

TRANSAMERICA INCOME SHARES, INC.

Form N-Q

February 28, 2011

As filed with the SEC on February 28, 2011.

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM N-Q**

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED  
MANAGEMENT INVESTMENT COMPANY**

**Investment Company Act file number: 811-02273**

**TRANSAMERICA INCOME SHARES, INC.**

(Exact Name of Registrant as Specified in Charter)

570 Carillon Parkway, St. Petersburg, Florida 33716

(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, including Area Code: (727) 299-1800

Dennis P. Gallagher, Esq. P.O. Box 9012, Clearwater, Florida 33758-9771

(Name and Address of Agent for Service)

Date of fiscal year end: March 31

Date of reporting period: October 1, 2010 December 31, 2010

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**Item 1. Schedule of Investments.**

The unaudited Schedule of Investments of Registrant as of December 31, 2010 is attached.

**Item 2. Controls and Procedures.**

- (a) The Registrant's principal executive officer and principal financial officer evaluated the Registrant's controls and procedures within 90 days of this filing and have concluded that the Registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940), are appropriately designed to ensure that information required to be disclosed by the Registrant in the reports that it files on Form N-Q (a) is accumulated and communicated to Registrant's management, including its principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure, and (b) is recorded, processed, summarized and reported, within the time periods specified in the rules and forms adopted by the U.S. Securities and Exchange Commission.
- (b) The Registrant's principal executive officer and principal financial officer are aware of no change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

**Item 3. Exhibits.**

Separate certifications by the Registrant's principal executive officer and principal financial officer, as required by Rule 30a-2(a) under the Investment Company Act of 1940, are attached.

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**Transamerica Income Shares, Inc.****SCHEDULE OF INVESTMENTS****At December 31, 2010****(all amounts in thousands)****(unaudited)**

|                                                               | <b>Principal</b> | <b>Value</b> |
|---------------------------------------------------------------|------------------|--------------|
| <b>U.S. GOVERNMENT OBLIGATIONS - 6.1 %</b>                    |                  |              |
| U.S. Treasury Inflation Indexed Bond                          |                  |              |
| 2.50%, 01/15/2029                                             | \$ 917           | \$ 1,040     |
| U.S. Treasury Note                                            |                  |              |
| 1.25%, 10/31/2015                                             | 1,435            | 1,389        |
| 1.38%, 05/15/2013                                             | 1,000            | 1,014        |
| 2.13%, 12/31/2015                                             | 4,500            | 4,525        |
| 3.50%, 05/15/2020                                             | 630              | 645          |
| <b>Total U.S. Government Obligations (cost \$8,604)</b>       |                  | <b>8,613</b> |
| <b>U.S. GOVERNMENT AGENCY OBLIGATION - 0.6 %</b>              |                  |              |
| Freddie Mac, IO                                               |                  |              |
| 5.00%, 08/01/2035                                             | 4,368            | 835          |
| <b>Total U.S. Government Agency Obligation (cost \$1,038)</b> |                  |              |
| <b>FOREIGN GOVERNMENT OBLIGATIONS - 3.7 %</b>                 |                  |              |
| Canada Housing Trust No. 1                                    |                  |              |
| 3.15%, 06/15/2015                                             | CAD 1,500        | 1,547        |
| Republic of Chile                                             |                  |              |
| 5.50%, 08/05/2020                                             | CLP 576,000      | 1,258        |
| United Mexican States                                         |                  |              |
| 7.00%, 06/19/2014                                             | MXN 12,000       | 1,004        |
| 7.50%, 06/21/2012                                             | MXN 17,500       | 1,469        |
| <b>Total Foreign Government Obligations (cost \$4,873)</b>    |                  | <b>5,278</b> |
| <b>MORTGAGE-BACKED SECURITIES - 10.2 %</b>                    |                  |              |
| American General Mortgage Loan Trust                          |                  |              |
| Series 2009-1, Class A6                                       |                  |              |
| 5.75%, 09/25/2048 - 144A *                                    | \$ 1,050         | 1,090        |
| American Tower Trust                                          |                  |              |
| Series 2007-1A, Class C                                       |                  |              |
| 5.62%, 04/15/2037 - 144A                                      | 1,555            | 1,642        |
| Series 2007-1A, Class D                                       |                  |              |
| 5.96%, 04/15/2037 - 144A                                      | 990              | 1,046        |
| BCAP LLC Trust                                                |                  |              |
| Series 2009-RR10, Class 2A1                                   |                  |              |
| 3.08%, 08/26/2035 - 144A *                                    | 718              | 717          |
| Series 2009-RR13, Class 13A3                                  |                  |              |

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|                                              |       |     |
|----------------------------------------------|-------|-----|
| 5.25%, 03/26/2037 - 144A *                   | 770   | 788 |
| Series 2009-RR14, Class 1A1                  |       |     |
| 6.00%, 05/26/2037 - 144A *                   | 859   | 869 |
| Series 2009-RR3, Class 2A1                   |       |     |
| 5.56%, 05/26/2037 - 144A *                   | 323   | 331 |
| Series 2009-RR6, Class 2A1                   |       |     |
| 5.32%, 08/26/2035 - 144A *                   | 1,022 | 972 |
| Series 2010-RR1, Class 12A1                  |       |     |
| 5.25%, 08/26/2036 - 144A *                   | 935   | 970 |
| Jefferies & Co., Inc.                        |       |     |
| Series 2009-R2, Class 2A                     |       |     |
| 6.23%, 12/26/2037 - 144A *                   | 494   | 505 |
| Series 2009-R7, Class 10A3                   |       |     |
| 6.00%, 12/26/2036 - 144A                     | 395   | 414 |
| Series 2009-R7, Class 12A1                   |       |     |
| 5.29%, 08/26/2036 - 144A *                   | 454   | 456 |
| Series 2009-R7, Class 16A1                   |       |     |
| 5.58%, 12/26/2036 - 144A *                   | 210   | 213 |
| Series 2009-R7, Class 1A1                    |       |     |
| 5.53%, 02/26/2036 - 144A *                   | 743   | 755 |
| Series 2009-R7, Class 4A1                    |       |     |
| 3.06%, 09/26/2034 - 144A *                   | 723   | 722 |
| Series 2009-R9, Class 1A1                    |       |     |
| 5.72%, 08/26/2046 - 144A *                   | 692   | 696 |
| JP Morgan Re-REMIC                           |       |     |
| Series 2009-7, Class 8A1                     |       |     |
| 5.64%, 01/27/2047 - 144A *                   | 771   | 766 |
| WaMu Mortgage Pass-Through Certificates      |       |     |
| Series 2003-S9, Class A6                     |       |     |
| 5.25%, 10/25/2033                            | 850   | 860 |
| Wells Fargo Mortgage Backed Securities Trust |       |     |
| Series 2003-G, Class A1                      |       |     |
| 4.10%, 06/25/2033 *                          | 299   | 303 |
| Series 2003-L, Class 1A2                     |       |     |
| 4.50%, 11/25/2033 *                          | 239   | 244 |

**Total Mortgage-Backed Securities (cost \$13,605)** 14,359

**ASSET-BACKED SECURITIES - 3.3%**

|                                          |       |       |
|------------------------------------------|-------|-------|
| America West Airlines Pass-Through Trust |       |       |
| Series 2001-1, Class G                   |       |       |
| 8.06%, 07/02/2020                        | 1,007 | 1,065 |
| Continental Airlines Pass-Through Trust  |       |       |
| Series 1997-1, Class A                   |       |       |
| 7.46%, 04/01/2015                        | 1,119 | 1,164 |
| Gazprom Via Gaz Capital SA               |       |       |
| 8.13%, 07/31/2014 - 144A                 | 940   | 1,062 |
| UAL Pass-Through Trust                   |       |       |
| Series 2009-1                            |       |       |
| 10.40%, 11/01/2016                       | 1,228 | 1,418 |

|                                                                 |           |       |
|-----------------------------------------------------------------|-----------|-------|
| <b>Total Asset-Backed Securities (cost \$4,406)</b>             |           | 4,709 |
| <b>MUNICIPAL GOVERNMENT OBLIGATIONS - 1.3%</b>                  |           |       |
| Rhode Island Economic Development Corp.                         |           |       |
| 6.00%, 11/01/2015 §                                             | 835       | 826   |
| State of California                                             |           |       |
| 7.95%, 03/01/2036                                               | 1,035     | 1,077 |
| <b>Total Municipal Government Obligations (cost \$1,871)</b>    |           | 1,903 |
| <b>PREFERRED CORPORATE DEBT SECURITIES - 5.6%</b>               |           |       |
| <b>Commercial Banks - 3.0%</b>                                  |           |       |
| PNC Financial Services Group, Inc.                              |           |       |
| 8.25%, 05/21/2013 * Ž                                           | 1,250     | 1,333 |
| Rabobank Nederland NV                                           |           |       |
| 11.00%, 06/30/2019 - 144A * Ž                                   | 1,095     | 1,415 |
| Wells Fargo & Co. Series K                                      |           |       |
| 7.98%, 03/15/2018 * Ž                                           | 1,440     | 1,520 |
| <b>Diversified Financial Services - 2.1%</b>                    |           |       |
| JPMorgan Chase Capital XXV Series Y                             |           |       |
| 6.80%, 10/01/2037                                               | 1,000     | 1,031 |
| ZFS Finance USA Trust II                                        |           |       |
| 6.45%, 06/15/2016 - 144A *                                      | 1,930     | 1,899 |
| <b>Insurance - 0.5%</b>                                         |           |       |
| Reinsurance Group of America, Inc. Series A                     |           |       |
| 6.75%, 12/15/2065 *                                             | 790       | 731   |
| <b>Total Preferred Corporate Debt Securities (cost \$7,174)</b> |           | 7,929 |
| <b>CORPORATE DEBT SECURITIES - 65.0%</b>                        |           |       |
| <b>Beverages - 0.8%</b>                                         |           |       |
| Anheuser-Busch InBev Worldwide, Inc.                            |           |       |
| 9.75%, 11/17/2015 ^                                             | BRL 1,200 | 734   |
| Beverages & More, Inc.                                          |           |       |
| 9.63%, 10/01/2014 - 144A                                        | \$ 365    | 374   |

*The notes an integral part of this report.*

Transamerica Income Shares, Inc.

December 31, 2010 Form NQ

**Transamerica Income Shares, Inc.****SCHEDULE OF INVESTMENTS (continued)****At December 31, 2010****(all amounts in thousands)****(unaudited)**

|                                                  | <b>Principal</b> | <b>Value</b> |
|--------------------------------------------------|------------------|--------------|
| <b>Building Products - 0.4%</b>                  |                  |              |
| Voto-Votorantim Overseas Trading Operations NV   |                  |              |
| 6.63%, 09/25/2019 - 144A                         | \$ 600           | \$ 624       |
| <b>Capital Markets - 0.8%</b>                    |                  |              |
| E*Trade Financial Corp.                          |                  |              |
| 7.38%, 09/15/2013                                | 1,100            | 1,095        |
| <b>Commercial Banks - 7.6%</b>                   |                  |              |
| Barclays Bank PLC                                |                  |              |
| 10.18%, 06/12/2021 - 144A                        | 1,212            | 1,508        |
| BBVA Bancomer SA                                 |                  |              |
| 7.25%, 04/22/2020 - 144A                         | 800              | 846          |
| First Tennessee Bank NA                          |                  |              |
| 4.63%, 05/15/2013                                | 1,400            | 1,414        |
| M&I Marshall & Ilsley Bank                       |                  |              |
| 4.85%, 06/16/2015                                | 1,600            | 1,625        |
| 5.00%, 01/17/2017                                | 1,000            | 1,015        |
| Regions Bank                                     |                  |              |
| 7.50%, 05/15/2018 ^                              | 1,465            | 1,509        |
| Scotland International Finance                   |                  |              |
| 6.50%, 02/15/2011 - 144A                         | 1,310            | 1,307        |
| Zions Bancorporation                             |                  |              |
| 7.75%, 09/23/2014 ^                              | 1,400            | 1,460        |
| <b>Commercial Services &amp; Supplies - 0.8%</b> |                  |              |
| KAR Auction Services, Inc.                       |                  |              |
| 8.75%, 05/01/2014                                | 1,110            | 1,154        |
| <b>Consumer Finance - 0.5%</b>                   |                  |              |
| Block Financial LLC                              |                  |              |
| 5.13%, 10/30/2014 ^                              | 700              | 692          |
| <b>Containers &amp; Packaging - 1.8%</b>         |                  |              |
| Graphic Packaging International, Inc.            |                  |              |
| 9.50%, 06/15/2017 ^                              | 2,375            | 2,592        |
| <b>Distributors - 0.5%</b>                       |                  |              |
| Edgen Murray Corp.                               |                  |              |
| 12.25%, 01/15/2015 ^                             | 800              | 696          |
| <b>Diversified Financial Services - 14.3%</b>    |                  |              |
| Aviation Capital Group                           |                  |              |
| 7.13%, 10/15/2020 - 144A                         | 1,500            | 1,507        |
| Cemex Finance LLC                                |                  |              |
| 9.50%, 12/14/2016 - 144A                         | 1,200            | 1,238        |
| CIT Group, Inc.                                  |                  |              |

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|                                                      |       |       |
|------------------------------------------------------|-------|-------|
| 7.00%, 05/01/2014 ^                                  | 925   | 934   |
| Glencore Funding LLC                                 |       |       |
| 6.00%, 04/15/2014 - 144A                             | 1,500 | 1,584 |
| GTP Towers Issuer LLC                                |       |       |
| 4.44%, 02/15/2015 - 144A                             | 1,305 | 1,357 |
| International Lease Finance Corp.                    |       |       |
| 5.45%, 03/24/2011                                    | 775   | 777   |
| 6.50%, 09/01/2014 - 144A                             | 1,375 | 1,458 |
| Irish Life & Permanent Group Holdings PLC            |       |       |
| 3.60%, 01/14/2013 - 144A                             | 1,500 | 1,346 |
| Marina District Finance Co., Inc.                    |       |       |
| 9.50%, 10/15/2015 - 144A ^                           | 1,145 | 1,125 |
| 9.88%, 08/15/2018 - 144A                             | 35    | 34    |
| Oaktree Capital Management, LP                       |       |       |
| 6.75%, 12/02/2019 - 144A                             | 1,110 | 1,136 |
| QHP Royalty Sub LLC                                  |       |       |
| 10.25%, 03/15/2015 - 144A                            | 790   | 797   |
| Rio Tinto Finance USA, Ltd.                          |       |       |
| 9.00%, 05/01/2019                                    | 700   | 940   |
| Selkirk Cogen Funding Corp. Series A                 |       |       |
| 8.98%, 06/26/2012                                    | 540   | 562   |
| Sensus USA, Inc.                                     |       |       |
| 8.63%, 12/15/2013 ^                                  | 300   | 305   |
| Stone Street Trust                                   |       |       |
| 5.90%, 12/15/2015 - 144A                             | 1,400 | 1,452 |
| TNK-BP Finance SA                                    |       |       |
| 7.50%, 03/13/2013 - 144A                             | 680   | 734   |
| Unison Ground Lease Funding LLC                      |       |       |
| 6.39%, 04/15/2020 - 144A                             | 1,515 | 1,528 |
| WCP Wireless Site Funding LLC                        |       |       |
| 6.83%, 11/15/2015 - 144A                             | 1,430 | 1,371 |
| <b>Diversified Telecommunication Services - 1.1%</b> |       |       |
| Sprint Capital Corp.                                 |       |       |
| 8.38%, 03/15/2012                                    | 1,300 | 1,375 |
| West Corp.                                           |       |       |
| 7.88%, 01/15/2019 - 144A                             | 180   | 183   |
| <b>Electric Utilities - 0.9%</b>                     |       |       |
| Intergen NV                                          |       |       |
| 9.00%, 06/30/2017 - 144A                             | 1,225 | 1,299 |
| <b>Electrical Equipment - 1.1%</b>                   |       |       |
| Polypore International, Inc.                         |       |       |
| 7.50%, 11/15/2017 - 144A                             | 1,440 | 1,469 |
| <b>Electronic Equipment &amp; Instruments - 0.9%</b> |       |       |
| Anixter, Inc.                                        |       |       |
| 5.95%, 03/01/2015                                    | 1,200 | 1,202 |
| <b>Energy Equipment &amp; Services - 1.4%</b>        |       |       |
| Enterprise Products Operating LLC Series A           |       |       |
| 8.38%, 08/01/2066 *                                  | 600   | 644   |
| Pride International, Inc.                            |       |       |
| 6.88%, 08/15/2020                                    | 610   | 633   |
| Weatherford International, Ltd.                      |       |       |

|                                                    |       |       |
|----------------------------------------------------|-------|-------|
| 9.63%, 03/01/2019 ^                                | 545   | 699   |
| <b>Food &amp; Staples Retailing - 1.6%</b>         |       |       |
| Ingles Markets, Inc.                               |       |       |
| 8.88%, 05/15/2017                                  | 1,055 | 1,128 |
| Stater Bros Holdings, Inc.                         |       |       |
| 7.38%, 11/15/2018 - 144A                           | 35    | 36    |
| SUPERVALU, Inc.                                    |       |       |
| 7.50%, 11/15/2014 ^                                | 1,100 | 1,062 |
| <b>Food Products - 2.5%</b>                        |       |       |
| Arcor                                              |       |       |
| 7.25%, 11/09/2017 - 144A                           | 715   | 762   |
| C&S Group Enterprises LLC                          |       |       |
| 8.38%, 05/01/2017 - 144A ^                         | 721   | 689   |
| Lorillard Tobacco Co.                              |       |       |
| 8.13%, 06/23/2019                                  | 1,230 | 1,368 |
| Michael Foods, Inc.                                |       |       |
| 9.75%, 07/15/2018 - 144A                           | 720   | 787   |
| <b>Gas Utilities - 1.0%</b>                        |       |       |
| EQT Corp.                                          |       |       |
| 8.13%, 06/01/2019                                  | 1,190 | 1,385 |
| <b>Health Care Providers &amp; Services - 0.8%</b> |       |       |
| Community Health Systems, Inc.                     |       |       |
| 8.88%, 07/15/2015                                  | 1,100 | 1,155 |
| <b>Hotels, Restaurants &amp; Leisure - 2.7%</b>    |       |       |
| Firekeepers Development Authority                  |       |       |
| 13.88%, 05/01/2015 - 144A                          | 625   | 739   |
| MGM Resorts International                          |       |       |
| 6.75%, 09/01/2012                                  | 900   | 896   |
| 8.38%, 02/01/2011 ^                                | 1,075 | 1,079 |

*The notes an integral part of this report.*

Transamerica Income Shares, Inc.

December 31, 2010 Form NQ

**Transamerica Income Shares, Inc.****SCHEDULE OF INVESTMENTS (continued)****At December 31, 2010****(all amounts except share amounts in thousands)****(unaudited)**

|                                                 | <b>Principal</b> | <b>Value</b> |
|-------------------------------------------------|------------------|--------------|
| <b>Hotels, Restaurants &amp; Leisure - 2.7%</b> |                  |              |
| Pokagon Gaming Authority                        |                  |              |
| 10.38%, 06/15/2014 - 144A                       | \$ 1,000         | \$ 1,043     |
| <b>Household Durables - 1.0%</b>                |                  |              |
| Lennar Corp.                                    |                  |              |
| 12.25%, 06/01/2017                              | 450              | 542          |
| Sealy Mattress Co.                              |                  |              |
| 8.25%, 06/15/2014 ^                             | 875              | 895          |
| <b>Insurance - 2.8%</b>                         |                  |              |
| American Financial Group, Inc.                  |                  |              |
| 9.88%, 06/15/2019                               | 920              | 1,101        |
| Chubb Corp.                                     |                  |              |
| 6.38%, 03/29/2067 *                             | 729              | 760          |
| Fidelity National Financial, Inc.               |                  |              |
| 6.60%, 05/15/2017                               | 1,495            | 1,493        |
| Oil Insurance, Ltd.                             |                  |              |
| 7.56%, 06/30/2011 - 144A * Ž                    | 675              | 623          |
| <b>IT Services - 0.8%</b>                       |                  |              |
| Cardtronics, Inc.                               |                  |              |
| 8.25%, 09/01/2018                               | 1,110            | 1,182        |
| <b>Media - 0.6%</b>                             |                  |              |
| Lions Gate Entertainment, Inc.                  |                  |              |
| 10.25%, 11/01/2016 - 144A                       | 775              | 808          |
| <b>Metals &amp; Mining - 1.2%</b>               |                  |              |
| Anglo American Capital PLC                      |                  |              |
| 9.38%, 04/08/2019 - 144A                        | 1,165            | 1,567        |
| FMG Resources Property, Ltd.                    |                  |              |
| 7.00%, 11/01/2015 - 144A                        | 90               | 92           |
| <b>Multi-Utilities - 1.0%</b>                   |                  |              |
| Black Hills Corp.                               |                  |              |
| 5.88%, 07/15/2020 ^                             | 700              | 727          |
| 9.00%, 05/15/2014                               | 640              | 734          |
| <b>Oil, Gas &amp; Consumable Fuels - 4.9%</b>   |                  |              |
| Berry Petroleum Co.                             |                  |              |
| 10.25%, 06/01/2014                              | 925              | 1,061        |
| Energy Transfer Equity, LP                      |                  |              |
| 7.50%, 10/15/2020                               | 180              | 185          |
| Lukoil International Finance BV                 |                  |              |
| 6.38%, 11/05/2014 - 144A                        | 880              | 942          |
| OPTI Canada, Inc.                               |                  |              |

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|                                                        |       |        |
|--------------------------------------------------------|-------|--------|
| 8.25%, 12/15/2014                                      | 1,000 | 713    |
| Petrohawk Energy Corp.                                 |       |        |
| 7.25%, 08/15/2018                                      | 1,200 | 1,212  |
| Petroleum Co., of Trinidad & Tobago, Ltd.              |       |        |
| 9.75%, 08/14/2019 - 144A                               | 571   | 685    |
| Petroleum Development Corp.                            |       |        |
| 12.00%, 02/15/2018                                     | 400   | 448    |
| Ras Laffan Liquefied Natural Gas Co., Ltd. III         |       |        |
| 6.75%, 09/30/2019 - 144A ^                             | 1,385 | 1,606  |
| <b>Paper &amp; Forest Products - 1.9%</b>              |       |        |
| Ainsworth Lumber Co., Ltd.                             |       |        |
| 11.00%, 07/29/2015 - 144A                              | 1,292 | 1,177  |
| Exopack Holding Corp.                                  |       |        |
| 11.25%, 02/01/2014                                     | 1,375 | 1,426  |
| <b>Real Estate Investment Trusts - 2.8%</b>            |       |        |
| Entertainment Properties Trust                         |       |        |
| 7.75%, 07/15/2020 - 144A                               | 1,285 | 1,359  |
| Kilroy Realty, LP                                      |       |        |
| 6.63%, 06/01/2020                                      | 1,050 | 1,044  |
| PPF Funding, Inc.                                      |       |        |
| 5.35%, 04/15/2012 - 144A                               | 1,515 | 1,545  |
| <b>Specialty Retail - 1.4%</b>                         |       |        |
| Michaels Stores, Inc.                                  |       |        |
| 11.38%, 11/01/2016 ^                                   | 1,100 | 1,199  |
| Sally Holdings LLC                                     |       |        |
| 9.25%, 11/15/2014                                      | 750   | 788    |
| <b>Transportation Infrastructure - 0.8%</b>            |       |        |
| Martin Midstream Partners LP                           |       |        |
| 8.88%, 04/01/2018                                      | 1,100 | 1,133  |
| <b>Wireless Telecommunication Services - 4.3%</b>      |       |        |
| Crown Castle Towers LLC                                |       |        |
| 4.88%, 08/15/2020 - 144A                               | 1,965 | 1,888  |
| 6.11%, 01/15/2020 - 144A                               | 1,415 | 1,476  |
| Nextel Communications, Inc. Series D                   |       |        |
| 7.38%, 08/01/2015                                      | 1,300 | 1,302  |
| SBA Tower Trust                                        |       |        |
| 5.10%, 04/15/2017 - 144A                               | 1,350 | 1,404  |
| <b>Total Corporate Debt Securities (cost \$86,193)</b> |       | 91,580 |
| <b>CONVERTIBLE BOND - 0.6%</b>                         |       |        |
| <b>Automobiles - 0.6%</b>                              |       |        |
| Ford Motor Co.                                         |       |        |
| 4.25%, 11/15/2016                                      | 430   | 859    |
| <b>Total Convertible Bond (cost \$430)</b>             |       |        |

Shares Value

**CONVERTIBLE PREFERRED STOCK - 1.2%**  
**Diversified Financial Services - 1.2%**

|                                                         |        |       |
|---------------------------------------------------------|--------|-------|
| Vale Capital II 6.75%,                                  | 17,000 | 1,647 |
| <b>Total Convertible Preferred Stock (cost \$1,280)</b> |        |       |

**PREFERRED STOCKS - 1.3 %****Commercial Banks - 0.6 %**

|                               |        |     |
|-------------------------------|--------|-----|
| BB&T Capital Trust VI 9.60% ^ | 29,500 | 853 |
|-------------------------------|--------|-----|

**Diversified Telecommunication Services - 0.7 %**

|                                   |     |     |
|-----------------------------------|-----|-----|
| Centaur Funding Corp. 9.08%, 144A | 852 | 921 |
|-----------------------------------|-----|-----|

|                                              |  |       |
|----------------------------------------------|--|-------|
| <b>Total Preferred Stocks (cost \$1,575)</b> |  | 1,774 |
|----------------------------------------------|--|-------|

**SECURITIES LENDING COLLATERAL - 8.4 %**

|                                                                        |            |        |
|------------------------------------------------------------------------|------------|--------|
| State Street Navigator Securities Lending Trust Prime Portfolio, 0.36% | 11,831,070 | 11,831 |
|------------------------------------------------------------------------|------------|--------|

**Total Securities Lending Collateral (cost \$11,831)**

|  |                  |              |
|--|------------------|--------------|
|  | <b>Principal</b> | <b>Value</b> |
|--|------------------|--------------|

**REPURCHASE AGREEMENT - 3.8 %**

State Street Bank &amp; Trust Co.

0.01% , dated 12/31/2010, to be repurchased at \$5,372 on 01/03/2011.

Collateralized by a U.S. Government Agency Obligation, 4.00%, due 12/25/2024, and with a value of \$5,481.

|    |       |       |
|----|-------|-------|
| \$ | 5,372 | 5,372 |
|----|-------|-------|

**Total Repurchase Agreement (cost \$5,372)**

|                                                |  |         |
|------------------------------------------------|--|---------|
| Total Investment Securities (cost \$148,252) # |  | 156,689 |
|------------------------------------------------|--|---------|

|                                  |  |          |
|----------------------------------|--|----------|
| Other Assets and Liabilities Net |  | (15,612) |
|----------------------------------|--|----------|

|                   |  |                   |
|-------------------|--|-------------------|
| <b>Net Assets</b> |  | <b>\$ 141,077</b> |
|-------------------|--|-------------------|

*The notes an integral part of this report.*

Transamerica Income Shares, Inc.

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**Transamerica Income Shares, Inc.**

**SCHEDULE OF INVESTMENTS (continued)**

**At December 31, 2010**

**(all amounts in thousands)**

**(unaudited)**

**NOTES TO SCHEDULE OF INVESTMENTS:**

\* *Floating or variable rate note. Rate is listed as of 12/31/2010.*

Ž *The security has a perpetual maturity. The date shown is the next call date.*

§ *Illiquid. This security had a value of \$826, or 0.59%, of the funds net assets.*

^ *All or a portion of this security is on loan. The value of all securities on loan is \$11,589.*

*Payment in-kind. Securities pay interest or dividends in the form of additional bonds or preferred stock.*

*Rate shown reflects the yield at 12/31/2010.*

# *Aggregate cost for federal income tax purposes is \$148,252. Aggregate gross unrealized appreciation/depreciation for all securities in which there is an excess of value over tax cost were \$9,487 and \$1,050, respectively. Net unrealized appreciation for tax purposes is \$8,437.*

**DEFINITIONS:**

144A *144A Securities are registered pursuant to Rule 144A of the Securities Act of 1933. These securities are deemed to be liquid for purposes of compliance limitations on holdings of illiquid securities and may be resold as transactions exempt from registration, normally to qualified institutional buyers. At 12/31/2010, these securities aggregated \$61,754, or 43.77%, of the fund's net assets.*

BRL *Brazilian Real*

CAD *Canadian Dollar*

CLP *Chilean Peso*

IO *Interest Only*

MXN *Mexican Peso*

REMIC *Real Estate Mortgage Investment Conduits (consist of a fixed pool of mortgages broken apart and marketed to investors as individual securities)*

**VALUATION SUMMARY:**

| <b>Investment Securities</b>        | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
|-------------------------------------|----------------|----------------|----------------|--------------|
| Asset-Backed Securities             | \$             | \$ 4,709       | \$             | \$ 4,709     |
| Convertible Bond                    |                | 859            |                | 859          |
| Convertible Preferred Stock         | 1,647          |                |                | 1,647        |
| Corporate Debt Securities           |                | 91,580         |                | 91,580       |
| Foreign Government Obligations      |                | 5,278          |                | 5,278        |
| Mortgage-Backed Securities          |                | 14,359         |                | 14,359       |
| Municipal Government Obligations    |                | 1,903          |                | 1,903        |
| Preferred Corporate Debt Securities |                | 7,929          |                | 7,929        |
| Preferred Stocks                    | 1,774          |                |                | 1,774        |
| Repurchase Agreement                |                | 5,372          |                | 5,372        |

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|                                   |                  |                   |           |                   |
|-----------------------------------|------------------|-------------------|-----------|-------------------|
| Securities Lending Collateral     | 11,831           |                   |           | 11,831            |
| U.S. Government Agency Obligation |                  | 835               |           | 835               |
| U.S. Government Obligations       |                  | 8,613             |           | 8,613             |
| <b>Total</b>                      | <b>\$ 15,252</b> | <b>\$ 141,437</b> | <b>\$</b> | <b>\$ 156,689</b> |

*The notes an integral part of this report.*

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**Transamerica Income Shares, Inc.**

**NOTES TO THE SCHEDULE OF INVESTMENTS**

**At December 31, 2010**

**(all amounts in thousands)**

**(unaudited)**

**NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

Transamerica Income Shares, Inc. (the Fund) is registered under the Investment Company Act of 1940, as amended (the 1940 Act), as a diversified, closed-end management investment company.

In the normal course of business, the Fund enters into contracts that contain a variety of representations that provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund and/or its affiliates that have not yet occurred. However, based on experience, the Fund expects the risk of loss to be remote.

In preparing the Fund's financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), estimates or assumptions (which could differ from actual results) may be used that affect reported amounts and disclosures. The following is a summary of significant accounting policies followed by the Fund.

**Repurchase agreements:** Securities purchased subject to a repurchase agreement are held at the Fund's custodian and, pursuant to the terms of the repurchase agreements, must be collateralized by securities with an aggregate market value greater than or equal to 100% of the resale price. The Fund will bear the risk of value fluctuations until the securities can be sold and may encounter delays and incur costs in liquidating the securities. In the event of bankruptcy or insolvency of the seller, delays and costs may be incurred.

**Foreign currency denominated investments:** The accounting records of the Fund are maintained in U.S. dollars. Securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the closing exchange rate each day. The cost of foreign securities is translated at the exchange rates in effect when the investment was acquired. The Fund combines fluctuations from currency exchange rates and fluctuations in value when computing net realized and unrealized gains or losses from investments.

Net foreign currency gains and losses resulting from changes in exchange rates include: 1) foreign currency fluctuations between trade date and settlement date of investment security transactions; 2) gains and losses on forward foreign currency contracts; and 3) the difference between the receivable amounts of interest and dividends recorded in the accounting records in U.S. dollars and the amounts actually received.

Foreign currency denominated assets may involve risks not typically associated with domestic transactions. These risks include revaluation of currencies, adverse fluctuations in foreign currency values and possible adverse political, social and economic developments, including those particular to a specific industry, country or region.

**Treasury inflation-protected securities (TIPS):** The Fund invests in TIPS, specially structured bonds in which the principal amount is adjusted daily to keep pace with inflation as measured by the U.S. Consumer Price Index. The adjustments to principal due to inflation/deflation are reflected as increases/decreases to interest income with a corresponding adjustment to cost.

**Payment in-kind securities (PIKs):** PIKs give the issuer the option at each interest payment date of making interest payments in either cash or additional debt securities. Those additional debt securities usually have the same terms, including maturity dates and interest rates, and associated risks as the original bonds. The daily market quotations of the original bonds may include the accrued interest (referred to as a dirty price) and require a pro-rata adjustment from interest receivable to the unrealized appreciation or depreciation on investment on the Statement of Assets and Liabilities.

The PIKs at December 31, 2010 are listed in the Schedule of Investments.

**Securities lending:** Securities are lent to qualified financial institutions and brokers. The lending of Fund securities exposes the Fund to risks such as the following: (i) the borrowers may fail to return the loaned securities; (ii) the borrowers may not be able to provide additional collateral; (iii) the Fund may experience delays in recovery of the loaned securities or delays in access to collateral; or (iv) the Fund may experience losses related to the investment

collateral. To minimize certain risks, loan counterparties pledge cash collateral equal to at least the market value of the securities loaned. Cash collateral received is invested in the State Street Navigator Securities Lending Trust-Prime Portfolio, a money market mutual fund registered under the 1940 Act. By lending such securities, the Fund seeks to increase its net investment income through the receipt of interest (after rebates and fees).

**Transamerica Income Shares, Inc.**

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**Transamerica Income Shares, Inc.**

**NOTES TO THE SCHEDULE OF INVESTMENTS (continued)**

**At December 31, 2010**

**(all amounts in thousands)**

**(unaudited)**

**NOTE 1. (continued)**

**Market and credit risk:** On September 6, 2008, the Federal Housing Finance Agency ( FHFA ) placed Federal National Mortgage Association ( FNMA or Fannie Mae ) and Federal Home Loan Mortgage Corporation ( FHLMC or Freddie Mac ) into conservatorship. As the conservator, FHFA succeeded to all rights, titles, powers and privileges of FNMA and FHLMC and of any stockholder, officer or director of FNMA and FHLMC with respect to FNMA and FHLMC and the assets of FNMA and FHLMC. On September 7, 2008, the U.S. Treasury announced additional steps taken by it in connection with the conservatorship. The U.S. Treasury entered into a Senior Preferred Stock Purchase Agreement with each of FNMA and FHLMC pursuant to which the U.S. Treasury will purchase up to an aggregate of \$100 billion of each of FNMA and FHLMC to maintain a positive net worth in each enterprise. Second, the U.S. Treasury announced the creation of a new secured lending facility which is available to each of FNMA and FHLMC as a liquidity backstop. Third, the U.S. Treasury announced the creation of a temporary program to purchase mortgage-backed securities issued by each of FNMA and FHLMC. On February 18, 2009, the U.S. Treasury announced that it was doubling the size of its commitment to each enterprise under the Senior Preferred Stock Program to \$200 billion. Both the liquidity backstop and the mortgage-backed securities purchase program expired December 31, 2009. FNMA and FHLMC are continuing to operate as going concerns while in conservatorship and each remains liable for all of its obligations associated with its mortgage-backed securities, including its guaranty obligations. The Senior Preferred Stock Purchase Agreement is intended to enhance each of FNMA's and FHLMC's ability to meet its obligations. The FHFA has indicated that the conservatorship of each enterprise will end when the FHFA determines that the FHFA's plan to restore the enterprise to a safe and solvent condition has been completed.

**NOTE 2. SECURITY VALUATIONS**

All investments in securities are recorded at their estimated fair value. The Fund values its investments at the close of the New York Stock Exchange ( NYSE ), normally 4 p.m. Eastern Time, each day the NYSE is open for business. The Fund utilizes various methods to measure the fair value of its investments on a recurring basis. GAAP establishes a hierarchy that prioritizes inputs to valuation methods. The three Levels of inputs are:

Level 1 Unadjusted quoted prices in active markets for identical securities.

Level 2 Inputs, other than quoted prices included in Level 1, that are observable, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 Unobservable inputs, to the extent that relevant observable inputs are not available, representing the Fund's own assumptions about the assumptions a market participant would use in valuing the investment, based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, but not limited to, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is generally greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different Levels of the fair value hierarchy. In such cases, for disclosure purposes, the Level in the fair value hierarchy that is assigned to the fair value measurement of a security is determined based on the lowest Level input that is significant to the fair value measurement in its entirety.

**Fair value measurements:** Descriptions of the valuation techniques applied to the Fund's major categories of assets and liabilities measured at fair value on a recurring basis are as follows:

*Equity securities (common and preferred stock):* Securities are stated at the last reported sales price or closing price on the day of valuation taken from the primary exchange where the security is principally traded. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy.

**Transamerica Income Shares, Inc.**

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**Transamerica Income Shares, Inc.**

**NOTES TO THE SCHEDULE OF INVESTMENTS (continued)**

**At December 31, 2010**

**(all amounts in thousands)**

**(unaudited)**

**NOTE 2. (continued)**

Foreign securities, in which the primary trading market closes at the same time or after the NYSE, are valued based on quotations from the primary market in which they are traded and are categorized in Level 1. Because many foreign securities markets and exchanges close prior to the close of the NYSE, closing prices for foreign securities in those markets or on those exchanges do not reflect the events that occur after that close. Certain foreign securities may be fair valued using a pricing service that considers the correlation of the trading patterns of the foreign security to the intraday trading in the U.S. markets for investments such as American Depositary Receipts, financial futures, Exchange Traded Funds, and the movement of the certain indices of securities based on a statistical analysis of their historical relationship; such valuations generally are categorized in Level 2.

Preferred stock, repurchase agreements, and other equities traded on inactive markets or valued by reference to similar instruments are also generally categorized in Level 2.

*Securities lending collateral:* Securities lending collateral is a money market fund which is valued at the net assets of the underlying securities and no valuation adjustments are applied. It is categorized in Level 1 of the fair value hierarchy.

*Corporate bonds:* The fair value of corporate bonds is estimated using various techniques, which consider recently executed transactions in securities of the issuer or comparable issuers, market price quotations (where observable), bond spreads, fundamental data relating to the issuer, and credit default swap spreads adjusted for any basis difference between cash and derivative instruments. While most corporate bonds are categorized in Level 2 of the fair value hierarchy, in instances where lower relative weight is placed on transaction prices, quotations, or similar observable inputs, they are categorized in Level 3.

*Asset backed securities:* The fair value of asset backed securities is estimated based on models that consider the estimated cash flows of each tranche of the entity, establish a benchmark yield, and develop an estimated tranche specific spread to the benchmark yield based on the unique attributes of the tranche. To the extent the inputs are observable and timely, the values would generally be categorized in Level 2 of the fair value hierarchy; otherwise they would be categorized as Level 3.

*Short-term notes:* Short-term notes are valued using amortized cost, which approximates fair value. To the extent the inputs are observable and timely, the values would be generally categorized in Level 2 of the fair value hierarchy.

*Government securities:* Government securities are normally valued using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data. Certain securities are valued by principally using dealer quotations. Government securities generally are categorized in Level 2 of the fair value hierarchy.

*U.S. government agency securities:* U.S. government agency securities are comprised of two main categories consisting of agency issued debt and mortgage pass-throughs. Generally, agency issued debt securities are valued in a manner similar to U. S. government securities. Mortgage pass-throughs include to be announced ( TBA ) securities and mortgage pass-through certificates. Generally, TBA securities and mortgage pass-throughs are valued using dealer quotations. Depending on market activity levels and whether quotations or other observable data are used, these securities are typically categorized in Level 2 of the fair value hierarchy.

*Other:* Securities for which quotations are not readily available or whose values have been determined to be unreliable are valued at fair market value as determined in good faith by Transamerica Asset Management, Inc.'s Valuation Committee under the supervision of the Fund's Board of Directors.

The hierarchy classification of inputs used to value the Fund's investments, at December 31, 2010, is disclosed at the end of the Fund's Schedule of Investments.

There were no significant transfers between Level 1 and Level 2 during the period ended December 31, 2010.

**Transamerica Income Shares, Inc.**

**December 31, 2010 Form NQ**

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Transamerica Income Shares, Inc.

(Registrant)

By: /s/ John K. Carter

Chief Executive Officer

Date: February 25, 2011

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By: /s/ John K. Carter

Chief Executive Officer

Date: February 25, 2011

By: /s/ Robert A. DeVault, Jr.

Principal Financial Officer

Date: February 25, 2011