

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

---

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.

---

---

---

## RENAISSANCE CAPITAL GROWTH &amp; INCOME FUND III, INC.

## INDEX

	<b>Page Number</b>
<b>PART I. FINANCIAL INFORMATION</b>	
<b><u>Item 1. Financial Statements (Unaudited)</u></b>	3
Statements of Assets and Liabilities as of September 30, 2006 and December 31, 2005	3
Schedules of Investments as of September 30, 2006 and December 31, 2005	4
Statements of Operations for the three months and nine months ended September 30, 2006 and 2005	15
Statements of Change in Net Assets for the nine months ended September 30, 2006 and 2005	17
Statements of Cash Flows for the nine months ended September 30, 2006 and 2005	18
Notes to Financial Statements	19
<b><u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u></b>	24
<b><u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u></b>	28
<b><u>Item 4. Controls and Procedures</u></b>	28
<b>PART II. OTHER INFORMATION</b>	
<b><u>Item 1. Legal Proceedings</u></b>	29
<b><u>Item 1A. Risk Factors</u></b>	29
<b><u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u></b>	32
<b><u>Item 3. Defaults Upon Senior Securities</u></b>	32
<b><u>Item 4. Submission of Matters to a Vote of Security Holders</u></b>	32
<b><u>Item 5. Other Information</u></b>	32
<b><u>Item 6. Exhibits</u></b>	32

## 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