

TRANSAMERICA INCOME SHARES INC
Form PRE 14A
May 09, 2005
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 X

Filed by a Party other than the Registrant O

Check the appropriate box:

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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)

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(1) Title of each class of securities to which transaction applies: **N/A**

(2) Aggregate number of securities to which transaction applies: **N/A**

(3) Per unit price or other underlying value of transaction computed pursuant to Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined): **N/A**

(4) Proposed maximum aggregate value of transaction: **N/A**

(5) Total fee paid: **\$0**

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid: **N/A**

(2) Form, Schedule or Registration Statement No.: **N/A**

(3) Filing Party: **N/A**

(4) Date Filed: **N/A**

TRANSAMERICA INCOME SHARES, INC.

570 CARILLON PARKWAY

ST. PETERSBURG, FL 33716

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To be Held July 7, 2005

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, 2005, at 570 Carillon Parkway, St. Petersburg, FL 33716, beginning at 9:00 a.m., Eastern Time, or as adjourned 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 nine Directors to the Board of Directors.

PROPOSAL 2: To approve the elimination of the Fund's fundamental investment restriction against investing in restricted securities.

PROPOSAL 3: To conduct such other business as may properly come before the Meeting.

After careful consideration, the Directors of the Fund unanimously approved and recommend that you vote For Proposals 1 and 2. Shareholders of record as of the close of business on April 28, 2005 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.,

John K. Carter, Esq.

Senior Vice President, Secretary

and General Counsel

May 24, 2005

Your vote is very important regardless of the number of shares that you owned on the Record Date. 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, 2004

INTRODUCTION

This Proxy Statement is furnished in connection with the solicitation of Proxies by the Board of Directors (the Board or Directors) 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 9:00 a.m. on July 7, 2005, at 570 Carillon Parkway, St. Petersburg, FL 33716, and any adjournments thereof (the Meeting). The Board is soliciting Proxies from shareholders of the Fund with respect to the proposals set forth in the accompanying Notice. A Proxy also accompanies this Proxy Statement. It is anticipated that Proxies and Proxy Statements will first be mailed to shareholders on or about May 24, 2005.

Shareholder Reports. The Fund's most recent annual report for the year ended March 31, 2005, is mailed with this proxy statement, and is available to you upon request without charge from the Fund's transfer agent, Mellon Investor Services, Inc., Overpeck Centre, 85 Challenger Road, Ridgefield Park, NJ 07660; telephone toll free: 1-800-288-9541.

PROPOSAL I

ELECTION OF DIRECTORS

Shareholders are asked to consider the election of nine Nominees as Directors of the Fund. Eight of the Nominees have previously been elected as Directors by Fund shareholders. The ninth Nominee, Mr. John W. Waechter, was recently elected Director by the Board based on, among other factors: the qualification and experience of Mr. Waechter, including the experience of accounting matters that Mr. Waechter brings to the Board; his experience working with financial statements; and his understanding of internal controls and procedures for financial reporting. Mr. Waechter is not an interested person (as that term is defined for legal purposes) of the Fund and, accordingly, qualifies as an Independent Director, and serves as audit committee financial expert (as that term is defined for legal purposes) on the Audit Committee of the Board. Each Nominee has indicated his or her willingness to serve as Director, if elected.

The persons named as proxies intend to vote to elect the Nominees, unless authority to vote for the election of all or specified Nominees is withheld by so marking the Proxy. If any Nominees are unable to serve, the persons named as proxies may vote for other persons or vote to fix the number of Directors at less than nine. Election is by a majority vote of the shares represented at the Meeting.

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The term "fund complex" in the tables below consists of the Fund, AEGON/Transamerica Series Trust (ATST) and Transamerica IDEX Mutual Funds (TA IDEX). 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 are:

Independent Director Nominees:

NAME AND AGE	POSITION(S) HELD WITH FUND	TERM OF OFFICE AND LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION OR EMPLOYMENT IN THE PAST 5 YEARS	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY NOMINEE FOR DIRECTOR	OTHER DIRECTORSHIPS HELD BY NOMINEE FOR DIRECTOR
Peter R. Brown (DOB 5/10/28)	Nominee, Director	1986 to present	Chairman of the Board, Peter Brown 84 Construction Company (1963-2000); Chairman & Trustee, Transamerica IDEX Mutual Funds (TA IDEX), AEGON/Transamerica Series Trust (ATST); Chairman & Director, TIS; Rear Admiral (Ret.) U.S. Navy Reserve, Civil Engineer Corps.	84	N/A
Charles C. Harris (DOB 1/15/30)	Nominee, Director	1986 to present	Trustee, TA IDEX, ATST; Director, 84 TIS.	84	N/A
Russell A. Kimball, Jr. (DOB 8/17/44)	Nominee, Director	1986 to present	Trustee, TA IDEX, ATST; Director, 84 TIS; General Manager, Sheraton Sand Key Resort (1975 present).	84	N/A
William W. Short, Jr. (DOB 2/25/36)	Nominee, Director	2000 to present	Trustee, TA IDEX, ATST; Director, 84 TIS; Retired Corporate CEO & Chairman of the Board.	84	N/A
Daniel Calabria (DOB 3/05/36)	Nominee, Director	2001 to present	Trustee, TA IDEX, ATST; Director, 84 TIS; Trustee (1993-present) & President (1993-1995), Florida Tax Free Funds.	84	N/A
Janice B. Case (DOB 9/27/52)	Nominee, Director	2001 to present	Trustee; TA IDEX, ATST; Director, 84 TIS; Senior Vice President (1996-2000), Vice President (1990-1996), Director of Customer Service & Marketing (1987-1990), Florida Power Corporation; Director, Central Vermont Public Service Co. (Audit Committee); Director, Western Electricity Coordinating Council (Chairman, Human Resources and Compensation Committee).	84	Central Vermont Public Service Co.

Leo J. Hill (DOB 3/27/56)	Nominee, Director	2002to present	Trustee, TA IDEX, ATST; Director, 84 TIS; Owner & President, Prestige Automotive Group (2001 present); Market President (1997-1998), NationsBank; President & CEO (1994-1998), Barnett Bank of the Treasure Coast, FL.	84	N/A
 John W. Waechter (DOB 2/25/52)	 Nominee, Director	 2004 - Present	 Director, TIS (2005 - present); Trustee, ATST, TA IDEX (2005 - Present); Executive Vice President, Chief Financial Officer, Chief Compliance Officer, William R. Hough & Co. (1979-present), Treasurer (1993-2004) The Hough Group of Funds.	 84	 N/A

**Interested Director
Nominees:**

Thomas P. O Neil ⁽¹⁾ (DOB 3/11/58)	Nominee, Director	2003 to present	President, AEGON Financial Services Group, Inc., Financial Institution Division; Trustee, TA IDEX, ATST; Director, TIS; Director, National Aquarium of Baltimore.	84	N/A
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(1) Such Nominee may be deemed an interested person of the Fund as that term is defined for legal purposes due to his affiliations with affiliates of the Fund's investment adviser.

The Board of Directors met 5 times during the fiscal year ended March 31, 2005.

Nominee Ownership of Equity Securities

As of December 31, 2004, the Nominees beneficially owned shares of the Fund and any of the funds overseen by the Nominee in the same family of investment companies as set forth in the following table:

Name of Nominee	Dollar Range of Equity Securities in the Fund	Aggregate Dollar Range of Equity Securities in all Funds Overseen by Nominee in Family of Investment Companies*
Peter R. Brown		
Daniel Calabria		
Janice B. Case.		
Charles C. Harris.		
Leo J. Hill		
Russell A. Kimball, Jr.		

Thomas P. O Neil⁽¹⁾

William W. Short, Jr.

John W. Waechter

** The family of investment companies consists of the Fund, ATST and TA IDEX.*

(1) Such Nominee may be deemed an interested person of the Fund, as discussed above.

Committees

The Audit Committee

The Fund has a standing Audit Committee, that currently consists of Peter R. Brown, Charles C. Harris, Russell A Kimball, Jr., William W. Short, and John W. Waechter, each of whom is an Independent Director and qualifies as an independent director for purposes of New York Stock Exchange Listing Standards. Mr. Brown currently serves as chairman of the Audit Committee. The functions performed by the Audit Committee include the approval and recommendation for appointment of the independent public accountants for the Fund, the review of the scope and results of audit services, the review of the adequacy of internal accounting and financial controls, determining the independence of the public accounting firm and ensuring the rotation of its partners, meeting with the Fund's internal auditor, frequent meetings with Management to discuss the financial statements of the Funds, and the review of material changes in accounting principles and practices and other matters when requested from time to time by the Board. The Audit Committee met 4 times during the fiscal year ended March 31, 2005.

The Board has adopted a written charter for the Fund's Audit Committee, which appears as Appendix B to this proxy statement.

The Audit Committee has reviewed and discussed the audited financial statements for the fiscal year ended March 31, 2005 with Fund management, and discussed certain matters with the Fund's independent public accountant addressed by Statement on Auditing Standards No. 61. The Audit Committee has received written disclosures and the letter required by Independence Standards Board No. 1 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, 2005 for filing with the SEC.

The Nominating Committee

The Board's Nominating Committee recommends nominations for membership on the Board. It evaluates candidates' qualifications for Board membership and, with respect to nominees for positions as Independent Directors, their independence from the Fund's investment adviser and other principal service providers. The Committee generally meets annually to identify and evaluate nominees for Director and to make its recommendations to the Board, and at such other times as a nomination may be required. The Nominating Committee also periodically reviews director compensation and will recommend any appropriate changes to the Board as a group. The members of the Fund's Nominating Committee are Messrs. Brown, Harris and Kimball, each an independent director for the purposes of the New York Stock Exchange Listing Standards. Mr. Brown currently serves as chairman of the Nominating Committee. The Board of Directors 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 Boards, 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 shareholder submits their considerations in accordance with the qualifications and procedures set forth in the charter of the Nominating Committee. It is in the Nominating Committee's sole discretion whether to seek corrections of a deficient submission or to exclude a nominee from consideration.

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A candidate for nomination as Director submitted by a shareholder will be deemed to be properly submitted to the Nominating Committee for its consideration if the following requirements have been met and procedures 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 below and in the Fund's organizational documents, including qualification as a possible Independent Director 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.
 - 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.
 - 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 Investment Company Act of 1940).
 - A shareholder or shareholder group may not submit for consideration a nominee which has previously been considered by the Nominating Committee.
3. In order for the Nominating 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

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submission to the attention of the Funds' Secretary, who will provide all submissions to the Nominating Committee. This submission to the Funds must include:

the shareholder's contact information;

the nominee's contact information and the number of applicable Fund shares owned by the proposed nominee;

all information regarding the nominee that would be required to be disclosed in solicitations of proxies for elections of directors required by Regulation 14A under the Securities Exchange Act of 1934; and

a notarized letter executed by the nominee, stating his or her intention to serve as a nominee and be named in a Fund's proxy statement, if so designated by the Committee and the Funds' Board.

The Nominating Committee will consider all submissions meeting the applicable requirements stated herein that are received by December 31 of the most recently completed calendar year.

In addition, the Nominating Committee considers that no nominee, whether nominated by the Nominating Committee or a shareholder may serve unless the Nominating Committee, in consultation with legal counsel, has determined that the nominee, if elected as a Director, would not cause the Fund to be in violation of or not in compliance with (a) applicable law, regulation or regulatory interpretation, (b) the Fund's organizational documents, or (c) any policy adopted by the Board regarding either the retirement age of any Board member or the percentage of a Board that would be composed of Independent Directors. Also, each nominee should possess the following attributes: public or private sector stature sufficient to instill confidence; high personal and professional integrity; good business sense; ability to commit the necessary time to prepare for and attend meetings of the Board; no financial dependence on Director retainer and meeting fees.

The Nominating Committee does not currently contemplate adding Board members or otherwise changing the Board's composition. Nominees are recommended by Board members or Fund management and evaluated based on certain criteria relating to their background, education, understanding and experience in the financial and investment industry; as well as character, integrity and commitment.

The Nominating Committee met 2 times during the fiscal year ended March 31, 2005. No nominee recommendations have been received by the Committee from shareholders.

Governance Committee

The Board has recently established a Governance Committee. Mr. Calabria currently serves as chairman of the Governance Committee. Messrs. Short and Kimball also serve as members of the Governance Committee. The Governance Committee provides oversight and monitors certain issues, in consultation with the Chief Compliance Officer and independent directors' counsel, that affect the duties of independent members of the Board. The Governance Committee intends to meet periodically, as necessary. As a recently formed committee, the Governance Committee did not meet during the most recently completed fiscal year.

Compensation Committee

The Board has a Compensation Committee. Mr. Harris and Ms. Case currently serve as co-chairs of the Compensation Committee, and Messrs. Brown, Calabria, Hill, Kimball, Short and Waechter also serve as

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members of the Compensation Committee. The Compensation Committee reviews compensation arrangements for each Director. The Compensation Committee meets periodically, as necessary. The Compensation Committee did not meet during the most recently completed fiscal year.

Valuation Oversight Committee

The Board has recently established a Valuation Oversight Committee. Mr. Hill currently serves as chairman of the Valuation Oversight Committee, and Messrs. Harris and Short also serve as members of the Valuation Oversight Committee. The Valuation Oversight Committee oversees the process by which the Fund calculates its net asset value to verify consistency with the Fund's valuation policies and procedures, industry guidance, interpretative positions issued by the SEC and its staff, and industry best practices. The Valuation Oversight Committee intends to meet periodically, as necessary. The Valuation Oversight Committee met 2 times during the most recently completed fiscal year.

Proxy Voting Committee

The Board has recently established a Proxy Voting Committee. Ms. Case currently serves as chairperson of the Proxy Voting Committee, and Messrs. Hill and Short also serve as members of the Proxy Voting Committee. The Proxy Voting Committee provides TIS's consent to vote in matters where TFAI seeks such consent because of a conflict of interest that arises in connection with a particular vote, or for other reasons. The Proxy Voting Committee also may review TFAI's proxy voting policies and procedures in lieu of submission of the policies and procedures to the entire Board for approval. The Proxy Voting Committee intends to meet periodically, as necessary. As a recently formed committee, the Proxy Voting Committee met once during the most recently completed fiscal year.

Contract Renewal Committee

The Board has recently formed a Contract Renewal Committee. Mr. Kimball currently serves as chairman of the Contract Renewal Committee, and Mr. Calabria and Ms. Case also serve as members of the Contract Renewal Committee. The Contract Renewal Committee provides oversight of TIS contracts to ensure that the interests of the Fund's shareholders are served by the terms of these contracts. The Contract Renewal Committee intends to meet periodically, as necessary. As a recently formed committee, the Contract Renewal Committee met once during the most recently completed fiscal year.

Remuneration of Directors

The Fund pays each Independent Director an annual retainer of \$1,500 plus \$1,000 for each regular Board meeting attended in person and \$1,000 for each such meeting attended telephonically. The Fund also reimburses each Director for reasonable expenses incurred in connection with such meetings. For the fiscal year ended March 31, 2005, the Independent Directors, as a group, received compensation in the amount of \$54,000.

The following table sets forth the compensation paid to each Independent Director of the Fund for the fiscal year ended March 31, 2005. Directors who are interested persons of the Fund do not receive any compensation from the Fund.

Name	Aggregate Compensation from Fund	Total Compensation from Fund and Fund Complex
Peter R. Brown	\$13,000	

Charles C. Harris

\$6,500

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Russell A. Kimball, Jr.	\$6,500
William W. Short, Jr.	\$6,250
Daniel Calabria	\$6,000
Janice B. Case	\$6,250
Leo J. Hill	\$6,250
John W. Waechter	\$3,250

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 address. Each shareholder communication must (i) be in writing and be signed by the shareholder, (ii) identify the full name of the Fund. The Secretary is responsible for collecting, reviewing and organizing all properly submitted shareholder communications. Except as provided below, with respect to each properly submitted shareholder communication, the Secretary will either (i) provide a copy of the communication to the Board at the next regularly scheduled Board meeting or (ii) if the Secretary determines that the communication requires more immediate attention, forward the communication to the Board promptly after receipt. The Secretary may, in good faith, determine that a shareholder communication should not be provided to the Board because the communication, among other things, (i) does not reasonably relate to the Fund or its operations, management, activities, policies, service providers, Board, officers, shareholders or other matters relating to an investment in the Fund, or (ii) is ministerial in nature (such as a request for Fund literature, share data or financial information). 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.

Fund Officers

The following table shows the executive officers of the Fund, other than shown above, their date of birth, positions with the Fund and principal occupations during the past five years:

Name	Position(s) Held with Fund	Term of Office and Length of Time Served(1)	Principal Occupation during the Past Five Years
Brian C. Scott (DOB 1/19/44)	President and Chief Executive Officer	From 2002 to present	Director, President and Chief Executive Officer, TA IDEX, ATST; Director, Chairman & President; Director, President & CEO, Endeavor Management Co. (2001-2002); President, Director & Chief Executive Officer, Transamerica Fund Advisors, Inc., AEGON/Transamerica Investor Services & AEGON/Transamerica Fund Services, Inc.; Chief Executive Officer, Transamerica Investors, Inc. (TII)

<p>John Carter (DOB 4/24/61)</p>	<p>Senior Vice President, Secretary, General Counsel & Chief Compliance Officer</p>	<p>From 2002 to present</p>	<p>General Counsel, Sr. Vice President & Secretary, TA IDEX and ATST; Director, General Counsel, Senior Vice President & Secretary, and ATFS, TFAI; Vice President, AFSG Securities Corporation; Vice President, Secretary, TII</p>
<p>Kim Day (DOB 8/2/55)</p>	<p>Senior Vice President, Treasurer & Principal Accounting Officer</p>	<p>From 2002 to present</p>	<p>Senior Vice President, Treasurer & Principal Financial Officer, TA IDEX and ATST; Senior Vice President & Treasurer, ATFS, TFAI and TII;</p>

(1) *The executive officers are elected and appointed by the Directors and hold office until they resign, are removed or are otherwise disqualified to serve.*

The Board of Directors of the Fund, including the Independent Directors, recommends that shareholders vote For Proposal I.

PROPOSAL II

ELIMINATION OF FUNDAMENTAL INVESTMENT RESTRICTION

Applicable law requires the Fund to adopt fundamental investment restrictions with respect to several specific types of activities and also permits the Fund to designate any of its other policies as fundamental policies, as the Fund deems necessary or desirable. The Fund's prospectus, dated November 9, 1972, shows that the Fund found desirable, at the time, to designate as a matter of fundamental policy that the Fund will not

knowingly purchase securities subject to legal or contractual restrictions on resale, or securities which may be sold publicly only if thereafter registered under the Securities Act of 1933.

In order to modify or eliminate the Fund's fundamental investment restriction, applicable law requires that the change be approved by a majority of the Fund's outstanding shares. As further discussed below, the Board believes that it is appropriate to eliminate this investment restriction, which is not required by applicable law, and which may result in operating inefficiencies and prevent the Fund from taking advantage of certain investment opportunities.

Why are shareholders being asked to approve the elimination of this investment restriction?

The Fund's current investment restriction on investment in securities which may be considered restricted for legal purposes is more prohibitive than the requirements of applicable law. This restriction also limits the investment strategies employed with respect to the Fund, thereby resulting in inefficiencies and inability to take advantage of certain investment opportunities. In particular, the restriction could be interpreted as prohibiting certain of the investment strategies that closed-end investment companies such as the Fund frequently use and that the Fund may have used in the past and may want to use again in the future.

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As evidenced by the date of the Fund's prospectus, this investment restrictions can be traced back to business or industry conditions that were in effect when the Fund was organized over 30 years ago. These conditions have been made less restrictive over time, and no longer justify maintaining the Fund's old investment restriction.

What effect will the proposed elimination of this investment restrictions have on the Fund?

While Proposal II is intended to provide greater flexibility in managing the Fund's portfolio, should shareholders approve the proposal, the Fund would continue to be managed subject to the limitations imposed by applicable law, as well as its current investment objectives and strategies. Neither TFAI nor

the Fund's sub-adviser, Transamerica Investment Management, LLC, presently intend to alter the way the Fund is managed, nor do they believe that the proposed change will materially affect the investment risk associated with the Fund.

Evaluation of Proposal II by the Board.

Because of the opportunity afforded by the Meeting, the Board has reviewed the Fund's fundamental investment restriction on investments in securities which may be considered restricted for legal purposes with the goal of simplifying and modernizing to the extent practicable the investment strategies of the Fund. The Board believes that eliminating the Fund's fundamental restriction will enhance the ability to manage the Fund's assets efficiently in changing regulatory and investment environments. The proposed elimination of the fundamental restriction will allow the Fund greater investment flexibility to respond to future investment opportunities. The Board does not anticipate, however, that the change will result in a material change in the level of investment risk associated with an investment in the Fund. Due to these and other considerations, the Board recommends that Fund shareholders approve the elimination of the Fund's fundamental investment restriction, as described above.

The Board of Directors of the Fund, including the Independent Directors, recommends that shareholders vote For Proposal II.

OTHER BUSINESS

The Board and Fund management know of no business to be presented to the Meeting other than the matters set forth in this Proxy Statement, but should any other matter requiring a vote of shareholders arise, the proxies will vote thereon according to their best judgment.

OTHER INFORMATION

Information: 5.4pt">65.46 Third Quarter74.7966.06 Fourth Quarter72.6249.262019 First Quarter65.9352.56 Second Quarter (through April 24, 2019)70.3564.36

Accelerated Return Notes® TS-13

Accelerated Return Notes®

Linked to a Basket of Three Financial Sector Stocks, due July , 2020

JPMorgan Chase & Co.

JPMorgan Chase & Co. is a financial holding company and financial services firm. The company provides services such as investment banking, financial services for consumers and small businesses, commercial banking, financial transaction processing and asset management. The company serves business enterprises, institutions, and individuals. The company's CIK number is 0000019617. Its SEC file number is 001-05805. This Basket Stock trades on the NYSE under the symbol "JPM."

	<u>High (\$)</u>	<u>Low (\$)</u>
2008		
First Quarter	48.25	36.48
Second Quarter	49.25	34.31
Third Quarter	48.24	31.02
Fourth Quarter	49.85	22.72
2009		
First Quarter	31.35	15.90
Second Quarter	38.94	27.25
Third Quarter	46.47	32.27
Fourth Quarter	47.16	40.27
2010		
First Quarter	45.02	37.70
Second Quarter	47.81	36.61
Third Quarter	41.64	35.63
Fourth Quarter	42.67	36.96
2011		
First Quarter	48.00	43.40
Second Quarter	47.64	39.49
Third Quarter	42.29	29.27
Fourth Quarter	37.02	28.38
2012		
First Quarter	46.27	34.91
Second Quarter	46.13	31.00
Third Quarter	41.57	33.90
Fourth Quarter	44.53	39.29
2013		
First Quarter	51.00	44.57
Second Quarter	55.62	46.64
Third Quarter	56.67	50.32
Fourth Quarter	58.48	50.75
2014		
First Quarter	61.07	54.31
Second Quarter	60.67	53.31
Third Quarter	61.63	55.56
Fourth Quarter	63.15	55.08
2015		
First Quarter	62.49	54.38
Second Quarter	69.75	59.95
Third Quarter	70.08	59.84

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Fourth Quarter	68.46	59.99
2016		
First Quarter	63.73	53.07
Second Quarter	65.81	57.32
Third Quarter	67.50	59.55
Fourth Quarter	87.13	66.51
2017		
First Quarter	93.60	83.30
Second Quarter	91.40	82.15
Third Quarter	95.51	88.42
Fourth Quarter	107.83	95.86
2018		
First Quarter	118.77	107.01
Second Quarter	114.29	103.24
Third Quarter	118.63	103.61
Fourth Quarter	115.32	92.14
2019		
First Quarter	107.19	97.11
Second Quarter (through April 24, 2019)	114.30	104.64

Accelerated Return Notes® TS-14

Accelerated Return Notes®

Linked to a Basket of Three Financial Sector Stocks, due July , 2020

Morgan Stanley

Morgan Stanley is a financial services firm. The company serves corporations, governments, financial institutions and individuals in the areas of institutional securities, wealth management and investment management. The company also operates an asset management business. The company's CIK number is 0000895421. Its SEC file number is 001-11758. This Basket Stock trades on the NYSE under the symbol "MS."

	<u>High (\$)</u>	<u>Low (\$)</u>
2008		
First Quarter	51.81	36.38
Second Quarter	50.65	36.07
Third Quarter	45.39	20.99
Fourth Quarter	24.42	9.20
2009		
First Quarter	25.91	13.10
Second Quarter	31.39	21.08
Third Quarter	32.98	25.50
Fourth Quarter	35.74	29.12
2010		
First Quarter	32.92	26.60
Second Quarter	31.94	23.21
Third Quarter	27.87	22.83
Fourth Quarter	27.66	24.19
2011		
First Quarter	30.99	27.11
Second Quarter	27.76	21.93
Third Quarter	24.20	13.06
Fourth Quarter	19.41	12.47
2012		
First Quarter	21.17	15.90
Second Quarter	19.81	12.36
Third Quarter	18.24	12.62
Fourth Quarter	19.27	16.09
2013		
First Quarter	24.32	19.58
Second Quarter	27.15	20.31
Third Quarter	29.02	24.04
Fourth Quarter	31.62	26.55
2014		
First Quarter	33.40	28.95
Second Quarter	32.66	28.47
Third Quarter	36.13	31.36
Fourth Quarter	39.00	32.53
2015		
First Quarter	38.71	33.77
Second Quarter	40.21	35.91
Third Quarter	40.54	31.01
Fourth Quarter	35.41	31.29

2016		
First Quarter	31.48	21.69
Second Quarter	27.78	23.61
Third Quarter	32.24	25.00
Fourth Quarter	43.73	31.73
2017		
First Quarter	46.83	41.58
Second Quarter	45.72	40.69
Third Quarter	48.31	44.01
Fourth Quarter	53.85	48.10
2018		
First Quarter	58.91	51.79
Second Quarter	55.22	47.19
Third Quarter	51.05	46.57
Fourth Quarter	47.27	37.01
2019		
First Quarter	44.49	39.68
Second Quarter (through April 24, 2019)	48.26	43.53

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Supplement to the Plan of Distribution

Under our distribution agreement with MLPF&S, MLPF&S will purchase the notes from us as principal at the public offering price indicated on the cover of this term sheet, less the indicated underwriting discount.

MLPF&S has informed us of the information in the following paragraph. The current business of MLPF&S is being reorganized into two affiliated broker-dealers: MLPF&S and a new broker-dealer, BofA Securities, Inc. (“BofAS”). BofAS will be the new legal entity for the institutional services that are now provided by MLPF&S. MLPF&S will be assigning its rights and obligations as selling agent for the notes under our distribution agreement to BofAS effective on the “Transfer Date”. Accordingly, if the pricing date of the notes occurs on or after the Transfer Date, BofAS will be responsible for the pricing of the notes. If the settlement date of the notes occurs on or after the Transfer Date, BofAS will, subject to the terms and conditions of the distribution agreement, purchase the notes from us as principal on the settlement date. MLPF&S will in turn purchase the notes from BofAS for resale, and it will receive a selling concession in connection with the sale of the notes in an amount up to the full amount of underwriting discount set forth on the cover of this term sheet.

We may deliver the notes against payment therefor in New York, New York on a date that is greater than two business days following the pricing date. Under Rule 15c6-1 of the Securities Exchange Act of 1934, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, if the initial settlement of the notes occurs more than two business days from the pricing date, purchasers who wish to trade the notes more than two business days prior to the original issue date will be required to specify alternative settlement arrangements to prevent a failed settlement.

The notes will not be listed on any securities exchange. In the original offering of the notes, the notes will be sold in minimum investment amounts of 100 units. If you place an order to purchase the notes, you are consenting to MLPF&S acting as a principal in effecting the transaction for your account.

MLPF&S has advised us that it or its affiliates may repurchase and resell the notes, with repurchases and resales being made at prices related to then-prevailing market prices or at negotiated prices determined by reference to their pricing models and at their discretion, and these prices will include MLPF&S’s trading commissions and mark-ups. MLPF&S may act as principal or agent in these market-making transactions; however, it is not obligated to engage in any such transactions. MLPF&S has informed us that at MLPF&S’s discretion, assuming no changes in market conditions from the pricing date, MLPF&S may offer to buy the notes in the secondary market at a price that may exceed the initial estimated value of the notes for a short initial period after the issuance of the notes. Any price offered by MLPF&S for the notes is expected to be based on then-prevailing market conditions and other considerations, including the performance of the Basket and the remaining term of the notes. However, none of us, the Guarantor, MLPF&S, or any of our respective affiliates is obligated to purchase your notes at any price or at any time, and we cannot assure you that we, the Guarantor, MLPF&S, or any of our respective affiliates will purchase your notes at a price that equals or exceeds the initial estimated value of the notes.

MLPF&S has informed us that, as of the date of this term sheet, it expects that if you hold your notes in a MLPF&S account, the value of the notes shown on your account statement will be based on MLPF&S’s estimate of the value of the notes if MLPF&S or another of its affiliates were to make a market in the notes, which it is not obligated to do; and that estimate will be based upon the price that MLPF&S may pay for the notes in light of then-prevailing market conditions, and other considerations, as mentioned above, and will include transaction costs. Any such price may be higher than or lower than the initial estimated value of the notes.

The distribution of the Note Prospectus in connection with these offers or sales will be solely for the purpose of providing investors with the description of the terms of the notes that was made available to investors in connection with their initial offering. Secondary market investors should not, and will not be authorized to, rely on the Note Prospectus for information regarding Wells Fargo Finance LLC or Wells Fargo & Company or for any purpose other than that described in the immediately preceding sentence.

An investor's household, as referenced on the cover of this term sheet, will generally include accounts held by any of the following, as determined by MLPF&S in its discretion and acting in good faith based upon information then available to MLPF&S:

the investor's spouse (including a domestic partner), siblings, parents, grandparents, spouse's parents, children and grandchildren, but excluding accounts held by aunts, uncles, cousins, nieces, nephews or any other family relationship not directly above or below the individual investor;

a family investment vehicle, including foundations, limited partnerships and personal holding companies, but only if the beneficial owners of the vehicle consist solely of the investor or members of the investor's household as described above; and

a trust where the grantors and/or beneficiaries of the trust consist solely of the investor or members of the investor's household as described above; provided that, purchases of the notes by a trust generally cannot be aggregated together with any purchases made by a trustee's personal account.

Purchases in retirement accounts will not be considered part of the same household as an individual investor's personal or other non-retirement account, except for individual retirement accounts ("IRAs"), simplified employee pension plans ("SEPs"), savings incentive match plan for employees ("SIMPLEs"), and single-participant or owners only accounts (i.e., retirement accounts held by self-employed individuals, business owners or partners with no employees other than their spouses).

Please contact your Merrill Lynch financial advisor if you have any questions about the application of these provisions to your specific circumstances or think you are eligible.

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Structuring the Notes

The notes are our debt securities, the return on which is linked to the performance of the Basket. The related guarantees are Wells Fargo & Company's obligations. As is the case for all of our debt securities, including our market-linked notes, the economic terms of the notes reflect our and the Guarantor's actual or perceived creditworthiness at the time of pricing. Because of the higher issuance, operational and ongoing management costs of market-linked notes as compared to conventional debt of Wells Fargo & Company of the same maturity, as well as our and our affiliates' liquidity needs and preferences, the assumed rate we use in pricing market-linked notes is generally lower than our internal funding rate. This relatively lower assumed rate, which is reflected in the economic terms of the notes, along with other costs relating to selling, structuring, hedging and issuing the notes, results in the initial estimated value of the notes on the pricing date being less than the public offering price. If the costs relating to selling, structuring, hedging and issuing the notes were lower, or if the funding rate we use to determine the economic terms of the notes were higher, the economic terms of the notes would be more favorable to you and the estimated value would be higher.

The Redemption Amount payable at maturity will be calculated based on the \$10 principal amount per unit and will depend on the performance of the Basket. In order to meet these payment obligations, at the time we issue the notes, we expect to enter into certain hedging arrangements (which may include call options, put options or other derivatives) with MLPF&S or one of its affiliates. The terms of these hedging arrangements are determined by seeking bids from market participants, which may include us, MLPF&S and one of our respective affiliates, and take into account a number of factors, including our and the Guarantor's creditworthiness, interest rate movements, the volatility of the Basket Stocks, the tenor of the notes and the tenor of the hedging arrangements. The economic terms of the notes and their initial estimated value depend in part on the terms of these hedging arrangements.

MLPF&S has advised us that the hedging arrangements will include a hedging related charge of approximately \$0.075 per unit, reflecting an estimated profit to be credited to MLPF&S from these transactions. Since hedging entails risk and may be influenced by unpredictable market forces, additional profits and losses from these hedging arrangements may be realized by our affiliates, MLPF&S or any other hedge providers. Any profit in connection with such hedging activity will be in addition to any other compensation that our affiliates, the agent and its affiliates receive for the sale of notes, which creates an additional incentive to sell the notes to you.

For further information, see "Risk Factors—General Risks Relating to ARNs" beginning on page PS-6 and "Use of Proceeds and Hedging" on page PS-18 of product supplement STOCK ARN-1.

MLPF&S Reorganization

MLPF&S has informed us of the information in the following paragraph. As discussed above under "Supplement to the Plan of Distribution", the current business of MLPF&S is being reorganized into two affiliated broker-dealers. Effective on the Transfer Date, BofAS will be the new legal entity for the institutional services that are now provided by MLPF&S. As such, beginning on the Transfer Date, the institutional services currently being provided by MLPF&S, including acting as selling agent for the notes, acting as joint calculation agent for the notes, acting as principal or agent in secondary market-making transactions for the notes and entering into hedging arrangements with respect to the notes, are expected to be provided by BofAS. Accordingly, references to MLPF&S in this term sheet as such references relate to MLPF&S's institutional services, such as those described above, should be read as references to BofAS to the extent these services are to be performed on or after the Transfer Date.

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United States Federal Income Tax Considerations

You should read carefully the discussion under “United States Federal Tax Considerations” and “Risk Factors—General Risks Relating to ARNs—The U.S. federal tax consequences of an investment in the ARNs are unclear” in the accompanying product supplement and “Risk Factors” in this term sheet.

In the opinion of our counsel, Davis Polk & Wardwell LLP, a note should be treated as a prepaid derivative contract that is an “open transaction” for U.S. federal income tax purposes. By purchasing a note, you agree (in the absence of an administrative determination or judicial ruling to the contrary) to this treatment. There is uncertainty regarding this treatment, and the Internal Revenue Service (the “IRS”) or a court might not agree with it. Moreover, our counsel’s opinion is based on market conditions as of the date of this preliminary term sheet and is subject to confirmation in the final term sheet.

Assuming this treatment of the notes is respected and subject to the discussion in “United States Federal Tax Considerations” in the accompanying product supplement, the following U.S. federal income tax consequences should result under current law:

You should not recognize taxable income over the term of the notes prior to maturity, other than pursuant to a sale or exchange.

Upon a sale or exchange of a note (including retirement at maturity), you should recognize capital gain or loss equal to the difference between the amount realized and your tax basis in the note. Such gain or loss should be long-term capital gain or loss if you held the note for more than one year.

The U.S. Treasury Department and the IRS have requested comments on various issues regarding the U.S. federal income tax treatment of “prepaid forward contracts” and similar financial instruments and have indicated that such transactions may be the subject of future regulations or other guidance. Furthermore, members of Congress have proposed legislative changes to the tax treatment of derivative contracts. Any legislation, Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the notes, possibly with retroactive effect. You should consult your tax adviser regarding possible alternative tax treatments of the notes and potential changes in applicable law.

Non-U.S. Holders. If you are a non-U.S. holder (as defined in the accompanying product supplement) of the notes, you generally should not be subject to U.S. federal withholding or income tax in respect of any amount paid to you with respect to the notes, provided that you comply with the applicable certification requirements.

Section 871(m) of the Code and Treasury regulations promulgated thereunder (“Section 871(m)”) generally impose a 30% withholding tax on dividend equivalents paid or deemed paid to non-U.S. holders with respect to certain financial instruments linked to U.S. equities (“underlying securities”) or indices that include underlying securities. Section 871(m) generally applies to instruments that substantially replicate the economic performance of one or more underlying securities, as determined based on tests set forth in the applicable Treasury regulations. However, the regulations, as modified by an IRS notice, exempt financial instruments issued prior to January 1, 2021 that do not have a “delta” of one. Based on the terms of the notes and representations provided by us as of the date of this term sheet, our counsel is of the opinion that the notes should not be treated as transactions that have a “delta” of one within the meaning of the regulations with respect to any underlying security and, therefore, should not be subject to withholding tax under Section 871(m). However, the final determination regarding the treatment of the notes under Section 871(m) will be made as of the pricing date for the notes.

A determination that the notes are not subject to Section 871(m) is not binding on the IRS, and the IRS may disagree with this treatment. Moreover, Section 871(m) is complex and its application may depend on your particular

circumstances, including your other transactions. You should consult your tax adviser regarding the potential application of Section 871(m) to the notes.

In the event withholding applies, we will not be required to pay any additional amounts with respect to amounts withheld.

You should read the section entitled “United States Federal Tax Considerations” in the accompanying product supplement. The preceding discussion, when read in combination with that section, constitutes the full opinion of Davis Polk & Wardwell LLP regarding the material U.S. federal tax consequences of owning and disposing of the notes.

You should consult your tax adviser regarding all aspects of the U.S. federal income and estate tax consequences of an investment in the notes and any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

Accelerated Return Notes[®] TS-18

Annex

ACCELERATED RETURN NOTES® (ARNS®)

ARNS® Linked to a Basket of Three Financial Sector Stocks

Issuer	Wells Fargo Finance LLC
Guarantor	Wells Fargo & Company
Principal Amount	\$10.00 per unit
Term	Approximately 14 months
Market Measure	An approximately equally weighted basket of three financial sector stocks comprised of the common stocks of each of Citigroup Inc. (NYSE symbol: "C"), JPMorgan Chase & Co. (NYSE symbol: "JPM") and Morgan Stanley (NYSE symbol: "MS") (each, a "Basket Stock") <ul style="list-style-type: none"> • 3-to-1 leveraged upside exposure to increases in the Market Measure, subject to the Capped Value
Payout Profile at Maturity	<ul style="list-style-type: none"> • 1-to-1 downside exposure to decreases in the Market Measure, with up to 100.00% of your principal at risk [\$12.00 to \$12.40] per unit, a [20.00% to 24.00%] return over the principal amount, to be determined on the pricing date
Capped Value	
Participation Rate	300%
Interest Payments	None
Preliminary Offering Documents	
Exchange Listing	No

This graph reflects the hypothetical return on the notes, based on the mid-point of the range(s) set forth in the table to the left. This graph has been prepared for purposes of illustration only.

You should read the relevant Preliminary Offering Documents before you invest.

Click on the Preliminary Offering Documents hyperlink above or call your Financial Advisor for a hard copy.

Risk Factors

Please see the Preliminary Offering Documents for a description of certain risks related to this investment, including, but not limited to, the following:

Depending on the performance of the Market Measure as measured from the value of the Market Measure on the pricing date to the value of the Market Measure on the calculation day occurring shortly before the maturity date, your investment may result in a loss; there is no guaranteed return of principal.

Any positive return on your investment is limited to the return represented by the Capped Value and may be less than a comparable investment directly in the Basket Stocks.

- All payments on the notes are subject to credit risk; if Wells Fargo Finance LLC, as issuer, and Wells Fargo & Company, as guarantor, default on their obligations, you could lose some or all of your investment.

As a finance subsidiary, the issuer has no independent operations and will have no independent assets.

¶ Holders have limited rights of acceleration and could be at greater risk for being structurally subordinated.

¶ The notes will not have the benefit of any cross-default or cross-acceleration with other indebtedness of the guarantor; events of bankruptcy, insolvency, receivership or liquidation relating to the guarantor and failure by the guarantor to

perform any of its covenants or warranties (other than a payment default under the guarantee) will not constitute an event or default with respect to the notes.

The initial estimated value of the notes as of the pricing date will be less than the public offering price as the public offering price includes certain costs that are borne by you, including an underwriting discount and a hedging related charge; the estimated value of the notes is determined by the issuer's affiliate's pricing models, which may differ from those of MLPF&S or other dealers; and the initial estimated value does not represent the price at which the Guarantor, the issuer, MLPF&S or any of their respective affiliates would be willing to purchase your notes in any secondary market (if any exists) at any time.

- If you attempt to sell the notes prior to maturity, their market value may be lower than both the public offering price and the initial estimated value of the notes on the pricing date.

You will have no rights of a holder of the Basket Stocks, and you will not be entitled to receive shares of the Basket Stocks or dividends or other distributions by the issuers of the Basket Stocks.

Changes in the price of one of the Basket Stocks may be offset by changes in the price of the other Basket Stocks.

While the Guarantor or the issuer's other affiliates and MLPF&S or its affiliates may from time to time own securities of the companies included in the Basket, we, the Guarantor, MLPF&S and their respective affiliates do not control the companies included in the Basket, and have not verified any disclosure made by such companies.

The Redemption Amount will not be adjusted for all corporate events that could affect the Basket Stocks.

An investment in the notes is subject to risks associated with investing in stocks in the financial sector.

Final terms will be set on the pricing date within the given range for the specified Market-Linked Investment. Please see the Preliminary Offering Documents for complete product disclosure, including related risks, tax disclosure and more information about the initial estimated value.