33116 Age: 43	Director	2011 to present

Principal Occupation(s) During Past 5 Years	Number of Portfolios In Complex Overseen By Director	Other Directorships Held by Director
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)
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.; Birks & Mayors, Inc.; Furniture Brands International, Inc.
Partner of Michael A. Rubin P.A., attorney at law; Broker, Oaks Management & Real Estate Corp., a real estate corporation	1	Margo Caribe, Inc.
Associate Professor of Accounting, University of Miami School of Business Administration, 1992-press Chair, Department of Accounting, 2004-2008; Assistant Professor of Accounting, University of Miami 1986-1992.		None
John A. Gelety, PA, attorney at law, transactional law firm that specialize in business law, with a concentration domestic and cross-border mergers acquisitions, private equity and comtransactions.	es 1 on &	None

Name Address and Age	Position(s) Held with Fund	Term of Office and Length of Time Served
Ted S. Williams** c/o The Herfzeld Caribbean Basin Fund, Inc. PO Box 161465 Miami, FL 33116 Age: 49	Director	three years; 2010 to 2011
Officers Erik M. Herzfeld PO Box 161465 Miami, FL 33116	Portfolio Manager	2008 to present
Age: 38 Cecilia L. Gondor PO Box 161465 Miami, FL 33116	Secretary, Treasurer	1993 to present
Age: 49		

^{*} Mr. Thomas J. 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.

^{**} Mr. Williams resigned as Director effective August 10, 2011.

Principal Occupation(s) During Past 5 Years

Number of Portfolios In Complex Overseen By Director

Other Directorships Held by Director

Vice President, Thomas J. Herzfeld Advisors, Inc. 1991-2007

1

None

Portfolio Manager and Head of Alternative Strategies, Thomas J. Herzfeld Advisors, Inc. 2007-present; Vice President JPMorgan Chase 2000-2007, foreign exchange option trading

N/A

N/A

Executive Vice President of Thomas J. Herzfeld & Co., Inc., a broker dealer, and Thomas J. Herzfeld Advisors, Inc.

Dividend Reinvestment Plan

Registered holders ("Stockholders") of shares of common stock, \$0.001 par value ("Common Stock") of Herzfeld Caribbean Basin Fund, Inc. (the "Fund") will automatically be enrolled ("Participants") in the Fund's Dividend Reinvestment Plan (the "Plan") and are advised as follows:

- State Street Bank & Trust Company (the "Agent") will act as agent for each Participant.
 The Agent will open an account for each registered shareholder as a Participant under
 the Plan in the same name in which such Participant's shares of Common Stock are
 registered.
- 2. CASH OPTION. Pursuant to the Fund's Plan, unless a holder of Common Stock otherwise elects, all dividend and capital gains distributions payable in cash ("Distributions") will be automatically reinvested by the Agent in additional Common Stock of the Fund. Stockholders who elect not to participate in the Plan will receive all cash distributions in cash paid by check mailed directly to the shareholder of record (or, if the shares are held in street or other nominee name then to such nominee) by the Agent, as dividend paying agent. Stockholders and Participants may elect not to participate in the Plan and to receive all cash distributions of dividends and capital gains in cash by sending written instructions to the Agent, as dividend paying agent, at the address set forth below.
- 3. MARKET PREMIUM ISSUANCES. If on the payment date for a Distribution, the net asset value per Common Stock is equal to or less than the market price per Common Stock plus estimated brokerage commissions, the Agent shall receive newly issued Common Stock ("Additional Common Stock") from the Fund for each Participant's account. The number of Additional Common Stock to be credited shall be determined by dividing the dollar amount of the Distribution by the greater of (i) the net asset value per Common Share on the payment date, or (ii) 95% of the market price per Common Share on the payment date.
- 4. MARKET DISCOUNT PURCHASES. If the net asset value per Common Stock exceeds the market price plus estimated brokerage commissions on the payment date for a Distribution, the Agent (or a broker-dealer selected by the Agent) shall endeavor to apply the amount of such Distribution on each Participant's Common Stock to purchase Common Stock on the open market. In the event of a market discount on the payment date, the Agent will have 30 days after the dividend payment date (the "last purchase date") to invest the dividend amount in shares acquired in open-market purchases. The weighted average price (including brokerage commissions) of all Common Stock purchased by the

Dividend Reinvestment Plan (continued)

Agent as Agent shall be the price per Common Stock allocable to each Participant. If, before the Agent has completed its purchases, the market price plus estimated brokerage commissions exceeds the net asset value of the Common Stock as of the payment date, the purchase price paid by Agent may exceed the net asset value of the Common Stock, resulting in the acquisition of fewer Common Stock than if such Distribution had been paid in Common Stock issued by the Fund. Because of the foregoing difficulty with respect to open-market purchases, the Plan provides that if the Plan Agent is unable to invest the full dividend amount in open-market purchases during the purchase period or if the market discount shifts to a market premium during the purchase period, the Plan Agent may cease making open-market purchases and may invest the uninvested portion of the dividend amount in newly issued Common Stock at the net asset value per Common Stock at the close of business on the last purchase date. Participants should note that they will not be able to instruct the Agent to purchase Common Stock at a specific time or at a specific price. Open-market purchases may be made on any securities exchange where Common Stock are traded, in the over-the-counter market or in negotiated transactions, and may be on such terms as to price, delivery and otherwise as the Agent shall determine. Each Participant's uninvested funds held by the Agent will not bear interest. The Agent shall have no liability in connection with any inability to purchase Common Stock within the time provided, or with the timing of any purchases effected. The Agent shall have no responsibility for the value of Common Stock acquired. The Agent may commingle Participants' funds to be used for open-market purchases of the Fund's shares and the price per share allocable to each Participant in connection with such purchases shall be the average price (including brokerage commissions and other related costs) of all Fund shares purchased by Agent. The rules and regulations of the Securities and Exchange Commission may require the Agent to limit the Agent's market purchases or temporarily cease making market purchases for Participants.

- 5. The market price of Common Stock on a particular date shall be the last sales price on the securities exchange where the Common Stock are listed on that date (currently the NASDAQ Capital Market)(the "Exchange"), or, if there is no sale on the Exchange on that date, then the average between the closing bid and asked quotations on the Exchange on such date will be used. The net asset value per Common Stock on a particular date shall be the amount calculated on that date (or if not calculated on such date, the amount most recently calculated) by or on behalf of the Fund.
- 6. Whenever the Agent receives or purchases shares or fractional interests for a Participant's account, the Agent will send such Participant a notification of the transaction as soon as practicable. The Agent will hold such shares and fractional interests as such Participant's agent and may hold them in the Agent's name or the name of the Agent's nominee. The Agent will not send a Participant stock certificates for shares unless a Participants so requests in writing or unless a Participant's account is terminated as stated below. The Agent will vote any shares so held for a Participant in accordance with any proxy returned to the Fund by such Participant in respect of the shares of which such Participant is the record holder.

Dividend Reinvestment Plan (continued)

- 7. There is presently no service charge for the Agent serving as Participants' agent and maintaining Participants' accounts. The Agent may, however, charge Participants for extra services performed at their request. The Plan may be amended in the future to impose a service charge. In acting as Participants' agent under the Plan, the Agent shall be liable only for acts, omissions, losses, damages or expenses caused by the Agent's willful misconduct or gross negligence. In addition, the Agent shall not be liable for any taxes, assessments or governmental charges which may be levied or assessed on any basis whatsoever in connection with the administration of the Plan.
- 8. The Agent may hold each Participant's Common Stock acquired pursuant to the Plan together with the Common Stock of other Stockholders of the Fund acquired pursuant to the Plan in non-certificated form in the Agent's name or that of the Agent's nominee. Each Participant will be sent a confirmation by the Agent of each acquisition made for his or her account as soon as practicable, but in no event later than 60 days, after the date thereof. Upon a Participant's request, the Agent will deliver to the Participant, without charge, a certificate or certificates for the full Common Stock. Although each Participant may from time to time have an undivided fractional interest in a Common Share of the Fund, no certificates for a fractional share will be issued. Similarly, Participants may request to sell a portion of the Common Stock held by the Agent in their Plan accounts by calling the Agent, writing to the Agent, or completing and returning the transaction form attached to each Plan statement. The Agent will sell such Common Stock through a broker-dealer selected by the Agent within 5 business days of receipt of the request. The sale price will equal the weighted average price of all Common Stock sold through the Plan on the day of the sale, less brokerage commissions. Participants should note that the Agent is unable to accept instructions to sell on a specific date or at a specific price. Any share dividends or split shares distributed by the Fund on Common Stock held by the Agent for Participants will be credited to their accounts. In the event that the Fund makes available to its Stockholders rights to purchase additional Common Stock, the Common Stock held for each Participant under the Plan will be added to other Common Stock held by the Participant in calculating the number of rights to be issued to each Participant.

If a Participant holds more than one Common Stock Certificate registered in similar but not identical names or if more than one address is shown for a Participant on the Fund's records, all of such Participant's shares of Common Stock must be put into the same name and address if all of them are to be covered by one account. Additional shares subsequently acquired by a Participant otherwise than through the Plan will be covered by the Plan.

9. The reinvestment of Distributions does not relieve Participants of any federal, state or local taxes which may be payable (or required to be withheld on Distributions.) Participants will receive tax information annually for their personal records and to help them prepare their federal income tax return. For further information as to tax consequences of participation in the Plan, Participants should consult with their own tax advisors.

Dividend Reinvestment Plan (continued)

- 10. Each registered Participant may terminate his or her account under the Plan by notifying the Agent in writing at State Street Bank and Trust, P.O. Box 642, Boston, MA 02117-0642, or by calling the Agent at (617) 443-6870. Such termination will be effective with respect to a particular Distribution if the Participant's notice is received by the Agent prior to such Distribution record date. The Plan may be terminated by the Agent or the Fund upon notice in writing mailed to each Participant at least 60 days prior to the effective date of the termination. Upon any termination, the Agent will cause a certificate or certificates to be issued for the full shares held for each Participant under the Plan and cash adjustment for any fraction of a Common Share at the then current market value of the Common Shares to be delivered to him. If preferred, a Participant may request the sale of all of the Common Shares held by the Agent in his or her Plan account in order to terminate participation in the Plan. If any Participant elects in advance of such termination to have Agent sell part or all of his shares, Agent is authorized to deduct from the proceeds the brokerage commissions incurred for the transaction. If a Participant has terminated his or her participation in the Plan but continues to have Common Shares registered in his or her name, he or she may re-enroll in the Plan at any time by notifying the Agent in writing at the address above.
- 11. These terms and conditions may be amended by the Agent or the Fund at any time but, except when necessary or appropriate to comply with applicable law or the rules or policies of the Securities and Exchange Commission or any other regulatory authority, only by mailing to each Participant appropriate written notice at least 30 days prior to the effective date thereof. The amendment shall be deemed to be accepted by each Participant unless, prior to the effective date thereof, the Agent receives notice of the termination of the Participant's account under the Plan. Any such amendment may include an appointment by the Agent of a successor Agent, subject to the prior written approval of the successor Agent by the Fund.
- 12. These terms and conditions shall be governed by the laws of the State of Maryland.

Dated: November 22, 2006

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 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.

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 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.

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.

THE HERZFELD CARIBBEAN BASIN FUND, INC.

The Herzfeld Building P.O. Box 161465
Miami, FL 33116