

**The Herzfeld Group, Inc.**

**1715 East Bay Drive, Suite C  
Largo, Florida 33770**

**Paul V. Herzfeld, President  
A Registered Investment Advisor**

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**[www.herzfeld.net](http://www.herzfeld.net)**

**January 10, 2011**

**This brochure provides information about the qualifications and business practices of The Herzfeld Group. If you have any questions about the contents of this brochure, please contact us at (727-587-0009). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority. Also, Paul Herzfeld, Registered Investment Advisor does not imply a certain level of skill or training.**

**Additional information about The Herzfeld Group also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**ITEM 2 – Material Changes**

**N/A**

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**Item 4. Advisory Business** The Herzfeld Group, Inc. (hereinafter THGI) provides investment supervisory services, defined as giving continuous advice to a client or making investments for a client based on the individual needs of the client.

Paul V. Herzfeld is the principal owner of THGI and the only registered investment adviser. He has been in business since 1991. Paul Herzfeld has an undergraduate degree from Princeton University, a Doctor of Law Degree from Washington University in St. Louis, and a Master's Degree in Tax Law from the College of William and Mary. Paul has been licensed in both Securities and Life Insurance since 1987.

Paul Herzfeld and The Herzfeld Group, Inc. are supervised and regulated by the state of Florida.

After meeting with you and discussing your financial goals and objectives, Paul Herzfeld will develop a personal investment strategy based on your needs. Paul Herzfeld will create and manage your investment account based on that strategy.

THGI has an estimated \$42,900,000 of discretionary assets under management as of January 10, 2011. The Herzfeld Group does not participate in wrap fee programs.

**Item 5. Fees and Compensation** Upon hiring Paul Herzfeld as your investment advisor you will be asked to sign an Investment Advisor Agreement. This is your contract with Paul Herzfeld to pay an annual fee in return for his investment supervisory services.

The annual fee for investment supervisory services is a percentage of your assets under management. The fee is 1.0% of the first \$500,000 of assets and .6% on assets above \$500,000. We will quote an exact percentage to you based on your total dollar value of your account. This fee is negotiable.

Fees are calculated and charged quarterly. The fee is charged in advance of the quarter the services are rendered and is calculated based on the account value as of the close of business of the first day of the new quarter.

If you become a client, all investment supervisory service fees are transferred electronically from your TD Ameritrade account to The Herzfeld Group's sundry account at TD Ameritrade. You will receive a quarterly invoice for these fees from The Herzfeld Group.

The Investment Advisor Agreement may be canceled at any time, by either party, for any reason. A written notice of the termination of the agreement is required. Once this agreement is terminated, any prepaid, unearned fees will be promptly refunded and any earned unpaid fees will be due and payable. You have the

right to terminate an agreement without penalty within five business days after entering into the agreement.

While your account is under Paul Herzfeld's supervision, you may incur charges other than the advisory fees. TD Ameritrade charges an approximately \$16.99 transaction fee for each trade placed in your account. A discounted rate of \$9.99 is given by TD Ameritrade if you choose to receive your account confirmations and statements via email instead of paper mail delivery.

The Herzfeld Group does not typically invest in mutual funds. However, if an occasion arises, you may incur fees from mutual funds who charge fees to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. You could invest in a mutual fund directly, without the services of THGI. In that case, you would not receive the services provided by THGI which are designed, among other things, to assist you in determining which mutual fund or funds are most appropriate to your financial condition and objectives. Accordingly, you should review both the fees charged by the funds and the fees charged by THGI to fully understand the total amount of fees you will pay and to thereby evaluate the advisory services being provided.

The Herzfeld Group does not accept any compensation for the sale of securities or other investment products.

**ITEM 6 Performance-Based Fees or Side-By-Side Management** The fee charged by The Herzfeld Group is calculated as described in Item 5 above, and is not charged on the basis of a share of capital gains on or capital appreciation of the assets or any portion of the funds of an advisory client (SEC Rule 205(a)(1)).

**ITEM 7 Types of Clients** Clients of The Herzfeld Group are individuals, trusts, and/or estates. There is a minimum account size of \$100,000. However, that amount is negotiable.

**ITEM 8 Methods of Analysis, Investment Strategies and Risk of Loss** In your first meeting with Paul Herzfeld, he will discuss your acceptable level of risk. In our experience most clients fall into the medium level. We define this level as an account with approximately 50% invested in Bonds and bond equivalent, 30% in Stocks, 10% in REITS, and 10% in Cash. A 10% loss would be manageable, and price fluctuations within 10-20% are understood and acceptable.

++Client investment objective are derived from the client's financial circumstances. While we recognized there are many levels of risk each client maybe, The Herzfeld Group recommends and subjects to clients a level we considers medium.

There are three levels of risk-taking by clients; Low, Medium, and High.

Low – Stated by client and followed, or client cannot afford 10% or more loss of capital. 80% Bonds.

Medium - Most Clients fit in here.

High - Still working making high salary or net worth over \$1.5 million. Up to 70% Stocks.

Paul Herzfeld discusses the risk levels with each new client, and it is agreed upon which level best suits the client.

The types of investments The Herzfeld Group invest in are listed below:

- A. Equity securities
  - (1) exchange-listed securities
  - (2) securities traded over-the-counter
  - (3) foreign issuers
- B. Corporate debt securities  
(other than commercial paper)
- C. Commercial paper
- D. Certificates of deposit
- E. Municipal securities
- F. United States government securities

**ITEM 9 Disciplinary Information** Neither The Herzfeld Group nor Paul Herzfeld have any legal or disciplinary events to report that are material to a client's or prospective client's evaluation of The Herzfeld Group.

**ITEM 10 Other Financial Industry Activities and Affiliations** Paul V. Herzfeld is also owner of Paul V. Herzfeld, Attorney at Law. Paul V. Herzfeld, Attorney at Law may recommend THGI to clients in need of advisory services. THGI may recommend Paul V. Herzfeld, Attorney at Law to advisory clients in need of law services. The legal services provided by Paul V. Herzfeld, Attorney at Law are separate and distinct from the advisory services of THGI, and are provided for separate and typical compensation. There are no referral fee arrangements between THGI and Paul V. Herzfeld, Attorney at Law for these recommendations. You are not obligated to use Paul V. Herzfeld, Attorney at Law for any law services.

Paul V. Herzfeld may spend as much as 10% of his time with legal related activities.

Paul V. Herzfeld also provides tax accounting service to The Herzfeld Group's clients for a fee. You are not obligated to use these services either.

**ITEM 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading** A copy of The Herzfeld Group's Code of Ethics is available to you at any time upon request.

The Herzfeld Group does not hold material financial interest in any of the securities purchased in your account.

Paul V. Herzfeld may occasionally own or trade the same securities held in your account. These trades do not have any effect on your position in that security.

Occasionally Paul V. Herzfeld will buy or sell a security at the same time as buying or selling the same security for his clients. The security is purchased in a block account. This allows for the purchase or sale price to be averaged between all shares involved. This prevents the conflict of allowing the allocation of a better purchase or sale price to Paul V. Herzfeld.

**ITEM 12 Brokerage Practices** THGI does not receive any compensation or soft dollar benefits from any broker it recommends to you. THGI does not receive client referrals from broker/dealer. Therefore does not base broker/dealer selection on client referrals.

At this time The Herzfeld Group does not have any arrangements, oral or written, where The Herzfeld Group is compensated for client referrals.

THGI recommends the brokerage services of TD Ameritrade, Inc. The factors considered by THGI when making this recommendation are the broker's ability to provide professional services, THGI's experience with the broker, the broker's reputation, and the broker's financial strength, among other factors. THGI's clients may use any broker or dealer of their choice. Clients must independently evaluate these brokers before opening an account.

THGI is not affiliated with TD Ameritrade, Inc.

**ITEM 13 Review of Accounts** While the securities within investment accounts are continuously monitored, Paul V. Herzfeld will formally review your account with you every six months by telephone or in person. However, you may request a review at any time.

You will receive monthly statements and confirmations of all transactions within your account from TD Ameritrade. THGI will provide additional reports upon request.

**ITEM 14 Client Referrals and Other Compensation**

The Herzfeld Group may from time to time compensate, either directly or indirectly, any person (defined as a natural person or a company) for client referrals. THGI is aware of the special considerations promulgated under Section 206(4)-3 of the Investment Advisors Act of 1940. As such, appropriate disclosure shall be made, all written instruments will be maintained by THGI and all applicable Federal and/or State laws will be observed. At the present time The Herzfeld Group has no referral arrangements and has not provided any compensation for referrals in the past 10 years.

**ITEM 15 Custody**

Custodial clients will receive monthly written statements from TD Ameritrade and are encouraged to compare them to reports or statements given to them by The Herzfeld Group.

**ITEM 16 Investment Discretion**

Paul Herzfeld accepts discretionary authority over your investment account at the time the account is opened and the Investment Advisory Agreement is signed. You may place conditions on the discretion authority with Paul V. Herzfeld at any time.

**ITEM 17 Voting Client Securities**

As a client you have the option to authorize Paul V. Herzfeld to vote your proxies on your behalf. You may revoke this authorization and reclaim your right to vote at any time. You also have the option to receive informational copies of the voting proxies.

If you choose not to give Paul V. Herzfeld this authority, you will receive your proxies and other solicitations directly. You are welcomed and encouraged to call Paul V. Herzfeld with any questions.

**ITEM 18 Financial Information**

The Herzfeld Group does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

The Herzfeld Group has never been the subject of a bankruptcy petition.