

RENAISSANCE CAPITAL GROWTH & INCOME FUND III INC  
Form 10-Q  
November 14, 2006

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

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**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, 2006

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**  
(Address of principal executive offices)

**75206**  
(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

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 October 31, 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)

	September 30, 2006	December 31, 2005
<b>ASSETS</b>		
Cash and cash equivalents	\$ 16,441,071	\$ 8,396,052
Investments at fair value, cost of \$37,280,584 and \$35,433,480 at September 30, 2006 and December 31, 2005, respectively	38,315,651	54,002,499
Interest and dividends receivable	136,423	48,226
Prepaid and other assets	10,921	101,598
	\$ 54,904,066	\$ 62,548,375
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Due to broker	\$ —	\$ 2,075,975
Accounts payable	119,313	86,782
Accounts payable - affiliate	673,763	2,050,989
Accounts payable - dividends	—	4,145,686
	793,076	8,359,432
Commitments and contingencies		
Net assets:		
Common stock, \$1 par value; authorized 20,000,000 shares; 4,673,867 issued; 4,463,967 shares outstanding	4,673,867	4,673,867
Additional paid-in-capital	31,790,153	32,681,024
Treasury stock at cost, 209,900	(1,734,967)	(1,734,967)
Distributable earnings	18,346,870	—
Net unrealized appreciation of investments	1,035,067	18,569,019
Net assets, equivalent to \$12.12 and \$12.14 per share at September 30, 2006 and December 31, 2005, respectively	54,110,990	54,188,943
	\$ 54,904,066	\$ 62,548,375

See accompanying notes



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

	Interest Rate	Due Date	September 30, 2006		% of Net Investments
			Cost	Fair Value	
Eligible Portfolio Investments - Convertible Debentures and Promissory Notes					
CaminoSoft Corp. -					
Promissory note (4)	7.00%	01/19/08	\$ 250,000	\$ 250,000	0.65%
iLinc Communications, Inc. -					
Convertible promissory note (2)	12.00	03/29/12	500,000	500,000	1.30
Integrated Security Systems, Inc. -					
Promissory note (4)	8.00	09/30/07	525,000	525,000	1.37
Promissory note (4)	7.00	09/30/07	200,000	200,000	0.52
Promissory note (4)	8.00	09/30/07	175,000	175,000	0.46
Convertible promissory note (2)	8.00	12/14/08	500,000	500,000	1.31
Simtek Corporation -					
Convertible debenture (2)	7.50	06/28/09	900,000	2,127,273	5.55
			\$ 3,050,000	\$ 4,277,273	11.16%

See accompanying notes

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

September 30, 2006

	Interest Rate	Due Date	Cost	Fair Value	% of Net Investments
Other Portfolio Investments - Convertible Debentures and Promissory Notes					
Integrated Security Systems, Inc. -					
Convertible debenture (4)	6.00%	06/16/09	\$ 400,000	\$ 400,000	1.04%
Pipeline Data, Inc. -					
Convertible debenture (2)	8.00	06/29/10	500,000	519,231	1.36
			\$ 900,000	\$ 919,231	2.40%

See accompanying notes

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

	September 30, 2006			% of Net Investments
	Shares	Cost	Fair Value	
Eligible Portfolio Investments - Common Stock, Preferred Stock, and Miscellaneous Securities				
CaminoSoft Corp. -				
Common stock (2)	3,539,414	\$ 5,275,000	\$ 955,642	2.49
eOriginal, Inc. -				
Series A, preferred stock (1)(2)(3)	10,680	4,692,207	332,575	0.87
Series B, preferred stock (1)(2)(3)	25,646	620,329	798,616	2.08
Series C, preferred stock (1)(2)(3)	51,249	1,059,734	1,595,894	4.17
Series D, preferred stock (1)(2)(3)	16,057	500,000	500,015	1.30
Gaming & Entertainment Group -				
Common stock (2)	612,500	550,625	67,375	0.18
Gasco Energy, Inc. -				
Common stock	1,541,666	1,250,000	4,162,498	10.86
Global Access Corporation -				
Common stock (2)	953,333	1,261,667	371,800	0.97
Hemobiotech, Inc. -				
Common stock (2)	1,137,405	1,143,882	1,592,367	4.16
Integrated Security Systems, Inc. -				
Common stock (2)	31,205,238	5,909,401	4,056,681	10.59
Series D, preferred stock (2)	187,500	150,000	24,375	0.06
Inyx, Inc. -				
Common stock	300,000	300,000	756,000	1.97
PracticeXpert, Inc. -				
Common stock (2)	4,166,667	500,000	41,667	0.11

See accompanying notes



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

	September 30, 2006			% of Net Investments
	Shares	Cost	Fair Value	
Eligible Portfolio Investments - Common Stock, Preferred Stock, and Miscellaneous Securities, continued				
Simtek Corp. -				
Common stock (2)	6,407,625	1,799,294	3,331,965	8.70
Symbolon Pharmaceuticals, Inc. -				
Common stock (2)	250,000	250,000	312,500	0.82
Miscellaneous Securities				
		-	562,943	1.47
		\$ 25,262,139	\$ 19,462,913	50.80%

See accompanying notes

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

	September 30, 2006			% of Net Investments
	Shares	Cost	Fair Value	
Other Portfolio Investments - Common Stock, Preferred Stock, and Miscellaneous Securities				
AdStar, Inc. -				
Common stock	269,231	\$ 350,000	\$ 223,462	0.58%
Advance Nanotech, Inc. -				
Common stock (2)	170,796	330,000	131,513	0.34
Bovie Medical Corporation -				
Common stock (2)	500,000	907,845	3,520,000	9.19
China Security & Surveillance Technology, Inc. -				
Common stock (2)	142,857	500,000	957,142	2.50
Comtech Group, Inc. -				
Common stock (2)	240,000	840,000	3,597,600	9.39
Common stock	60,000	346,018	899,400	2.35
Hemobiotech, Inc. -				
Common stock	62,595	140,235	87,633	0.23
i2 Telecom -				
Convertible Preferred (2)	625	618,750	44,531	0.11
Information Intellect -				
Series A preferred stock (1)(2)(3)	666,666	999,999	999,999	2.61
iLinc Communications, Inc. -				
Common stock	23,266	13,908	11,865	0.03
Medical Action Industries, Inc. -				
Common stock	20,100	237,209	540,489	1.41

See accompanying notes

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

	Shares	September 30, 2006		% of Net Investments
		Cost	Fair Value	
Other Portfolio Investments - Common Stock, Preferred Stock, and Miscellaneous Securities, continued				
Precis, Inc. -				
Common stock (2)	800,000	1,998,894	1,560,000	4.07
US Home Systems, Inc. -				
Common stock	110,000	535,587	1,040,600	2.72
Vaso Active Pharmaceuticals, Inc. -				
Common stock	150,000	250,000	42,000	0.11