

RENAISSANCE CAPITAL GROWTH & INCOME FUND III INC

Form 10-Q

May 15, 2007

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 the quarterly period ended March 31, 2007

OR

**o 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 April 30, 2007 the issuer had 4,463,967 shares of common stock outstanding.

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)

	March 31, 2007	December 31, 2006
<u>ASSETS</u>		
Cash and cash equivalents	\$ 4,199,497	\$ 14,835,500
Investments at fair value, cost of \$39,066,672 and \$38,413,046 at March 31, 2007 and December 31, 2006, respectively	44,768,387	43,642,143
Interest and dividend receivables	79,452	146,146
Prepaid and other assets	9,479	25,766
	\$ 49,056,815	\$ 58,649,555
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 119,081	\$ 168,845
Accounts payable - affiliate	212,676	3,810,462
Taxes payable on behalf of stockholders	-	6,302,806
	331,757	10,282,113
Commitments and contingencies		
Net assets:		
Common stock, \$1 par value; authorized 20,000,000 shares; 4,673,867 shares issued; 4,463,967 shares outstanding	4,673,867	4,673,867
Additional paid-in-capital	28,379,231	28,494,233
Treasury stock at cost, 209,900 shares	(1,734,967)	(1,734,967)
Net realized gain on investments retained	11,705,212	11,705,212
Net unrealized appreciation of investments	5,701,715	5,229,097
Net assets, equivalent to \$10.92 and \$10.84 per share at March 31, 2007 and December 31, 2006, respectively	48,725,058	48,367,442
	\$ 49,056,815	\$ 58,649,555

See Accompanying Notes

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

			March 31, 2007		
	Interest Rate	Due Date	Cost	Fair Value	% of Net Investments
Eligible Portfolio Investments - Convertible Debentures and Promissory Notes					
CaminoSoft Corp. -					
Promissory note (4)	7.00%	01/19/08	\$ 250,000	\$ 250,000	0.56%
iLinc Communications, Inc. -					
Convertible promissory note	12.00	03/29/12	500,000	500,000	1.12
Integrated Security Systems, Inc.					
-					
Promissory note (4)	8.00	09/30/07	525,000	525,000	1.17
Promissory note (4)	7.00	09/30/07	200,000	200,000	0.45
Promissory note (4)	8.00	09/30/07	175,000	175,000	0.39
Convertible promissory note (2)	8.00	12/14/08	500,000	500,000	1.12
Convertible debenture (4)	6.00	06/16/09	400,000	400,000	0.89
Pipeline Data, Inc. -					
Convertible debenture (2)	8.00	06/29/10	500,000	500,000	1.12
Simtek Corporation -					
Convertible debenture	7.50	06/28/09	900,000	2,327,728	5.20
			\$ 3,950,000	\$ 5,377,728	12.02%

See Accompanying Notes

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

	March 31, 2007			
	Shares	Cost	Fair Value	% of Net Investments
Eligible Portfolio Investments - Common Stock, Preferred Stock, and Miscellaneous Securities				
Advance Nanotech, Inc. -				
Common stock	165,000	\$ 330,000	\$ 79,200	0.17%
Common stock (2)	5,796	0	2,782	0.01
CaminoSoft Corp. -				
Common stock	3,539,414	5,275,000	743,277	1.66
Digital Learning Management Corporation -				
Common stock (2)	166,666	12,500	9,667	0.02
eOriginal, Inc. -				
Series A, preferred stock (1)(3)	10,680	4,692,207	332,575	0.74
Series B, preferred stock (1)(3)	25,646	620,329	798,616	1.79
Series C, preferred stock (1)(3)	51,249	1,059,734	1,595,894	3.56
Series D, preferred stock (1)(3)	16,057	500,000	500,015	1.12
Gaming & Entertainment Group -				
Common stock	612,500	550,625	12,250	0.03
Gasco Energy, Inc. -				
Common stock	1,541,666	1,250,000	3,761,665	8.40
Global Axxess Corporation -				
Common stock	953,333	1,261,667	314,600	0.70
Hemobiotech, Inc. -				
Common stock	1,137,405	1,143,882	2,274,810	5.08
i2 Telecom -				
Convertible Preferred (2)	625	618,750	453,125	1.01
Common stock (2)	237,510	36,200	34,439	0.08
Integrated Security Systems, Inc. -				
Common stock (2)	31,939,794	5,990,572	3,832,775	8.56
Series D, preferred stock (2)	187,500	150,000	22,500	0.05

See Accompanying Notes

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

		March 31, 2007		
	Shares	Cost	Fair Value	% of Net Investments
Eligible Portfolio Investments - Common Stock, Preferred Stock, and Miscellaneous Securities, continued				
Inyx, Inc. -				
Common stock	300,000	300,000	765,000	1.71
PracticeXpert, Inc. -				
Common stock	4,166,667	500,000	8,333	0.02
Shea Development Corp. (formerly Information Intellect) -				
Common stock (1)(3)	1,437,194	1,093,332	1,180,731	2.64
Simtek Corp. -				
Common stock	639,603	1,795,000	3,639,339	8.13
Common stock (2)	1,160	4,294	6,600	0.01
Symbollon Pharmaceuticals, Inc. -				
Common stock (2)	250,000	250,000	237,500	0.53
Miscellaneous Securities		-	476,257	1.06
		\$ 27,434,092	\$ 21,081,950	47.08%

See Accompanying Notes

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

		March 31, 2007			
	Shares	Cost		Fair Value	% of Net Investments
Other Portfolio Investments - Common Stock, Preferred Stock, and Miscellaneous Securities					
Access Plans USA, Inc. -					
Common stock	890,500	\$ 2,139,777	\$	2,092,675	4.68%
AdStar, Inc. (formerly Precis) -					
Common stock	269,231	350,000		640,770	1.43
Asian Financial, Inc. -					
Common stock (1)(3)	349,205	500,000		500,000	1.12
Bovie Medical Corporation -					
Common stock	500,000	907,845		3,550,000	7.93
China Security & Surveillance Technology, Inc. -					
Common stock (2)	142,857	500,000		2,335,712	5.22
Comtech Group, Inc. -					
Common stock	300,000	1,186,019		5,244,000	11.71
Hemobiotech, Inc. -					
Common stock	62,595	140,235		125,190	0.28
iLinc Communications, Inc. -					
Common stock	23,266	13,908		15,356	0.03
Medical Action Industries, Inc. -					
Common stock	30,150	237,209		720,585	1.61

See Accompanying Notes

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

	March 31, 2007			
	Shares	Cost	Fair Value	% of Net Investments
Other Portfolio Investments - Common Stock, Preferred Stock, and Miscellaneous Securities, continued				
Points International, Ltd. - Common stock	900,000	492,000	837,000	1.87
Silverleaf Resorts, Inc. - Common stock	100,000	430,000	465,000	1.04
US Home Systems, Inc. - Common stock	110,000	535,587	1,402,500	3.13
Vaso Active Pharmaceuticals, Inc. - Common stock	150,000	250,000	49,500	0.11
Miscellaneous Securities		-	330,421	0.74
		7,682,580	18,308,709	40.90%
		\$ 39,066,672	\$ 44,768,387	100.00%
Allocation of Investments - Restricted Shares, Unrestricted Shares, and Other Securities				
Restricted Securities (2)		\$ 8,562,316	\$ 7,935,100	17.73%
Unrestricted Securities		\$ 20,488,754	\$ 29,568,778	66.04%
Other Securities (5)		\$ 10,015,602	\$ 7,264,509	16.23%

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

(2) Restricted securities - securities that are not freely tradable (there is not a valid registration statement on file or an available exemption from registration.)

(3) Securities in a privately owned company, which by nature are restricted securities (not freely tradable).

(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, and securities with no conversion feature.

See Accompanying Notes

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

			December 31, 2006		
	Interest Rate	Due Date	Cost	Fair Value	% of Net Investments
Eligible Portfolio Investments - Convertible Debentures and Promissory Notes					
CaminoSoft Corp. -					
Promissory note (4)	7.00%	01/19/08	\$ 250,000	\$ 250,000	0.57%
iLinc Communications, Inc. -					
Convertible promissory note	12.00	03/29/12	500,000	500,000	1.15
Integrated Security Systems, Inc. -					
Promissory note (4)	8.00	09/30/07	525,000	525,000	1.20
Promissory note (4)	7.00	09/30/07	200,000	200,000	0.46
Promissory note (4)	8.00	09/30/07	175,000	175,000	0.40
Convertible promissory note (2)	8.00	12/14/08	500,000	500,000	1.15
Convertible debenture (4)	6.00	06/16/09	400,000	400,000	0.91
Pipeline Data, Inc. -					
Convertible debenture (2)	8.00	06/29/10	500,000	500,000	1.15
Simtek Corporation -					
Convertible debenture	7.50	06/28/09	900,000	1,902,273	4.36
			\$ 3,950,000	\$ 4,952,273	11.35%

See Accompanying Notes

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

		December 31, 2006		
	Shares	Cost	Fair Value	% of Net Investments
Eligible Portfolio Investments - Common Stock, Preferred Stock, and Miscellaneous Securities				
Advance Nanotech, Inc. -				
Common stock (2)	170,796	\$ 330,000	\$ 121,265	0.28%
CaminoSoft Corp. -				
Common stock	3,539,414	5,275,000	1,592,736	3.65
Digital Learning Management Corporation -				
Common stock (2)	166,666	12,500	13,333	0.03
eOriginal, Inc. -				
Series A, preferred stock (1)(3)	10,680	4,692,207	332,575	0.76
Series B, preferred stock (1)(3)	25,646	620,329	798,616	1.83
Series C, preferred stock (1)(3)	51,249	1,059,734	1,595,894	3.66
Series D, preferred stock (1)(3)	16,057	500,000	500,015	1.15
Gaming & Entertainment Group, Inc. -				
Common stock	500,000	500,000	12,500	0.03
Common stock (2)	112,500	50,625	2,813	0.01
Gasco Energy, Inc. -				
Common stock	1,541,666	1,250,000	3,777,082	8.65
Global Axxess Corporation -				
Common stock	953,333	1,261,667	352,733	0.81
Hemobiotech, Inc. -				
Common stock	1,137,405	1,143,882	2,331,680	5.34
i2 Telecom -				
Convertible Preferred (2)	625	618,750	85,938	0.20
Common stock (2)	237,510	36,200	26,126	0.06
Information Intellect -				
Common stock (1)(3)	666,666	999,999	999,999	2.29

See Accompanying Notes

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

	December 31, 2006			
	Shares	Cost	Fair Value	% of Net Investments
Eligible Portfolio Investments - Common Stock, Preferred Stock, and Miscellaneous Securities, continued				
Integrated Security Systems, Inc. -				
Common stock	27,074,179	5,568,054	3,790,385	8.70
Common stock (2)	4,264,854	356,225	597,080	1.36
Series D, preferred stock (2)	187,500	150,000	26,250	0.06
Inyx, Inc. -				
Common stock	300,000	300,000	699,000	1.60
PracticeXpert, Inc. -				
Common stock	4,166,667	500,000	12,500	0.03
Simtek Corp. -				
Common stock	639,603	1,795,000	2,974,153	6.81
Common stock (2)	1,160	4,294	5,392	0.01
Symbollon Pharmaceuticals, Inc. -				
Common stock (2)	250,000	250,000	225,000	0.51
Miscellaneous Securities		-	407,822	0.93
		\$ 27,274,466	\$ 21,280,887	48.76%

See Accompanying Notes

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

		December 31, 2006		
	Shares	Cost	Fair Value	% of Net Investments
Other Portfolio Investments - Common Stock, Preferred Stock, and Miscellaneous Securities				
AdStar, Inc. -				
Common stock	269,231	\$ 350,000	\$ 619,231	1.42%
Asian Financial, Inc. -				
Common stock (1)(3)	130,208	500,000	500,000	1.15
Bovie Medical Corporation -				
Common stock	500,000	907,845	4,535,000	10.39
China Security & Surveillance Technology, Inc. -				
Common stock (2)	142,857	500,000	1,728,570	3.96
Comtech Group, Inc. -				
Common stock	300,000	1,186,019	5,457,000	12.51
Hemobiotech, Inc. -				
Common stock	62,595	140,235	128,320	0.29
iLinc Communications, Inc. -				
Common stock	23,266	13,908	13,727	0.03
Medical Action Industries, Inc. -				
Common stock	20,100	237,209	648,024	1.49

See Accompanying Notes

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

		December 31, 2006		
	Shares	Cost	Fair Value	% of Net Investments
Other Portfolio Investments - Common Stock, Preferred Stock, and Miscellaneous Securities, continued				
Points International, Ltd. -				
Common stock	800,000	428,000	512,000	1.17
Precis, Inc. -				
Common stock	890,500	2,139,777	1,786,343	4.09
US Home Systems, Inc. -				
Common stock	110,000	535,587	1,245,200	2.85
Vaso Active Pharmaceuticals, Inc. -				
Common stock	150,000	250,000	27,000	0.06
Miscellaneous Securities		-	208,568	0.48
		7,188,580	17,408,983	39.89%
		\$ 38,413,046	\$ 43,642,143	100.00%
Allocation of Investments - Restricted Shares, Unrestricted Shares, and Other Securities				
Restricted Securities (2)		\$ 3,308,594	\$ 3,831,767	8.78%
Unrestricted Securities		\$ 25,182,183	\$ 32,916,887	75.42%
Other Securities (5)		\$ 9,922,269	\$ 6,893,489	15.80%

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

(2) Restricted securities - securities that are not freely tradable (there is not a valid registration statement on file or an available exemption from registration.)

(3) Securities in a privately owned company, which by nature are restricted securities (not freely tradable).

(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 and securities with no conversion feature.

See Accompanying Notes

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

	Three Months Ended March 31,	
	2007	2006
Income:		
Interest income	\$ 79,304	\$ 65,055
Dividend income	208,884	42,465
Other income	10,876	15,109
	299,064	122,629
Expenses:		
General and administrative	87,156	61,223
Interest expense	-	27,810
Legal and professional fees	112,802	168,023
Management fee to affiliate	214,109	238,747
	414,067	495,803
Net investment loss	(115,003)	(373,174)
Realized and unrealized gain (loss) on investments:		
Net change in unrealized appreciation of investments	472,619	(225,650)
Net realized gain on investments	-	1,188,192
Net gain on investments	472,619	962,542
Net income	\$ 357,616	\$ 589,368
Net income per share	\$ 0.08	\$ 0.13
Weighted average shares outstanding	4,463,967	4,463,967

See Accompanying Notes

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

	Three Months Ended March 31,	
	2007	2006
From operations:		
Net investment loss	\$ (115,003)	\$ (373,174)
Net realized gain on investments	-	1,188,192
Net change in unrealized appreciation on investments	472,619	(225,650)
Net income	357,616	589,368
From distributions to stockholders:		
Common stock dividends declared from realized capital gains	-	(446,397)
Total increase in net assets	357,616	142,971
Net assets:		
Beginning of period	48,367,442	54,188,943
End of period	\$ 48,725,058	\$ 54,331,914

See Accompanying Notes

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

	Three Months Ended March 31,	
	2007	2006
Cash flows from operating activities:		
Net income	\$ 357,616	\$ 589,368
Adjustments to reconcile net income to net cash provided by (used in) operation activities:		
Net change in unrealized appreciation on investments	(472,619)	225,650
Net realized (gain) on investments	-	(1,188,192)
(Increase) decrease in interest and dividend receivables	66,694	(117,646)
Decrease in prepaid and other assets	16,287	74,850
Increase (decrease) in accounts payable	(49,765)	37,664
Increase (decrease) in accounts payable-affiliate	(3,597,786)	237,717
Decrease in taxes payable on behalf of shareholders	(6,302,806)	-
Increase in due to broker	-	50,022
Purchase of investments	(653,624)	(676,746)
Proceeds from sale of investments	-	1,364,592
Net cash provided by (used in) operating activities	(10,636,003)	597,279
Cash flows from financing activities:		
Cash dividends	-	(4,592,083)
Net (decrease) in cash and cash equivalents	(10,636,003)	(3,994,804)
Cash and cash equivalents at beginning of the period	14,835,500	8,396,052
Cash and cash equivalents at end of the period	\$ 4,199,497	\$ 4,401,248
Cash paid during the period for interest	\$ -	\$ 27,810

See Accompanying Notes

RENAISSANCE CAPITAL GROWTH & INCOME FUND III, INC.

Notes to Unaudited Financial Statements

March 31, 2007

Note 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 primarily in unregistered equity investments and convertible issues of small and medium size companies which are in need of capital and which RENN Capital Group, Inc. (the “Investment Advisor”) believes offer the opportunity for growth. The Fund is a non-diversified closed-end fund and has elected to be treated as a business development company under the Investment Company Act of 1940, as amended (“1940 Act”).

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

We have prepared the accompanying unaudited interim financial statements pursuant to the rules and regulations of the Securities and Exchange Commission, which reflect all adjustments which, in the opinion of management, are necessary to present fairly the results for the interim periods. We have omitted certain information and disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States pursuant to those rules and regulations, although we believe that the disclosures we have made are adequate to make the information presented not misleading. You should read these unaudited interim financial statements in conjunction with our audited financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2006.

The results of operations for the interim periods are not necessarily indicative of the results we expect for the full year.

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.

Other

The Fund follows industry practice and records security transactions on the trade date. Dividend income is recorded on the record date. Interest income is recorded as earned on the accrual basis.

Cash and Cash Equivalents

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

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”) which allows the Fund 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 cash available for distribution to shareholders.

RENAISSANCE CAPITAL GROWTH & INCOME FUND III, INC.

Notes to Unaudited Financial Statements

March 31, 2007

Note 2 - Summary of Significant Accounting Policies, continued

Federal income taxes payable on behalf of stockholders on realized gains that the Fund elects to retain are accrued and reflected as a tax expense paid on behalf of stockholders on the last day of the tax year in which such gains are realized.

In January 2007 the Fund adopted the Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - An Interpretation of FASB Statement No. 109" (FIN 48). This Interpretation clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements. FIN 48 requires companies to determine whether it is "more likely than not" that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recorded in the financial statements. It also provides guidance on the recognition, measurement and classification of income tax uncertainties, along with any related interest and penalties. The Fund did not recognize any adjustments to the Fund's financial statements as a result of the implementation of FIN 48.

The Texas franchise tax laws were changed in 2006, and the Fund is subject to the Texas Margin Tax, effective January 1, 2007.

Net Income Per Share

Net income (loss) per share is based on the weighted average number of shares outstanding of 4,463,967 during the three months ended March 31, 2007 and 2006.

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.

Note 3 - Due to Broker

The Fund conducts business with various brokers for its investment activities. The clearing and depository operations for the investment activities are performed pursuant to agreements with these brokers. Due to broker represents a margin loan payable to one of these brokers, which is secured by investments in securities maintained with the lending broker as collateral for the margin loan. Cash and cash equivalents related to the margin loan payable are held by the lending broker as collateral for the margin loan. The Fund is subject to credit risk to the extent the brokers are 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 these brokers and believes the likelihood of loss under those circumstances is remote.

RENAISSANCE CAPITAL GROWTH & INCOME FUND III, INC.

Notes to Unaudited Financial Statements

March 31, 2007

Note 4 - Management and Incentive 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 directly allocable administrative expenses. A summary of fees and reimbursements paid by the Fund under the Agreement is as follows:

·The Investment Adviser receives a management fee equal to a quarterly rate of 0.4375% 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 \$214,109 and \$238,747 for management fees during the quarter ended March 31, 2007 and 2006, respectively.

·The Investment Adviser receives an incentive fee in an amount equal to 20% of the Fund's cumulative realized capital gains in excess of cumulative realized capital losses of the Fund after allowance for any unrealized capital depreciation on the portfolio investments of the Fund at the end of the period being calculated less cumulative incentive fees previously accrued. Unrealized capital depreciation equals net unrealized capital losses on each class of security without netting net unrealized capital gains on other classes of securities. The incentive fee is calculated, accrued, and paid on an annual basis as of year end. Because the incentive fee is calculated, accrued, and paid on an annual basis as of each year end and no probability or estimate of the ultimate fee can be ascertained (see note 9), no incentive fee was recorded during the quarter ended March 31, 2007 and March 31, 2006.

·The Investment Adviser was reimbursed by the Fund for directly allocable administrative expenses paid by the Investment Adviser on behalf of the Fund. Such reimbursements were \$106,382 and \$7,236 during the quarter ended March 31, 2007 and 2006, respectively.

As of March 31, 2007 and December 31, 2006, the Fund had an accounts payable of \$212,676 and \$3,810,462, respectively, for the amount due for the fees and expense reimbursements disclosed above.

Note 5 - Eligible Portfolio Companies and Investments

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 total assets, as defined under Section 55 of the 1940 Act, must be invested in Eligible Portfolio Companies, as defined under Section 2(a)(46) of the 1940 Act. In the event the Fund has less than 70% of its assets invested in Eligible Portfolio Investments, then the Fund will be prohibited from making non-eligible investments until such time as the percentage of eligible investments again exceeds the 70% threshold.

Investments

Investments are carried in the statements of assets and liabilities at fair value, as determined in good faith by the Investment Adviser, subject to the approval of the Fund's Board of Directors. The convertible debt securities held by the Fund generally have maturities between five and seven years and are convertible (at the discretion of the Fund) into the common stock of the issuer at a set conversion price. The common stock underlying these securities is generally unregistered and thinly to moderately traded, but is not otherwise restricted. Generally, the Fund negotiates

registration rights at the time of purchase and the portfolio companies are required to register the shares within a designated period and the cost of registration is borne by the portfolio company. Interest on the convertible securities is 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.

RENAISSANCE CAPITAL GROWTH & INCOME FUND III, INC.

Notes to Unaudited Financial Statements

March 31, 2007

Note 6 - Valuation of Investments

On a quarterly basis, the Investment Adviser prepares a valuation of the assets of the Fund, subject to the approval of the Board of Directors of the Fund. The valuation principles are described below.

- The common stock of companies listed on an exchange, Nasdaq or in the over-the-counter market is valued at the closing price on the date of valuation.
- The unlisted preferred stock of companies with common stock listed on an exchange, Nasdaq or in the over-the-counter market is valued at the closing price of the common stock into which the preferred stock is convertible on the date of valuation. If the preferred stock is redeemable, the preferred stock is valued at the greater of cost or market.
- The unlisted in-the-money options or warrants of companies with the underlying common stock listed on an exchange, Nasdaq or in the over-the-counter market are valued at the positive difference between the closing price of the underlying common stock and the strike price of the warrant or option. An out-of-the money warrant or option has no intrinsic value; thus, we assign no value to it.
- Debt securities are valued at the greater of (i) cost or (ii) the market value of the underlying common stock into which the debt instrument is convertible. In cases where the debt instrument is in default or the company is in bankruptcy, the value will be (i) the value of the underlying common stock, (ii) the value of the collateral, if secured, or (iii) zero, if the common stock has no value and there is no collateral.
- If 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 to independent third parties by the entity governs the value of that enterprise. This valuation method causes the Fund's initial investment in the private entity to be valued at cost. Thereafter, new issuances or offers of equity or equity-linked securities by the portfolio company to new investors will be used to determine enterprise value as they will provide the most objective and independent basis for determining the worth of the issuer. Where a private entity does not have an independent value established over an extended period of time, then the Investment Adviser will determine fair value on the basis of appraisal procedures established in good faith and approved by the Fund's Board of Directors.

RENAISSANCE CAPITAL GROWTH & INCOME FUND III, INC.

Notes to Unaudited Financial Statements

March 31, 2007

Note 6 - Valuation of Investments, continued

As of March 31, 2007 and December 31, 2006, the net unrealized appreciation associated with investments held by the Fund was \$5,701,715 and \$5,229,097, respectively. As of March 31, 2007 and December 31, 2006, the Fund had gross unrealized gains of \$19,533,815 and \$18,216,541, respectively, and gross unrealized losses of \$13,832,100 and \$12,987,444, respectively.

Note 7 - Restricted Securities

As indicated on the schedules of investments as of March 31, 2007, and December 31, 2006, the Fund holds investments in shares of common stock, the sale of which is restricted. These securities have been valued by the Investment Adviser (subject to the approval of the Board of Directors of the Fund) after considering certain pertinent factors relevant to the individual securities (See Note 6).

Note 8 - Income Taxes

Through December 31, 2005, management followed a policy of distributing all of the Fund's taxable investment income and realized capital gains within the defined period under the IRC to assure that any Federal income tax on such income, if any, is paid by the Fund's stockholders. For this reason, no income tax was reflected by the Fund.

During December, 2006, the Board of Directors, in accordance with rules under subchapter M of the IRC, declared a designated undistributed capital gain dividend ("Deemed Distribution") for 2006 on net taxable long-term capital gains of \$18,008,018. The Fund recorded a liability of \$6,302,806 (which was paid during the first quarter of 2007) on its statements of assets and liabilities for taxes payable on behalf of its stockholders as of December 31, 2006. This amount was also recorded as an income tax expense paid on behalf of stockholders in the statements of operations for 2006.

Shareholders of record at December 31, 2006, received a tax credit of \$1.41 per share. The balance of \$11,705,212 was retained by the Fund.

Note 9 - Commitments and Contingencies

As disclosed in Note 4, the Fund is obligated to pay to the Investment Advisor an incentive fee equal to 20% of the Fund's cumulative realized capital gains in excess of cumulative capital losses of the Fund after allowance for any capital depreciation on the portfolio investments of the Fund. As incentive fees on capital gains are not due to the Investment Advisor until the capital gains are realized, any obligations for incentive fees based on unrealized capital gains are not reflected in the accompanying financial statements as there is no assurance that the unrealized gains as of the end of any period will ultimately become realized. Had an incentive fee been accrued as a liability based on all unrealized capital gains, net assets of the Fund would have been reduced by \$3,737,832 and \$3,643,308 as of March 31, 2007 and December 31, 2006, respectively.

RENAISSANCE CAPITAL GROWTH & INCOME FUND III, INC.Notes to Unaudited Financial StatementsMarch 31, 2007Note 10 - Financial Highlights - unaudited

Selected per share data and ratios for each share of common stock outstanding throughout the three months ended March 31, 2007, and March 31, 2006 are as follows:

	2007	2006
Net asset value, beginning of period	\$ 10.84	\$ 12.14
Net investment loss	(0.03)	(0.08)
Net realized and unrealized gain on investments	0.11	0.21
Total return from investment operations	0.08	0.13
Distributions:		
From net capital gains	0.00	(0.10)
Net asset value, end of period	\$ 10.92	\$ 12.17
Per share market value, end of period	\$ 9.15	\$ 10.90
Portfolio turnover rate	0.00%	1.25%
Quarterly return (a)	(12.86)%	(0.91)%
Ratio to average net assets (b):		
Net investment loss	(0.24)%	(0.69)%
Expenses, excluding incentive fees	0.41%	0.91%

(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, in accordance with American Institute of Certified Public Account guidelines.

(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 material portfolio transactions occurred during the quarter ended March 31, 2007:

Access Plans USA, Inc. (NASDAQ: AUSA): During the first quarter of 2007, Precis, Inc. acquired Insurance Capital Management and changed its name to Access Plans USA, Inc. The Fund received options to purchase 2,439 shares of AUSA common stock at \$2.25 per share. The options were issued to Russell Cleveland, president of the Fund, in connection with his service on the board of directors of Access Plans. Mr. Cleveland assigned his rights under the options to the Fund.

Information Intellect, Inc./Shea Development Corporation (OTCBB:SDLP): In the quarter ended March 31, 2007, the Fund received 62,222 shares of Information Intellect common stock as a dividend payment on the Information Intellect Series A preferred stock it owned. Also during the quarter, Shea Development Corp. acquired Information Intellect via a reverse merger. As a result, the Fund converted its Information Intellect shares into 1,330,812 shares of Shea Development Corp. In addition, the Fund received 106,382 shares of Shea Development common stock for helping to facilitate the reverse merger.

Integrated Security Systems, Inc. (OTCBB:IZZI): In the first quarter of 2007, the Fund received 540,344 shares of common stock as payment in kind for interest on promissory notes held by the Fund. In addition, the Fund received 60,417 shares of common stock as compensation for allowing the company to extend the maturity date of some of its notes.

Points International, Ltd. (OTCBB:PTSEF): During the first quarter of 2007, the Fund bought 100,000 shares of common stock in the open market for \$64,000.

Silverleaf Resorts, Inc. (NASDAQ:SVLF): During the quarter ended March 31, 2007, the Fund bought 100,000 shares of common stock in the open market for \$430,000.

Results of Operations for the Quarter Ended March 31, 2007

For the quarter ended March 31, 2007, the Fund had net investment loss of \$115,003 compared to net investment loss of \$373,174 for the first quarter of 2006. This change was due in large part to an increase in investment income from \$122,629 for the first quarter of 2006 to \$299,064 for the comparable period of 2007. This increase in investment income was primarily attributable to the accrual of a dividend earned on the preferred stock of Information Intellect, Inc. Dividend income increased from \$42,465 for the quarter ended March 31, 2006 to \$208,884 for the quarter ended March 31, 2007. In addition, interest income increased to \$79,304 for the three months ended March 31, 2007 from \$65,055 for the quarter ended March 31, 2006, due to the purchase of new debt positions in Integrated Security Systems, Inc. and Pipeline Data, Inc.

Investment expenses decreased from \$495,803 for the quarter ended March 31, 2006 to \$414,067 for the quarter ended March 31, 2007. General and administrative expenses increased for the first quarter of 2007 to \$87,156 from \$61,223 for the first quarter of 2006 as a result of increased travel expense, investor relations expense, stock exchange application fees, insurance expense, and director fees, offset by decreases in printing expenses for the quarter ended March 31, 2007. Interest expense decreased from \$27,810 for the first quarter of 2006 to zero for the comparable period of 2007 as a result of the payment of the margin loan balance in June 2006. Legal and professional fees decreased from \$168,023 for the first quarter of 2006 to \$112,802 for the first quarter of 2007 as a result of lower legal fees for the first quarter of 2007 due to the resolution of the Dexterity Surgical bankruptcy proceedings. Management fees decreased from \$238,747 for the first quarter of 2006 to \$214,109 for the comparable period of 2007 as a result of

reduction in Net Asset Value due to realized gains and distributions to Shareholders in 2006 during the period.

Results of Operations for the Quarter Ended March 31, 2007, continued

Net change in unrealized appreciation decreased \$225,650 for the quarter ended March 31, 2006 compared to an increase in net unrealized appreciation of \$472,619 for the quarter ended March 31, 2007. This change in unrealized appreciation was due to the fluctuation of market values at each quarter end and the realization of gains or losses upon the disposition of investments.

Net realized gains decreased from \$1,188,192 for the quarter ended March 31, 2006 to zero for the same period of 2007. The Fund had no disposition of investments during the quarter ended March 31, 2007.

Liquidity and Capital Resources

For the three months ended March 31, 2007, net assets increased from \$48,367,442 at December 31, 2006, to \$48,725,058 at March 31, 2007. This increase is primarily attributable to an increase in net unrealized appreciation of investments. This increase was partially offset by the net investment loss in the quarter ended March 31, 2007.

At the end of the first quarter of 2007, the Fund had cash and cash equivalents of \$4,199,497 versus cash and cash equivalents of \$14,835,500 at December 31, 2006. This decrease was primarily attributable to the payment of taxes due on behalf of shareholders at December 31, 2006 and the payment of the incentive fee payable to the adviser at December 31, 2006. The Fund's interest and dividends receivable decreased from \$146,146 at December 31, 2006, to \$79,452 at March 31, 2007, primarily due to the receipt of payments for accrued interest income from Integrated Security Systems, Inc.

Accounts payable decreased from \$168,845 at December 31, 2006, to \$119,081 at March 31, 2007, primarily due to the payment of 2006 accrued legal fees. Finally, accounts payable to affiliate decreased from \$3,810,462 at December 31, 2006, to \$212,676 at March 31, 2007, due to the payment of accrued management fees and incentive fees to the Fund's investment adviser.

During the quarter ended March 31, 2007, the Fund did not declare or pay dividends to shareholders.

The majority of the Fund's investments in portfolio companies are individually negotiated, non-registered for public trading, and are subject to legal and contractual investment restrictions. Accordingly, the Fund's portfolio investments are generally considered non-liquid. This lack of liquidity primarily affects the Fund's ability to make new investments and distributions to shareholders.

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.

Contractual Obligations

The Fund has a contract for the purchase of services under which it will have future commitments: the Investment Advisory Agreement with RENN Capital Group, Inc., pursuant to which RENN Capital Group, Inc. has agreed to serve as the Fund's investment adviser. Such agreement has contractual obligations with fees which are based on values of the portfolio investments which the Fund owns. For further information regarding the Fund's obligations under the investment advisory agreement see Note 4 of the Financial Statements.

Because the Fund does not enter into other long-term debt obligations, capital lease obligations, operating lease obligations, or purchase obligations, a table of contractual obligations has not been presented.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Fund is subject to financial market risks, including changes in market interest rates as well as changes in marketable equity security prices. The Fund does not use derivative financial instruments to mitigate any of these risks. The return on the Fund's investments is generally not affected by foreign currency fluctuations.

A majority of the Fund's net assets consist of common stock, and warrants and options to purchase common stock, in publicly traded companies. These investments are directly exposed to equity price risk, in that a percentage change in these equity prices would result in a similar percentage change in the fair value of these securities.

A lesser percentage of the Fund's net assets consist of fixed rate convertible debentures and other debt instruments as well as convertible preferred securities. Since these instruments are generally priced at a fixed rate, changes in market interest rates do not directly impact interest income, although they could impact the Fund's yield on future investments in debt instruments. In addition, changes in market interest rates are not typically a significant factor in the Fund's determination of fair value of its debt instruments, as it is generally assumed they will be held to maturity, and their fair values are determined on the basis of the terms of the particular instrument and the financial condition of the issuer.

A small percentage of the Fund's net assets consist of equity investments in private companies. The Fund anticipates no impact on these investments from modest changes in public market equity prices. However, should significant changes in market prices occur, there could be a longer-term effect on valuations of private companies which could affect the carrying value and the amount and timing of proceeds realized on these investments.

Item 4. Controls and Procedures.

The Fund has in place systems relating to disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934). Our principal executive officer and principal financial officer evaluated the effectiveness of these disclosure controls and procedures as of the end of our quarter ended March 31, 2007 in connection with the preparation of this report. They concluded that the controls and procedures were effective and adequate at that time. There were no significant changes in the Fund's internal control over financial reporting during the first quarter of fiscal 2007 that have materially affected, or are reasonably likely to materially affect, the Fund's internal control over financial reporting.

PART II

Item 1. Legal Proceedings

None

Item 1A. Risk Factors

You should carefully consider the risks described below and all other information contained in this quarterly report on Form 10-Q, including our financial statements and the related notes thereto before making a decision to purchase our common stock. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties not presently known to us, or not presently deemed material by us, may also impair our operations and performance. If any of the following risks actually occur, our business, financial condition or results of operations could be materially adversely affected. If that happens, the trading price of our common stock could decline, and you may lose all or part of your investment.

Failure to Meet Listing Standards. In July 2004, due to our inability to complete our audit and file our Form 10-K for the year ended December 31, 2003 in a timely manner, the Fund's common stock was delisted from Nasdaq. We have now become current in our SEC filings, and we have filed for listing on the American Stock Exchange. However, there can be no assurance that we will meet the American Stock Exchange listing standards or the listing standards of any other national exchange.

Our Growth is Dependent on Investing in Quality Transactions. Sustaining growth depends on our ability to identify, evaluate, finance, and invest in companies that meet our investment criteria. Accomplishing such results on a cost-effective basis is a function of our marketing capabilities and skillful management of the investment process. Failure to achieve future growth could have a material adverse effect on our business, financial condition, and results of operations.

Failure to Invest Capital Effectively May Decrease Our Stock Price. If we fail to invest our capital effectively, our return on equity may be decreased, which could reduce the price of the shares of our common stock.

Highly Competitive Market for Investments. We compete with a number of private equity funds, other investment entities and individuals for investment opportunities. Some of these competitors are substantially larger and have greater financial resources, and some are subject to different and frequently less stringent regulation. As a result of this competition, we may not be able to take advantage of attractive investment opportunities from time to time and there can be no assurance that we will be able to identify and make investments that satisfy our objectives.

Lack of Publicly Available Information on Certain Portfolio Companies. Some of the securities in our portfolio are issued by privately held companies. There is generally little or no publicly available information about such companies, and we must rely on the diligence of our management to obtain the information necessary for our decision to invest. There can be no assurance that such diligence efforts will uncover all material information necessary to make fully informed investment decisions.

Dependence on Key Management. Selecting, structuring and closing our investments depends upon the diligence and skill of our management, which is responsible for identifying, evaluating, negotiating, monitoring and disposing of our investments. Our management's capabilities will significantly impact our results of operations. If we lose any member of our management team and he/she cannot be promptly replaced with an equally capable team member, our results of operations could be significantly impacted.

Failure to Deploy Capital May Lower Returns. Our failure to successfully deploy sufficient capital may reduce our return on equity.

Results May Fluctuate. Our operating results may fluctuate materially due to a number of factors including, among others, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we encounter competition in our portfolio companies' markets, the ability to find and close suitable investments, and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

Uncertain Value of Certain Restricted Securities. Our net asset value is based on the values assigned to the various investments in our portfolio, determined in good faith by our board of directors. Because of the inherent uncertainty of the valuation of portfolio securities which do not have readily ascertainable market values, our fair value determinations may differ materially from the values which would be applicable to unrestricted securities having a public market.

Illiquid Securities May Adversely Affect Our Business. Our portfolio contains securities which are subject to restrictions on sale because they were acquired from issuers in "private placement" transactions or because we are deemed to be an affiliate of the issuer. Unless an exemption from the registration requirements of the Securities Act of 1933 is available, we will not be able to sell these securities publicly without the expense and time required to register the securities under applicable federal and state securities laws. In addition, contractual or practical limitations may restrict our ability to liquidate our securities in portfolio companies, because we may own a relatively large percentage of the issuer's outstanding securities. Sales may also be limited by unfavorable market conditions. The illiquidity of our investments may preclude or delay the disposition of such securities, which may make it difficult for us to obtain cash equal to the value at which we record our investments.

Regulated Industry. Publicly traded investment funds are highly regulated. Changes in securities laws or regulations governing our operations or our failure to comply with those laws or regulations may adversely affect our business.

Failure to Qualify for Favorable Tax Treatment. We may not qualify for conduit tax treatment as a Regulated Investment Company ("RIC") if we are unable to comply with the requirements of Subchapter M of the Internal Revenue Code. If we fail to satisfy such requirements and cease to qualify for conduit tax treatment, we will be subject to federal taxes on our net investment income. The loss of this pass-through tax treatment could have a material adverse effect on the total return, if any, obtainable from an investment in our common stock.

Highly Leveraged Portfolio Companies. Some of our portfolio companies could incur substantial indebtedness in relation to their overall capital base. Such indebtedness often has a term that will require the balance of the loan to be refinanced when it matures. If portfolio companies cannot generate adequate cash flow to meet the principal and interest payments on their indebtedness, the value of our investments could be reduced or eliminated through foreclosure on the portfolio company's assets or by the portfolio company's reorganization or bankruptcy.

Our Common Stock Often Trades at a Discount. Our common stock often trades at a discount from net asset value. Our common stock is traded over-the-counter in the pink sheets. Stockholders desiring liquidity may sell their shares at current market value, which has often been below net asset value. Shares of closed-end investment companies frequently trade at discounts from net asset value, which is a risk separate and distinct from the risk that a fund's performance will cause its net asset value to decrease.

Nature of Investment in Our Common Stock. Our stock is intended for investors seeking long-term capital appreciation. Our investments in portfolio securities generally require some time to reach maturity, and such investments generally are illiquid. An investment in our shares should not be considered a complete investment program. Each prospective purchaser should take into account his or her investment objectives as well as his or her other investments when considering the purchase of our shares.

Our Stock Price May Fluctuate Significantly. The market price of our common stock may fluctuate significantly. The market price and marketability of shares of our common stock may from time to time be significantly affected by numerous factors, including our investment results, market conditions, and other influences and events over which we have no control and that may not be directly related to us.

We May be Unable to Participate in Certain Investment Opportunities. As a Business Development Company, we are required to invest at least 70% of our assets directly in Eligible Portfolio Companies. Currently less than 70% of our assets are in Eligible Portfolio Companies and therefore we will be unable to make new investments in companies that are not considered Eligible Portfolio Companies until we are above the 70% threshold.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits

31.1 Certification of the principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of the principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification of the principal executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

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

RENAISSANCE CAPITAL GROWTH & INCOME FUND III, INC.

/s/ Russell Cleveland

May 15, 2007

Russell Cleveland, President and
Chief Executive Officer
(Principal Executive Officer)

/s/ Barbe Butschek

May 15, 2007

Barbe Butschek, Chief Financial Officer
(Principal Financial Officer)