Issuer Direct Corp. Electronic EDGAR Proof

Job Number:	**81107**
Filer:	**Capital Financial Holdings, Inc**
Form Type:	**10-Q**
Reporting Period / Event Date:	**09/30/11**
Customer Service Representative:	**ISG**
Revision Number:	**.**

This proof may not fit on letter-sized (8.5 x 11 inch) paper. If copy is cut off, please print to a larger format, e.g., legal-sized (8.5 x 14 inch) paper or oversized (11 x 17 inch) paper.

Accuracy of proof is guaranteed ONLY if printed to a PostScript printer using the correct PostScript driver for that printer make and model.

(this header is not part of the document)

EDGAR Submission Header Summary

Submission Type	**10-Q**
Live File	**on**
Return Copy	**on**
Submission Contact	**Issuer Direct Corp.**
Submission Contact Phone Number	**919-481-4000**
Exchange	**NONE**
Confirming Copy	**off**
Filer CIK	**0000944696**
Filer CCC	**xxxxxxxx**
Period of Report	**09/30/11**
Smaller Reporting Company	**off**
Notify via Filing website Only	**off**

Documents

10-Q	**cpfh_10q.htm**
	Period Ended September 30, 2012
EX-31.1	**cpfh_ex311.htm**
	Certification
EX-31.2	**cpfh_ex312.htm**
	Certification
EX-32.1	**cpfh_ex321.htm**
	Certification
EX-32.2	**cpfh_ex322.htm**
	Certification

Module and Segment References

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☑ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **September 30, 2012**

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission file number: **0-25958**

CAPITAL FINANCIAL HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

North Dakota	**45-0404061**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1 Main Street North
Minot, North Dakota 58703
(Address of principal executive offices) (Zip code)

(701) 837-9600
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☑

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of September 30, 2012, there were 14,455,943 common shares of the issuer outstanding.

FORM 10-Q

CAPITAL FINANCIAL HOLDINGS, INC.

INDEX

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CAPITAL FINANCIAL HOLDINGS, INC., AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	(Unaudited) September 30, 2012	December 31, 2011
CURRENT ASSETS		
Cash and cash equivalents	$ 1,211,432	$ 929,030
Accounts receivable (net of an allowance of $24,000 for 2012 and 2011)	1,438,648	1,294,930
Income taxes receivable	-	58,354
Deferred tax asset – current	53,031	81,287
Prepaids	34,037	44,063
Total current assets	$ 2,737,148	$ 2,407,664
PROPERTY AND EQUIPMENT	$	$
Property and equipment	321,795	1,740,606
Less accumulated depreciation	(272,648)	(674,590)
Net property and equipment	$ 49,147	$ 1,066,016
OTHER ASSETS		
Goodwill	$ 2,132,026	$ 2,472,419
Severance escrow	254,133	229,568
Deferred tax asset	543,501	521,897
Other assets (net of accumulated amortization of $214,444 for 2012 and 2011)	225,890	225,503
Total other assets	$ 3,155,550	$ 3,449,387
TOTAL ASSETS	$ 5,941,845	$ 6,923,067

SEE NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

LIABILITIES AND STOCKHOLDERS' EQUITY

	(Unaudited) September 30, 2012	December 31, 2011
CURRENT LIABILITIES		
Accounts payable	$ 120,190	$ 85,094
Commissions payable	1,506,365	1,184,745
Other current liabilities	170,383	144,882
Current portion of long-term liabilities	123,489	242,475
Total current liabilities	$ 1,920,427	$ 1,657,196
LONG-TERM LIABILITIES		
Promissory note	99,419	1,057,525
Other long-term liabilities	-	61,590
Total long-term liabilities	$ 99,419	$ 1,119,115
TOTAL LIABILITIES	$ 2,019,846	$ 2,776,311
STOCKHOLDERS' EQUITY		
Series A preferred stock – 5,000,000 shares authorized, $.0001 par value; 3,050,000 and 3,050,000 shares issued and outstanding, respectively	$ 305	$ 305
Additional paid in capital – series A preferred stock	1,524,695	1,524,695
Common stock – 1,000,000,000 shares authorized, $.0001 par value; 14,455,943 and 14,455,943 shares issued and outstanding, respectively	1,446	1,446
Additional paid in capital – common stock	10,446,301	10,446,301
Accumulated deficit	(6,750,748)	(6,525,991)
Less Treasury stock, 3,050,000 preferred shares at $0.4262	(1,300,000)	(1,300,000)
TOTAL STOCKHOLDERS' EQUITY	$ 3,921,999	$ 4,146,756
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 5,941,845	$ 6,923,067

SEE NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CAPITAL FINANCIAL HOLDINGS, INC., AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	(Unaudited) Three Months Ended September 30, 2012	(Unaudited) Three Months Ended September 30, 2011
OPERATING REVENUES		
Fee income	$ 225,008	$ 241,824
Commissions	4,414,585	3,758,218
Interest and other income	84,771	170,681
Total revenue	$ 4,724,365	$ 4,170,723
OPERATING EXPENSES		
Compensation and benefits	$ 260,034	$ 238,999
Commission expense	4,070,011	3,519,747
General and administrative expenses	249,553	435,331
Depreciation and amortization	6,913	16,504
Total operating expenses	$ 4,586,510	$ 4,210,581
OPERATING INCOME (LOSS)	$ 137,855	$ (39,858)
OTHER INCOME (EXPENSES)		
Interest expense	$ (3,120)	$ (4,724)
INCOME (LOSS) OF CONTINUING OPERATIONS BEFORE INCOME TAX EXPENSE	134,735	(44,582)
INCOME TAX BENEFIT (EXPENSE)	$ (52,015)	$ (38,445)
NET INCOME BEFORE DISCONTINUED OPERATIONS	82,720	(83,027)
DISCONTINUED OPERATIONS	$	$
Loss on sale of mutual fund segment	-	(38,581)
NET INCOME (LOSS)	$ 82,720	$ (121,608)
NET LOSS OF CONTINUING OPERATIONS PER COMMON SHARE:		
Basic	$ .01	$ (.01)
Diluted	$ .01	$ (.01)
SHARES USED IN COMPUTING NET INCOME OF CONTINUING OPERATIONS PER COMMON SHARE:		
Basic	14,638,937	14,638,937
Diluted	14,638,937	14,638,937
NET INCOME PER COMMON SHARE:		
Basic	$ .01	$ (.01)
Diluted	$ .01	$ (.01)
SHARES USED IN COMPUTING NET PER COMMON SHARE:		
Basic	14,638,937	14,638,937
Diluted	14,638,937	14,638,937

SEE NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CAPITAL FINANCIAL HOLDINGS, INC., AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	(Unaudited) Nine Months Ended September 30, 2012	2011
OPERATING REVENUES		
Fee income	$ 719,044	$ 751,737
Commissions	12,860,441	12,854,662
Interest and other income	172,632	433,090
Total revenue	$ 13,752,118	$ 14,039,489
OPERATING EXPENSES		
Compensation and benefits	$ 835,699	$ 798,086
Commission expense	11,769,459	11,974,474
General and administrative expenses	981,066	1,123,948
Depreciation and amortization	28,844	51,023
Goodwill impairment	314,531	-
Total operating expenses	$ 13,929,599	$ 13,947,531
OPERATING INCOME (LOSS)	$ (177,481)	$ 91,958
OTHER INCOME (EXPENSES)		
Interest expense	$ (29,048)	$ (40,730)
Gain on payoff of convertible promissory note	-	235,000
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAX EXPENSE	$ (206,529)	$ 286,228
INCOME TAX BENEFIT (EXPENSE)	(18,229)	(86,832)
NET INCOME (LOSS) BEFORE DISCONTINUED OPERATIONS	$ (224,758)	$ 199,396
DISCONTINUED OPERATIONS		
Loss on sale of mutual fund segment	-	(76,662)
NET INCOME (LOSS)	$ (224,758)	$ 122,734
NET LOSS OF CONTINUING OPERATIONS PER COMMON SHARE:		
Basic	$ (.02)	$ .01
Diluted	$ (.02)	$ .01
SHARES USED IN COMPUTING NET INCOME OF CONTINUING OPERATIONS PER COMMON SHARE:		
Basic	14,638,937	14,638,937
Diluted	14,638,937	14,638,937
NET INCOME PER COMMON SHARE:		
Basic	$ (.02)	$ .00
Diluted	$ (.02)	$ .00
SHARES USED IN COMPUTING NET PER COMMON SHARE:		
Basic	14,638,937	14,638,937
Diluted	14,638,937	14,638,937

SEE NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

CAPITAL FINANCIAL HOLDINGS, INC., AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	(Unaudited) Nine Months Ended September 30, 2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ (224,758)	$ 122,734
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	28,840	51,023
Goodwill Impairment	314,531	-
Loss on disposal of discontinued operations	-	76,662
Loss on sale of building	69,469	-
Deferred tax (benefit)/expense	6,652	69,571
(Increase) decrease in:		
Accounts receivable	(143,718)	134,586
Income taxes receivable	65,722	202
Prepaids & Other	9,644	(390)
Increase (decrease) in:		
Accounts payable	35,096	(232,445)
Commissions payable	321,620	(215,422)
Other liabilities	43,994	39,961
Net cash provided by operating activities	$ 527,092	$ 46,482
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	$ (12,688)	$ (9,823)
Proceeds from sale of building	931,245	-
Long-term receivable	-	347,276
Net cash provided by (used in) investing activities	$ 918,557	$ (337,453)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term liability	-	(62,820)
Reduction of notes payable	(61,590)	(277,772)
Prepayment of convertible promissory note	-	(950,000)
Repayment of promissory note	1,077,092	-
Preferred dividends paid	-	(68,625)
Net cash used in financing activities	$ (1,138,682)	$ (1,359,217)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 306,967	$ (975,282)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	$ 1,158,598	2,186,201
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 1,465,565	$ 1,210,919
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash	$ 1,211,432	$ 981,395
Severance escrow	254,133	229,524
Net Cash	$ 1,465,565	$ 1,210,919
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Preferred stock dividends declared	-	22,875
Decrease in long-term receivable	-	76,662
Decrease in goodwill	-	73,585
Decrease in other long-term liabilities	-	73,585

SEE NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CAPITAL FINANCIAL HOLDINGS, INC., AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
September 30, 2012 and 2011

NOTE 1 - BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements of Capital Financial Holdings, Inc., a North Dakota corporation, and its subsidiary (collectively, the "Company"), included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the footnotes thereto contained in the Annual Report on Form 10-K for the year ended December 31, 2011, of Capital Financial Holdings, Inc., as filed with the SEC. The condensed consolidated balance sheet at December 31, 2011, contained herein, was derived from audited financial statements, but does not include all disclosures included in the Form 10-K and applicable under accounting principles generally accepted in the United States of America. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America, but not required for interim reporting purposes, have been condensed or omitted.

In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments (which are of a normal, recurring nature) necessary for a fair presentation of the financial statements. The results of operations for the three and nine months ended September 30, 2012, are not necessarily indicative of operating results for the entire year.

NOTE 2 – RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

A summary of our significant accounting policies is included in Note 1 on pages 11 of our 2011 Form 10-K.

The Company adopted Financial Accounting Standard Board "FASB"Accounting Standards Codification "ASC" 220-10, Comprehensive Income. ASC 220-10 establishes standards for the reporting and presentation of comprehensive income in the financial statements and requires the reporting of comprehensive income either in a single continuous financial statement or in two separate but consecutive financial statements. ASC 220-10 eliminates the option of reporting components of other comprehensive income as part of the statement of changes in stockholder's equity. Since the Company has no items of other comprehensive income at this time or in prior periods presented within these condensed consolidated financial statements, the Company is not required to report other comprehensive income or comprehensive income. Therefore the adoption of ASC 220 did not have an effect on the Company's condensed consolidated financial statements.

The Company adopted ASC 820-10, Fair Value Measurements and Disclosures, for nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis. The adoption of ASC 820-10 did not have a material impact on the Company's condensed consolidated financial statements.

NOTE 3 - RECLASSIFICATION

Certain amounts in the 2011 condensed consolidated financial statements have been reclassified to conform to the 2012 presentation. These reclassifications had no effect on the Company's net income (loss).

NOTE 4 - INCOME TAXES

The Company has completed various acquisitions in prior years, which have been classified as goodwill at the time of acquisition. The Company amortizes certain goodwill for tax purposes. The Company tests goodwill for impairment annually for book purposes, during the second quarter of each fiscal year. The annual test is done at the reporting unit level using a fair value approach, in accordance with the FASB accounting and reporting standards. Deferred tax assets or deferred tax liabilities may result from these timing differences.

The Company has adopted accounting and reporting standards for share-based payment (See Note 7 – Stock Warrants, Stock Splits, and Stock Options.) As a result, the Company expenses stock-based employee compensation for book purposes on the grant date, but does not expense them for tax purposes until such options are exercised. Deferred tax assets are a result of these timing differences.

NOTE 5 - BUSINESS ACQUISITIONS

On March 7, 2007, the Company acquired certain assets of United Heritage Financial Services, Inc. (UHFS), a wholly owned subsidiary of United Heritage Financial Group, Inc., of Meridian, Idaho. UHFS had approximately 120 independent registered representatives who became part of Capital Financial Services, Inc. (CFS), the retail brokerage division of the Company. Pursuant to the agreement, in exchange for receipt of the assets of UHFS set forth above, the Company agreed to issue 500,000 restricted CFH shares and pay a deferred cash earn out payment totaling a maximum of $900,000, to be paid in 21 quarterly installments. As of June 30, 2012, the Company had made twenty-one quarterly installment payments. There is no longer a liability relating to this acquisition as of June 30, 2012. Due to the goodwill impairment charge that was recorded on December 31, 2010 and March 31, 2012(See Note 6-Goodwill), as of September 30, 2012 the total goodwill recorded relating to this acquisition was $476,631.

NOTE 6 - GOODWILL

The changes in the carrying amount of goodwill for the nine months ended September 30, 2012, are as follows:

Balance as of January 1, 2011	$	2,472,419
Impairment loss on goodwill		(314,531)
Goodwill acquisition price adjustment during the period (See Note 5)		(25,862)
Balance as of September 30, 2012	$	2,132,026

The Company's goodwill represents the excess of purchase prices over the fair value of the identifiable net assets of previously acquired broker/dealer businesses. The goodwill is not amortized; instead it is tested for impairment annually or more frequently if the fair value of a reporting unit is below its carrying value. Absent any impairment indicators, the Company performs its annual goodwill impairment testing as of June 30 of each year.

The Company's policy is to test goodwill for impairment using a fair value approach at the reporting unit level. The Company performs its goodwill impairment test in two steps. Step one compares the fair value of the reporting unit to its carrying value, including goodwill. If the fair value of the unit determined in step one is lower than its carrying value, the Company proceeds to step two, which then compares the carrying value of goodwill to its implied fair value. Any excess of carrying value of goodwill over its implied fair value at a reporting unit is recorded as impairment.

The valuation methodology the Company utilizes in testing the Company's goodwill for impairment is based on the income approach. The income approach is based on a discounted cash flow methodology in which expected future net cash flows are discounted to present value, using a discounted rate that compensates for the risk in attaining the projected cash flows. This approach is dependent upon a number of significant management estimates about future performance including but not limited to, market performance, income taxes, capital spending and working capital changes.

The Company tests goodwill for impairment annually during the second quarter of each fiscal year. If an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value, goodwill will be evaluated for impairment between annual tests. The Company completed a two-step test which showed that the Company's reporting unit's fair market value was more then its carrying value, therefore, there was no impairment recorded during the second quarter or third quarter.

Based on the analysis performed, the Company's reporting unit's fair market value of $3.07 million is less than its carrying value of $3.39 million. Therefore, impairment of $314,531 was indicated, and the Company proceeded to the second step of the testing process and determined that the Company would record goodwill impairment of $314,531 during the 1Q of 2012 to reduce the carrying value of goodwill to its implied fair value. Losses of $314,531 represent an impairment charge related to the goodwill attributable to the Broker-Dealer segment.

NOTE 7 - STOCK WARRANTS, STOCK SPLITS, AND STOCK OPTIONS

The Company measures and records compensation expense for all share-based payment awards made to employees and directors, including employee stock options, based on estimated fair values. There were no compensation costs or deferred tax benefits recognized for stock-based compensation awards for the nine months ended September, 2012 and 2011.

Option activity for the twelve months ended December 31, 2011 and the nine months ended September 30, 2012 was as follows:

	Number of Options	Weighted Average Exercise Price per Share	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value
Outstanding on January 1, 2011	5,888,113	$ .54	$ .28	$ -
Granted	-	-	-	
Exercised	-	-	-	
Canceled	-	-	-	
Outstanding on December 31, 2011	5,888,113	$ .54	$ .28	$ -
Granted	-	-	-	
Exercised	-	-	-	
Canceled	500,000	-	-	
Outstanding on September 30, 2012	5,388,113	$ .54	$ .28	$ -

Exercisable options totaled 5,888,113 at December 31, 2011 and totaled 5,388,113 at September 30, 2012.

NOTE 8 – PROMISSORY NOTE

On October 21, 2011, the Company issued a promissory note to PawnMart, Inc. in exchange for the repurchase of the 3,050,000 shares of preferred stock. The note carries an interest rate of 7%. As of December 31, 2011 the Company made one quarterly payment of $66,801. On March 30, 2012 the Company made a payment of $925,922. In April of 2012, the Company made a $100,000 payment. The Company will make quarterly payments of $34,000 with the last payment being $34,965. The note will mature April 1, 2014.

NOTE 9 - EARNINGS PER SHARE

Basic earnings per share are computed by dividing earnings available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflect per share amounts that would have resulted if dilutive potential common shares had been converted to common shares. The following reconciles amounts reported in the financial statements:

	Three Months Ended September 30, 2012			Three Months Ended September 30, 2011		
	Numerator	Denominator	Per Share Amount	Numerator	Denominator	Per Share Amount
Net (Loss) Income	$ 82,720			(121,608)		
Less: Preferred Stock Dividends				(22,875)		
Income Available to Common Shareholders – Basic Earnings per Share	$ 82,720	14,638,937	.01	(144,483)	14,638,937	$ (.01)
Effect of Dilutive Securities:						
Preferred Stock Dividends						
Stock Options and Warrants						
Income Available to Common Shareholders – Diluted Earnings per Share	$ 82,720	14,638,937	.01	(144,483)	14,638,937	$ (.01)

	Nine Months Ended September 30, 2012			Nine Months Ended September 30, 2011		
	Numerator	Denominator	Per Share Amount	Numerator	Denominator	Per Share Amount
Net (Loss) Income	$ (224,758)			122,734		
Less: Preferred Stock Dividends				(68,625)		
Income Available to Common Shareholders – Basic Earnings per Share	$ (224,758)	14,638,937	(.02)	54,109	14,638,937	.00
Effect of Dilutive Securities:						
Preferred Stock Dividends						
Stock Options and Warrants						
Income Available to Common Shareholders – Diluted Earnings per Share	$ (224,758)	14,638,937	(.02)	54,109	14,638,937	.00

The variance between the 14,638,937 shares reported and the 14,455,943 actual shares outstanding is due to the Employee Stock Option Plan that closed at the end of 2009.

Options and warrants to purchase 8,486,113 common shares at exercise prices between $0.35 and $1.43 were outstanding at September 30, 2012, but were not included in the computation of diluted earnings per share for the quarter ending September 30, 2012, because their effect was anti-dilutive.

The Company had outstanding, at September 30, 2012, 3,050,000 Series A preferred shares. The preferred shares are entitled to receive a cumulative dividend at a rate of 6% per year, payable quarterly. The preferred shares are convertible to the Company’s common shares at the rate of one share of common shares for one share of Series A preferred shares at any time after issuance.

The Series A preferred shares were not included in the computation of diluted earnings per share for the quarter ended September 30, 2012, because their effect was anti-dilutive.

NOTE 10 – FAIR VALUE DISCLOSURES

The Company has adopted a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value in three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.

- Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.

- Level 3 are unobservable inputs for the asset or liability and rely on management’s own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Company’s own data.)

The application of valuation techniques applied to similar assets and liabilities has been consistently applied. The following is a description of the valuation methodologies used for instruments measured at fair value:

On February 12, 2009, CFS entered into a settlement agreement with a client, which resulted in CFS purchasing the client’s investment in the Omega 2007 Drilling Program 1, LP. This limited partnership carries a “presentment” feature which allows CFS to sell the investment to the General Managing Partner of the limited partnership; and this feature has become available. The fair market value of this $76,876 investment is estimated to be $45,000 based on discounted cash flows; however this amount could fluctuate with the prices of oil and natural gas. CFS has determined, based off of information provided by the Limited Partnership, that the “presentment” feature will not be utilized at this time, due to the reduction in the present value of the investment. This investment is included in other assets on the balance sheet.

The Company has accumulated cash for the possible future payments of severance and benefits for senior management, should they leave. This is an accrual the company has elected to set aside for possible future obligations. These funds are reflected as Severance Escrow on the balance sheet, and consist of cash accounts.

	Carrying Value at September 30, 2012				Quarter ended September 30, 2012
	Total	**Level 1**	**Level 2**	**Level 3**	**Total Losses**
Other Investment	$ 45,000	$ -	$ -	$ 45,000	$ -
Severance Escrow	254,133	254,133			

	Carrying Value at September 30, 2011				Quarter ended September 30, 2011
	Total	**Level 1**	**Level 2**	**Level 3**	**Total Losses**
Other Investment	$ 45,000	$ -	$ -	$ 45,000	$ -
Severance Escrow	229,568	229,568			

Reconciliation of Level 3 Balances:

Balance as of January 1, 2011	$ 45,000
Purchase of other investment	-
Impairment loss on other investment	-
Balance as of December 31, 2011	45,000
Impairment loss on other investment	-
Balance as of September 30, 2012	$ 45,000

The following table presents the assets and liabilities carried on the balance sheet by caption and by level within the hierarchy (as described above) as of September 30, 2012, which are measured on a non-recurring basis.

	Carrying Value at September 30, 2012				Nine Months ended September 30, 2012
	Total	**Level 1**	**Level 2**	**Level 3**	**Total Losses**
Goodwill	$ 2,132,026	$ -	$ -	$ 2,132,026	$ 314,531

Losses of $314,531 represent an impairment charge related to the goodwill of the Broker-Dealer segment.

Reconciliation of Level 3 Balances:

Balance as of January 1, 2011	$ 2,574,413
Reduction in goodwill related to UHFS acquisition (See Note 5-Business Acquisitions)	(101,994)
Balance as of December 31, 2011	2,472,419
Reduction in goodwill related to UHFS acquisition (See Note 5-Business Acquisitions)	(25,862)
Impairment loss on goodwill	(314,531)
Balance as of September 30, 2012	$ 2,132,026

NOTE 11 – LEGAL PROCEEDINGS

The Company operates in a legal and regulatory environment that exposes it to potentially significant litigation risks. As a result, the Company is involved in various disputes and legal proceedings, including litigation, arbitration and regulatory investigations, including a number of investigatory matters and legal proceedings arising out of customer allegations related to past commissioned sales of alternative investment products. In 2007 through the first quarter of 2009 approximately 10% to 20% of the Company's sales of commissioned products were in private placements of alternative products, two of which as of December 31, 2009 (Medical Capital Corporation and related issuer entities and Provident Royalties, LLC and related issuer entities) were placed in receivership by action of the United States Securities and Exchange Commission and issuers of certain other alternative products sold by the Company are in Chapter 11 Bankruptcy or may have other financial difficulties. Additionally, difficult economic conditions in general and the stock market decline have contributed to a decline in our broker-dealer subsidiary's client portfolio values. As a result of such alleged failings of alternative products and the uncertainty of client recovery from the various product issuers, the Company is subject to regulatory scrutiny and a number of legal and/or arbitration proceedings. The Company vigorously contests the allegations of the various proceedings and believes that there are multiple meritorious legal and fact based defenses in these matters. Such cases are subject to many uncertainties, and their outcome is often difficult to predict, including the impact on operations or on the financial statements, particularly in the earlier stages of a case. The Company makes provisions for cases brought against it when, in the opinion of management after seeking legal advice, it is probable that a liability exists, and the amount can be reasonably estimated. The current proceedings are subject to uncertainties and as such, the Company is unable to estimate the possible loss or a range of loss that may result; however, results in these cases that are against the interests of the Company could have a severe negative impact on the financial position of the Company.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

Capital Financial Holdings, Inc. derives the majority of its revenues and net income from sales of mutual funds, insurance products, and various other securities through Capital Financial Services, Inc. ("CFS"), the Company's broker-dealer subsidiary.

The Company has been engaged in the financial services business since 1987. The Company was incorporated September 22, 1987, as a North Dakota corporation. The Company's principal offices are located at 1 Main Street North, Minot, North Dakota 58703. As of September 30, 2012, the Company had 17 full-time employees consisting of officers, securities distribution, data processing, compliance, accounting, and clerical support staff.

CFS is a full-service brokerage firm. CFS is registered with the SEC as an investment advisor and broker-dealer and also with FINRA as a broker-dealer. CFS specializes in providing investment products and services to independent investment representatives, financial planners, and investment advisors and currently supports over 220 investment representatives and investment advisors.

RESULTS OF OPERATIONS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	**2011**	**2012**	**2011**
Net income (loss)	82,720	(121,608)	(224,758)	122,734
Income per share:				
Basic	.01	(.01)	(.02)	.00
Diluted	.01	(.01)	(.02)	.00

The Company reported net income for the quarter ended September 30, 2012, of $87,720, compared to net loss of $121,608 for the same quarter in 2011. The Company reported net loss for the nine months ended September 30, 2012 of $224,758, compared to a net income of $122,734 for the same period in 2011.

Operating revenues

Total operating revenues for the quarter ended September 30, 2012 were $4,724,365, an increase of 12% from $4,170,723 for the quarter ended September 30, 2011. The increases for the three month period resulted primarily from increases in commission income received by CFS. Total operating revenues for the nine months ended September 30, 2012, were $13,752,118 a decrease of 2% from $14,039,489 for the nine months ended September 30, 2011. The decrease for the nine month period resulted from a decrease in commission and fee income relating to CFS, the Company's broker-dealer division.

Fee Income

Fee income for the quarter ended September 30, 2012 was $225,008, a decrease of 7% from $241,824 for the quarter ended September 30, 2011. Fee income for the nine months ended September 30, 2012 was $719,004, a decrease of 4% from $751,737 from the nine months ended September 30, 2011. The decreases were due to decline in fee income received by CFS, as a result of lower values of client assets under management.

The Company earns investment advisory fees in connection with CFS' registered investment advisor. The Company pays the registered representatives a portion of this fee income as commission expense and retains the balance. These fees constituted 5% of the Company's consolidated revenues for 2012.

Commission Income

Commission income includes CFS commissions. The Company pays the registered representatives a percentage of this income as commission expense and retains the balance. Commission income for the quarter ended September 30, 2012 was $4,414,585, an increase of 15% from $3,758,218 for the quarter ended September 30, 2011. The increases were due primarily to the increase in commissions received by CFS due to market conditions. Commission income for the nine months ended September 30, 2012 was $12,860,441, an increase of 0% from $12,854,662 for the nine months ended September 30, 2011. Future market conditions will continue to impact commission levels. Commission revenues constituted 94% of the Company's consolidated revenues for 2012.

Other income

Interest and other income for the quarter ended September 30, 2012 was $84,771, a decrease of 50% from $170,681 for the quarter ended September 30, 2011. Interest and other income for the nine months ended September 30, 2012 was $172,632, a decrease of 60% from $433,090 for the nine months ended September 30, 2011. The decreases were due to a reduction in settlement checks and income received, regarding the subsidiaries that closed including the mutual fund division and the energy division. Interest and other income constituted 1% of the Company's consolidated revenues for the three months ended September 30, 2012.

Operating expenses

Total operating expenses for the quarter ended September 30, 2012 were $4,586,510, an increase of 8% from $4,210,581 for the quarter ended September 30, 2011. The increases resulted from the net increase in the expense categories described below. Total operating expenses for the nine months ended September 30, 2012 were $13,929,599, a decrease of 0% from $13,947,531 for the nine months ended September 30, 2011. The decreases resulted from the net decreases in the expense categories described in the paragraphs below.

Compensation and benefits

Compensation and benefits expense for the quarter ended September 30, 2012 was $260,034, an increase of 8% from $238,999 for the quarter ended September 30, 2011. Compensation and benefits expense for the nine months ended September 30, 2012 was $835,699, an increase of 4.5% from $798,086 for the nine months ended September 30, 2011. The increases resulted from an increase in wages to employees, increases in 401K matching, payroll taxes, and paid bonuses.

Commission expense

Commission expense for the quarter ended September 30, 2012 was $4,070,011, an increase of 13.5% from $3,519,747 for the quarter ended September 30, 2011. The increase in commission expense corresponds with the increase in commission income for the quarter. Commission expense for the nine months ended September 30, 2012 was $11,769,459, a decrease of 2% from $11,974,474 for the nine months ended September 30, 2011. The decreases in commission expense correspond with the decreases in commission income for the nine months ended September 30, 2012.

General and administrative expense

Total general and administrative expenses for the quarter ended September 30, 2012 were $249,553, a decrease of 43% from $435,331 for the quarter ended September 30, 2011. The decreases were due primarily to a decrease in the legal expenses incurred through litigation costs. The total general and administrative expenses for the nine months ended September 30, 2012 were $981,066, an decrease of 13% from $1,123,948 for the nine months ended September 30, 2011. The decreases were due primarily to a decrease in legal expenses incurred through litigation costs and settlements for CFS paid by the Company.

Depreciation and amortization

Depreciation and amortization expense for the quarter ended September 30, 2012 was $6,913, a decrease of 58% from $16,504 for the quarter ended September 30, 2011. Depreciation and amortization expense for the nine month ended September 30, 2012 were $28,844, a decrease of 43% from $51,023 for the nine months ended September 30, 2011. The primary difference corresponds with the sale of the building and the disposal of assets that occurred during 2012.

Liquidity and capital resources

Net cash provided by operating activities was $527,092 for the nine months ended September 30, 2012, as compared to net cash provided by operating activities of $46,482 during the nine months ended September 30, 2011.

Net cash provided by investing activities was $918,557 for the nine months ended September 30, 2012, compared to net cash used in investing activities of $337,453 for the nine months ended September 30, 2011. The primary difference corresponds with the sale of the building and the disposal of assets that occurred during 2012.

Net cash used in financing activities was $1,138,682 for the nine months ended September 30, 2012, compared to net cash used by financing activities of $1,359,217 for the nine months ended September 30, 2011. During the nine months ended September 30, 2012 the Company paid down the promissory note with PawnMart with payments totaling $1,077,092.

At September 30, 2012, the Company held $1,465,565 in cash and cash equivalents, as compared to $1,210,919 at September 30, 2011. The Company is required to maintain certain levels of cash and liquid securities in CFS to meet regulatory net capital requirements.

The Company currently has no lines of credit available.

The Company has historically relied upon sales of its equity securities and debt instruments, as well as bank loans, for liquidity and growth. Management believes that the Company’s existing liquid assets, along with cash flow from operations, will provide the Company with sufficient resources to meet its ordinary operating expenses during the next twelve months. Significant, unforeseen or extraordinary expenses may require the Company to seek alternative financing sources, including common or preferred share issuance or additional debt financing.

In addition to the liabilities coming due in the next twelve months, management expects that the principal needs for cash may be broker recruitment, repurchase shares of the Company’s common stock, and debt service. Management also expects to realize increases in consultant expenses as well as increased compliance and legal costs with respect to its broker dealer subsidiary related to regulatory and litigation matters.

FORWARD-LOOKING STATEMENTS

When used herein, in future filings by the Company with the Securities and Exchange Commission (“SEC”), in the Company's press releases, and in other Company-authorized written or oral statements, the words and phrases "can be," "expects," "anticipates," "may affect," "may depend," "believes," "estimate," or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The Company cautions readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Such statements are subject to certain risks and uncertainties, including those set forth in this "Forward-Looking Statements" section, which could cause actual results for future periods to differ materially from those presently anticipated or projected. The Company does not undertake and specifically disclaims any obligation to update any forward-looking statement to reflect events or circumstances after the date of such statements.

Forward-looking statements include, but are not limited to, statements about the Company's:

- Business strategies and investment policies,
- Possible or assumed future results of operations and operating cash flows,
- Financing plans and the availability of short-term borrowing,
- Competitive position,
- Potential growth opportunities,
- Recruitment and retention of the Company's key employees,
- Potential operating performance, achievements, productivity improvements, efficiency and cost reduction efforts,
- Likelihood of success and impact of litigation,
- Expected tax rates,
- Expectations with respect to the economy, securities markets, the market for merger and acquisition activity, the market for asset management activity, and other industry trends,
- Competition, and
- Effect from the impact of future legislation and regulation on the Company.

The following factors, among others, could cause actual results to differ materially from forward-looking statements, and future results could differ materially from historical performance:

- General political and economic conditions which may be less favorable than expected;
- The effect of changes in interest rates, inflation rates, the stock markets, or other financial markets;
- Unfavorable legislative, regulatory, or judicial developments;
- Adverse findings or rulings in arbitrations, litigation or regulatory proceedings;
- Incidence and severity of catastrophes, both natural and man-made;
- Changes in accounting rules, policies, practices, and procedures which may adversely affect the business;
- Terrorist activities or other hostilities which may adversely affect the general economy.

The Company is a financial services holding company that, through its broker dealer subsidiary, provides brokerage, investment advisory, insurance and related services. The Company operates in a highly regulated and competitive industry that is influenced by numerous external factors such as economic conditions, marketplace liquidity and volatility, monetary policy, global and national political events, regulatory developments, competition, and investor preferences. The Company's revenues and net earnings may be either enhanced or diminished from period to period by such external factors. The Company remains focused on continuing to reduce redundant operating costs, upgrade operating efficiency, recruit quality representatives and grow our revenue base. The Company provides broker-dealer services in support of trading and investment by its representatives' customers in corporate equity and debt securities, U.S. Government securities, municipal securities, mutual funds, private placement alternative investments, variable annuities and variable life insurance. The Company also provides investment advisory services for its representative's customers

A key component of the broker-dealer subsidiary's business strategy is to recruit well-established, productive representatives who generate substantial revenues from an array of investment products and services. Additionally, the broker-dealer subsidiary assists its representatives in developing and expanding their business by providing a variety of support services and a diversified range of investment products for their clients.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable as a Smaller Reporting Company

ITEM 4. CONTROLS AND PROCEDURES

The Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-14(c) and Rule 15c-14(c) under the Exchange Act) as of the end of the period covered by this report, pursuant to Rule 13a-15(b) of the Exchange Act. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective as of September 30, 2012, and that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed and summarized, and reported within the time periods specified by the SEC's rules and forms.

Disclosure controls and procedures are the controls and other procedures that are designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies or material weaknesses.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company operates in a legal and regulatory environment that exposes it to potentially significant litigation risks. As a result, the Company is involved in various disputes and legal proceedings, including litigation, arbitration and regulatory investigations, including a number of investigatory matters and legal proceedings arising out of customer allegations related to past commissioned sales of alternative investment products. In 2007 through the first quarter of 2009 a substantial amount (approximately 10% to 20%) of the Company's sales of commissioned products were in private placements of alternative products, two of which as of December 31, 2009 (Medical Capital Corporation and related issuer entities and Provident Royalties, LLC and related issuer entities) were placed in receivership by action of the United States Securities and Exchange Commission and issuers of certain other alternative products sold by the Company are in Chapter 11 Bankruptcy or may have other financial difficulties. Additionally, difficult economic conditions in general and the stock market decline have contributed to a decline in our broker-dealer subsidiary's client portfolio values. As a result of such alleged failings of alternative products and the uncertainty of client recovery from the various product issuers, the Company is subject to regulatory scrutiny and a number of legal and/or arbitration proceedings. The Company vigorously contests the allegations of the various proceedings and believes that there are multiple meritorious legal and fact based defenses in these matters. Such cases are subject to many uncertainties, and their outcome is often difficult to predict, including the impact on operations or on the financial statements, particularly in the earlier stages of a case. The Company makes provisions for cases brought against it when, in the opinion of management after seeking legal advice, it is probable that a liability exists, and the amount can be reasonably estimated. The current proceedings are subject to uncertainties and as such, the Company is unable to estimate the possible loss or a range of loss that may result; however, results in these cases that are against the interests of the Company could have a severe negative impact on the financial position of the Company.

ITEM 1A. RISK FACTORS

Not Applicable as a Smaller Reporting Company

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The Company has issued the following securities in the past quarter without registering the securities under the Securities Act:

None

Small Business Issuer Repurchases of Equity Securities:

In November of 1997, the Board of Directors of the Company authorized the repurchase of up to $2,000,000 of its outstanding common stock from time to time in the open market. The table below displays the dollar value of shares that may yet be purchased under this plan.

Period	Total Number of Shares Purchased	Average Price Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
April 2012	-	-	-	$ 597,754
May 2012	-	-	-	$ 597,754
September 2012	-	-	-	$ 597,754
Total	-	-	-	$ 597,754

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. (REMOVED AND RESERVED)

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

Exhibits

31.1	CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act and Rules 13a-14(a) and 15d-14(a) of the Exchange Act
31.2	CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act and Rules 13a-14(a) and 15d-14(a) of the Exchange Act
32.1	CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act and 18 U.S.C. Section 1350
32.2	CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act and 18 U.S.C. Section 1350

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CAPITAL FINANCIAL HOLDINGS, INC.

Date: November 14, 2012	By: /s/ John Carlson John Carlson Chief Executive Officer & President (Principal Executive Officer)
Date: November 14, 2012	By: /s/ Elizabeth Redding Elizabeth A. Redding Chief Financial Officer & Corporate Secretary (Principal Financial Officer)

EXHIBIT 31.1

CERTIFICATION OF
CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Jonathan Carlson, certify that:

1. I have reviewed this Form 10-Q of Capital Financial Holdings, Inc. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods present in this report;

4. The small business issuers other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13-a-15(f) and 15d-15(f)) for the small business issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the small business issuer's internal control over financing reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonable likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involved management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Capital Financial Holdings, Inc.

Dated: November 14, 2012

By: /s/ Jonathan Carlson
Jonathan Carlson

EXHIBIT 31.2

CERTIFICATION OF
CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Elizabeth Redding, certify that:

1. I have reviewed this Form 10-Q of Capital Financial Holdings, Inc. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods present in this report;

4. The small business issuers other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13-a-15(f) and 15d-15(f)) for the small business issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the small business issuer's internal control over financing reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonable likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involved management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Capital Financial Holdings, Inc.

Dated: November 14, 2012

By: /s/ Elizabeth Redding
Elizabeth Redding

EXHIBIT 32.1

CERTIFICATION OF
CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the accompanying Quarterly Report on Form 10-Q of Capital Financial Holdings, Inc. (the "Company") for the quarter ending September 31, 2012, I, Jonathan Carlson, Chief Executive Officer of the Company hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

1. Such Quarterly Report on Form 10-Q for the quarter ending September 31, 2012, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in such Quarterly Report on Form 10-Q for the quarter ending September 31, 2012, fairly presents, in all material respects, the financial condition and results of operations of the Company.

Capital Financial Holdings, Inc.

Dated: November 14, 2012

By: /s/ Jonathan Carlson
Jonathan Carlson

EXHIBIT 32.2

CERTIFICATION OF
CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the accompanying Quarterly Report on Form 10-Q of Capital Financial Holdings, Inc. (the "Company") for the quarter ending September 31, 2012, I, Elizabeth Redding, Chief Financial Officer of the Company hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

1. Such Quarterly Report on Form 10-Q for the quarter ending September 31, 2012, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in such Quarterly Report on Form 10-Q for the quarter ending September 31, 2012, fairly presents, in all material respects, the financial condition and results of operations of the Company.

Capital Financial Holdings, Inc.

Dated: November 14, 2012

By: /s/ Elizabeth Redding
Elizabeth Redding