RENAISSANCE CAPITAL GROWTH & INCOME FUND III INC
Form 10-Q
August 18, 2003

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

FORM 10-Q

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For quarterly period ended June 30, 2003

[ ] TRANSITION REPORT PURSUANT TO SECTION 12 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)

Texas	75-2533518
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer I.D. No.)
8080 North Central Expressway, Dallas, Texas	75206-1857
(Address of principal executive offices)	(Zip Code)

214-891-8294
(Registrant's telephone number, including area code)

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 __x__ No _____

4,351,418 shares of common stock were outstanding at August 14, 2002.

The Registrant's Registration Statement on Form N-2 was declared effective by the Securities and Exchange Commission on May 6, 1994.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

Assets	December 31, 2002	June 30, 2003
Cash and cash equivalents	$10,968,001	$35,172,840
Investments at fair value, cost of $32,918,344 and $34,521,950 December 31,2002 and June 30, 2003, respectively	39,459,243	49,563,287
Accounts receivable - brokerage	110,381	-
Interest and dividends receivable	28,409	494,055
Prepaid expenses	40,068	2,877
	$50,495,721	$85,343,440

Liabilities and Net Assets

Liabilities:		
Due to broker (Note 3)	9,001,163	34,491,604
Accounts payable	12,106	21,632
Accounts payable - affiliate	223,386	344,753
	9,236,655	34,857,989
Commitments and contingencies		
Net assets:		
Common stock, $1 par value; authorized 20,000,000 shares; 4,561,618 issued; 4,351,418 shares outstanding	4,561,618	4,561,618
Additional paid-in-capital	35,642,954	35,642,954
Treasury stock at cost, 209,900 shares at December 31, 2002 , and at June 30, 2003	(1,734,966)	(1,734,966)
Accumulated deficit	(3,751,440)	(3,025,492)
Net unrealized appreciation of investments	6,540,900	15,041,337
Net assets, equivalent to $9.48 and $11.60 per share at December 31, 2002 June 30, 2003, respectively	41,259,066	50,485,451
	$50,495,721	$85,343,440

See accompanying notes to financial statements.

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

	June 30, 2003				
	Interest Rate	Due Date	Cost	Fair Value	% of Net Assets
Eligible Portfolio Investments - Convertible Debentures and Promissory Notes					

Active Link Communications, Inc. -					
Convertible bridge note (2)	12.00	09/30/03	$ 19,023	$ 0	0.00
Convertible note (2)	8.00	09/30/03	125,000	0	0.00
Convertible note (2)	8.00	09/30/03	250,000	0	0.00
Business Process Outsourcing -					
Convertible debenture (1)(3)	12.00	08/31/03	98,000	100,001	0.20
Dexterity Surgical, Inc. -					
Convertible debenture (2)	9.00	12/19/04	1,316,282	1,066,282	2.11
EDT Learning, Inc. -					
Convertible redeemable note(2)	12.00	03/29/12	500,000	500,000	0.99
Integrated Security Systems, Inc. -					
Promissory notes (4)	8.00	09/05/03	525,000	525,000	1.04
Laserscope -					
Convertible debenture (2)	8.00	02/11/07	1,300,000	8,226,503	16.29
Simtek Corporation -					
Convertible debenture (2)	7.50	06/28/09	1,000,000	1,094,872	2.17
			$ 5,133,305	$11,512,658	22.80%

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

	June 30, 2003				
	Interest Rate	Due Date	Cost	Fair Value	% of Net Assets
Other Portfolio Investments - Convertible Debentures and Promissory Notes					
CareerEngine Network, Inc. -					
Convertible debenture (2)	12.00	03/31/10	$ 250,000	$ 250,000	0.50
Interpool, Inc. -					
Convertible debenture (2)	9.25	12/27/22	375,000	375,000	0.74
			$ 625,000	$ 625,000	1.24%

(1) Valued at fair value as determined by the Investment Adviser (Note 6).
(2) Restricted securities - securities that are not fully registered and freely tradeable.
(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.

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

	June 30, 2003			
	Shares	Cost	Fair Value	% of Net Assets
Eligible Portfolio Investments - Common Stock, Preferred Stock, and Miscellaneous Securities				
Bentley Pharmaceuticals, Inc. -				
Common stock	400,000	$ 500,000	$ 5,207,400	10.31
CaminoSoft Corp. -				
Common stock	1,750,000	4,000,000	727,650	1.44
Common stock (2)	708,333	875,000	229,650	0.45
Dexterity Surgical, Inc. -				
Preferred stock - A (2)	500	500,000	0	0.00
Preferred stock - B (2)	500	500,000	0	0.00
Common stock (2)	260,000	635,000	0	0.00
eOriginal Holdings, Inc. -				
Series A, preferred stock (1)	10,680	4,692,207	770,383	1.53
Series B, preferred stock (1)	25,646	620,329	1,849,928	3.66
Series C, preferred stock (1)	28,929	699,734	2,086,741	4.13
Fortune Natural Resources Corp. -				
Common stock	1,262,394	500,500	324,940	0.64
Gasco Energy, Inc. -				
Common stock (2)	250,000	250,000	217,800	0.43
Integrated Security Systems, Inc. -				
Common stock	393,259	215,899	54,506	0.11
Common stock - PIK (2)	208,004	49,173	0	0.00
Series D, preferred stock (2)	187,500	150,000	31,500	0.06
Series F, preferred stock (2)	2,714,945	542,989	456,111	0.90
Series G, preferred stock (2)	18,334,755	3,666,951	3,080,239	6.10

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

	June 30, 2003			
	Shares	Cost	Fair Value	% of Net Assets
Eligible Portfolio Investments - Common Stock, Preferred Stock, and Miscellaneous Securities				
JAKKS Pacific, Inc. - Common stock	49,847	$ 297,421	$ 655,841	1.30
Laserscope - Common stock (2)	160,000	200,000	1,265,616	2.51
Poore Brothers, Inc. - Common stock (2)	2,016,357	2,078,170	7,645,225	15.14
Simtek Corp. - Common stock (2)	1,000,000	195,000	376,200	0.75
ThermoView Industries, Inc. - Common stock	134,951	497,832	85,505	0.17
Miscellaneous Securities		2,165	272,861	0.54
		$21,668,370	$25,338,096	50.19%

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

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

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

June 30, 2003

	Shares	Cost	Fair Value	% of Net Assets
Other Portfolio Investments - Common Stock, Preferred Stock, and Miscellaneous Securities				
AirNet Systems, Inc. - Common stock (2)	50,000	$ 212,500	$ 200,475	0.40
Bentley Pharmaceuticals, Inc. - Common stock	72,979	116,582	950,077	1.88
Canterbury Consulting Group, Inc. - Common stock	18,521	125,415	14,302	0.03
Capital Senior Living Corp - Common stock	57,100	146,335	176,935	0.35
Dave & Busters, Inc. - Common stock	100,000	653,259	1,079,100	2.14
Dwyer Group, Inc. - Common stock	525,000	1,627,470	3,751,358	7.43
EDT Learning, Inc. - Common stock	48,266	27,033	17,202	0.03

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

	June 30, 2003			
	Shares	Cost	Fair Value	% of Net Assets
Other Portfolio Investments - Common Stock, Preferred Stock, and Miscellaneous Securities				
Flamel Technologies, SA - Common stock	100,000	832,267	1,331,550	2.64
Gasco Energy, Inc. - Common stock	170,000	99,705	148,104	0.29
I-Flow Corporation - Common stock	100,000	254,038	735,570	1.46
Inet Technologies, Inc. - Common stock	96,600	530,338	951,558	1.88
Medical Action Industries, Inc. - Common stock	25,000	292,329	404,168	0.80

Precis, Inc. – Common stock	200,700	1,372,416	913,988	1.81
Stonepath Group, Inc. – Common stock (2)	200,000	270,000	461,360	0.91

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

	June 30, 2003			
	Shares	Cost	Fair Value	% of Net Assets
Other Portfolio Investments – Common Stock, Preferred Stock, and Miscellaneous Securities				
US Home Systems, Inc. – Common stock	110,000	535,588	951,786	1.89
Miscellaneous Securities		0	0	0.00
		$ 7,095,275	$12,087,533	23.94%
		$34,521,950	$49,563,287	98.17%
Allocation of Investments – Restricted Shares, Unrestricted Shares, and Other Securities				
Restricted Securities (2)		$15,260,088	$25,476,833	50.46%
Unrestricted Securities		$12,624,427	$18,481,540	36.61%
Other Securities (5)		$ 6,637,435	$ 5,604,914	11.10%

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

	December 31, 2002				
	Interest Rate	Due Date	Cost	Fair Value	% of Net Assets
Eligible Portfolio Investments - Convertible Debentures and Promissory Notes					
Active Link Communications, Inc. -					
Convertible bridge note (2)	12.00	09/30/03	$ 41,480	$ 41,789	0.10
Convertible note (2)	8.00	09/30/03	125,000	126,000	0.31
Convertible note (2)	8.00	09/30/03	250,000	252,000	0.61
Business Process Outsourcing -					
Convertible debenture (1)(3)	12.00	08/31/03	98,000	100,000	0.24
Dexterity Surgical, Inc. -					
Convertible debenture (2)	9.00	12/19/04	1,316,282	1,066,282	2.58
EDT Learning, Inc. -					
Convertible redeemable note(2)	12.00	03/29/12	500,000	500,000	1.21
eOriginal, Inc. -					
Promissory note (3)	12.00	12/31/02	1,139,683	1,139,683	2.76
Integrated Security Systems, Inc. -					
Promissory notes (4)	8.00	09/05/03	325,000	325,000	0.79
Laserscope -					
Convertible debenture (2)	8.00	02/11/07	1,500,000	5,026,000	12.18
Simtek Corporation -					
Convertible debenture (2)	7.50	06/28/09	1,000,000	1,000,000	2.42
			$ 6,295,445	$ 9,576,754	23.21%

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

December 31, 2002				
Interest Rate	Due Date	Cost	Fair Value	% of Net Assets

Other Portfolio Investments - Convertible Debentures and Promissory Notes					
CareerEngine Network, Inc. - Convertible debenture (2)	12.00	03/31/10	$ 250,000	$ 250,000	0.61
Interpool, Inc. - Convertible debenture (2)	9.25	12/27/22	375,000	375,000	0.91
			$ 625,000	$ 625,000	1.51%

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

	December 31, 2002			
	Shares	Cost	Fair Value	% of Net Assets
Eligible Portfolio Investments - Common Stock, Preferred Stock, and Miscellaneous Securities				
Bentley Pharmaceuticals, Inc. -				
Common stock	400,000	$ 500,000	$ 3,187,800	7.73
CaminoSoft Corp. -				
Common stock	1,750,000	4,000,000	1,559,250	3.78
Common stock (2)	708,333	875,000	549,250	1.33
Dexterity Surgical, Inc. -				
Preferred stock - A (2)	500	500,000	0	0.00
Preferred stock - B (2)	500	500,000	0	0.00
Common stock (2)	260,000	635,000	0	0.00
eOriginal, Inc. -				
Series A, preferred stock (5)	6,000	1,500,000	794,000	1.92
Series B-1, preferred stock(5)	1,785	392,700	1,426,215	3.46
Series B-3, preferred stock (5)	447	107,280	357,153	0.87
Series C-1, preferred stock (5)	2,353	2,000,050	2,000,050	4.85

Fortune Natural Resources Corp. -				
Common stock	1,262,394	500,500	81,235	0.20
Gasco Energy, Inc. -				
Common stock (2)	250,000	250,000	112,150	0.27
Integrated Security Systems, Inc. -				
Common stock	393,259	215,899	93,438	0.23
Common stock - PIK (2)	104,787	28,319	23,640	0.06
Series D, preferred stock (2)	187,500	150,000	54,000	0.13
Series F, preferred stock (2)	2,714,945	542,989	612,492	1.48
Series G, preferred stock (2)	18,334,755	3,666,951	4,086,321	9.90

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

	December 31, 2002			
	Shares	Cost	Value	Assets
Eligible Portfolio Investments - Common Stock, Preferred Stock, and Miscellaneous Securities				
JAKKS Pacific, Inc. -				
Common stock	59,847	$ 357,088	$ 798,078	1.93
Poore Brothers, Inc. -				
Common stock (2)	2,016,357	2,078,170	4,669,485	11.32
Simtek Corp. -				
Common stock (2)	1,000,000	195,000	150,400	0.36
ThermoView Industries, Inc. -				
Common stock	134,951	497,832	120,241	0.29
Miscellaneous Securities		2,165	462,349	1.12
		$19,494,943	$21,137,547	51.23%

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

	December 31, 2002			
	Shares	Cost	Fair Value	% of Net Assets
Other Portfolio Investments - Common Stock, Preferred Stock, and Miscellaneous Securities				
AirNet Systems, Inc. - Common stock (2)	75,000	$ 318,750	$ 296,860	0.72
Bentley Pharmaceuticals, Inc. - Common stock	259,979	535,168	2,071,902	5.02
Canterbury Consulting Group, Inc. - Common stock	200,000	193,473	51,480	0.12
Capital Senior Living Corp - Common stock	44,500	110,975	112,340	0.27
Creative Host Services, Inc. - Common stock	4,830	7,921	9,085	0.02
Daisytek International, Inc. - Common stock	49,600	507,639	389,395	0.94
Dave & Busters, Inc. - Common stock	100,000	653,259	856,350	2.08
Dwyer Group, Inc. - Common stock	675,000	1,966,632	2,559,397	6.20
EDT Learning, Inc. - Common stock	48,266	27,033	14,335	0.03
I-Flow Corporation - Common stock	100,000	254,038	154,440	0.37

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

	December 31, 2002			
	Shares	Cost	Fair Value	% of Net Assets
Other Portfolio Investments - Common Stock, Preferred Stock, and Miscellaneous Securities				
Inet Technologies, Inc. - Common stock	75,000	$ 367,434	$ 452,925	1.10
Precis, Inc. - Common stock	100,700	1,025,047	550,305	1.33
US Home Systems, Inc. - Common stock	110,000	535,587	601,128	1.46
Miscellaneous Securities		0	0	0.00
		$ 6,502,956	$ 8,119,942	19.68%
		$32,918,344	$39,459,243	95.64%
Allocation of Investments - Restricted Shares, Unrestricted Shares, and Other Securities				
Restricted Securities (2)		$15,097,941	$19,191,669	46.52%
Unrestricted Securities		$12,255,525	$13,663,124	33.12%
Other Securities (5)		$ 5,564,878	$ 6,604,450	16.01%

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(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.

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

	Three Months Ended June 30,	
	2002	2003

Income:		
Interest	$ 93,430	$ 86,954
Dividend	24,728	55,221
Commitment and other fees	-	1,553
	118,158	143,728
Expenses:		
General and administrative	159,287	118,130
Incentive fee	-	30,097
Interest expense	14,745	28,411
Legal and professional fees	99,158	22,349
Management fees	233,831	223,901
	507,021	422,888
Net investment income (loss)	(388,863)	(279,160)
Realized and unrealized gain (loss) on investments:		
Net unrealized appreciation (depreciation) on investments	(1,985,523)	15,041,337
Net realized loss (gain) on investments	(49,164)	150,483
Net gain (loss) on investments	(2,034,687)	15,191,820
Net income (loss)	($ 1,423,550)	$14,912,660
Net income (loss) per share	($ 0.56)	$ 3.43

See accompanying notes to financial statements.

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

	Six Months Ended June 30,	
	2002	2003
Income:		
Interest	$ 186,104	$ 347,486
Dividend	43,238	1,161,230
Commitment and other fees	-	1,553

	229,342	1,510,269
Expenses:		
General and administrative	246,609	193,180
Incentive fee	-	196,260
Interest expense	44,401	38,444
Legal and professional fees	165,289	80,514
Management fees	478,313	386,878
	934,612	895,276
Net investment income (loss)	(705,270)	614,993
Realized and unrealized gain (loss) on investments:		
Net unrealized appreciation (depreciation) on investments	2,805,510	8,500,437
Net realized loss (gain) on investments	(3,424,391)	981,299
Net gain (loss) on investments	(618,881)	9,481,736
Net income (loss)	($ 1,324,151)	$10,096,729
Net income (loss) per share	($ 0.30)	$ 2.32

See accompanying notes to financial statements.

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

	Three Months Ended June 30,	
	2002	2003
From operations:		
Net investment income (loss)	($ 388,863)	($ 279,160)
Net realized gain (loss) on investments	(49,164)	150,483
Increase (decrease) in unrealized appreciation on investments	(1,985,523)	14,561,632
Net increase (decrease) in net assets resulting from operations	(2,423,550)	14,432,955

From distributions to stockholders:		
Common dividends from net investment income	-	(435,172)
Net decrease in net assets resulting from distributions	-	(435,172)
Total increase (decrease) in net assets	(2,423,550)	13,997,783
Net assets:		
Beginning of period	55,636,907	36,487,668
End of period	$53,213,357	$50,485,451

See accompanying notes to financial statements.

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

	Six Months Ended June 30,	
	2002	2003
From operations:		
Net investment income (loss)	($ 705,270)	$ 614,993
Net realized gain (loss) on investments	(3,424,391)	981,299
Increase (decrease) in unrealized appreciation on investments	2,805,510	8,500,437
Net increase (decrease) in net assets resulting from operations	(1,324,151)	10,096,729
From distributions to stockholders:		
Common dividends from net investment income	-	(870,344)
Net decrease in net assets resulting from distributions	-	(870,344)
Total increase (decrease) in net assets	(1,324,151)	9,226,385
Net assets:		

Beginning of period	54,537,508	41,259,066
End of period	$53,213,357	$50,485,451

See accompanying notes to financial statements.

Renaissance Capital Growth & Income Fund III, Inc.
Statement of Cash Flows

	Three Months ended June 30, 2002	2003
Cash flows from operating activities:		
Net income (loss)	($ 2,423,550)	$14,912,660
Adjustments to reconcile net income to net cash provided by (used in) operation activities:		
Net unrealized (appreciation) depreciation on investments	1,985,523	(15,041,337)
Net realized (gain) loss on investments	49,164	(150,483)
(Increase) decrease in interest and dividends receivable	(49,445)	(75,648)
(Increase) decrease in other receivables	-	(110,381)
(Increase) decrease in other assets	6,470	18,698
Increase (decrease) in accounts payable	(18,238)	700
Increase (decrease) in accounts payable - affiliate	17,539	(27,416)
Increase (decrease) in other liabilities	(4,331,990	15,487,613
Net cash provided by (used in) operating activities	(4,764,527)	15,014,406
Cash flows from (used in) investing activities:		
Purchase of investments	(2,584,815)	(1,526,194)
Proceeds from sale of investments	3,016,629	1,911,838
Repayment of debentures and notes	577,162	22,457
Net cash provided by (used in) investing activities	1,008,976	408,101
Cash flows from (used in) financing activities:		
Cash dividends	-	(435,172)
Net cash used in financing activities	-	(435,172)

Net increase (decrease) in cash and

cash equivalents	(3,755,551)	$14,987,335
Cash and cash equivalents at beginning of the period	24,917,818	20,185,505
Cash and cash equivalents at end of the period	$21,162,267	$35,172,840
Cash paid during the period for interest	$ 14,745	$ 28,411
Cash paid during the period for taxes	$ 25,779	$ 1,671

Noncash investing activities:
During the quarter ended March 31, 2002, the Fund received common stock in settlement of amounts due from interest and dividends totaling $9,308.
During the quarter ended March 31, 2003, the Fund received common stock in settlement of amounts due for interest and dividends totaling $891,417.

See accompanying notes to financial statements.

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Renaissance Capital Growth & Income Fund III, Inc.
Statement of Cash Flows

	Six Months ended June 30, 2002	2003
Cash flows from operating activities:		
Net income (loss)	($ 1,324,151)	$10,096,729
Adjustments to reconcile net income to net cash provided by (used in) operation activities:		
Net unrealized (appreciation) depreciation on investments	(2,805,509)	(8,500,437)
Net realized (gain) loss on investments	3,424,392	(981,299)
(Increase) decrease in interest and dividends receivable	(14,577)	(465,646)
(Increase) decrease in other receivables	-	(110,381)
(Increase) decrease in other assets	12,868	37,191
Increase (decrease) in accounts payable	1,866	9,526
Increase (decrease) in accounts payable - affiliate	6,706	121,367
Increase (decrease) in other liabilities	(5,830,448)	25,490,441
Net cash provided by (used in) operating activities	(6,528,853)	25,697,491
Cash flows from (used in) investing activities:		
Purchase of investments	(3,985,044)	(3,676,266)
Proceeds from sale of investments	3,941,141	3,031,501
Repayment of debentures and notes	609,097	22,457
Net cash provided by (used in) investing activities	565,194	(622,308)
Cash flows from (used in) financing activities:		
Cash dividends	-	(870,344)
Net cash used in financing activities	-	(870,344)

Net increase (decrease) in cash and cash equivalents	(5,963,659)	$24,204,839
Cash and cash equivalents at beginning of the period	27,125,926	10,968,001
Cash and cash equivalents at end of the period	$21,162,267	$35,172,840
Cash paid during the period for interest	$ 44,401	$ 38,444
Cash paid during the period for taxes	$ 25,779	$ 1,671

Noncash investing activities:

During the quarter ended March 31, 2002, the Fund received common stock in settlement of amounts due from interest and dividends totaling $9,308. During the quarter ended March 31, 2003, the Fund received common stock in settlement of amounts due for interest and dividends totaling $891,417.

During the quarter ended June 30, 2002, the Fund received common stock in settlement of amounts due from interest and dividends totaling $6,745. During the quarter ended June 30, 2003, the Fund received common stock in settlement of amounts due from interest totaling $1,994.

See accompanying notes to financial statements.

RENAISSANCE CAPITAL GROWTH & INCOME FUND III, INC.
Notes to Financial Statements
June 30, 2003

(1) Organization and Business Purpose

Renaissance Capital Growth & Income Fund III, Inc. (the Fund), a Texas corporation, was formed on January 20, 1994. The Fund seeks to achieve current income and capital appreciation potential by investing in equity securities and convertible issues of small and medium size companies which are in need of capital and which Renaissance Capital Group, Inc. (Investment Adviser) believes offers the opportunity for growth. The Fund is a non- diversified closed-end investment company and has elected to be treated as a business development company under the Investment Company Act of 1940, as amended (1940 Act).

(2) Summary of Significant Accounting Policies

(a) Valuation of Investments

Portfolio investments are stated at quoted market or fair value as determined by the Investment Adviser (Note 6). The securities held by the Fund are primarily unregistered and their value does not necessarily represent the amounts that may be realized from their immediate sale or disposition.

(b) Other

The Fund records security transactions on the trade date. Dividend income is recorded on the ex-dividend date. Interest income is recorded as earned on the accrual basis.

(c) Cash and Cash Equivalents

The Fund considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

(d) Federal Income Taxes

The Fund has elected the special income tax treatment available to "regulated investment companies" ("RIC") under Subchapter M of the Internal Revenue Code (IRC) in order to be relieved of federal income tax on that part of its net investment income and realized capital gains that it pays out to its shareholders. The Fund's policy is to comply with the requirements of the IRC that are applicable to regulated investment companies. Such requirements include, but are not limited to certain qualifying income tests, asset diversification tests and distribution of substantially all of the Fund's taxable investment income to its shareholders. It is the intent of management to comply with all IRC requirements as they pertain to a RIC and to distribute all of the Fund's taxable investment income and long-term capital gains within the defined period under the IRC to qualify as a RIC. Failure to qualify as a RIC would subject the Fund to federal income tax as if the Fund were an ordinary corporation, which could result in a substantial reduction in the Fund's net assets as well as the amount of income available for distribution to shareholders.

(e) Net Income per Share

Net income per share is based on the weighted average of shares outstanding of 4,351,718 during the period.

(f) Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts and disclosures in the financial statements. Actual results could differ from these estimates.

(3) Due to Broker

The Fund conducts business with a broker for its investment activities. The clearing and depository operations for the investment activities are performed pursuant to agreements with this broker. Due to broker represents a margin loan payable to the broker, which is secured by investments in securities maintained with the broker. Cash and cash equivalents related to the margin loan payable are held by the broker as collateral for the margin loan. The Fund is subject to credit risk to the extent the broker is unable to deliver cash balances or securities, or clear security transactions on the Fund's behalf. The Investment Adviser actively monitors the Fund's exposure to the broker and believes the likelihood of loss under those circumstances is remote.

RENAISSANCE CAPITAL GROWTH & INCOME FUND III, INC.
Notes to Financial Statements
June 30, 2003

(4) Management and Organization Fees

The Investment Adviser for the Fund is registered as an investment adviser under the Investment Advisers Act of 1940. Pursuant to an Investment Advisory Agreement (the Agreement), the Investment Adviser performs certain services, including certain management, investment advisory and administrative services necessary for the operation of the Fund. In addition, under the Agreement, the Investment Adviser is reimbursed by the Fund for certain administrative expenses. A summary of fees and reimbursements paid by the Fund under the Agreement, the prospectus and the original offering document are as follows:

- The Investment Adviser receives a management fee equal to a quarterly rate of 0.4375% (1.75% annually) of the Fund's Net Assets, as determined at the end of such quarter with each such payment to be due as of the last day of the calendar quarter. The Fund incurred $223,901 and $233,831 for management fees during the quarter ended June 30, 2003, and June 30, 2002, respectively. Amounts payable for such fees at June 30, 2003, and June 30, 2002, were $223,901 and $233,831, respectively, and are included in Accounts payable - affiliate on the statements of assets and liabilities.

- The Investment Adviser receives an incentive fee in an amount equal to 20% of the Fund's realized capital gains in excess of realized capital losses of the Fund after allowance for any unrealized capital losses in excess of unrealized capital gains on the portfolio investments of the Fund. The incentive fee is calculated, accrued, and paid on a quarterly basis. During the quarter ended June 30, 2003, the Fund incurred $30,097 during the quarter ended June 30, 2003, for such incentive fees, which are included in Accounts payable - affiliate on the statements of assets and liabilities. The Fund did not incur any incentive fees for the quarter ended June 30, 2002.

- The Investment Adviser was reimbursed by the Fund for administrative expenses paid by the Investment Adviser on behalf of the Fund. Such reimbursements were $49,279 and $28,190 during the quarter ended June 30, 2003, and June 30, 2002, respectively, and are included in general and administrative expenses in the accompanying statements of operations.

RENAISSANCE CAPITAL GROWTH & INCOME FUND III, INC.
Notes to Financial Statements
June 30, 2003

(5) Eligible Portfolio Companies and Investments

(a) Eligible Portfolio Companies.

The Fund invests primarily in convertible securities and equity investments of companies that qualify as Eligible Portfolio Companies as defined in Section 2(a)(46) of the 1940 Act or in securities that otherwise qualify for investment as permitted in Section 55(a)(1) through (5) of the 1940 Act. Under the provisions of the 1940 Act at least 70% of the fund's assets, as defined under the 1940 Act, must be invested in Eligible Portfolio Companies. In the event the Fund has less than 70% of its assets invested in eligible portfolio investments, then it will be prohibited from making non- eligible investments until such time as the percentage of eligible investments again exceeds the 70% threshold.

(b) Investments.

Investments are carried in the statements of assets and liabilities as of December 31, 2002, and June 30, 2003, at fair value, as determined in good faith by the Investment Adviser. The convertible debt securities held by the Fund generally have maturities between five and seven years and are convertible into the common stock of the issuer at a set conversion price at the discretion of the fund. The common stock underlying these securities is generally unregistered and thinly to moderately traded but is not otherwise restricted. Generally, the Fund may register and sell such securities at any time with the Fund paying the costs of registration. Interest on convertible securities are generally payable monthly. The convertible debt securities generally contain embedded call options giving the issuer the right to call the underlying issue. In these instances, the Fund has the right of redemption or conversion. The embedded call option will generally not vest until certain conditions are achieved by the issuer. Such conditions may require that minimum thresholds be met relating to underlying market prices, liquidity, and other factors.

(6) Valuation of Investments

On a quarterly basis, Renaissance Group prepares a valuation of the assets of the Fund subject to the approval of the Board of Directors. The valuation principles are as follows:

- Generally, the guiding principle for valuation is the application of objective standards. The objective standards for determining market prices and applying valuation methodologies will govern in all situations except where a debt issuer is in default.

- Generally, the fair value of debt securities and preferred securities convertible into common stock is the sum of (a) the value of such securities without regard to the conversion feature, and (b) the value, if any, of the conversion feature. The fair value of debt securities without regard to conversion features is determined on the basis of the terms of the debt security, the interest yield, and the financial condition of the issuer. The fair value of preferred securities without regard to conversion features is determined on the basis of the terms of the preferred security, its dividend, and its liquidation and redemption rights and absent special circumstances will typically be equal to the lower of cost or 120% of the value of the underlying common stock. The fair value of the conversion features of a security, if any, are based on fair values of the derivative securities as of the relevant date less an allowance, as appropriate, for costs of registration, if any, and selling expenses.

- Portfolio investments for which market quotations are readily available and which are freely transferable are valued as follows: (i) securities traded on a securities exchange or the Nasdaq or in the over-the-counter market are valued at the closing price on, or the last trading day prior to, the date of valuation, and (ii) securities traded in the over-the-counter market that do not have a closing price on, or the last trading day prior to, the date of valuation are valued at the average of the closing bid and ask price for the last trading day on, or prior to, the date of valuation. Securities for which market quotations are readily available but are restricted from free trading in the public securities markets (such as Rule 144 stock) are valued by discounting the value for the last trading day on, or prior to, the date of valuation to reflect the liquidity caused by such restriction, but taking into consideration the existence, or lack thereof, of any contractual right to have the securities registered and freed from such trading restrictions.

- Because there is no independent and objective pricing authority (i.e. a public market) for investments in privately held entities, the latest sale of equity securities by the entity governs the value of the enterprise. This valuation method causes the Fund's initial investment in the private entity to be valued at cost. Thereafter, new issuances of equity or equity-linked securities by a portfolio company will be used to determine enterprise value as they will provide the most objective and independent basis for determining the worth of the issuer.

  There can be no assurance that stated market fair values for private equities will stay constant, or that future equity raises will value the portfolio company at levels equal to or greater than the prior equity financing for the issuer. As a result, the Fund's valuation of

a privately held portfolio company may be subject to downward adjustment that would directly impact the Fund's net asset value and which could result in a substantial reduction in the fund's net assets.

- Where a portfolio company is in default on a debt instrument held by the Fund, and no market exists for that instrument, the fair value for the investment is determined on the basis of appraisal procedures established in good faith by the Investment Adviser. This type of fair value determination is based upon numerous factors such as the portfolio company's earnings and net worth, market prices for comparative investments (similar securities in the market place), the terms of the Fund's investment, and a detailed assessment of the portfolio company's future financial prospects. In the event of unsuccessful operations by a portfolio company, the appraisal may be based upon an estimated net realizable value when that investment is liquidated

As of June 31, 2003, and December 31, 2002, the net unrealized appreciation associated with investments held by the Fund was $15,041,337, and $6,540,900, respectively.

(7) Restricted Securities

As indicated on the schedule of investments as of June 30, 2003, and December 31, 2002, the Fund holds investments in shares of common stock, the sale of which is restricted. These securities have been valued by the Investment Adviser after considering certain pertinent factors relevant to the individual securities (note 5).

(8) Purchase of Additional Shares

In accordance with Fund guidelines, certain shareholders reinvested their dividends in the Fund. The Fund issued no shares during the three months and six months ended June 30, 2003, under the dividend reinvestment plan.

(9) Distributions to Shareholders

During the three months ended June 30, 2003, the Fund distributed $435,172, resulting in total distributions for the six months ended June 30, 2003, amounting to $870,344. The final tax characteristics of this distribution cannot be determined at this time.

(10) Financial Highlights

Selected per share data and ratios for each share of common stock outstanding throughout the three months ended June 30, 2002, and 2003, are as follows:

	2002	2003
Net asset value, beginning of period	$ 12.75	$ 8.39
Net investment income (loss)	$(0.09)	$(0.06)
Net realized and unrealized gain on investments	$(0.30)	$ 3.37
Total return from investment operations	$(0.55)	$ 3.31
Distributions:	$ 0.00	$ 0.10
Net asset value, end of period	$ 12.20	$ 11.60
Per share market value, end of period	$ 10.00	$ 9.35
Portfolio turnover rate (quarterly)	3.18%	2.83%
Quarterly return (a)	-7.41%	38.52%
Ratio to average net assets (quarterly)(b):		
Net investment income (loss)	-0.71%	-0.65%

Expenses, excluding incentive fees	0.93%	0.92%
Expenses, including incentive fees	0.93%	0.99%

(a) Quarterly return (not annualized) was calculated by comparing the common stock price on the first day of the period to the common stock price on the last day of the period.

(b) Average net assets have been computed based on quarterly valuations.

(10) Financial Highlights (continued)

Selected per share data and ratios for each share of common stock outstanding throughout the six months ended June 30, 2002, and 2003, are as follows:

	2002	2003
Net asset value, beginning of period	$ 12.50	$ 9.48
Net investment income (loss)	$(0.16)	$ 0.14
Net realized and unrealized gain on investments	$(0.14)	$ 2.18
Total return from investment operations	$(0.30)	$ 2.32
Distributions:	$ 0.00	$ 0.20
Net asset value, end of period	$ 12.75	$ 11.60
Per share market value, end of period	$ 10.00	$ 9.35
Portfolio turnover rate (semi-annually)	6.00%	7.15%
Six-month return (a)	-3.01%	18.96%
Ratio to average net assets (semi-annually) (b):		
Net investment income (loss)	-1.30%	1.44%
Expenses, excluding incentive fees	1.72%	1.64%
Expenses, including incentive fees	1.72%	2.10%

(a) Semi-annual return (not annualized) was calculated by comparing the common stock price on the first day of the period to the common stock price on the last day of the period.

(b) Average net assets have been computed based on quarterly valuations.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Material Changes in Portfolio Investments

The following portfolio transactions are noted for the quarter ended June 30, 2003:

Active Link Communications, Inc. (OTC:ACVE) In the second quarter of 2003, the Company made a principal repayment on the convertible bridge note owned by the Fund of $22,457, reducing the balance outstanding on the bridge note to $19,023. At June 30, 2003, the Company was in default on principal and interest payments due to the Fund. As a result of the default, the Fund has placed a reserve equal to 100% of the par value of the principal amounts of all positions held by the Fund in the Company.

Airnet Systems, Inc. (NYSE:ANS) During the second quarter of 2003, the Fund sold 25,000 shares of Airnet common stock in the open market realizing proceeds of $107,756, representing a gain of $1,506. At June 30, 2003, the Fund had 50,000 shares of ANS remaining having a basis of $212,500, or $2.13 per share.

Bentley Pharmaceuticals, Inc. (AMEX:BNT) In the second quarter of 2003, the Fund sold 62,900 shares of common stock in the open market realizing proceeds of $605,893, representing a gain of $476,151. At June 30, 2003, the Fund owned 472,979 shares of Bentley common stock with a basis of $616,582 or $1.30 per share.

Canterbury Consulting Group, Inc. (NASDAQ:CITI) In the second quarter of 2003, the Fund sold 10,050 shares of Canterbury common stock in the open market realizing proceeds of $7,537, representing a loss of $60,517. At June 30, 2003, the Fund owned 18,521 shares of CITI common stock with a basis of $125,415 or $6.77 per share.

Creative Host Services, Inc. (NASDAQ:CHST) During the second quarter of 2003, the Fund exited its position in Creative Host. The Fund sold 4,830 shares of CHST common stock in the open market realizing proceeds of $8,403, representing a gain of $482.

DaisyTek International, Inc. (NASDAQ:DZTK) During the quarter ending June 30, 2003, the Fund sold its entire position of 149,600 shares of DaisyTek common stock in the open market realizing proceeds of $82,414, representing a loss of $569,524.

The Dwyer Group, Inc. (NASDAQ:DWYR) In the second quarter of 2003, the Fund sold 100,000 shares of Dwyer common stock in the open market realizing proceeds of $651,870, representing a gain of $312,709. At June 30, 2003, the Fund owned 575,000 shares of DWYR common stock having a basis of $1,627,470 or $2.83 per share.

Flamel Technologies, SA (Nasdaq:FLML) In the second quarter of 2003, the Fund purchased 80,000 shares of the Company's shares in the open market for

$746,053, a cost of $9.33 per share. At June 30, 2003, the Fund owned 100,000 shares of FLML common stock having a basis of $832,267, or 8.32 per share.

Gasco Energy, Inc. (OTC:GASE) In the quarter ended June 30, 2003, the Fund purchased an additional 101,875 shares of the Company's common stock in the open market for $50,938, a cost of $0.50 per share. At June 30, 2003, the Fund owned a total of 170,000 common shares having a basis of $48,767, or $0.29 per share purchased in the open market and 250,000 shares at $1.00 per share that were purchased in a private placement.

Integrated Security Systems, Inc. (OTC:IZZI) In the second quarter of 2003, the Fund received common stock of the Company as payment in kind for interest on 8% Promissory Notes owned by theFund. In total, the Fund received 13,297 shares of IZZI having an imputed cost of $1,994, a rate of $0.15 per share, as payment in kind for interest on the notes. The total number of shares owned by the Fund as a result of PIK agreements with the Company at June 30, 2003, was 208,004 shares of the Company's common stock having a basis of $49,173, a rate of $0.24 per share. Also during the second quarter of 2003, the Fund purchased two $100,000, 8% promissory notes due July 1, 2004, and as additional consideration for the loans received five-year warrants to purchase a total of 1,000,000 shares of the Company's common stock at $0.20. In conjunction with these purchases, the Fund agreed to extend the due date of the previously existing promissory notes to July 1, 2004.

At June 30, 2003, in addition to the PIK shares discussed above, the Fund owned the following: $525,000 in 8% Promissory Notes with no conversion feature; $542,989 in Series F Preferred convertible into the Company's common stock at a rate of $0.20 per share; $3,666,951 in Series G Preferred convertible into common at a rate of $0.20 per share; $150,000 in Series D Preferred convertible into common at a rate of $0.80 per share; 393,259 shares of the Company's common stock having a basis of $215,899 or $0.55 per share; warrants to purchase 364,299 shares of the Company's common stock at $0.549 per share on or before March 8, 2004; warrants to purchase 312,500 shares of the Company's common stock at $0.80 per share on or before October 2, 2003; warrants to purchase 125,000 shares of the Company's common stock at $1.00 per share on or before October 11, 2004; warrants to purchase 2,625,000 shares of the Company's common stock at $0.20 per share with term dates ranging from September 2006 to June 2008; and options to purchase 41,034 shares of the Company's common stock having strike prices ranging between $0.21 and $0.49 per share and term dates ranging from May 2006 to August 2007.

JAKKS Pacific, In. (Nasdaq:JAKK) During the second quarter of 2003, the Fund sold 10,000 shares of the Company's common stock in the open market realizing proceeds of $128,483, representing a gain of $68,816. At June 30, 2003, the Fund owned 49,847 shares of JAKK common stock having a basis of $297,421, or a cost of $5.97 per share.

Laserscope (Nasdaq:LSCP) During the second quarter of 2003, the Fund converted $200,000 of its 8% Debentures into 160,000 shares of the Company's common stock at $1.25 per share in lieu of mandatory principal

payments on the debentures. At June 30, 2003, the Fund owned $1,300,000 in 8% Convertible Debentures of the Company having a conversion rate of $1.25 per share and options to purchase 30,000 common shares at $4.19.

Medical Action Industries, Inc. (Nasdaq:MDCI) In the second quarter of 2003, the Fund purchased an additional 15,000 shares of Medical Action common stock in the open market for $179,839, a rate of $11.99 per share. At June 30, 2003, the Fund owned a total of 25,000 shares of MDCI common stock having a basis of $292,329, or $11.69 per share.

Nautilus Group, Inc. (NYSE:NLS) During the second quarter of 2003, the Fund exited its position in Nautilus by selling 25,000 shares of its common stock in the open market realizing proceeds of $319,485, representing a loss of $81,140.

Simtek Corporation (OTC:SRAM) In the second quarter of 2003, the Fund acquired options to purchase 5,288 shares of the Company's common stock at $0.165 per share. These options were obtained by assignment from Robert C. Pearson, Executive Vice-President of RENN Capital Group, Inc., who earned the options as a member of the Company's Board of Directors. At June 30, 2003, in addition to the options discussed previously, the Fund owned a $1,000,000, 7.5% Convertible Debenture, convertible into the Company's common stock at a rate of $3.12 per share and 1,000,000 shares of the Company's common stock having a basis of $195,000 or $0.195 per share.

Results of Operations for the Three Months Ended June 30, 2003

For the quarter ended June 30, 2003, the Fund had a net investment loss of ($279,160) compared to a net investment loss of ($388,863) in the second quarter of 2002. This reduction in net loss resulted from a combination of increased income and decreased expenses in the second quarter of 2003 compared to the same period of 2002. Interest income decreased 6.93% from $93,429 in the second quarter of 2002 to $86,954 for the second quarter of 2003. Dividend income increased to $55,221 in 2003 from $24,728 for the second quarter of 2002, an increase of 123.31%. This increase in dividend income is due primarily to the accrual of dividends due on Series F and G Preferred Stock of Integrated Security Systems, Inc. In the second quarter of 2003, the Fund accrued $1,552 in income from commitment and other fees, compared to no commitment and other fee income in the second quarter 2002.

General and administrative expenses decreased from $159,287 in the second quarter of 2002 to $118,130 in the same period of 2003, a decrease of 25.84%. Legal and professional fees decreased 77.46% from $99,158 in the second quarter of 2002 to $22,349 in the same period 2003. Management fees decreased from $233,831 for the second quarter of 2002 to $223,901 for the second quarter of 2003, a decrease of 4.25%, and incentive fees increased to $30,097 for the second quarter of 2003 compared to no incentive fees incurred in the second quarter of 2002.

Net income for the second quarter of 2003 was $14,912,660 compared to a net loss of ($2,423,550) for the same period of 2002. This increase was due primarily to an increase from net unrealized depreciation on investments from ($1,985,523) in 2002 to net unrealized appreciation on investments in the amount of $15,041,337 in 2003. In addition, in the second quarter of 2003, the Fund realized net gains on investments in the amount of $150,483, compared to a net realized loss on investments of ($49,164) in the second quarter of 2002.

Results of Operations for the Six Months Ended June 30, 2003

For the six months ended June 30, 2003, the Fund experienced net investment income in the amount of $614,993, compared to a net investment loss in the amount of ($705,270) for the same six-month period in 2002. Interest income increased from $185,104 for the six months ended June 30, 2002, to $347,486 for the same period of 2003, an increase of 86.72%. Dividend income for the six-month period ended June 30, 2003, was $1,161,230 versus $43,238 for the same period in 2002.

General and administrative expenses decreased from $246,609 in the six months ended June 30, 2002, to $193,180 for the same period in 2003. Legal and professional expenses also decreased from $165,289 in 2002 to $80,514 for the six months ended June 30, 2003. Management fees decreased from

$478,313 for the six months ended June 30, 2002, to $386,878 for the same period in 2003; whereas incentive fees increased from zero in 2002 to $196,260 for the six months ended June 30, 2003.

Net income for the first six months of 2003 was $10,096,729, compared to a net loss in the amount of ($1,324,151) for the same period of 2002. In addition to the increases in income and decreases in expenses discussed previously, this increase was driven by an increase in net unrealized appreciation on investments from $2,805,510 in 2002 to $8,500,437 in 2003. In addition, in the first six months of 2003, the Fund realized net gains on investments in the amount of $981,299, compared to a net realized loss on investments of ($3,424,391) in the same period of 2002.

Liquidity and Capital Resources

For the six months ended June 30, 2003, net assets increased 38.36% from $36,487,668 at March 31, 2003, to $50,485,451, or $11.60 per share, at June 30, 2003. This increase is primarily attributable to an increase in the net unrealized appreciation of investments from $479,705 at March 31, 2003, to $15,041,337 at June 30, 2003.

At the end of the second quarter of 2003, the Fund had net cash and cash equivalents of $681,236 versus net cash and cash equivalents of $1,181,514 at March 31, 2003, primarily due to an increase in the Fund's margin balance. Receivables, including interest, dividends, and brokerage, increased from $418,407 at March 31 to $604,436 at June 30, 2003, due primarily to a combination of dividends accrued on Integrated Security Systems Series F and G Preferred Stock, interest and dividends that were accrued on the restructuring of eOriginal, and the brokerage receivable. Prepaid expenses decreased from $21,575 at March 31 to $2,877 at June 30, 2003, primarily due to quarterly charges against prepaid insurance amounts.

Accounts payable increased slightly from $20,932 at March 31, to $21,632 at June 30, 2003. Accounts payable to affiliate decreased 7.37% from 372,169 at March 31, to $344,753 at June 30, 2003, reflecting an increase in management fee due to higher portfolio values in the second quarter offset by a decrease in incentive fees due to lower realized gains during the second quarter.

Pending investment in portfolio investments, funds are invested in temporary cash accounts and in government securities. Government securities used as cash equivalents will typically consist of U. S. Treasury securities or other U. S. Government and Agency obligations having slightly higher yields and maturity dates of three months or less. These investments qualify for investment as permitted in Section 55(a)(1) through (5) of the 1940 Act.

PART II

ITEM 1. LEGAL PROCEEDINGS.

Not applicable

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

(a) The Annual Meeting of Shareholders of the Fund (the "Meeting") was held on May 16, 2003. Proxies for the Meeting were solicited pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended. There was no solicitation in opposition to the management's nominees as listed in the proxy statement.

(b) At the Meeting, the Fund's shareholders voted upon the election of two Class Three directors of the Fund to hold office for terms of three years or until their successors are elected and qualified. Management's nominees were Mr. Russell Cleveland and Mr. Ernest C. Hill. There were no other nominees. Each of the nominees received a plurality of the shares present in person or by proxy and entitled to vote and were therefore elected as directors. The following are the respective numbers of votes cast "for" and "against" with respect to each nominee.

Name of Nominee	Votes Cast For	Votes Cast Against
Russell Cleveland	2,908,201	52,232
Ernest C. Hill	2,960,433	49,832

In addition to the directors elected at the Meeting, the following directors' terms continued after the meeting: Peter Collins, Class One director whose term expires at the Annual Meeting in 2004; and Edward O. Boshell, Jr., and Charles C. Pierce, Jr., Class Two directors whose terms expire at the Annual Meeting in 2005.

(c) Shareholders also voted on Management's proposal to amend the Fund's Articles of Incorporation to change the name of the Fund to RENN Capital Fund III, Inc. This proposal required the affirmative vote of the holders of at least two-thirds (2/3) of the outstanding shares of

Common stock entitled to vote. Because the required two- thirds majority vote was not obtained, the proposal to amend the Fund's Articles of Incorporation to change the name of the Fund did not pass. The following are the numbers of votes cast "for," "against," and "abstain" with respect to the name change proposal.

Votes Cast For	Votes Cast Against	Abstain	% In Favor
2,881,511	53,345	25,577	61.147%

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

31-1 Certification of Russell Cleveland, President and CEO

31-2 Certification of Barbe Butschek, Chief Financial Officer

32-1 Certification of Russell Cleveland, President and CEO

32-2 Certification of Barbe Butschek, Chief Financial Officer

(b) Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Fund has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

RENAISSANCE CAPITAL GROWTH & INCOME FUND III, INC.

August 15, 2003 /S/ Russell Cleveland
Russell Cleveland, President and CEO
(Principal Executive Officer)

August 15, 2003 /S/ Barbe Butschek
Barbe Butschek, Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 31-1

CERTIFICATION

I, Russell Cleveland, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Renaissance Capital Growth & Income Fund III, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others, particularly during the period in which this report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed to the registrant's auditors and to the audit committee of the registrant's board of directors:

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the issuer's ability to record, process, summarize, and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/S/ Russell Cleveland
Russell Cleveland
President and CEO
August 15, 2003

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EXHIBIT 31-2

CERTIFICATION

I, Barbe Butschek, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Renaissance Capital Growth & Income Fund III, Inc.;

2. Based on my knowledge, this report does not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others, particularly during the period in which this report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed to the registrant's auditors and to the audit committee of the registrant's board of directors:

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the issuer's ability to record, process, summarize, and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

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   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/S/ Barbe Butschek
Barbe Butschek
Chief Financial Officer
August 13, 2003

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EXHIBIT 32-1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. ss.1350, the undersigned officer of Renaissance Capital Growth & Income Fund III, Inc. (the "Company"), hereby certifies, to such officer's knowledge, that the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2003 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 15, 2003 /S/ Russell Cleveland

Russell Cleveland
President & CEO

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EXHIBIT 32-2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. ss.1350, the undersigned officer of Renaissance Capital Growth & Income Fund III, Inc. (the "Company"), hereby certifies, to such officer's knowledge, that the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2003 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 15, 2003

/S/ Barbe Butschek
Barbe Butschek
Chief Financial Officer

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: 0.25in">·**LACK OF LIQUIDITY** — The notes will not be listed on any securities exchange. JPMS intends to offer to purchase the notes in the secondary market but is not required to do so. Even if there is a secondary market, it may not provide enough liquidity to allow you to trade or sell the notes easily. Because other dealers are not likely to make a secondary market for the notes, the price at which you may be able to trade your notes is likely to depend on the price, if any, at which JPMS is willing to buy the notes.

· **THE ANTI-DILUTION PROTECTION FOR THE REFERENCE STOCKS IS LIMITED AND MAY BE DISCRETIONARY** — The calculation agent will make adjustments to the Stock Adjustment Factor for certain corporate events affecting a Reference Stock. However, the calculation agent will not make an adjustment in response to all events that could affect a Reference Stock. If an event occurs that does not require the calculation agent to make an adjustment, the value of the notes may be materially and adversely affected. You should also be aware that the calculation agent may make adjustments in response to events that are not described in the accompanying product supplement to account for any diluting or concentrative effect, but the calculation agent is under no obligation to do so or to consider your interests as a holder of the notes in making these determinations.

· **LIMITED TRADING HISTORY** — Alphabet Inc. became the successor SEC registrant to, and parent holding company of, Google Inc. on October 2, 2015 in connection with a holding company reorganization. The Class C capital stock of Google Inc. commenced regular trading on The NASDAQ Stock Market on April 3, 2014 and the

Class C capital stock of Alphabet Inc. commenced trading on The NASDAQ Stock Market on October 5, 2015 and therefore have limited historical performance. Accordingly, historical information for the Class C capital stock of Alphabet Inc. and its predecessor, the Class C capital stock of Google Inc., is available only since the respective dates above. Past performance should not be considered indicative of future performance. In addition, the Class C capital stock of Alphabet Inc., which does not carry any vote, is different from the Class A common stock of Alphabet Inc., which carries one vote per share, and may trade differently from the Class A common stock of Alphabet Inc.

- **THE FINAL TERMS AND VALUATION OF THE NOTES WILL BE PROVIDED IN THE PRICING SUPPLEMENT** — The final terms of the notes will be based on relevant market conditions when the terms of the notes are set and will be provided in the pricing supplement. In particular, the estimated value of the notes will be provided in the pricing supplement and may be as low as the minimum for the estimated value of the notes set forth on the cover of this pricing supplement. Accordingly, you should consider your potential investment in the notes based on the minimum for the estimated value of the notes.

The Basket and the Reference Stocks

Public Information

All information contained in this pricing supplement on the Reference Stocks is derived from publicly available sources and is provided for informational purposes only. Companies with securities registered under the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act, are required to periodically file certain financial and other information specified by the SEC. Information provided to or filed with the SEC by a Reference Stock issuer pursuant to the Exchange Act can be located by reference to SEC file number provided below, and can be accessed through www.sec.gov. We do not make any representation that these publicly available documents are accurate or complete.

Historical Information Regarding the Basket and the Reference Stocks

The following graphs show the historical weekly performance of the Basket as a whole from April 4, 2014 through January 11, 2019, the weekly performance of the Class C capital stock of Google Inc. from April 4, 2014 through October 2, 2015 and the Class C capital stock of Alphabet Inc. from October 5, 2015 through January 11, 2019 and the historical weekly performance of the Reference Stocks (other than the Class C capital Stock of Alphabet Inc.) from January 3, 2014 through January 11, 2019. The graph of the historical Basket performance assumes the closing level of the Basket on April 4, 2014 was 100 and the Stock Weights were as specified under "The Basket" in this pricing supplement.

We obtained the various closing prices below from the Bloomberg Professional® service ("Bloomberg"), without independent verification. The closing prices may have been adjusted by Bloomberg for corporate actions such as stock splits, public offerings, mergers and acquisitions, spin-offs, delistings and bankruptcy.

Since the commencement of trading of each Reference Stock, the price of that Reference Stock has experienced significant fluctuations. The historical performance of each Reference Stock and the historical performance of the Basket should not be taken as an indication of future performance, and no assurance can be given as to the closing prices of each Reference Stock or the levels of the Basket on the Pricing Date or any Ending Averaging Date. There can be no assurance that the performance of each Reference Stock will result in the return of any of your principal amount.

Historical Information Regarding the Basket

The following graph sets forth the historical performance of the Basket based on the weekly closing levels of the Basket from April 4, 2014 through January 11, 2019. The following graph assumes the closing level of the Basket on April 4, 2014 was 100 and the Stock Weights were as specified under "The Basket" in this pricing supplement.

Alphabet Inc. ("Alphabet")

According to its publicly available filings with the SEC, Alphabet is a collection of businesses, the largest of which is Google Inc. Google Inc. is an information company that generates revenues primarily by delivering online advertising. Alphabet became the successor SEC registrant to, and parent holding company of, Google Inc. on

October 2, 2015, in connection with a holding company reorganization. The Class C capital stock of Alphabet began trading on October 5, 2015 under the ticker symbol "GOOG," the same symbol under which Google Inc.'s Class C capital stock previously traded. The Class C capital stock of Alphabet, par value $0.001 per share (Bloomberg ticker: GOOG), is listed on The NASDAQ Stock Market, which we refer to as the relevant exchange for purposes of Alphabet in the accompanying product supplement. Alphabet's SEC file number is 001-37580.

Historical Information Regarding the Class C Capital Stock of Google Inc. and the Class C Capital Stock of Alphabet

The following graph sets forth the historical performance of the Class C capital stock of Google Inc., based on the weekly historical closing prices of one share of the Class C capital stock of Google Inc. from April 4, 2014 through October 2, 2015 and the Class C capital stock of Alphabet, based on the weekly historical closing prices of one share of the Class C capital stock of Alphabet from October 5, 2015 through January 11, 2019. The Class C capital stock of Google Inc. commenced regular trading on The NASDAQ Stock Market on April 3, 2014 and the Class C capital stock of Alphabet commenced trading on The NASDAQ Stock Market on October 5, 2015 and therefore have limited historical performance. In addition, the Class C capital stock of Alphabet, which does not carry any vote, is different from the Class A common stock of Alphabet, which carries one vote per share, and may trade differently from the Class A common stock of Alphabet. The closing price of one share of the Class C capital stock of Alphabet on January 14, 2019 was $1,044.69.

†The vertical line in the graph indicates October 5, 2015. In the graph, the performance to the left of the vertical line reflects the Class

C capital stock of Google Inc. and the performance to the right of the vertical line reflects the Class C capital stock of Alphabet Inc.

Amazon.com, Inc. ("Amazon")

According to its publicly available filings with the SEC, Amazon operates retail websites and physical stores; manufactures and sells electronic devices; develops and produces media content; offers programs that enable sellers to sell their products on its websites and their own branded websites and to fulfill orders through Amazon; offers developers and enterprises a set of global compute, storage, database and other service offerings; and serves authors and independent publisher with an online publish platform, along with its own publishing arm. The common stock of Amazon, par value $0.01 per share (Bloomberg ticker: AMZN), is listed on The NASDAQ Stock Market, which we refer to as the relevant exchange for purposes of Amazon in the accompanying product supplement. Amazon's SEC file number is 000-22513.

Historical Information Regarding the Common Stock of Amazon

The following graph sets forth the historical performance of the common stock of Amazon, based on the weekly historical closing prices of one share of the common stock of Amazon from January 3, 2014 through January 11, 2019. The closing price of one share of the common stock of Amazon on January 14, 2019 was $1,617.21.

Facebook, Inc. ("Facebook")

According to its publicly available filings with the SEC, Facebook builds products that enable people to connect and share with friends and family through mobile devices, personal computers and other surfaces. The Class A common stock of Facebook, par value $0.000006 per share (Bloomberg ticker: FB), are listed on The NASDAQ Stock Market, which we refer to as the relevant exchange for purposes of Facebook in the accompanying product supplement. Facebook's SEC file number is 001-35551.

Historical Information Regarding the Class A common stock of Facebook

The following graph sets forth the historical performance of the Class A common stock of Facebook, based on the weekly historical closing prices of one share of the Class A common stock of Facebook from January 3, 2014 through January 11, 2019. The closing price of one share of the Class A common stock of Facebook on January 14, 2019 was $145.39.

The Estimated Value of the Notes

The estimated value of the notes set forth on the cover of this pricing supplement is equal to the sum of the values of the following hypothetical components: (1) a fixed-income debt component with the same maturity as the notes, valued using the internal funding rate described below, and (2) the derivative or derivatives underlying the economic terms of the notes. The estimated value of the notes does not represent a minimum price at which JPMS would be willing to buy your notes in any secondary market (if any exists) at any time. The internal funding rate used in the determination of the estimated value of the notes is based on, among other things, our and our affiliates' view of the funding value of the notes as well as the higher issuance, operational and ongoing liability management costs of the notes in comparison to those costs for the conventional fixed-rate debt of JPMorgan Chase & Co. For additional information, see "Selected Risk Considerations — The Estimated Value of the Notes Is Derived by Reference to an Internal Funding Rate" in this pricing supplement. The value of the derivative or derivatives underlying the economic terms of the notes is derived from internal pricing models of our affiliates. These models are dependent on inputs such as the traded market prices of comparable derivative instruments and on various other inputs, some of which are market-observable, and which can include volatility, dividend rates, interest rates and other factors, as well as assumptions about future market events and/or environments. Accordingly, the estimated value of the notes is determined when the terms of the notes are set based on market conditions and other relevant factors and assumptions existing at that time. See "Selected Risk Considerations — The Estimated Value of the Notes Does Not Represent Future Values of the Notes and May Differ from Others' Estimates" in this pricing supplement.

The estimated value of the notes will be lower than the original issue price of the notes because costs associated with selling, structuring and hedging the notes are included in the original issue price of the notes. These costs include the selling commissions paid to JPMS and other affiliated or unaffiliated dealers, the projected profits, if any, that our affiliates expect to realize for assuming risks inherent in hedging our obligations under the notes and the estimated cost of hedging our obligations under the notes. Because hedging our obligations entails risk and may be influenced by market forces beyond our control, this hedging may result in a profit that is more or less than expected, or it may result in a loss. We or one or more of our affiliates will retain any profits realized in hedging our obligations under the notes. See "Selected Risk Considerations — The Estimated Value of the Notes Will Be Lower Than the Original Issue Price (Price to Public) of the Notes" in this pricing supplement.

Secondary Market Prices of the Notes

For information about factors that will impact any secondary market prices of the notes, see "Selected Risk Considerations — Secondary Market Prices of the Notes Will Be Impacted by Many Economic and Market Factors " in this pricing supplement. In addition, we generally expect that some of the costs included in the original issue price of the notes will be partially paid back to you in connection with any repurchases of your notes by JPMS in an amount that will decline to zero over an initial predetermined period that is intended to be the shorter of six months and one-half of the stated term of the notes. The length of any such initial period reflects the structure of the notes, whether our affiliates expect to earn a profit in connection with our hedging activities, the estimated costs of hedging the notes and when these costs are incurred, as determined by our affiliates. See "Selected Risk Considerations — The Value of the Notes as Published by JPMS (and Which May Be Reflected on Customer Account Statements) May Be Higher Than the Then-Current Estimated Value of the Notes for a Limited Time Period."

Supplemental Use of Proceeds

The notes are offered to meet investor demand for products that reflect the risk-return profile and market exposure provided by the notes. See "What Is the Total Return on the Notes at Maturity, Assuming a Range of Performances for the Basket?" and "Hypothetical Examples of Amount Payable at Maturity" in this pricing supplement for an illustration of

JPMorgan Structured Investments — PS- 11
Digital Dual Directional Contingent
Buffered Notes Linked to an Equally
Weighted Basket of 3 Reference Stocks

the risk-return profile of the notes and “The Basket and the Reference Stocks” in this pricing supplement for a description of the market exposure provided by the notes.

The original issue price of the notes is equal to the estimated value of the notes plus the selling commissions paid to JPMS and other affiliated or unaffiliated dealers, plus (minus) the projected profits (losses) that our affiliates expect to realize for assuming risks inherent in hedging our obligations under the notes, plus the estimated cost of hedging our obligations under the notes.

Supplemental Plan of Distribution

We expect that delivery of the notes will be made against payment for the notes on or about the Original Issue Date set forth on the front cover of this pricing supplement, which will be the third business day following the Pricing Date of the notes (this settlement cycle being referred to as “T+3”). Under Rule 15c6-1 of the Securities Exchange Act of 1934, as amended, trades in the secondary market generally are required to settle in two business days, unless the parties to that trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes on any date prior to two business days before delivery will be required to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement and should consult their own advisors.