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INTEGRATED SECURITY SYSTEMS INC
Form SC 13D
May 23, 2001

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

SCHEDULE 13D

Under the Securities Exchange Act of 1934

Integrated Security Systems, Inc.

(Name of Issuer)

Common Stock

(Title of Class of Securities)

45812J101

(CUSIP Number)

Russell Cleveland
Renaissance Capital Group, Inc.
8080 N. Central Expressway, Suite 210, LB-59
Dallas, Texas 75206-1857
(214) 891-8294

(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications)

May 17, 2001
(Date of Event Which Requires Filing of This Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition which is the subject of this Schedule 13D, and is filing this schedule because of Section 240.13d-1(e), Section 240.13d-1(f) or Section 240.13d-1(g), check the following box [].

(Continued on following pages)

CUSIP No. 45812J101

13D

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1 NAME OF REPORTING PERSON I.R.S. IDENTIFICATION NUMBER
Renaissance Capital Growth & Income Fund III, Inc. 75-2533518

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) []
(b) [x]

3 SEC USE ONLY

4 SOURCE OF FUNDS
WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED
PURSUANT TO ITEM 2(d) or 2(e) []

6 CITIZENSHIP OR PLACE OF ORGANIZATION
Texas

| | | | |
|---|---|-------------------|------------|
| NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH | 7 | SOLE VOTING POWER | 21,194,758 |
|---|---|-------------------|------------|

| | | |
|---|---------------------|------|
| 8 | SHARED VOTING POWER | None |
|---|---------------------|------|

| | | |
|---|------------------------|------------|
| 9 | SOLE DISPOSITIVE POWER | 21,194,758 |
|---|------------------------|------------|

| | | |
|----|--------------------------|------|
| 10 | SHARED DISPOSITIVE POWER | None |
|----|--------------------------|------|

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
21,194,758 shares

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES
CERTAIN SHARES []

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
67.1%

14 TYPE OF REPORTING PERSON
IV

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CUSIP No. 45812J101

13D

1 NAME OF REPORTING PERSON I.R.S. IDENTIFICATION NUMBER
Renaissance US Growth & Income Trust PLC None - Foreign

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) []
(b) [x]

3 SEC USE ONLY

4 SOURCE OF FUNDS
WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED
PURSUANT TO ITEM 2(d) or 2(e) []

6 CITIZENSHIP OR PLACE OF ORGANIZATION
England

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH

| | | |
|---|-------------------|------------|
| 7 | SOLE VOTING POWER | 20,358,446 |
|---|-------------------|------------|

| | | |
|---|---------------------|------|
| 8 | SHARED VOTING POWER | None |
|---|---------------------|------|

| | | |
|---|------------------------|------------|
| 9 | SOLE DISPOSITIVE POWER | 20,358,446 |
|---|------------------------|------------|

| | | |
|----|--------------------------|------|
| 10 | SHARED DISPOSITIVE POWER | None |
|----|--------------------------|------|

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
20,358,446 shares

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12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES
CERTAIN SHARES []

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
66.2%

14 TYPE OF REPORTING PERSON
IV

Item 1. Security and Issuer.

This statement relates to the Common Stock ("Common Shares") of Integrated Security Systems, Inc. (the "Company"). The principal executive offices of the Company are located at 8200 Springwood Drive, Irving, Texas 75063.

Item 2. Identity and Background.

(a) This Statement is filed by Renaissance Capital Growth & Income Fund III, Inc. ("Renaissance III"), and Renaissance US Growth & Income Trust PLC ("Renaissance PLC"; Renaissance III and Renaissance PLC, collectively, the "Reporting Persons").

Certain information concerning the directors and executive officers of the Reporting Persons is set forth on Attachment 1 attached hereto and incorporated herein by reference.

(b) Renaissance III is a business development company regulated under the Investment Company Act of 1940, as amended, and organized under the laws of the State of Texas, with its principal business and principal office at 8080 N. Central Expressway, Suite 210, LB 59, Dallas, Texas 75206-1857.

Renaissance PLC is an investment trust organized under the laws of England and Wales. Its address in the United States is c/o Renaissance Capital Group, Inc., Investment Manager, 8080 N. Central Expressway, Suite 210, LB 59, Dallas, Texas 75206-1857.

The business addresses of the directors and executive officers of the Reporting Persons are set forth on Attachment 1 to this Statement and incorporated herein by reference.

(c) Renaissance III and Renaissance PLC are engaged in the business of investing principally in emerging or undervalued U.S. public companies.

(d) Neither any of the Reporting Persons nor, to the best knowledge of such persons, any person named in Attachment 1 to this Statement, has been convicted in a criminal proceeding in the past five years (excluding traffic

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violations or similar misdemeanors).

(e) Neither any of the Reporting Persons nor, to the best knowledge of such persons, any person named in Attachment 1 to this Statement, was during the last five years a party to a civil proceeding of a judicial or administrative body of competent jurisdiction as a result of which such person was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

(f) All persons named on Attachment 1 to this Statement are citizens of the United States, except as otherwise indicated on such Attachment.

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Item 3. Source and Amount of Funds or Other Consideration.

The total amount of funds required by Renaissance III to acquire the securities reported in Item 5(a) was \$4,329,589. The source of such funds was capital of Renaissance III.

The total amount of funds required by Renaissance PLC to acquire the securities reported in Item 5(a) was \$4,163,463. The source of such funds was capital of Renaissance PLC.

Item 4. Purpose of Transaction.

The Reporting Persons each acquired beneficial ownership of the Common Stock reported in Item 5(a) both in the ordinary course of business for investment purposes and upon exchange of indebtedness in connection with the financial restructuring of the Company. The President and CEO of Renaissance Capital Group, Inc., the investment advisor to Renaissance III and the investment manager of Renaissance PLC, Russell Cleveland, has been appointed to the board of directors of the Company.

The Reporting Persons may participate in discussions with management or third parties in which the Reporting Person may suggest or take a position with respect to potential changes in the operations, management or capital structure of such companies as a means of enhancing shareholder value. Such suggestions or positions may relate to one or more of the transactions specified in clauses (a) through (j) of Item 4 of the Schedule 13D form, including, without limitation, such matters as disposing of one or more businesses, selling the Company, merging with another Company or acquiring another company or business, changing operating or marketing strategies, changes in management or marketing or restructuring the Company's capitalization.

Each Reporting Person continues to assess the Company's business, financial condition, results of operations and prospects, general economic conditions, the securities markets in general and those for the Company's securities in particular, other developments and other investment opportunities, as well as the Reporting Person's investment objectives. Depending on such assessments, one or both of the Reporting Persons may acquire additional securities or may determine to sell or otherwise dispose of some or all of its holdings of securities.

Other than as described above, either of the Reporting Persons has

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any present plans or proposals which relate to or would result in any transaction, change or event specified in clauses (a) through (j) of Item 4 of the Schedule 13D.

Item 5. Interest in Securities of the Issuer.

(a) Renaissance III beneficially owns 21,194,758 Common Shares, and Renaissance PLC beneficially owns 20,358,446 Common Shares. The Reporting Persons beneficially own 40,553,204 Common Shares. Based upon information contained in the Company's most recent public filing containing such information filed with the Securities and Exchange Commission, the Common Shares beneficially owned by Renaissance III, Renaissance PLC and together represent approximately 67.1%, 66.2% and 80.6%, respectively, of the outstanding Common Stock of the Company. Renaissance III and Renaissance PLC disclaim that they are members of a group for purposes of Regulation 13D.

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The Common Shares beneficially owned by Renaissance III are comprised of 393,259 shares of Common Stock; 814,299 shares of Common Stock issuable upon the exercise of warrants; 187,500 shares of Common Stock issuable upon the conversion of 7,500 shares of Series D Preferred Stock; 2,589,945 shares of Common Stock issuable upon conversion of 20,720 shares of Series F Convertible Preferred Stock ("Series F Preferred Stock"); and 17,209,755 shares of Common Stock issuable upon conversion of 137,678 shares of Series G Convertible Preferred Stock ("Series G Preferred Stock"). The board of directors of Renaissance III exercises voting and investment control over the securities of the Company owned by it.

Renaissance PLC is deemed the beneficial owner of Common Shares comprised of 393,258 shares of Common Stock; 808,617 shares of Common Stock issuable upon the exercise of warrants; 187,500 shares of Common Stock issuable upon the conversion of 7,500 shares of Series D Preferred Stock; 2,589,945 shares of Common Stock issuable upon conversion of 20,720 shares of Series F Preferred Stock; and 16,379,126 shares of Common Stock issuable upon conversion of 131,033 shares of Series G Preferred Stock. The board of directors of Renaissance PLC exercises voting and investment control over the securities of the Company owned by it.

(b) Holders of Series D Preferred Stock are entitled to one vote for each share of Common Stock into which such share of Series D Preferred Stock could then be converted. Presently, the holder of each share of Series D Preferred Stock is entitled to 25 votes. Holders of Series F Preferred Stock are entitled to vote with the holders of Common Stock, the Series D Preferred Stock, the Series E Preferred Stock, and the Series G Preferred Stock as a single class on all matters on which stockholders are entitled to vote, including the election of directors, except as otherwise required by law. Holders of Series F Preferred Stock are also entitled to vote with any other class of equity securities which may vote with the holders of the Common Stock as a single class with respect to any matter. Holders of Series F Preferred Stock are entitled to a number of votes per share of Series F Preferred Stock equal to the number of shares of Common Stock into which the shares of Series F Preferred Stock are convertible on the record date of the determination of stockholders entitled to receive notice of and to vote on such matter. In addition, the consent of holders of 80% of the Series F Preferred Stock and the Series G Preferred Stock, voting together as a single class, will be required to (a) authorize, create or increase the authorized amount of any class of senior stock or parity stock,

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other than Preferred Stock of the same class or securities to evidence bank debt or asset securitizations or (b) authorize a merger, consolidation or sale of assets, other than in the ordinary course of business, of the Company, including the capital stock of the Company's subsidiaries. The consent of holders of 80% of the Series F Preferred Stock, voting as a single class, will be required to approve any action to amend the Company's certificate of incorporation or bylaws that would materially and adversely affect the rights of the Series F Preferred Stock.

Holders of Series G Preferred Stock will be entitled to vote with the holders of Common Stock, the Series D Preferred Stock, the Series E Preferred Stock, and the Series F Preferred Stock as a single class on all matters on which stockholders are entitled to vote, including the election of directors, except as otherwise required by law. Holders of Series G Preferred Stock are also entitled to vote with any other class of equity securities which may vote with the holders of the Common Stock as a single class with respect to any matter. Holders of Series G Preferred Stock are entitled to a number of votes per share of Series G Preferred Stock equal to the number of shares of Common Stock into which the shares of Series G Preferred Stock are convertible on the record date of the determination of stockholders entitled to receive notice of and to vote on such matter. In addition, the consent of holders of 80%

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of the Series G Preferred Stock and the Series F Preferred Stock, voting together as a single class, will be required (a) to authorize, create or increase the authorized amount of any class of senior stock or parity stock, other than Preferred Stock of the same class or securities to evidence bank debt or securitizations or (b) authorize a merger, consolidation or sale of assets, other than in the ordinary course of business, of the Company, including the capital stock of the Company's subsidiaries. The consent of holders of 80% of the Series G Preferred Stock, voting as a single class, will be required to approve any action to amend the Company's certificate of incorporation or bylaws that would materially and adversely affect the rights of the Series G Preferred Stock.

In addition to their right to vote with the holders of the Common Stock on the election of directors, the Reporting Persons, as the holders of the Series G Preferred Stock and the holders of the Series F Preferred Stock, voting together as a single class, are entitled to elect two additional directors to the Company's board of directors.

Each of the Reporting Persons has or will have upon the exercise of the warrants issued to it by the Company the sole power to vote and dispose of all of the Common Shares that it beneficially owns. None of the Reporting Persons shares voting or disposition power with any person with respect to the Common Shares.

(c) No transaction in the Common Shares was effected by a Reporting Person during the past 60 days, other than the issuance on May 17, 2001, in connection with a financial restructuring of the Company, to Renaissance III of 20,720 shares of Series F Preferred Stock and 137,678 shares of Series G Preferred Stock and the issuance to Renaissance PLC of 20,720 shares of Series F Preferred Stock and 131,033 shares of Series G Preferred Stock. All of these shares were issued in exchange for approximately \$7.5 million of promissory notes and convertible debentures owned by Renaissance III and Renaissance PLC, including accrued interest, in connection with a financial restructuring of the

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Company.

(d) No person other than the Reporting Persons has the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the Common Shares beneficially owned by the Reporting Persons.

(e) Not applicable.

Item 6. Contracts, Arrangements, Understandings or Relationships With Respect to Securities of the Issuer.

Not applicable.

Item 7. Material to Be Filed as Exhibits.

Exhibit 1 Joint Filing Agreement Pursuant to Rule 13d-1(k)

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SIGNATURES

After reasonable inquiry and to the best of their individual knowledge and belief, the signatories below certify that the information set forth in this statement is true, complete, and correct as of this 23rd day of May, 2001.

The persons whose signatures appear below agree that this statement on Schedule 13D is filed on behalf of each of them.

RENAISSANCE CAPITAL GROWTH &
INCOME FUND III, INC.

By: /s/
Name: Russell Cleveland
Title: President and Chief Executive Officer

RENAISSANCE US GROWTH & INCOME
TRUST PLC

By: /s/
Name: Russell Cleveland
Title: Director

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ATTACHMENT 1

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The name, business address and principal occupation of the directors and executive officers of Renaissance III are as follows:

DIRECTORS

| Name | Business Address | Principal Occupation |
|------------------------|--|----------------------|
| Edward O. Boshell, Jr. | c/o Renaissance Capital Group, Inc. 8080 North Central Expressway Suite 210, LB 59 Dallas, Texas 75206-1857 | Director |
| Russell Cleveland | c/o Renaissance Capital Group, Inc. 8080 North Central Expressway Suite 210, LB 59 Dallas, Texas 75206-1857 | Director |
| Peter Collins | c/o Renaissance Capital Group, Inc. 8080 North Central Expressway Suite 210, LB 59 Dallas, Texas 75206-1857 | Director |
| Ernest C. Hill | c/o Renaissance Capital Group, Inc. 8080 North Central Expressway Suite 210, LB 59 Dallas, Texas 75206-1857 | Director |

OFFICERS

| | | |
|---------------------|--|---|
| Russell Cleveland | c/o Renaissance Capital Group, Inc. 8080 North Central Expressway Suite 210, LB 59 Dallas, Texas 75206-1857 | President and Chief Executive Officer |
| John A. Schmit | c/o Renaissance Capital Group, Inc. 8080 North Central Expressway Suite 210, LB 59 Dallas, Texas 75206-1857 | Vice President |
| Robert C. Pearson | c/o Renaissance Capital Group, Inc. 8080 North Central Expressway Suite 210, LB 59 Dallas, Texas 75206-1857 | Vice President |
| Barbara A. Butschek | c/o Renaissance Capital Group, Inc. 8080 North Central Expressway Suite 210, LB 59 Dallas, Texas 75206-1857 | Secretary and Treasurer |

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The name, business address and principal occupation of the directors and executive officers of Renaissance PLC are as follows:

DIRECTORS

| Name | Business Address | Principal Occupation |
|------|------------------|----------------------|
|------|------------------|----------------------|

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| | | |
|-------------------------------|--|----------|
| Michael B. Cannan | c/o Sinclair Henderson Limited 23 Cathedral Yard Exeter EX11HB | Director |
| Russell Cleveland | c/o Sinclair Henderson Limited 23 Cathedral Yard Exeter EX11HB | Director |
| Ernest J. Fenton | c/o Sinclair Henderson Limited 23 Cathedral Yard Exeter EX11HB | Director |
| Lord Mark Fitzalan Howard OBE | c/o Sinclair Henderson Limited 23 Cathedral Yard Exeter EX11HB | Director |
| C.A. Rundell, Jr. | c/o Sinclair Henderson Limited 23 Cathedral Yard Exeter EX11HB | Director |
| William W. Vanderfelt | c/o Sinclair Henderson Limited 23 Cathedral Yard Exeter EX11HB | Director |

OFFICERS

None

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EXHIBIT 1

JOINT FILING AGREEMENT PURSUANT TO RULE 13d-1(k)

The undersigned acknowledge and agree that the foregoing statement on Schedule 13D is filed on behalf of each of the undersigned and that all subsequent amendments to this statement on Schedule 13D shall be filed on behalf of each of the undersigned without the necessity of filing additional joint filing agreements. The undersigned acknowledge that each shall be responsible for the timely filing of such amendments, and for the completeness and accuracy of the information concerning it contained therein, but shall not be responsible for the completeness and accuracy of the information concerning the others, except to the extent it knows or has reason to believe that such information is inaccurate. This Joint Filing Agreement may be executed in any number of counterparts and all of such counterparts taken together shall constitute one and the same instrument.

RENAISSANCE CAPITAL GROWTH &
INCOME FUND III, INC.

By: /s/
Name: Russell Cleveland
Title: President and Chief Executive Officer

RENAISSANCE US GROWTH & INCOME
TRUST PLC

By: /s/
Name: Russell Cleveland

Title: Director

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