

RENAISSANCE CAPITAL GROWTH & INCOME FUND III INC
Form DEF 14A
April 02, 2008

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

SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934**

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

- o Preliminary Proxy Statement
- o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a-12

Renaissance Capital Growth & Income Fund III, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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- x No fee required.
 - o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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(4) Proposed maximum aggregate value of transaction:

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**Renaissance Capital Growth & Income Fund III, Inc.
8080 North Central Expressway, Suite 210, LB-59
Dallas, Texas 75206-1857**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held On Friday, May 16, 2008**

To the Shareholders of
Renaissance Capital Growth & Income Fund III, Inc.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders (the Annual Meeting) of Renaissance Capital Growth & Income Fund III, Inc., a Texas corporation (the Fund), will be held at the Hilton Anatole, 2201 Stemmons Freeway, Dallas, Texas 75207, on Friday, May 16, 2008, at 8:00 a.m., local time, for the following purposes:

- (1) To elect two (2) Class One Directors of the Fund, to hold office for a term of three (3) years or until their successors are elected and qualified;
- (2) To ratify the appointment by the Fund s Board of Directors of KBA Group LLP as the auditor of the Fund for the fiscal year ending December 31, 2008; and
- (3) To transact any and all other business that may properly be presented at the Annual Meeting or any adjournment(s).

A copy of the Fund s 2007 Annual Report to shareholders is enclosed for your review.

The close of business on March 18, 2008 has been fixed as the record date for determining shareholders entitled to notice of, and to vote at, the Annual Meeting or any adjournment. The enclosed proxy card is being solicited on behalf of the Board of Directors.

You are cordially invited to attend the Annual Meeting. You may vote your shares (1) in person at the Annual Meeting, (2) by telephone, (3) via the Internet or (4) by completing, signing, dating and returning the accompanying proxy card in the enclosed, self-addressed, postage-paid envelope. Specific instructions for voting by telephone or via the Internet are on the accompanying proxy card. You may revoke your proxy at any time prior to the Annual Meeting. If you decide to attend the Annual Meeting and wish to change your vote, you may do so by voting in person at the Annual Meeting. Prompt response by our shareholders will reduce the time and expense of solicitation.

By Order of the Board of Directors

/s/ BARBE BUTSCHEK
Barbe Butschek, Secretary

Dallas, Texas
April 2, 2008

Renaissance Capital Growth & Income Fund III, Inc.

PROXY STATEMENT For ANNUAL MEETING OF SHAREHOLDERS To Be Held On Friday, May 16, 2008 SOLICITATION OF PROXIES

This Proxy Statement is being furnished to the shareholders of Renaissance Capital Growth & Income Fund III, Inc., a Texas corporation (the Fund). The Fund's Board of Directors is soliciting proxies to be voted at the Annual Meeting of Shareholders (the Annual Meeting) to be held on Friday, May 16, 2008, at the Hilton Anatole, 2201 Stemmons Freeway, Dallas, Texas 75207, at 8 a.m., local time, and at any adjournment(s). This Proxy Statement is first being sent to shareholders on or about April 2, 2008.

The accompanying proxy card is designed to permit each Fund shareholder to vote for or against or to abstain from voting on the proposals described in this Proxy Statement, and to authorize the persons serving as proxies to vote in their discretion with respect to any other proposal properly presented at the Annual Meeting. When a shareholder's executed proxy card specifies a choice with respect to a voting matter, the shares will be voted accordingly. If no specifications are made, then the proxy will be voted by the persons serving as proxies at the Annual Meeting **FOR** (i) the election of the two (2) Class One Directors and (ii) the ratification of the appointment of KBA Group LLP as the auditor for the Fund for 2008.

The Board of Directors encourages the shareholders to attend the Annual Meeting personally. Executing and returning the accompanying proxy card will not affect a shareholder's right to attend the Annual Meeting and to vote in person. Any shareholder who has given a proxy has the right to revoke it at any time before it is voted by giving written notice

of revocation to Ms. Barbe Butschek, Secretary, Renaissance Capital Growth & Income Fund III, Inc., 8080 North Central Expressway, Suite 210, LB-59, Dallas, Texas 75206-1857, by executing and delivering a later-dated proxy, or by attending the Annual Meeting and voting in person. No revocation notice or later-dated proxy, however, will be effective until received by the Fund at or prior to the Annual Meeting. Revocation will not affect a vote on any matters taken prior to the receipt of the revocation. Mere attendance at the Annual Meeting will not by itself revoke the proxy.

In addition to soliciting proxies by mail, officers and directors of the Fund, and officers, directors and regular employees of RENN Capital Group, Inc., the investment adviser to the Fund (RENN Group), may solicit the return of proxies by personal interview, mail, telephone and facsimile. These persons will not receive additional compensation for their services, but will be reimbursed for out-of-pocket expenses. After the date of this Proxy Statement, but prior to the date of the Annual Meeting, the Fund may engage a proxy solicitation firm at a cost to be negotiated. Brokerage houses and other custodians, nominees and fiduciaries will be requested by the Fund to forward solicitation material to the beneficial owners of shares. The Fund will pay all costs of solicitation.

The Fund's 2007 Annual Report to Shareholders is enclosed for the review of all shareholders entitled to notice of and to vote at the Annual Meeting. The Annual Report is not incorporated into this Proxy Statement and is not considered proxy soliciting material.

The Fund's principal offices are located at 8080 N. Central Expressway, Suite 210, LB-59, Dallas, Texas 75206-1857, and its telephone number is (214) 891-8294.

PURPOSES OF THE MEETING

At the Annual Meeting, Fund shareholders will consider and vote upon the following matters:

- (1) The election of two (2) Class One Directors of the Fund, to hold office for a term of three (3) years or until their successors are elected and qualified;
- (2) Ratification of the Board of Directors' appointment of KBA Group LLP as the auditor for the Fund for the fiscal year ending December 31, 2008; and
- (3) Such other and further business as may properly be presented at the Annual Meeting or any adjournment(s).

RECORD DATE AND SHARE OWNERSHIP

The close of business on March 18, 2008 has been fixed as the record date (the Record Date) for determining shareholders entitled to notice of and to vote at the Annual Meeting and any adjournment. At the close of business on the Record Date, the Fund had outstanding 4,463,967 shares of Common Stock and approximately 2,300 record holders.

VOTING

Each share of Common Stock is entitled to one vote. The Common Stock is the only class of securities of the Fund entitled to vote at the Annual Meeting. A shareholder is entitled to vote all shares of Common Stock held of record at the close of business on the Record Date, in person or by proxy, at the Annual Meeting. There are no cumulative voting rights. All votes will be tabulated by the inspector of election appointed for the meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes.

A quorum for the Annual Meeting will consist of the presence, in person or by proxy, of the holders of a majority of the shares outstanding and entitled to vote as of the Record Date. Shares that are voted FOR, AGAINST OR

WITHHELD FROM a matter are treated as being present at the meeting for purposes of determining the presence of a quorum and are also treated as shares represented and voting at the Annual Meeting, or votes cast, with respect to such matter. Broker non-votes and abstentions will be counted for purposes of determining the presence of a quorum.

If a quorum is not present at the Annual Meeting the shareholders represented in person or named as proxies may adjourn the Annual Meeting until such time and to such place as may be determined by a vote of the holders of a majority of the shares represented in person or by proxy at the Annual Meeting with no other notice than announcement at the Annual Meeting. Further solicitations of proxies with respect to these proposals may be made. Broker non-votes and abstentions will not be voted for any adjournments.

VOTING ELECTRONICALLY VIA THE INTERNET OR BY TELEPHONE

Shareholders whose shares are registered in their own names may vote either via the Internet or by telephone. Specific instructions to be followed by any registered shareholder interested in voting via the Internet or by telephone are set forth on the enclosed proxy card. The Internet and telephone voting procedures are designed to authenticate the shareholder's identity and to allow shareholders to vote their shares and confirm that their voting instructions have been properly recorded.

If your shares are registered in the name of a bank or brokerage firm, you may be eligible to vote your shares electronically over the Internet or by telephone. A large number of banks and brokerage firms are participating in the ADP Investor Communications Services online program. This program provides eligible shareholders who receive a copy of this Proxy Statement the opportunity to vote via the Internet or by telephone. If your bank or brokerage firm is participating in ADP's program, your proxy card will provide instructions. If your proxy card does not reference Internet or telephone information, please complete and return the proxy card in the self-addressed, postage-paid envelope provided.

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PROPOSAL ONE ELECTION OF CLASS ONE DIRECTORS

Two directors, both of whom are now serving on the Fund's Board of Directors, are proposed to be elected at the Annual Meeting. Peter Collins and J. Philip McCormick have been nominated as the Class One Directors to serve for a term of three (3) years or until their respective successors are elected and qualified. For information concerning Messrs. Collins and McCormick, see Information Concerning Directors below.

Pursuant to the Fund's Articles of Incorporation and Bylaws, the Board of Directors consists of one or more Directors, the number of which may be increased or decreased by resolution adopted by a majority of the Board of Directors, and is divided into three classes. Each class normally serves for a three-year term.

The term of office of the Class One Directors expires at this Annual Meeting of shareholders. The term of office of the Class Two Director will expire at the Annual Meeting held in 2009. The term of office of the Class Three Directors will expire at the Annual Meeting held in 2010.

Because the Board is divided into classes, only those directors in a single class may be changed in any one year.

Consequently, changing a majority of the Board of Directors requires two years (although under Texas law, procedures are available to remove directors even if they are not then standing for re-election and, under Securities and Exchange Commission (the SEC) regulations, procedures are available for including appropriate shareholder proposals in the annual Proxy Statement). Having a classified Board of Directors, which may be regarded as an anti-takeover provision, may make it more difficult for shareholders to change the majority of directors and thus have the effect of maintaining the continuity of management.

The nominees for the Class One Directors receiving the vote of a plurality of the shares present in person or by proxy and entitled to vote at the Annual Meeting will be elected as directors.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF THE NOMINEES FOR THE CLASS ONE DIRECTORS.

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Information Concerning Directors

Certain information concerning the Fund's directors is set forth below:

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*The address of all such persons is c/o RENN Capital Group, Inc., 8080 North Central Expressway, Suite 210 LB-59, Dallas, Texas 75206.

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OWNERSHIP OF SHARES

The following table sets forth certain information known to the Fund with respect to beneficial ownership of the Fund's Common Stock as of December 31, 2007 (i) for all persons who are beneficial owners of 5% or more of the outstanding shares of the Fund's Common Stock, (ii) each director and nominee for director of the Fund and (iii) all executive officers and directors of the Fund as a group:

Name of Beneficial Owner

	Number of Shares Beneficially Owned Directly or Indirectly	Percent of Class	
Russell Cleveland, Chairman, President, Chief Executive Officer and Director ⁽¹⁾	412,770 ⁽²⁾	9.3	%
Peter Collins, Director	2,341 ⁽³⁾	0.1	%
Charles C. Pierce, Jr., Director	2,250	0.1	%
Ernest C. Hill, Director	0	0.0	%
J. Philip McCormick, Director	3,500	0.1	%
All directors and officers of the Fund as a group (9 persons)	432,452	9.6	%

(1) Interested person as defined by the Investment Company Act of 1940.

(2) Consists of 33,502 shares owned by the Cleveland Family Limited Partnership, 335,468 shares owned by RENN Investment Limited Partnership, and 43,800 shares owned by RENN Capital Group, Inc.

(3) Includes 130 shares owned by Hilary Collins, Mr. Collins' spouse.

Committees and Meetings

The Board of Directors held eighteen (18) meetings or executed consent actions in lieu of meetings during 2007, and each director attended or executed at least seventy-five per cent (75%) of these meetings and consent actions. The Board of Directors has established an Audit Committee and a Nominating and Corporate Governance Committee. In 2007, the Audit Committee held nine (9) meetings, and the Nominating and Corporate Governance Committee held no (0) meetings. Each director attended or executed at least 75% of these meetings or consent actions.

The Audit Committee

During 2007, the Audit Committee consisted of Ernest C. Hill (Chairman), Charles C. Pierce, Jr., Peter Collins and J. Philip McCormick. The Board of Directors has determined that J. Philip McCormick satisfies the standard for audit committee financial expert within the meaning of the rules of the SEC. The SEC rules provide that audit committee financial experts do not have any additional duties, obligations or liabilities and are not considered experts under the U.S. Securities Act of 1933. The Audit Committee is comprised entirely of independent directors. The Audit Committee is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities. The Audit Committee's primary duties and responsibilities are to:

Appoint and approve the compensation of the Fund's independent auditors, including those to be retained for the purpose of preparing or issuing an audit report or performing other audit review or attest services for the Fund;

Review the scope of their audit services and the annual results of their audits;

Monitor the independence and performance of the Fund's independent auditors;

Oversee generally the accounting and financial reporting processes of the Fund and the audits of its financial statements, generally;

Review the reports and recommendations of the Fund's independent auditors;

Provide an avenue of communication among the independent auditors, management and the Board of Directors; and

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Address any matters between the Fund and its independent auditors regarding financial reporting.

The Fund's Board of Directors has adopted a written charter for the Audit Committee, which is attached as *Exhibit A* to

this Proxy Statement.

The Fund's independent auditors must report directly to the Audit Committee.

The Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee was created in January 2004 and is responsible for nominating individuals to serve as directors. The Nominating and Corporate Governance Committee is comprised of three directors, all of whom meet the independence and experience requirements of the American Stock Exchange (AMEX) Company Guide Section 803A, Rule 10A-3 under the Securities Exchange Act of 1934 and NASD Rule 4200(a)(15). Its members are Charles C. Pierce, Jr. (Chairman), Ernest C. Hill and Peter Collins.

The Fund's Board of Directors has adopted a written charter for the Nominating and Corporate Governance Committee, which is attached as *Exhibit B* to this Proxy Statement. A current copy of the Nominating and Corporate Governance Committee's charter is not available at the Fund's website.

The Committee considers and recommends nominees for election as directors of the Fund. Shareholders wishing to recommend qualified candidates for consideration by the Fund may do so by writing to the Secretary of the Fund at the address shown in the Notice providing the candidate's name, biographical data and qualifications. In its assessment of each potential candidate, the Committee reviews the nominee's judgment, experience, independence, financial literacy, knowledge of emerging growth companies, understanding of the Fund and its investment objectives and such other factors as the Committee may determine. The Committee also takes into account the ability of a director to devote the time and effort necessary to fulfill his or her responsibilities. At the direction of the Board of Directors, the Committee also considers various corporate governance policies and procedures.

Director Compensation

Directors who are not employees of either the Fund or RENN Group receive a monthly fee of \$2,000 (\$3,000 per month for the Chairman of the Audit Committee), plus \$750 and out-of-pocket expenses for each quarterly valuation meeting attended. The Fund does not pay any fees to, or reimburse expenses of, its directors who are considered interested persons of the Fund. The aggregate compensation for the period from January 1 to December 31, 2007 that the Fund paid each director standing for election, and the aggregate compensation paid to each director for the most recently completed fiscal year by other funds to which RENN Group provided investment advisory services, or collectively, the Fund Complex, is set forth below:

Name of Director	Aggregate 2007 Compensation from Fund	Pension or Retirement Benefits Accrued as Part of Fund Expenses	Estimated Annual Benefits upon Retirement	Total 2007 Compensation from Fund and Fund Complex Paid to Directors
Russell Cleveland ⁽¹⁾	\$ 0	\$ 0	\$ 0	\$ 0
Peter Collins	\$ 26,000	\$ 0	\$ 0	\$ 26,000
Ernest C. Hill	\$ 36,000	\$ 0	\$ 0	\$ 36,000
Charles C. Pierce, Jr.	\$ 26,000	\$ 0	\$ 0	\$ 26,000
J. Philip McCormick	\$ 26,000	\$ 0	\$ 0	\$ 26,000

(1) Mr. Cleveland is President and Chief Executive Officer of RENN Group and a 5% beneficial owner of the Fund.

Executive Compensation and Options

Officers of the Fund receive no compensation from the Fund. The Fund has never issued options or warrants to officers or directors of the Fund. As a result, the Fund does not have a compensation committee.

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PROPOSAL TWO RATIFICATION OF APPOINTMENT OF AUDITOR

The Board of Directors has selected KBA Group LLP to audit the Fund for the fiscal year ending December 31, 2008. Its selection was approved by the vote of a majority of the Board of Directors, including a majority of the directors who are not interested persons of the Fund, as defined in the Investment Company Act of 1940, as amended (the Investment Company Act). A representative of KBA Group LLP is expected to attend the Annual Meeting. The KBA Group LLP representative will respond to appropriate questions from shareholders and will be given the opportunity to make a statement, should the representative desire to do so.

The following table presents fees paid by the Fund for professional services rendered by KBA Group LLP for the fiscal years ended