

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

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 June 30, 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)

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 o No x

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):

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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 15, 2006, the issuer had 4,463,967 shares of common stock outstanding.

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

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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

	June 30, 2004	December 31, 2003
Cash and cash equivalents	\$ 44,335,918	\$ 35,255,687
Investments at fair value, cost of \$35,867,649 and \$33,747,037 at June 30, 2004 and December 31, 2003, respectively	63,288,277	62,455,944
Accounts receivable - settlement with affiliate	3,775,872	3,775,872
Interest and dividends receivable	68,577	233,201
Prepaid and other assets	7,759	145,307
	\$ 111,476,403	\$ 101,866,011

LIABILITIES AND NET ASSETS

Liabilities:

Due to broke	\$ 31,499,196	\$ 27,000,416
Accounts payable	83,609	57,273
Accounts payable - affiliate	1,043,709	1,703,398
Accounts payable - dividends	-	3,698,960
	32,626,514	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	35,960,535	37,058,788
Treasury stock at cost, 209,900 shares	(1,734,967)	(1,734,967)
Distributable earnings	12,642,075	811,618
Net unrealized appreciation of investments	27,420,628	28,708,907
Net assets, equivalent to \$18.12 and \$15.95 per share at June 30, 2004 and December 31, 2003, respectively	78,849,889	69,405,964
	\$ 111,476,403	\$ 101,866,011

See accompanying notes

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

			June 30, 2004		
	Interest Rate	Due Date	Cost	Fair Value	% of Net Investments
Eligible Portfolio Investments -					
Convertible Debentures and					
Promissory Notes					
Digital Learning					
Management Corp. -					
Convertible debenture (2)	7.00%	02/27/11	\$ 1,000,000	\$ 2,684,563	4.24%
iLinc Communications, Inc. -					
Convertible redeemable note (2)	12.00	03/29/12	500,000	500,000	0.79
Gasco Energy, Inc. -					
Convertible debenture (2)	8.00	10/15/08	625,000	2,031,251	3.21
Integrated Security Systems, Inc. -					
Promissory notes (4)	8.00	09/30/04	525,000	525,000	0.83
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	2,275,641	3.60
			\$ 3,850,000	\$ 8,216,455	12.99%

See accompanying notes

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

			June 30, 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	0.59%
			\$ 375,000	\$ 375,000	0.59%

See accompanying notes

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

	Shares	Cost	June 30, 2004 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	\$ 700,000	1.11%
Common stock (2)	1,539,414	1,150,000	615,766	0.97
Common stock (2)	250,000	125,000	100,000	0.16
eOriginal, Inc.				
Series A, preferred stock (1)(3)	10,680	4,692,207	387,656	0.61
Series B, preferred stock (1)(3)	25,646	620,329	1,052,420	1.66
Series C, preferred stock (1)(3)	28,929	699,734	1,186,660	1.88
Series New C, preferred stock (1)(3)	22,319	360,000	204,803	0.32
Gaming & Entertainment Group, Inc.-				
Common stock	500,000	500,000	335,000	0.53
Gasco Energy, Inc. -				
Common stock	500,000	625,000	975,000	1.54
Global Access Corporation -				
Common stock (2)	4,766,666	1,261,667	2,431,000	3.84
Integrated Security Systems, Inc. -				
Common stock (2)	26,898,362	5,523,298	11,566,296	18.28
Series D, preferred stock (2)	187,500	150,000	96,750	0.15

See accompanying notes

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

	Shares	Cost	June 30, 2004 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	270,000	0.43
Laserscope -				
Common stock	600,000	750,000	16,530,000	26.12
Poore Brothers, Inc. -				
Common stock (2)	1,686,357	1,748,170	4,232,756	6.69
PracticeXpert, Inc. -				
Common stock (2)	4,166,667	500,000	1,166,666	1.84
Simtek Corp. -				
Common stock	1,000,000	195,000	710,000	1.12
Common stock - private placement (2)	550,661	500,000	390,969	0.62
ThermoView Industries, Inc. -				
Common stock	234,951	563,060	91,631	0.14
Miscellaneous Securities		-	1,169,986	1.85
		\$ 24,263,465	\$ 44,213,359	69.86%

See accompanying notes

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

	Shares	Cost	June 30, 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	\$ 592,308	0.94%
Capital Senior Living Corp -				
Common stock	57,100	146,335	274,651	0.43
CNE Group, Inc. -				
Common stock (2)	125,000	250,000	48,750	0.08
Dave & Busters, Inc. -				
Common stock	100,000	653,259	1,879,000	2.97
iLinc Communications, Inc. -				
Common stock	48,266	27,033	43,922	0.07
Flamel Technologies, S.A. -				
Common stock	25,000	131,868	615,750	0.97
Franklin Covey -				
Common stock	207,876	293,251	540,478	0.85
Gasco Energy, Inc. -				
Common stock	750,000	639,105	1,462,500	2.31
Inet Technologies, Inc. -				
Common stock	96,600	692,000	1,204,602	1.90

See accompanying notes

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

	Shares	Cost	June 30, 2004 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	377,862	0.60
Medical Action Industries, Inc. -				
Common stock	25,000	292,329	460,000	0.73
Precis, Inc. -				
Common stock	200,700	1,372,417	503,757	0.80
Stonepath Group, Inc. -				
Common stock	131,240	246,000	280,854	0.44
Tarantella, Inc. -				
Common stock	714,286	1,000,000	1,321,429	2.09
US Home Systems, Inc. -				
Common stock	110,000	535,587	787,600	1.24
Vaso Active Pharmaceuticals, Inc. -				
Common stock	150,000	250,000	90,000	0.14
		7,379,184	10,483,463	16.56%
		\$ 35,867,649	\$ 63,288,277	100.00%
Allocation of Investments -				
Restricted Shares, Unrestricted Shares, and Other Securities				
Restricted Securities (2)		\$ 14,358,135	\$ 27,102,075	42.82%
Unrestricted Securities		\$ 14,412,244	\$ 31,459,677	49.71%
Other Securities (5)		\$ 7,097,270	\$ 4,726,525	7.47%

(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.
Schedules of Investments (continued)

			December 31, 2003		
	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	\$ 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		% of Net Investments
			Cost	Fair Value	
Other Portfolio Investments -					
Convertible Debentures and					
Promissory Notes					