

TRANSAMERICA INCOME SHARES INC  
Form N-Q  
August 29, 2006

As filed with the SEC on August 29, 2006.

UNITED STATES  
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  
(Address of principal executive offices)

33716  
(Zip code)

Dennis Gallagher, Esq. P.O. Box 9012, Clearwater, Florida 33758-9771  
(Name and address of agent for service)

Registrant's telephone number, including area code: (727) 299-1800

Date of fiscal year end: March 31

Date of reporting period: April 1, 2006 June 30,  
2006

**Item 1. Schedule of Investments.**

The unaudited Schedule of Investments of Registrant as of June 30, 2006 are attached.

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## Transamerica Income Shares, Inc.

## SCHEDULE OF INVESTMENTS

At June 30, 2006

(all amounts except share amounts in thousands)

(unaudited)

|  | Principal | Value  |
|--|-----------|--------|
| <b>U.S. GOVERNMENT OBLIGATIONS (0.7%)</b>              |           |        |
| U.S. Treasury Note                                     |           |        |
| 4.88%, due 05/15/2009                                  | \$ 1,000  | \$ 993 |
| <b>Total U.S. Government Obligations (cost: \$994)</b> |           | 993    |
| <b>CORPORATE DEBT SECURITIES (95.6%)</b>               |           |        |
| <u>Aerospace (2.0%)</u>                                |           |        |
| Boeing Co. (The)                                       |           |        |
| 8.75%, due 08/15/2021                                  | 2,000     | 2,524  |
| TransDigm, Inc., Senior Subordinated Note-144A         |           |        |
| 7.75%, due 07/15/2014                                  | 250       | 249    |
| <u>Agriculture (1.8%)</u>                              |           |        |
| Dole Food Co., Inc.                                    |           |        |
| 8.63%, due 05/01/2009                                  | 1,000     | 955    |
| Michael Foods, Inc.                                    |           |        |
| 8.00%, due 11/15/2013                                  | 1,500     | 1,474  |
| <u>Air Transportation (0.9%)</u>                       |           |        |
| FedEx Corp.  |           |        |
| 9.65%, due 06/15/2012                                  | 1,000     | 1,177  |
| <u>Amusement &amp; Recreation Services (1.5%)</u>      |           |        |
| Harrah's Operating Co., Inc.                           |           |        |
| 5.50%, due 07/01/2010                                  | 1,000     | 976    |
| Pokagon Gaming Authority, Senior Note-144A             |           |        |
| 10.38%, due 06/15/2014                                 | 70        | 72     |
| Speedway Motorsports, Inc.                             |           |        |
| 6.75%, due 06/01/2013                                  | 1,000     | 970    |
| <u>Automotive (2.5%)</u>                               |           |        |
| DaimlerChrysler NA Holding Corp.                       |           |        |
| 8.50%, due 01/18/2031                                  | 2,675     | 3,029  |
| General Motors Corp.                                   |           |        |
| 7.13%, due 07/15/2013                                  | 500       | 411    |
| <u>Automotive Service Stations (0.3%)</u>              |           |        |
| Petro Stopping Centers, LP / Petro Financial Corp.     |           |        |
| 9.00%, due 02/15/2012                                  | 400       | 397    |
| <u>Beverages (0.5%)</u>                                |           |        |
| Cia Brasileira de Bebidas                              |           |        |
| 8.75%, due 09/15/2013                                  | 660       | 727    |
| <u>Business Credit Institutions (3.6%)</u>             |           |        |
| Pemex Finance, Ltd.                                    |           |        |
| 9.03%, due 02/15/2011                                  | 4,655     | 4,936  |
| <u>Business Services (2.0%)</u>                        |           |        |
| Cardtronics, Inc.-144A                                 |           |        |
| 9.25%, due 08/15/2013                                  | 800       | 788    |
| Hertz Corp.-144A                                       |           |        |
| 8.88%, due 01/01/2014                                  | 1,500     | 1,537  |

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iPayment, Inc., Senior Subordinated Note-144A

|                       |     |     |
|-----------------------|-----|-----|
| 9.75%, due 05/15/2014 | 350 | 348 |
|-----------------------|-----|-----|

Chemicals & Allied Products (5.6%)

Cytec Industries, Inc.

|                       |     |     |
|-----------------------|-----|-----|
| 6.00%, due 10/01/2015 | 700 | 665 |
|-----------------------|-----|-----|

ICI Wilmington, Inc.

|                       |       |       |
|-----------------------|-------|-------|
| 4.38%, due 12/01/2008 | 3,400 | 3,281 |
|-----------------------|-------|-------|

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|   |               |       |
|---|---------------|-------|
| <u>IMC Global, Inc.</u>   |               |       |
| 10.88%, due 06/01/2008  | 475           | 506   |
| <u>Ineos Group Holdings PLC-144A</u>  |               |       |
| 8.50%, due 02/15/2016   | 800           | 749   |
| <u>Lubrizol Corp.</u>   |               |       |
| 5.50%, due 10/01/2014   | 2,500         | 2,359 |
| <u>Commercial Banks (10.9%)</u>   |               |       |
| <u>Bank of America Corp.</u>  |               |       |
| 7.80%, due 02/15/2010   | 2,250         | 2,403 |
| <u>Barclays Bank PLC</u>  |               |       |
| 6.28%, due 12/15/2034   | (a) (b) 1,500 | 1,310 |
| <u>HBOS PLC-144A</u>  |               |       |
| 5.92%, due 10/01/2015   | (a) (b) 1,400 | 1,290 |
| <u>HSBC Capital Funding LP-144A</u>   |               |       |
| 10.18%, due 06/30/2030  | (a) (b) 1,500 | 2,050 |
| <u>HSBK Europe BV-144A</u>  |               |       |
| 7.75%, due 05/13/2013   | 500           | 501   |
| <u>Popular North America, Inc.</u>  |               |       |
| 5.20%, due 12/12/2007   | 1,000         | 989   |
| <u>Shinsei Finance Cayman, Ltd.-144A</u>                                    |               |       |
| 6.42%, due 07/20/2016   | (a) (b) 1,000 | 939   |
| <u>Wachovia Capital Trust III</u>   |               |       |
| 5.80%, due 03/15/2011   | (a) (b) 2,101 | 2,039 |
| <u>Wells Fargo &amp; Co.</u>  |               |       |
| 4.20%, due 01/15/2010   | 2,000         | 1,911 |
| <u>ZFS Finance USA Trust I-144A</u>   |               |       |
| 6.45%, due 12/15/2065   | (b) 1,500     | 1,372 |
| <u>Communication (7.5%)</u>   |               |       |
| <u>Comcast Corp.</u>  |               |       |
| 7.05%, due 03/15/2033   | 2,050         | 2,080 |
| <u>Echostar DBS Corp.-144A</u>  |               |       |
| 7.13%, due 02/01/2016   | 1,250         | 1,203 |
| <u>Intelsat Subsidiary Holding Co., Ltd.</u>                                |               |       |
| 8.25%, due 01/15/2013   | 800           | 794   |
| <u>Kabel Deutschland GmbH-144A</u>  |               |       |
| 10.63%, due 07/01/2014  | 1,000         | 1,055 |
| <u>News America Holdings</u>  |               |       |
| 9.25%, due 02/01/2013   | 3,985         | 4,614 |
| <u>XM Satellite Radio, Inc., Senior Note-144A</u>                           |               |       |
| 9.75%, due 05/01/2014   | 450           | 412   |
| <u>Department Stores (1.7%)</u>   |               |       |
| <u>Bon-Ton Stores (The), Inc.-144A</u>                                      |               |       |
| 10.25%, due 03/15/2014  | 800           | 742   |
| <u>Neiman-Marcus Group, Inc.-144A</u>                                       |               |       |
| 9.00%, due 10/15/2015   | 1,500         | 1,567 |
| <u>Electric Services (5.6%)</u>   |               |       |
| <u>AES Gener SA</u>   |               |       |
| 7.50%, due 03/25/2014   | 1,500         | 1,505 |
| <u>Dominion Resources, Inc.</u>   |               |       |
| 5.69%, due 05/15/2008   | 1,900         | 1,894 |
| <u>PSEG Funding Trust</u>   |               |       |
| 5.38%, due 11/16/2007   | 4,250         | 4,219 |
| <u>Electronic Components &amp; Accessories (0.6%)</u>                       |               |       |
| <u>Sensata Technologies BV, Senior Note-144A</u>                            |               |       |
| 8.00%, due 05/01/2014   | 850           | 820   |
| <u>Finance (0.2%)</u>   |               |       |
| <u>American Real Estate Partners, LP/American Real Estate Finance Corp.</u> |               |       |

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|   |       |       |
|---|-------|-------|
| 7.13%, due 02/15/2013                     | 350   | 336   |
| <u>Food &amp; Kindred Products (1.7%)</u> |       |       |
| ConAgra Foods, Inc.                       |       |       |
| 9.75%, due 03/01/2021                     | 1,375 | 1,698 |

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|  |         |       |       |
|--|---------|-------|-------|
| Tyson Foods, Inc.  |         |       |       |
| 6.60%, due 04/01/2016                                    |         | 620   | 606   |
| <u>Food Stores (0.9%)</u>                                |         |       |       |
| Stater Brothers Holdings, Inc.                           |         |       |       |
| 8.13%, due 06/15/2012                                    |         | 1,200 | 1,185 |
| <u>Gas Production &amp; Distribution (2.6%)</u>          |         |       |       |
| El Paso Corp.-144A                                       |         |       |       |
| 7.63%, due 09/01/2008                                    |         | 1,000 | 1,012 |
| Kinder Morgan Energy Partners, LP                        |         |       |       |
| 7.75%, due 03/15/2032                                    |         | 1,500 | 1,614 |
| Markwest Energy Part/Finance-144A                        |         |       |       |
| 8.50%, due 07/15/2016                                    |         | 275   | 273   |
| Northwest Pipeline                                       |         |       |       |
| 9.00%, due 08/01/2022                                    |         | 631   | 651   |
| <u>Holding &amp; Other Investment Offices (2.6%)</u>     |         |       |       |
| Hospitality Properties Trust REIT                        |         |       |       |
| 6.30%, due 06/15/2016                                    |         | 1,968 | 1,938 |
| Hutchison Whampoa International, Ltd.-144A               |         |       |       |
| 7.45%, due 11/24/2033                                    |         | 1,500 | 1,586 |
| <u>Hotels &amp; Other Lodging Places (3.8%)</u>          |         |       |       |
| Host Marriott, LP  |         |       |       |
| 7.13%, due 11/01/2013                                    |         | 1,500 | 1,494 |
| Intrawest Corp.  |         |       |       |
| 7.50%, due 10/15/2013                                    |         | 1,000 | 995   |
| Park Place Entertainment Corp.                           |         |       |       |
| 7.00%, due 04/15/2013                                    |         | 1,500 | 1,527 |
| Station Casinos, Inc., Subordinated Note                 |         |       |       |
| 6.63%, due 03/15/2018                                    |         | 500   | 453   |
| Wynn Las Vegas LLC/Wynn Las Vegas Capital Corp.          |         |       |       |
| 6.63%, due 12/01/2014                                    |         | 800   | 754   |
| <u>Industrial Machinery &amp; Equipment (1.1%)</u>       |         |       |       |
| Cummins Engine Co., Inc.                                 |         |       |       |
| 5.65%, due 03/01/2098                                    |         | 2,000 | 1,488 |
| <u>Insurance (2.0%)</u>                                  |         |       |       |
| Oil Insurance Ltd.                                       |         |       |       |
| 7.56%, due 06/30/2011                                    | (a) (b) | 1,500 | 1,493 |
| Reinsurance Group of America                             |         |       |       |
| 6.75%, due 12/15/2065                                    | (b)     | 1,400 | 1,289 |
| <u>Metal Mining (2.3%)</u>                               |         |       |       |
| Barrick Gold Finance, Inc.                               |         |       |       |
| 7.50%, due 05/01/2007                                    |         | 2,000 | 2,028 |
| Teck Cominco, Ltd.                                       |         |       |       |
| 6.13%, due 10/01/2035                                    |         | 1,225 | 1,097 |
| <u>Mortgage Bankers &amp; Brokers (4.9%)</u>             |         |       |       |
| Galaxy Entertainment Finance Co., Ltd., Senior Note-144A |         |       |       |
| 9.88%, due 12/15/2012                                    |         | 500   | 520   |
| Glencore Funding LLC-144A                                |         |       |       |
| 6.00%, due 04/15/2014                                    |         | 1,500 | 1,370 |
| ILFC E-Capital Trust II-144A                             |         |       |       |
| 6.25%, due 12/21/2065                                    | (b)     | 900   | 850   |
| Innophos Investments Holdings, Inc.                      |         |       |       |
| 13.17%, due 02/15/2015                                   | *       | 413   | 413   |
| Kinder Morgan Finance Co., ULC                           |         |       |       |
| 6.40%, due 01/05/2036                                    |         | 2,050 | 1,677 |
| MUFG Capital Finance 1, Ltd.                             |         |       |       |
| 6.35%, due 07/25/2016                                    | (a) (b) | 750   | 723   |
| Stripes Acquisition LLC/Susser Finance Corp.-144A        |         |       |       |

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|                               |       |       |
|-------------------------------|-------|-------|
| 10.63%, due 12/15/2013        | 1,000 | 1,055 |
| <u>Motion Pictures (3.8%)</u> |       |       |
| Time Warner, Inc.             |       |       |
| 9.13%, due 01/15/2013         | 4,500 | 5,146 |

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|   |       |       |
|---|-------|-------|
| <u>Oil &amp; Gas Extraction (2.9%)</u>                                |       |       |
| Chesapeake Energy Corp.<br>6.88%, due 01/15/2016                      | 1,500 | 1,418 |
| Delta Petroleum Corp.<br>7.00%, due 04/01/2015                        | 455   | 423   |
| Gazprom International SA-144A<br>7.20%, due 02/01/2020                | 600   | 608   |
| Occidental Petroleum Corp.<br>10.13%, due 09/15/2009                  | 500   | 566   |
| PetroHawk Energy Corp.-144A<br>9.13%, due 07/15/2013                  | 1,000 | 995   |
| <u>Paper &amp; Paper Products (1.6%)</u>                              |       |       |
| Celulosa Arauco y Constitucion SA<br>8.63%, due 08/15/2010            | 2,000 | 2,177 |
| <u>Paperboard Containers &amp; Boxes (0.5%)</u>                       |       |       |
| Graham Packaging Co., Inc.<br>9.88%, due 10/15/2014                   | 650   | 644   |
| <u>Personal Credit Institutions (1.2%)</u>                            |       |       |
| Ford Motor Credit Co.<br>9.47%, due 04/15/2012                        | *     | 1,100 |
| General Motors Acceptance Corp.<br>5.13%, due 05/09/2008              | 600   | 575   |
| <u>Primary Metal Industries (0.4%)</u>                                |       |       |
| Texas Industries, Inc.<br>7.25%, due 07/15/2013                       | 500   | 495   |
| <u>Printing &amp; Publishing (2.0%)</u>                               |       |       |
| Media General, Inc.<br>6.95%, due 09/01/2006                          | 2,150 | 2,152 |
| RH Donnelley Corp.-144A<br>8.88%, due 01/15/2016                      | 500   | 504   |
| <u>Radio &amp; Television Broadcasting (4.7%)</u>                     |       |       |
| Chancellor Media Corp.<br>8.00%, due 11/01/2008                       | 1,415 | 1,471 |
| Univision Communications, Inc.<br>7.85%, due 07/15/2011               | 1,950 | 1,965 |
| Viacom, Inc., Senior Note-144A<br>6.25%, due 04/30/2016               | 3,100 | 3,009 |
| <u>Real Estate (1.1%)</u>   |       |       |
| Colonial Realty, LP<br>7.00%, due 07/14/2007                          | 1,500 | 1,514 |
| <u>Restaurants (0.4%)</u>   |       |       |
| Carrols Corp.<br>9.00%, due 01/15/2013                                | 500   | 501   |
| <u>Security &amp; Commodity Brokers (3.0%)</u>                        |       |       |
| E*Trade Financial Corp.<br>8.00%, due 06/15/2011                      | 1,500 | 1,530 |
| Goldman Sachs Group, Inc., Subordinated Note<br>6.45%, due 05/01/2036 | 1,175 | 1,126 |
| Residential Capital Corp.<br>6.38%, due 06/30/2010                    | 1,375 | 1,356 |
| <u>Telecommunications (2.5%)</u>                                      |       |       |
| Sprint Capital Corp.<br>8.75%, due 03/15/2032                         | 1,800 | 2,171 |
| Verizon Global Funding Corp.<br>7.75%, due 12/01/2030                 | 1,100 | 1,186 |
| <u>Water Transportation (1.6%)</u>                                    |       |       |
| Royal Caribbean Cruises, Ltd.   |       |       |

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|  |       |         |
|--|-------|---------|
| 8.75%, due 02/02/2011                                    | 2,000 | 2,150   |
| <u>Wholesale Trade Nondurable Goods (0.8%)</u>           |       |         |
| Domino s, Inc.   |       |         |
| 8.25%, due 07/01/2011                                    | 1,094 | 1,135   |
| <b>Total Corporate Debt Securities (cost: \$132,058)</b> |       | 129,898 |

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|  | Shares | Value |
|--|--------|-------|
| <b>PREFERRED STOCKS (1.3%)</b>                       |        |       |
| <u>Holding &amp; Other Investment Offices (0.6%)</u> |        |       |
| Tanger Factory Outlet Centers REIT                   | 33,334 | 806   |
| <u>Telecommunications (0.7%)</u>                     |        |       |
| Centaur Funding Corp.-144A                           | 852    | 999   |
| <b>Total Preferred Stocks (cost: \$1,671)</b>        |        | 1,805 |

|   | Principal | Value      |
|---|-----------|------------|
| <b>SECURITY LENDING COLLATERAL (7.4%)</b>   |           |            |
| <b>Debt (7.4%)</b>  |           |            |
| <u>Repurchase Agreements (7.4%)</u>   |           |            |
| Credit Suisse First Boston Corp. 5.35%, dated 06/30/2006 to be repurchased at \$1,000 on 07/03/2006 | 1,000     | 1,000      |
| Goldman Sachs Group, Inc. (The) 5.35%, dated 06/30/2006 to be repurchased at \$7,003 on 07/03/2006  | 7,000     | 7,000      |
| Merrill Lynch & Co. 5.30%, dated 06/30/2006 to be repurchased at \$2,077 on 07/03/2006              | 2,076     | 2,076      |
| <b>Total Security Lending Collateral (cost: \$10,076)</b>   |           | 10,076     |
| <b>Total Investment Securities (cost: \$144,799)</b>  | #         | \$ 142,772 |

**NOTES TO SCHEDULE OF INVESTMENTS:**

- At June 30, 2006, all or a portion of this security is on loan. The value at June 30, 2006, of all securities on loan is \$9,837.
- (a) The security has a perpetual maturity. The date shown is the next call date.
- (b) Coupon rate is fixed for a predetermined period of time and then converts to a floating rate until maturity date. Rate is listed as of June 30, 2006.
- \* Floating or variable rate note. Rate is listed as of June 30, 2006.
- Non-income producing.
- Cash collateral for the Repurchase Agreements, valued at \$10,305, that serve as collateral for securities lending are invested in corporate bonds with interest rates and maturity dates ranging from 0.00% - 9.50% and 7/12/2006 - 12/29/2049, respectively.
- # Aggregate cost for Federal income tax purposes is \$145,644. Aggregate gross unrealized appreciation for all securities in which there is an excess of value over tax cost and aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value were \$1,052 and \$3,924, respectively. Net unrealized depreciation for tax purposes is \$2,872.

**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 June 30, 2006, these securities aggregated \$28,475 or 20.9% of the net assets of the Fund.

REIT

Real Estate Investment Trust



**Item 2. Controls and Procedures.**

(a) Based on their evaluation of Registrant's disclosure controls and procedures (as defined in rule 30a-3(c) under the Investment Company Act of 1940, as of June 30, 2006, Registrant's principal executive officer and principal financial officer found Registrant's disclosure controls and procedures to be appropriately designed to ensure that information required to be disclosed by 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) There have been no significant changes in Registrant's internal controls over financial reporting that occurred during the Registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

**Item 3. Exhibits.**

A certification for Registrant's principal executive officer and principal financial officer, as required by Rule 30a-2(a) under the 1940 Act, is attached.

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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: August 29, 2006

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: August 29, 2006

By: /s/ Glenn E. Brightman  
Principal Financial Officer  
Date: August 29, 2006

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