

RENAISSANCE CAPITAL GROWTH & INCOME FUND III INC  
Form 10-Q  
December 19, 2006

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

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**Form 10-Q**

**[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2004

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: 0-20671**

**Renaissance Capital Growth & Income Fund III, Inc.**  
(Exact name of registrant as specified in its charter)

**TX**  
(State or other jurisdiction  
of incorporation or organization)

**75-2533518**  
(I.R.S. Employer  
Identification No.)

**8080 N. Central Expressway, Suite 210, LB-59, Dallas, TX 75206**  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **214-891-8294**

None  
(Former name, former address and former fiscal year  
if changed since last report)

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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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ S

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 December 1, 2006, the issuer had 4,463,967 shares of common stock outstanding.

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**RENAISSANCE CAPITAL GROWTH & INCOME FUND III, INC.**

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## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

Renaissance Capital Growth & Income Fund III, Inc.  
Statements of Assets and Liabilities  
(Unaudited)

ASSETS

	March 31, 2004	December 31, 2003
Cash and cash equivalents	\$ 41,324,075	\$ 35,255,687
Investments at fair value, cost of \$36,446,147 and \$33,747,037 at March 31, 2004 and December 31, 2003, respectively	75,447,704	62,455,944
Accounts receivable - settlement with affiliate	3,775,872	3,775,872
Interest and dividends receivable	56,573	233,201
Prepaid and other assets	151,135	145,307
	\$ 120,755,359	\$ 101,866,011

LIABILITIES AND NET ASSETS

Liabilities:		
Due to broker	\$ 27,004,331	\$ 27,000,416
Accounts payable	121,119	57,273
Accounts payable - affiliate	730,935	1,703,398
Accounts payable - dividends	-	3,698,960
	27,856,385	32,460,047

Commitments and contingencies

Net assets:		
Common stock, \$1 par value; authorized 20,000,000 shares; 4,561,618 issued; 4,351,718 shares outstanding	4,561,618	4,561,618
Additional paid-in-capital	36,531,243	37,058,788
Treasury stock at cost, 209,900 shares	(1,734,967)	(1,734,967)
Distributable earnings	14,539,523	811,618
Net unrealized appreciation of investments	39,001,557	28,708,907
Net assets, equivalent to \$21.35 and \$15.95 per share at March 31, 2004 and December 31, 2003, respectively	92,898,974	69,405,964
	\$ 120,755,359	\$ 101,866,011

See accompanying notes

Renaissance Capital Growth & Income Fund III, Inc.  
Schedules of Investments  
(unaudited)

			March 31, 2004		
	Interest Rate	Due Date	Cost	Fair Value	% of Net Investments
Eligible Portfolio Investments -					
Convertible Debentures and					
Promissory Notes					
Dexterity Surgical, Inc. -					
Convertible debenture (2)	9.00%	12/19/04	\$ 1,316,282	\$ -	0.00%
Digital Learning Management Corp.					
-					
Convertible debenture (2)	7.00	02/27/11	1,000,000	2,863,534	3.80
iLinc Communications, Inc. -					
Convertible redeemable note (2)	12.00	03/29/12	500,000	500,000	0.66
Gasco Energy, Inc. -					
Convertible debenture (2)	8.00	10/15/08	625,000	2,020,834	2.68
Integrated Security Systems, Inc. -					
Promissory notes (4)	8.00	09/30/04	525,000	525,000	0.70
Promissory notes (4)	7.00	10/01/04	200,000	200,000	0.26
Simtek Corporation -					
Convertible debenture	7.50	06/28/09	1,000,000	5,000,000	6.63
			\$ 5,166,282	\$ 11,109,368	14.73%

See accompanying notes

Renaissance Capital Growth & Income Fund III, Inc.  
Schedules of Investments, continued  
(unaudited)

			March 31, 2004		
	Interest Rate	Due Date	Cost	Fair Value	% of Net Investments
Other Portfolio Investments -					
Convertible Debentures and					
Promissory Notes					
Interpool, Inc. -					
Convertible debenture (2)	9.25%	12/27/22	\$ 375,000	\$ 375,000	0.50%
			\$ 375,000	\$ 375,000	0.50%

See accompanying notes

Renaissance Capital Growth & Income Fund III, Inc.  
Schedules of Investments, continued  
(unaudited)

			March 31, 2004	
	Shares	Cost	Fair Value	% of Net Investments
Eligible Portfolio Investments -				
Common Stock, Preferred Stock,				
and Miscellaneous Securities				
CaminoSoft Corp. -				
Common stock	1,750,000	\$ 4,000,000	\$ 1,032,500	1.37%
Common stock (2)	1,539,414	1,150,000	908,254	1.20
Common stock (2)	250,000	125,000	147,500	0.20
eOriginal, Inc. -				
Series A, preferred stock (1)(3)	10,680	4,692,207	770,383	1.02
Series B, preferred stock (1)(3)	25,646	620,329	1,849,928	2.45
Series C, preferred stock (1)(3)	28,929	699,734	2,085,893	2.76
Series New C, preferred stock (1)(3)	22,319	360,000	360,000	0.48
Fortune Natural Resources Corp. -				
Common stock	1,262,394	500,500	-	0.00
Gaming & Entertainment Group, Inc.-				
Common stock	500,000	500,000	600,000	0.80
Gasco Energy, Inc. -				
Common stock	500,000	625,000	970,000	1.28
Global Axxess Corporation -				
Common stock (2)	4,766,666	1,261,667	2,955,333	3.92
Integrated Security Systems, Inc. -				
Common stock (2)	24,468,649	5,037,238	16,638,681	22.05
Series D, preferred stock (2)	187,500	150,000	150,000	0.20

See accompanying notes



Renaissance Capital Growth & Income Fund III, Inc.  
Schedules of Investments, continued  
(unaudited)

			March 31, 2004	
	Shares	Cost	Fair Value	% of Net Investments
Eligible Portfolio Investments - Common Stock, Preferred Stock, and Miscellaneous Securities, continued				
Inyx, Inc. -				
Common stock (2)	300,000	300,000	330,000	0.44
Laserscope -				
Common stock	600,000	750,000	11,868,000	15.73
Poore Brothers, Inc. -				
Common stock (2)	1,686,357	1,748,170	5,379,479	7.13
Simtek Corp. -				
Common stock	1,000,000	195,000	1,560,000	2.07
Common stock - private placement (2)	550,661	500,000	859,031	1.14
ThermoView Industries, Inc. -				
Common stock	234,951	563,060	117,476	0.16
Miscellaneous Securities		-	2,748,849	3.64
	\$	23,777,905	\$	51,331,307
				68.04%

See accompanying notes

Renaissance Capital Growth & Income Fund III, Inc.  
Schedules of Investments, continued  
(unaudited)

	Shares	Cost	March 31, 2004 Fair Value	% of Net Investments
Other Portfolio Investments - Common Stock, Preferred Stock, and Miscellaneous Securities				
AdStar, Inc. - Common stock (2)	269,231	\$ 350,000	\$ 619,231	0.82%
Capital Senior Living Corp - Common stock	57,100	146,335	353,449	0.47
CNE Group, Inc. - Common stock (2)	125,000	250,000	100,000	0.13
Dave & Busters, Inc. - Common stock	100,000	653,259	1,505,000	1.99
iLinc Communications, Inc.- Common stock	48,266	27,033	47,301	0.06
Flamel Technologies, S.A. - Common stock	25,000	131,869	647,500	0.86
Franklin Covey - Common stock	207,876	293,251	519,690	0.69
Gasco Energy, Inc. - Common stock	750,000	639,105	1,455,000	1.93
Inet Technologies, Inc. - Common stock	46,600	237,275	574,578	0.76

See accompanying notes

Renaissance Capital Growth & Income Fund III, Inc.  
Schedules of Investments, continued  
(unaudited)

			March 31, 2004	
	Shares	Cost	Fair Value	% of Net Investments
Other Portfolio Investments -				
Common Stock, Preferred Stock,				
and Miscellaneous Securities,				
continued				
Intrusion, Inc. -				
Convertible preferred stock	159,033	500,000	500,000	0.66
Medical Action Industries, Inc. -				
Common stock	25,000	292,329	510,750	0.68
Precis, Inc. -				
Common stock	200,700	1,372,417	746,604	0.99
Stonepath Group, Inc. -				
Common stock	281,240	448,500	1,091,211	1.44
Tarantella, Inc. -				
Common stock	714,286	1,000,000	1,585,715	2.10
US Home Systems, Inc. -				
Common stock	110,000	535,587	1,237,500	1.64
Vaso Active Pharmaceuticals, Inc. -				
Common stock	150,000	250,000	1,138,500	1.51
		7,126,960	12,632,029	16.73%
	\$	36,446,147	\$	75,447,704
				100.00%
Allocation of Investments -				
Restricted Shares, Unrestricted				
Shares,				
and Other Securities				
Restricted Securities (2)	\$	14,688,357	\$	33,846,877
Unrestricted Securities	\$	14,660,520	\$	33,060,774
Other Securities (5)	\$	7,097,270	\$	8,540,053
				11.32%

- (1) Valued at fair value as determined by the Investment Adviser (Note 6).  
(2) Restricted securities - securities that are not fully registered and freely tradable.  
(3) Securities in a privately owned company.  
(4) Securities that have no provision allowing conversion into a security for which there is a public market.

(5) Includes Miscellaneous Securities, securities of privately owned companies, securities with no conversion feature, and securities for which there is no market.

See accompanying notes

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Renaissance Capital Growth & Income Fund III, Inc.  
Schedules of Investments (continued)

	Interest Rate	Due Date	December 31, 2003		% of Net Investments
			Cost	Fair Value	
Eligible Portfolio Investments -					
Convertible Debentures and					
Promissory Notes					
Dexterity Surgical, Inc. -					
Convertible debenture (2)	9.00%	12/19/04	\$ 1,316,282	\$ 375,000	0.60%
iLinc Communications, Inc. -					
Convertible redeemable note (2)	12.00	03/29/12	500,000	500,000	0.80
Gasco Energy, Inc. -					
Convertible debenture (2)	8.00	10/15/08	625,000	1,333,334	2.13
Integrated Security Systems, Inc. -					
Promissory notes (4)	8.00	09/30/04	525,000	525,000	0.84
Promissory notes (4)	7.00	10/01/04	200,000	200,000	0.32
Simtek Corporation -					
Convertible debenture	7.50	06/28/09	1,000,000	3,846,155	6.16
			\$ 4,166,282	\$ 6,779,489	10.85%

See accompanying notes

Renaissance Capital Growth & Income Fund III, Inc.  
Schedules of Investments (continued)

	Interest Rate	Due Date	December 31, 2003		Fair Value	% of Net Investments
			Cost			
Other Portfolio Investments -						
Convertible Debentures and						
Promissory Notes						
Interpool, Inc. -						
Convertible debenture (2)	9.25%	12/27/22	\$ 375,000	\$ 375,000	\$ 375,000	0.60%
			\$ 375,000	\$ 375,000	\$ 375,000	0.60%

See accompanying notes

Renaissance Capital Growth & Income Fund III, Inc.  
Schedules of Investments (continued)

			December 31, 2003	
	Shares	Cost	Fair Value	% of Net Investments
Eligible Portfolio Investments -				
Common Stock, Preferred Stock,				
and Miscellaneous Securities				
Bentley Pharmaceuticals, Inc. -				
Common stock	63,450	\$ 79,313	\$ 843,885	1.22%
CaminoSoft Corp. -				
Common stock	1,750,000	4,000,000	647,500	1.04
Common stock (2)	1,539,414	1,150,000	569,583	0.91
Common stock (2)	250,000	125,000	92,500	0.15
eOriginal, Inc. -				
Series A, preferred stock (1)(3)	10,680	4,692,207	770,383	1.23
Series B, preferred stock (1)(3)	25,646	620,329	1,849,928	2.96
Series C, preferred stock (1)(3)	28,929	699,734	2,085,893	3.34
Series New C, preferred stock (1)(3)	22,319	360,000	360,000	0.58
Fortune Natural Resources Corp. -				
Common stock	1,262,394	500,500	138,863	0.22
Gasco Energy, Inc. -				
Common stock	250,000	250,000	320,000	0.51
Global Axxess Corporation -				
Common stock (2)	1,400,000	350,000	504,000	0.81
Integrated Security Systems, Inc. -				
Common stock (2)	24,164,301	4,973,166	8,940,791	14.32
Series D, preferred stock (2)	187,500	150,000	83,250	0.13

See accompanying notes

Renaissance Capital Growth & Income Fund III, Inc.  
Schedules of Investments (continued)

			December 31, 2003	
	Shares	Cost	Fair Value	% of Net Investments
Eligible Portfolio Investments -				
Common Stock, Preferred Stock,				
and Miscellaneous Securities,				
continued				
Inyx, Inc. -				
Common stock (2)	300,000	300,000	414,000	0.66
Laserscope -				
Common stock	1,200,000	1,500,000	18,708,000	29.96
Poore Brothers, Inc. -				
Common stock (2)	1,686,357	1,748,170	5,716,750	9.15
Simtek Corp. -				
Common stock	1,000,000	195,000	1,200,000	1.92
Common stock - private placement				
(2)	550,661	500,000	660,793	1.06
ThermoView Industries, Inc. -				
Common stock	234,951	563,060	148,019	0.24
Miscellaneous Securities		-	898,497	1.44
	\$	22,756,479	\$	44,952,635
				71.98%

See accompanying notes



Renaissance Capital Growth & Income Fund III, Inc.  
Schedules of Investments (continued)

			December 31, 2003	
	Shares	Cost	Fair Value	% of Net Investments
Other Portfolio Investments -				
Common Stock, Preferred Stock, and Miscellaneous Securities				
AdStar, Inc. -				
Common stock (2)	269,231	\$ 350,000	\$ 538,462	0.86%
Blue Rhino Corp. -				
Common stock	40,000	476,999	555,600	0.89
Capital Senior Living Corp -				
Common stock	57,100	146,335	335,748	0.54
CNE Group, Inc. -				
Common stock (2)	125,000	250,000	66,250	0.11
Dave & Busters, Inc. -				
Common stock	100,000	653,259	1,268,000	2.03
iLinc Communications, Inc. -				
Common stock	48,266	27,033	43,439	0.07
Flamel Technologies, S.A. -				
Common stock	50,000	360,143	1,339,500	2.14
Franklin Covey -				
Common stock	207,876	293,251	582,053	0.93
Gasco Energy, Inc. -				
Common stock	750,000	639,105	960,000	1.54
I-Flow Corporation -				
Common stock	50,000	117,043	696,000	1.11
Inet Technologies, Inc. -				
Common stock	46,600	237,275	559,200	0.90

See accompanying notes

Renaissance Capital Growth & Income Fund III, Inc.  
Schedules of Investments (continued)

			December 31, 2003	
	Shares	Cost	Fair Value	% of Net Investments
Other Portfolio Investments -				
Common Stock, Preferred Stock,				
and Miscellaneous Securities,				
continued				
Medical Action Industries, Inc. -				
Common stock	25,000	292,329	467,750	0.75
Precis, Inc. -				
Common stock	200,700	1,372,417	778,716	1.25
Stonepath Group, Inc. -				
Common stock	281,240	448,500	635,602	1.02
US Home Systems, Inc. -				
Common stock	110,000	535,587	1,221,000	1.95
Vaso Active Pharmaceuticals, Inc. -				
Common stock	50,000	250,000	301,500	0.48
		6,449,276	10,348,820	16.57%
	\$	33,747,037	\$	62,455,944
				100.00%
Allocation of Investments -				
Restricted Shares, Unrestricted				
Shares,				
and Other Securities				
Restricted Securities (2)	\$	12,712,618	\$	20,169,713
Unrestricted Securities	\$	13,937,149	\$	35,596,530
Other Securities (5)	\$	7,097,270	\$	6,689,701

(1) Valued at fair value as determined by the Investment Adviser (Note 6).

(2) Restricted securities - securities that are not fully registered and freely tradable.

(3) Securities in a privately owned company.

(4) Securities that have no provision allowing conversion into a security for which there is a public market.

(5) Includes Miscellaneous Securities, securities of privately owned companies, securities with no conversion feature, and securities for which there is no market.

See accompanying notes

Renaissance Capital Growth & Income Fund III, Inc.  
Statements of Operations  
(Unaudited)

	Three Months Ended March 31,	
	2004	2003 (restated)
Income:		
Interest income	\$ 79,963	\$ 306,345
Dividend income	20,983	1,106,009
Other income	28,282	-
	129,228	1,412,354
Expenses:		
General and administrative	103,364	75,048
Interest expense	13,406	10,033
Legal and professional fees	129,873	58,165
Management fee to affiliate	410,131	178,476
	656,774	321,722
Net investment income (loss)	(527,546)	1,090,632
Realized and unrealized gain (loss) on investments:		
Net change in unrealized appreciation of investments	10,292,651	(7,408,956)
Net realized gain on investments	14,163,079	830,815
Net gain (loss) on investments	24,455,730	(6,578,141)
Net income (loss)	\$ 23,928,184	\$ (5,487,509)
Net income (loss) per share	\$ 5.50	\$ (1.26)
Weighted average shares outstanding	4,351,718	4,351,718

See accompanying notes

Renaissance Capital Growth & Income Fund III, Inc.  
Statements of Changes in Net Assets  
(Unaudited)

	Three Months Ended March 31,	
	2004	2003 (restated)
From operations:		
Net investment income (loss)	\$ (527,546)	\$ 1,090,632
Net realized gain on investments	14,163,079	830,815
Net increase (decrease) in unrealized appreciation on investments	10,292,651	(7,408,956)
Net income (loss)	23,928,184	(5,487,509)
From distributions to stockholders:		
Common stock dividends declared from realized capital gains	(435,174)	(435,172)
Total increase (decrease) in net assets	23,493,010	(5,922,681)
Net assets:		