

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP**

|                          |           |
|--------------------------|-----------|
| <b>OMB APPROVAL</b>      |           |
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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934 or Section 30(h) of the Investment Company Act of 1940

|   |   |   |
|---|---|---|
| <p>1. Name and Address of Reporting Person*</p> <p><u>Alala Joseph B III</u></p> <hr/> <p>(Last) (First) (Middle)</p> <p><u>C/O CAPITALA FINANCE CORP.</u></p> <p><u>4201 CONGRESS STREET, SUITE 360</u></p> <hr/> <p>(Street)</p> <p><u>CHARLOTTE NC 28209</u></p> <hr/> <p>(City) (State) (Zip)</p> | <p>2. Issuer Name and Ticker or Trading Symbol</p> <p><u>Capitala Finance Corp. [ CPTA ]</u></p> <hr/> <p>3. Date of Earliest Transaction (Month/Day/Year)</p> <p><u>12/23/2015</u></p> <hr/> <p>4. If Amendment, Date of Original Filed (Month/Day/Year)</p> | <p>5. Relationship of Reporting Person(s) to Issuer (Check all applicable)</p> <p><input checked="" type="checkbox"/> Director 10% Owner</p> <p><input checked="" type="checkbox"/> Officer (give title below) Other (specify below)</p> <p style="text-align: right; color: blue;">See Remarks</p> <hr/> <p>6. Individual or Joint/Group Filing (Check Applicable Line)</p> <p><input checked="" type="checkbox"/> Form filed by One Reporting Person</p> <p><input type="checkbox"/> Form filed by More than One Reporting Person</p> |
|---|---|---|

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) |   | 4. Securities Acquired (A) or Disposed Of (D) (Instr. 3, 4 and 5) |            |        | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|------------|--------|---|--|---|
|                                 |                                      |  | Code                           | V | Amount  | (A) or (D) | Price  |   |  |   |
| Common Stock                    | 12/23/2015                           |  | P                              |   | 84,950  | A          | \$11.6 | 285,229.17 <sup>(1)</sup>   | I  | via Capitala Private Investments LLC                  |
| Common Stock                    |                                      |  |                                |   |   |            |        | 505,479.08 <sup>(1)(2)(3)</sup>   | I  | via Capitala Restricted Shares I, LLC                 |
| Common Stock                    |                                      |  |                                |   |   |            |        | 2,705 <sup>(1)</sup>  | I  | via Capitala Transaction Corp.                        |
| Common Stock                    |                                      |  |                                |   |   |            |        | 972 <sup>(1)</sup>  | I  | via CapitalSouth Corporation                          |
| Common Stock                    |                                      |  |                                |   |   |            |        | 100 <sup>(1)</sup>  | I  | via Capitala Investment Advisors, LLC                 |

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) |   | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | 6. Date Exercisable and Expiration Date (Month/Day/Year) |        | 7. Title and Amount of Securities Underlying Derivative Security (Instr. 3 and 4) | 8. Price of Derivative Security (Instr. 5) | 9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4) | 10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 11. Nature of Indirect Beneficial Ownership (Instr. 4) |
|--|--|--------------------------------------|--|--------------------------------|---|--|--|--------|---|--|--|---|--|
|  |  |                                      |  | Code                           | V |  | (A)  | (D)    |   |  |  |   |  |
| Awards                                     | (2)(3)   |                                      |  |                                |   |  | (2)(3)   | (2)(3) | Common Stock, par value \$0.01 per share  | 160,408.68 <sup>(2)(3)</sup>               | 160,408.68   | D   |  |

**Explanation of Responses:**

1. Mr. Alala disclaims beneficial ownership of any of the Capitala Finance Corp.'s (the "Issuer") shares directly held by Capitala Private Investments LLC, Capitala Restricted Shares I, LLC ("CRS"), Capitala Transaction Corp., CapitalSouth Corporation and Capitala Investment Advisors, LLC, except to the extent of his pecuniary interest therein, and this report shall not be deemed an admission that Mr. Alala is the beneficial owner of such securities for purposes of Section 16 of the Securities Exchange Act of 1934, as amended, or any other purpose.

2. As of the date of this report, unvested Awards with respect to 505,479.08 shares of the Issuer's common stock held by CRS, which is controlled by Mr. Alala and is an affiliate of Capitala Investment Advisors, LLC (the "Adviser"), have been granted to certain of the Adviser's employees pursuant to CRS's Amended and Restated 2015 Equity Compensation Plan, dated September 18, 2015 (the "Plan"). Unvested Awards under the Plan are scheduled to vest as follows: 10% on September 25, 2016, 30% on September 25, 2017 and 40% on September 25, 2018. Upon settlement, the unvested Awards will become payable on a one-for-one basis in shares of the Issuer's common stock. The Plan was previously approved by the Issuer's Board of Directors. As of the date of this report, Mr. Alala holds unvested Awards with respect to 160,408.68 shares of the Issuer's common stock held by CRS.

3. Pursuant to the SEC staff no-action letters to Babson Capital Management LLC (pub. avail. Dec. 14, 2006) and Carlyle GMS Finance, Inc. (pub. avail. Oct. 8, 2015), an employee benefit plan sponsored by an investment adviser (or an affiliated person of an investment adviser) to a registered closed-end investment company or a business development company regulated under the Investment Company Act of 1940, as amended, that offers plan participants equity securities of such registered closed-end investment company or business development company is considered an "employee benefit plan sponsored by the issuer" for the purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended.

**Remarks:**

Chairman of the Board of Directors, Chief Executive Officer and President

/s/ Richard G. Wheelahan, III,  
attorney-in-fact

12/23/2015

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

\* If the form is filed by more than one reporting person, see Instruction 4 (b)(v).

\*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

**Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB Number.**