

TRANSAMERICA INCOME SHARES, INC.
Form DEF 14A
June 06, 2011

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

TRANSAMERICA INCOME SHARES, INC.

(Name of Registrant as Specified in its Charter)

N/A

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

TRANSAMERICA INCOME SHARES, INC.
570 CARILLON PARKWAY
ST. PETERSBURG, FLORIDA 33716

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be Held on Thursday, July 7, 2011: The Proxy Statement and Annual Report to Shareholders are available on the Transamerica Income Shares, Inc. website at www.transamericafunds.com, by selecting Transamerica Income Shares, Inc.

To the Shareholders of Transamerica Income Shares, Inc.:

Notice is hereby given that the Annual Meeting of Shareholders of Transamerica Income Shares, Inc. (the Fund) will be held on July 7, 2011, at 570 Carillon Parkway, St. Petersburg, Florida 33716, beginning at 11:00 a.m., Eastern Time, or as adjourned or postponed from time to time (the Meeting).

At the Meeting, shareholders of the Fund will be called upon to consider the following proposals:

PROPOSAL 1: To elect four Directors to serve as Class II Directors for three year terms, and until their successors are duly elected and qualify; and

PROPOSAL 2: To conduct such other business as may properly come before the Meeting or any adjournment or postponement thereof.

After careful consideration, the Directors of the Fund unanimously approved and recommend that you vote FOR Proposal 1. Shareholders of record as of the close of business on May 10, 2011 are entitled to vote at the Meeting. Each share is entitled to one vote, with fractional votes for fractional shares.

By Order of the Board of Directors of Transamerica Income Shares, Inc.,

Dennis P. Gallagher, Esq.
Vice President, General Counsel and Secretary

June 7, 2011

Your vote is very important regardless of the number of shares that you owned on May 10, 2011. Shareholders who do not expect to attend the Meeting are requested to complete, sign, date, and return the accompanying Proxy in the enclosed envelope, which needs no postage if mailed in the United States, or follow the enclosed instructions relating to Internet or telephone voting. Instructions for the proper execution of the Proxy are set forth in the enclosed materials. It is important that proxies be returned promptly. Whether or not you plan to attend the Meeting, please complete the enclosed Proxy, or vote using the Internet or by telephone. If you vote via the Internet or by telephone, please do not return your Proxy unless you later decide to change your vote.

PROXY STATEMENT

**TRANSAMERICA INCOME SHARES, INC.
ANNUAL MEETING OF SHAREHOLDERS
July 7, 2011**

INTRODUCTION

This Proxy Statement is furnished in connection with the solicitation of Proxies by the Board of Directors (the Board or Directors or Board Members) of Transamerica Income Shares, Inc. (the Fund or TIS), a closed-end management investment company organized as a Maryland corporation, for use at the Annual Meeting of Shareholders of the Fund to be held at 11:00 a.m. on July 7, 2011, at 570 Carillon Parkway, St. Petersburg, Florida 33716, and any adjournment or postponement thereof (the Meeting). The Board is soliciting Proxies from shareholders of the Fund with respect to the proposals set forth in the accompanying Notice of Annual Meeting of Shareholders. A Proxy also accompanies this Proxy Statement. It is anticipated that the Proxy and Proxy Statement will first be mailed to shareholders on or about June 7, 2011.

You may call the Fund at 1-888-233-4339 for information on how to obtain directions to be able to attend the meeting and vote in person.

**PROPOSAL 1
ELECTION OF DIRECTORS**

The Fund's Board of Directors, consisting of ten members, is divided into three classes: Class I, Class II and Class III. The Directors serving in Class II have terms expiring at the Meeting. At a Board meeting held on April 7, 2011, upon recommendation of the Fund's Nominating Committee, the Board approved the nomination of John W. Waechter, Joyce G. Norden, Norman R. Nielsen and Russell A. Kimball, Jr. to serve as Class II Directors for a three year term expiring in 2014 and until their successors are duly elected and qualified (each, a Nominee and together, the Nominees).

Shareholders are asked to consider the election of these four Nominees as Class II Directors of the Fund. Each Nominee currently serves as a Director of the Fund. Each Nominee has indicated his or her willingness to serve as Director, if elected. The terms of office of the remaining Class I and Class III Directors expire in 2013 and 2012, respectively, or thereafter until their respective successors are duly elected and qualified. These staggered terms may prevent replacement of a majority of the Directors for up to a two-year period.

The persons named as proxies intend to vote to elect the Nominees, unless authority to vote for the election of all of the Nominees, or specified Nominees, is withheld by so marking the Proxy. If any Nominee is unable to serve, the persons named as proxies may vote for any other person or vote to fix the number of Directors at less than ten. Election is by a majority of all the votes cast at the Meeting in person or by Proxy, if a quorum is present.

The term fund complex in the tables below refers to the Fund, Transamerica Funds, Transamerica Series Trust (TST), Transamerica Partners Funds Group (TPFG), Transamerica Partners Funds Group II (TPFG II), Transamerica Partners Portfolios (TPP), and Transamerica Asset Allocation Variable Funds (TAAVF). The mailing address of each Nominee is 570 Carillon Parkway, St. Petersburg, Florida 33716. The name, age and principal occupation for the past five years of the Nominees and each other Director of the Fund, and any other board memberships they hold, are:

Nominees

INDEPENDENT BOARD MEMBERS**

Name and Date of Birth	Position(s) Held with Fund	Length of Time Served and Term of Office*	Principal Occupation(s) During Past 5 Years	Number of Funds in Complex Overseen by Board Member	Other Directorships
John W. Waechter (1952)	Class II Director	Since 2004; Term Expires 2011	<p>Attorney, Englander and Fischer, LLP (2008 present);</p> <p>Retired (2004 2008);</p> <p>Board Member, TST and TIS (2004 present);</p> <p>Board Member, Transamerica Funds (2005 present);</p> <p>Board Member, TPP, TPF, TPF II and TAAVF (2007 present);</p> <p>Board Member, TII (2008 2010);</p> <p>Employee, RBC Dain Rauscher (securities dealer) (2004);</p> <p>Executive Vice President, Chief Financial Officer and Chief Compliance Officer, William R. Hough & Co. (securities dealer) (1979 2004); and</p> <p>Treasurer, The Hough Group of Funds (1993 2004).</p>	163	Operation PAR, Inc. (2008 present); West Central Florida Council Boy Scouts of America (2008 present)
Joyce G. Norden (1939)	Class II Director	Since 2007; Term Expires 2011	<p>Retired (2004 present);</p> <p>Board Member, TPF, TPF II and TAAVF (1993 present);</p> <p>Board Member, TPP (2002 present);</p> <p>Board Member, Transamerica Funds, TST and TIS (2007 present);</p> <p>Board Member, TII (2008 2010); and</p> <p>Vice President, Institutional Advancement, Reconstructionist Rabbinical College (1996 2004).</p>	163	Board of Governors, Reconstructionist Rabbinical College (2007 - present)

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Name and Date of Birth	Position(s) Held with Fund	Length of Time Served and Term of Office*	Principal Occupation(s) During Past 5 Years	Number of Funds in Complex Overseen by Board Member	Other Directorships
Norman R. Nielsen, Ph.D. (1939)	Class II Director	Since 2006; Term Expires 2011	<p>Retired (2005 - present);</p> <p>Board Member, Transamerica Funds, TST and TIS (2006 present);</p> <p>Board Member, TPP, TPF, TPF II and TAAVF (2007 present);</p> <p>Board Member, TII (2008 2010);</p> <p>Director, Iowa Student Loan Service Corporation (2006 present);</p> <p>Director, League for Innovation in the Community Colleges (1985 - 2005);</p> <p>Director, Iowa Health Systems (1994 - 2003);</p> <p>Director, U.S. Bank (1985 2006); and</p> <p>President, Kirkwood Community College (1985 2005).</p>	163	Buena Vista University Board of Trustees (2004 - present)
Russell A. Kimball, Jr. (1944)	Class II Director	Since 2002; Term Expires 2011	<p>General Manager, Sheraton Sand Key Resort (1975 present);</p> <p>Board Member, TST (1986 present);</p> <p>Board Member, Transamerica Funds, (1986 - 1990), (2002 present);</p> <p>Board Member, TIS (2002 present);</p> <p>Board Member, TPP, TPF, TPF II and TAAVF (2007 present); and</p> <p>Board Member, TII (2008 2010).</p>	163	N/A

* Following the expiration of his or her term, each Director shall hold office until his or her successor is elected and qualified. Prior to the expiration of his or her term, a Director may resign or retire, or his or her term as a Director may be terminated in accordance with the Fund's Articles of Incorporation and By-Laws.

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** Independent Board Member means a Board Member who is not an interested person (as defined under the Investment Company Act of 1940 (the 1940 Act)) of the Fund.

Other DirectorsINTERESTED BOARD MEMBER***

Name and Date of Birth	Position(s) Held with Fund	Length of Time Served and Term of Office*	Principal Occupation(s) During Past 5 Years	Number of Funds in Complex Overseen by Board Member	Other Directorships
John K. Carter (1961)	Chairman, Class III Director, President, and Chief Executive Officer	Since 2002; Term Expires 2012	<p>Chairman, Board Member, President and Chief Executive Officer, TPP, TPF, TPF II and TAAVF (2007 present);</p> <p>Chairman (2007 present), Board Member (2006 present), President and Chief Executive Officer (2006 present), Senior Vice President (1999 2006), Chief Compliance Officer, General Counsel and Secretary (1999 2006), Transamerica Funds and TST;</p> <p>Chairman (2007 present), Board Member (2006 present), President and Chief Executive Officer (2006 present), Senior Vice President (2002 2006), General Counsel, Secretary and Chief Compliance Officer (2002 2006), TIS;</p> <p>Chairman, President and Chief Executive Officer (2006 present), Director (2002 present), Senior Vice President (1999 2006), General Counsel and Secretary (2000 2006), Chief Compliance Officer (2004 2006), TAM;</p> <p>Chairman, President and Chief Executive Officer (2006 present), Senior Vice President (1999 2006), Director (2002 present), General Counsel and Secretary (2001 2006), Transamerica Fund Services, Inc. (TFS);</p> <p>Vice President, AFSG Securities Corporation (2001 present);</p> <p>Chairman and Board Member (2008 2010), President (2007 2010), Chief Executive Officer (2006 2010), Vice President, Secretary and Chief Compliance Officer (2003 2006), Transamerica Investors, Inc. (TII);</p> <p>Senior Vice President, General</p>	163	N/A

Counsel and Secretary,
Transamerica Index Funds, Inc.
(TIF) (2002 - 2004); and

Director, (2008 - present), Vice
President, Transamerica
Investment Services, Inc. (TISI)
(2003 - 2005) and Transamerica
Investment Management, LLC
(TIM) (2001 - 2005).

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Other Directors

INDEPENDENT BOARD MEMBERS**

Name and Date of Birth	Position(s) Held with Fund	Length of Time Served and Term of Office*	Principal Occupation(s) During Past 5 Years	Number of Funds in Complex Overseen by Board Member	Other Directorships
Sandra N. Bane (1952)	Class III Director	Since 2008; Term Expires 2012	Retired (1999 present); Board Member, Transamerica Funds, TST, TIS, TPP, TPF, TPGF II and TAAVF (2008 present); Board Member, TII (2003 2010); and Partner, KPMG (1975 1999).	163	Big 5 Sporting Goods (2002 present); AGL Resources, Inc. (energy services holding company) (2008 present)
David W. Jennings (1946)	Class III Director	Since 2009; Term Expires 2012	Board Member, Transamerica Funds, TST, TIS, TPP, TPF, TPGF II and TAAVF (2009 present); Board Member, TII (2009 2010); Managing Director, Hilton Capital (2010-2011); Principal, Maxam Capital Management, LLC (2006 2008); and Principal, Cobble Creek Management LP (2004 2006).	163	N/A
Leo J. Hill (1956)	Lead Independent Board Member, Class I Director	Since 2002; Term Expires 2013	Principal, Advisor Network Solutions, LLC (business consulting) (2006 present); Board Member, TST (2001 present); Board Member, Transamerica Funds and TIS (2002 present); Board Member, TPP, TPF, TPGF II and TAAVF (2007 present); Board Member, TII (2008 2010); President, L. J. Hill & Company (a holding company for privately-held assets) (1999 present); Market President, Nations Bank of Sun Coast Florida (1998 1999);	163	N/A

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Name and Date of Birth	Position(s) Held with Fund	Length of Time Served and Term of Office*	Principal Occupation(s) During Past 5 Years	Number of Funds in Complex Overseen by Board Member	Other Directorships
Patricia L. Sawyer (1950)	Class I Director	Since 2007; Term Expires 2013	<p>Chairman, President and Chief Executive Officer, Barnett Banks of Treasure Coast Florida (1994-1998);</p> <p>Executive Vice President and Senior Credit Officer, Barnett Banks of Jacksonville, Florida (1991-1994); and</p> <p>Senior Vice President and Senior Loan Administration Officer, Wachovia Bank of Georgia (1976-1991).</p> <p>Retired (2007-present);</p> <p>President/Founder, Smith & Sawyer LLC (management consulting) (1989-2007);</p> <p>Board Member, Transamerica Funds, TST and TIS (2007-present);</p> <p>Board Member, TII (2008-2010);</p> <p>Board Member, TPP, TPF, TPF II and TAAVF (1993-present);</p> <p>Trustee, Chair of Finance Committee and Chair of Nominating Committee (1987-1996), Bryant University;</p> <p>Vice President, American Express (1987-1989);</p> <p>Vice President, The Equitable (1986-1987); and</p> <p>Strategy Consultant, Booz, Allen & Hamilton (1982-1986).</p>	163	Honorary Trustee, Bryant University (1996-present)
Eugene M. Mannella (1954)	Class I Director	Since 2007; Term Expires 2013	<p>Chief Executive Officer, HedgeServ Corporation (hedge fund administration) (2008-present);</p> <p>Self-employed consultant (2006-present);</p> <p>President, ARAPAHO Partners LLC (limited purpose broker-dealer) (1998-2008);</p>	163	N/A

Board Member, TPP, TPG,
TPFG II and TAAVF (1993
present);

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Name and Date of Birth	Position(s) Held with Fund	Length of Time Served and Term of Office*	Principal Occupation(s) During Past 5 Years	Number of Funds in Complex Overseen by Board Member	Other Directorships
			Board Member, Transamerica Funds, TST and TIS (2007 present);		
			Board Member, TII (2008 2010); and		
			President, International Fund Services (alternative asset administration) (1993 2005).		

* Following the expiration of his or her term, each Director shall hold office until his or her successor is elected and qualified. Prior to the expiration of his or her term, a Director may resign or retire, or his or her term as a Director may be terminated in accordance with the Fund's Articles of Incorporation and By-Laws.

** Independent Board Member means a Board Member who is not an interested person (as defined under the Investment Company Act of 1940 (the 1940 Act)) of the Fund.

*** Mr. Carter is an interested person (as that term is defined in the 1940 Act of the Fund by virtue of his position with the Fund's investment adviser (TAM or the Adviser)).

Qualifications and Experience of Directors and Nominees, Leadership Structure and Risk Management

Each of the Board Members, other than Mr. Jennings, previously served as a trustee or director of the TAM, Diversified or Premier fund family, and each Board Member was thus initially selected by the board of the applicable predecessor fund family. In connection with the consolidation of all manager of managers investment advisory services within Transamerica in 2007, a single board was established to oversee the TAM and Diversified fund families, and each of the Board Members, other than Ms. Bane and Mr. Jennings, joined the Board at that time. The Board was established with a view both to ensuring continuity of representation by board members of the TAM and Diversified fund families on the Board and in order to establish a Board with experience in and focused on overseeing various types of funds, which experience would be further developed and enhanced over time. Ms. Bane joined the Board in 2008 when the Premier fund family was consolidated into TAMG. Mr. Jennings joined the Board in 2009.

The Board believes that each Board Member's experience, qualifications, attributes or skills on an individual basis and in combination with those of the other Board Members lead to the conclusion that the Board possesses the requisite skills and attributes. The Board believes that the Board Members' ability to review critically, evaluate, question and discuss information provided to them, to interact effectively with TAM, the sub-advisers, other services providers, counsel and independent auditors, and to exercise effective business judgment in the performance of their duties, support this conclusion. The Board also has considered the following experience, qualifications, attributes and/or skills, among others, of its members in reaching its conclusion: his or her character and integrity; such person's service as a board member of a predecessor fund family (other than Mr. Jennings); such person's willingness to serve and willingness and ability to commit the time necessary to perform the duties of a Board Member; the fact that such person's service would be consistent with the requirements of the retirement policies of the Fund; as to each Board Member other than Mr. Carter, his or her status as not being an interested person as defined in the 1940 Act; and, as to Mr. Carter, his status as a representative of TAM. In addition, the following specific experience, qualifications, attributes and/or skills apply as to each Board Member: Ms. Bane, accounting experience and experience as a board member of multiple organizations; Mr. Hill, financial and entrepreneurial experience as an executive, owner and consultant; Mr. Jennings, investment management experience as an executive of investment management organizations and portfolio manager; Mr. Kimball, business experience as an executive; Mr. Mannella, accounting and fund administration experience, investment management industry experience as an executive and consultant; Mr. Nielsen, academic leadership, insurance, business development and board experience; Ms. Norden, non-profit executive experience and extensive board and academic leadership; Ms. Sawyer, management consulting and board experience; Mr. Waechter, securities industry and fund accounting and fund compliance experience, legal experience and board experience; and Mr. Carter, investment management experience as an executive and leadership roles with TAM and affiliated entities. References to the qualifications, attributes and skills of Board Members are pursuant to requirements of the Securities and Exchange Commission, do not constitute holding out of the Board or any Board Member as having any special expertise or experience, and shall not impose any greater responsibility or liability on any such person or on the Board by reason thereof.

The Board is responsible for overseeing the management and operations of the Fund. Mr. Carter serves as Chairman of the Board. Mr. Carter is an interested person of the Fund. Independent Board Members constitute more than 75% of the Board.

Through its oversight of the management and operations of the funds, the Board also has a risk oversight function, which includes (without limitation) the following: (i) requesting and reviewing reports on the operations of the funds (such as reports about the performance of the funds); (ii) reviewing compliance

reports and approving compliance policies and procedures of the funds and their service providers; (iii) meeting with management to consider areas of risk and to seek assurances that adequate resources are available to address risks; (iv) meeting with service providers, including fund auditors, to review fund activities; and (v) meeting with the Chief Compliance Officer and other officers of the funds and their service providers to receive information about compliance, and risk assessment and management matters. Such oversight is exercised primarily through the Board and its Audit Committee but, on an ad hoc basis, also can be exercised by the Independent Board Members during executive sessions. The Board has emphasized to TAM and the sub-advisers the importance of maintaining vigorous risk management.

The Board recognizes that not all risks that may affect the Fund can be identified, that it may not be practical or cost-effective to eliminate or mitigate certain risks, that it may be necessary to bear certain risks (such as investment-related risks) to achieve the Fund's goals, and that the processes, procedures and controls employed to address certain risks may be limited in their effectiveness. Moreover, reports received by the Board Members as to risk management matters are typically summaries of the relevant information. Most of the Fund's investment management and business affairs are carried out by or through TAM, its affiliates, the Fund's sub-adviser and other service providers, each of which has an independent interest in risk management but whose policies and the methods by which one or more risk management functions are carried out may differ from the Fund's and each other's in the setting of priorities, the resources available or the effectiveness of relevant controls. As a result of the foregoing and other factors, the Board's risk management oversight is subject to substantial limitations.

Required vote

The affirmative vote of a majority of all the votes cast at the Meeting in person or by Proxy, if a quorum is present, is required to approve Proposal 1.

Recommendation

*The Board of Directors of the Fund, including the Independent Board Members, unanimously recommend that shareholders vote **FOR** Proposal 1.*

Board Meetings and Shareholder Meetings

The Board met 7 times during the fiscal year ended March 31, 2011. Each Director attended at least 75% of all meetings of the Board and of all meetings of committees of the Board on which he or she served as a regular member.

The Fund does not have a policy with regard to attendance at the Fund's annual shareholder meeting, and no Director attended last year's annual shareholder meeting.

Nominee and Director Ownership of Equity Securities

The table below gives (i) the dollar range of shares of the Fund beneficially owned by each Nominee and other Directors and (ii) the aggregate dollar range of shares of all funds in the fund complex overseen by each Nominee and other Directors beneficially owned by each Nominee and other Directors as of December 31, 2010.

Name of Nominee/Other Director	Dollar Range of Equity Securities in the Fund	Aggregate Dollar Range of Equity Securities in All Funds Overseen by Nominee/Other Director in Family of Investment Companies*
Sandra N. Bane	\$0	None
John K. Carter **	\$0	Over \$100,000
Leo J. Hill	\$0	Over \$100,000
David W. Jennings	\$0	Over \$100,000
Russell A. Kimball, Jr.	\$0	Over \$100,000
Eugene M. Mannella	\$0	None
Norman R. Nielsen	\$0	Over \$100,000
Joyce G. Norden	\$0	None
Patricia L. Sawyer	\$0	\$50,001 - \$100,000
John W. Waechter	\$10,001 - \$50,000	Over \$100,000

* The family of investment companies consists of all funds in the fund complex.

** Mr. Carter is an interested person of the Fund, as discussed above.

As of May 10, 2011, none of the Independent Board Members or their immediate family members had any interest in the investment adviser, sub-adviser or distributor of the Fund, or any person controlling, controlled by or under common control with such persons. For this purpose, immediate family member includes the Independent Board Member spouse and children residing in the Independent Board Member household and dependents of the Independent Board Member.

Remuneration of Directors

Independent Board Members receive a total annual retainer fee of \$124,000 from the funds that make up the fund complex, as well as total fees of \$8,800 per meeting (assumes five meetings annually), of which the Fund pays a pro rata share based on its relative assets compared to those of the fund complex. The Lead Independent Board Member of the Board also receives an additional retainer of \$40,000 per year. The Audit Committee Chairperson receives an additional retainer of \$15,000 per year. The Fund pays a pro rata share allocable to the Fund based on the relative assets of the Fund for the Lead Independent Board Member and Audit Committee Chairperson retainers. Any fees and expenses paid to a Director who is an affiliate of TAM or Transamerica Capital, Inc. (TCI) are paid by TAM and/or TCI and not by the Fund.

For the fiscal year ended March 31, 2011, the Independent Board Members, as a group, received compensation in the amount of \$15,670 from the Fund.

The following table sets forth the total compensation paid by the funds that make up the fund complex to each Independent Board Member of the Fund for the fiscal year ended March 31, 2011. Directors who are interested persons of the Fund do not receive any compensation from the Fund.

Name	Aggregate Compensation from Fund	Pension or Retirement Benefits Accrued as Part of Fund Expenses	Estimated Annual Benefit Upon Retirement	Total Compensation from Fund and Fund Complex Paid to Directors*
Sandra N. Bane	\$1,680	N/A	N/A	\$168,000
Leo J. Hill	\$2,080	N/A	N/A	\$208,000
David W. Jennings	\$1,680	N/A	N/A	\$168,000
Russell A. Kimball, Jr.	\$1,680	N/A	N/A	\$168,000

Name	Aggregate Compensation from Fund	Pension or Retirement Benefits Accrued as Part of Fund Expenses	Estimated Annual Benefit Upon Retirement	Total Compensation from Fund and Fund Complex Paid to Directors*
Eugene M. Mannella	\$1,680	N/A	N/A	\$168,000
Norman R. Nielsen	\$1,680	N/A	N/A	\$168,000
Joyce G. Norden	\$1,680	N/A	N/A	\$168,000
Patricia L. Sawyer	\$1,680	N/A	N/A	\$168,000
John W. Waechter	\$1,830	N/A	N/A	\$183,000

* The amounts reflected are the aggregate compensation received from the Fund and other funds in the fund complex. The fund complex is composed of 163 funds.

Committees

The Board has two standing committees: the Audit Committee and Nominating Committee. Both the Audit Committee and Nominating Committee are chaired by an Independent Board Member and composed of all of the Independent Board Members. In addition, the Board has a Lead Independent Board Member.

The Lead Independent Board Member and the chairs of the Audit and Nominating Committees work with the Chairman of the Board to set the agendas for Board and committee meetings. The Lead Independent Board Member also serves as a key point person for dealings between management and the Independent Board Members. Through the Fund's Board committees, the Independent Board Members consider and address important matters involving the Fund, including those presenting conflicts or potential conflicts of interest for management, and they believe they can act independently and effectively.

The Board currently believes that an interested Chairman is appropriate and is in the best interests of the Fund and its shareholders, and that its committees help ensure that the Fund has effective and independent governance and oversight. The Board believes that an interested Chairman has a professional interest in the quality of the services provided to the Fund and that the Chairman is best equipped to provide oversight of such services on a day-to-day basis because of TAM's sponsorship of the Fund and TAM's ongoing monitoring of the investment sub-adviser that manages the assets of the Fund. The Board also believes that its leadership structure facilitates the orderly and efficient flow of information to the Independent Board Members from management. The Independent Board Members also believe that they can effectively act independently without having an Independent Board Member act as Chairman. Among other reasons, this belief is based on the fact that the Independent Board members represent over 75% of the Board.

The Audit Committee

The Board has a standing Audit Committee, that currently consists of Sandra N. Bane, Leo J. Hill, David W. Jennings, Russell A. Kimball, Jr., Eugene M. Mannella, Norman R. Nielsen, Joyce G. Norden, Patricia L. Sawyer, and John W. Waechter, each of whom is an Independent Board Member and qualifies as an independent director for purposes of New York Stock Exchange Listing Standards. Mr. Waechter currently serves as chairperson of the Audit Committee. The Audit Committee, among other things, oversees the accounting and reporting policies and practices of the Fund, oversees the quality and integrity of the financial statements of the Fund, approves, prior to appointment, the engagement of the Fund's independent registered public accounting firm, reviews and evaluates the independent registered

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public accounting firm's qualifications, independence and performance, and approves the compensation of the independent registered public accounting firm. The Audit Committee also approves all audit and permissible non-audit services provided to the Fund by the independent registered public accounting firm and all permissible non-audit services provided by the Fund's independent registered public accounting firm to TAM and any affiliated service providers if the engagement relates directly to the Fund's operations and financial reporting. The Audit Committee met 6 times during the fiscal year ended March 31, 2011. The Board has adopted a written charter for the Fund's Audit Committee, which appears as Exhibit B to this Proxy Statement.

Audit Committee Report

The Audit Committee reports that it (i) has reviewed and discussed the audited financial statements for the fiscal year ended March 31, 2011, with Fund management, (ii) has discussed with the Fund's independent public accountants the matters required to be addressed by Statement on Auditing Standards No. 114, and (iii) has received written disclosures and the letter required by the Public Company Accounting Oversight Board Rule 3526 from the Fund's independent public accountant and has discussed with the independent public accountant its independence. Based on the foregoing, the Audit Committee recommended to the Board of Directors that the Fund's audited financial statements be included in the Fund's Annual Report for the fiscal year ended March 31, 2011, for filing with the U.S. Securities and Exchange Commission (the "SEC").

SUBMITTED BY THE AUDIT COMMITTEE OF THE FUND'S BOARD OF DIRECTORS

Sandra N. Bane
Leo J. Hill
David W. Jennings

Russell A. Kimball, Jr.
Eugene M. Mannella
Norman R. Nielsen

Joyce G. Norden
Patricia L. Sawyer
John W. Waechter, Chairperson

The Nominating Committee

The Nominating Committee is a forum for identifying, considering, selecting and nominating, or recommending for nomination by the Board, candidates to fill vacancies on the Board. The Nominating Committee may consider diversity in identifying potential candidates, including differences of viewpoint, professional experience and skill, as well as such other individual qualities and attributes as it may deem relevant. The Nominating Committee has not adopted a formal procedure for the implementation, or for assessing the effectiveness, of its policy with regard to the consideration of diversity in identifying potential candidates.

When addressing vacancies, the Nominating Committee sets any necessary standards or qualifications for service on the Board and may consider nominees recommended by any source it deems appropriate, including Management and shareholders. Shareholders who wish to recommend a nominee should send recommendations to the Fund's Secretary that include all information relating to such person that is required to be disclosed under the Fund's By-Laws, as summarized below. A recommendation must be accompanied by a written consent of the individual to stand for election if nominated by the Board and to serve if elected by the shareholders.

The Nominating Committee also identifies potential nominees through its network of contacts and may also engage, if it deems appropriate, a professional search firm. The committee meets to discuss and consider such candidates' qualifications and then chooses a candidate by majority vote. The committee does not have specific, minimum qualifications for nominees, nor has it established specific qualities or

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skills that it regards as necessary for one or more of the Board Members to possess (other than any qualities or skills that may be required by applicable law, regulation or listing standard). The committee has, however, established (and reviews from time to time as it deems appropriate) certain desired qualities and qualifications for nominees, including certain personal attributes and certain skills and experience.

The members of the Fund's Nominating Committee are Sandra N. Bane, Leo J. Hill, David W. Jennings, Russell A. Kimball, Jr., Eugene M. Mannella, Norman R. Nielsen, Joyce G. Norden, Patricia L. Sawyer and John W. Waechter, each of whom is an Independent Board Member and qualifies as an independent director for purposes of the New York Stock Exchange Listing Standards. Ms. Sawyer currently serves as chairperson of the Nominating Committee. The Board has a Nominating Committee charter, a copy of which is included as Exhibit C to this Proxy Statement.

While the Nominating Committee is solely responsible for the selection and nomination of potential candidates to serve on the Board, the Nominating Committee may consider and evaluate nominations properly submitted by shareholders of the Fund. Nominations proposed by shareholders will be properly submitted for consideration by the Committee only if shareholders submit their considerations in accordance with the qualifications and procedures set forth in the charter of the Nominating Committee and the Fund's By-Laws. It is in the Nominating Committee's sole discretion whether to seek corrections of a deficient submission or to exclude a nominee from consideration.

A candidate for nomination as Director submitted by a shareholder will not be deemed to be properly submitted to the Committee for the Committee's consideration if, in addition to any other requirements contained in the Fund's By-Laws, the following requirements have not been met and if the following procedures have not been followed:

1. Each eligible shareholder or shareholder group may submit no more than one nominee each calendar year.
2. The nominee must satisfy all qualifications provided herein and in the Fund's organizational documents, including qualification as a possible Independent Board Member if the nominee is to serve in that capacity.

The nominee may not be the nominating shareholder, a member of the nominating shareholder group or a member of the immediate family of the nominating shareholder or any member of the nominating shareholder group.¹

Neither the nominee nor any member of the nominee's immediate family may be currently employed or employed within the year prior to the nomination by any nominating shareholder entity or entity in a nominating shareholder group.

Neither the nominee nor any immediate family member of the nominee is permitted to have accepted directly or indirectly, during the year of the election for which the nominee's name was submitted, during the immediately preceding calendar year, or during the year when the nominee's name was submitted, any consulting, advisory, or other compensatory fee from the nominating shareholder or any member of a nominating shareholder group.

¹ Terms such as "immediate family member" and "control" shall be interpreted in accordance with the federal securities laws.

The nominee may not be an executive officer, director or person fulfilling similar functions of the nominating shareholder or any member of the nominating shareholder group, or of an affiliate of the nominating shareholder or any such member of the nominating shareholder group.

The nominee may not control the nominating shareholder or any member of the nominating shareholder group (or, in the case of a holder or member that is a fund, an interested person of such holder or member as defined by Section 2(a)(19) of the 1940 Act).

A shareholder or shareholder group may not submit for consideration a nominee which has previously been considered by the Committee.

3. In order for the Committee to consider shareholder submissions, the following requirements must be satisfied regarding the shareholder or shareholder group submitting the proposed nominee:

Any shareholder or shareholder group submitting a proposed nominee must beneficially own, either individually or in the aggregate, more than 5% of the Fund's securities that are eligible to vote both at the time of submission of the nominee and at the time of the Board member election. Each of the securities used for purposes of calculating this ownership must have been held continuously for at least two years as of the date of the nomination. In addition, such securities must continue to be held through the date of the meeting. The nominating shareholder or shareholder group must also bear the economic risk of the investment.

The nominating shareholder or shareholder group must also submit a certification which provides the number of shares which the person or group has (a) sole power to vote or direct the vote; (b) shared power to vote or direct the vote; (c) sole power to dispose or direct the disposition of such shares; and (d) shared power to dispose or direct the disposition of such shares. In addition the certification shall provide that the shares have been held continuously for at least two years.

4. Shareholders or shareholder groups submitting proposed nominees must substantiate compliance with the above requirements at the time of submitting their proposed nominee as part of their written submission to the attention of the Fund's Secretary, who will provide all submissions to the Committee. In addition, this submission to the Funds must include the following (as set forth in the Fund's By-Laws):

the shareholder's contact information;

the nominee's name, age, date of birth, business address, residence address and nationality;

the number of applicable Fund shares owned of record or beneficially by the proposed nominee, as reported to the shareholder by the nominee;

any other information regarding such person required by Item 401 of Regulation S-K or Item 22 of Rule 14a-101 (Schedule 14A) under the Securities Exchange Act of 1934 (or any successor provision thereto) (1934 Act);

all information regarding the nominee that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for elections of Directors pursuant to Section 14 of the 1934 Act and the rules and regulations promulgated thereunder;

whether such shareholder believes any nominee is or will be an interested person of the Fund (as defined in the 1940 Act) and, if not an interested person, information regarding each nominee that will be sufficient for the Fund to make such determination;

the written and signed consent of each person to be nominated stating his or her intention to serve as a nominee and to serve as Director if elected; and

such other information as the Directors may reasonably require or deem necessary to determine the eligibility of such proposed nominee to serve as Director.

5. As set forth in the Fund's By-Laws, to be timely, all shareholder recommended nominee submissions must be received by the Fund no earlier than the 150th day or later than the 120th day prior to the first anniversary of the date on which the Fund first mailed its proxy materials for the prior year's annual meeting; provided, however, that if and only if the annual meeting is not scheduled to be held within a period that commences 30 days before the first anniversary date of the annual meeting for the preceding year and ends 30 days after such anniversary date, notice by the shareholder must be delivered by the later of the close of business on (i) the date 90 days prior to such annual meeting or (ii) the 10th business day following the date such annual meeting is first publicly announced or disclosed.

The Nominating Committee met 3 times during the fiscal year ended March 31, 2011.

Shareholder Communications with the Board

Shareholders may mail written communications to the Board, addressed to the care of the Secretary of the Fund, at the Fund's