CLOROX CO /DE/
Form 10-K
August 25, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

þ **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

for the fiscal year ended June 30, 2009

OR

o **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

for the transition period from ______ to ______.

Commission file number: 1-07151

THE CLOROX COMPANY
(Exact name of registrant as specified in its charter)

Delaware	**31-0595760**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

1221 Broadway, Oakland, California 94612-1888
(Address of principal executive offices) (ZIP code)

(510) 271-7000
(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock $1.00 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ. No o.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o. No þ.

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ. No o.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o. No o.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ Accelerated filer o Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o. No þ.

The aggregate market value of the registrant's common stock held by non-affiliates on December 31, 2008 (the last day of the most recently completed second quarter) was approximately $7.7 billion.

As of July 31, 2009, there were 139,346,876 shares of the registrant's common stock outstanding.

Documents Incorporated by Reference:

Portions of the registrant's definitive proxy statement for the 2009 Annual Meeting of Stockholders (the "Proxy Statement"), to be filed within 120 days after June 30, 2009, are incorporated by reference into Part III, Items 10 through 14 of this Annual Report on Form 10-K.

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THE CLOROX COMPANY
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PART I

This Annual Report on Form 10-K (this Report), including the exhibits hereto and the information incorporated by reference herein, contains forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), and such forward looking statements involve risks and uncertainties. Except for historical information, matters discussed below, including statements about future volume, sales, costs, cost savings, earnings, cash outflows, plans, objectives, expectations, growth, or profitability, are forward looking statements based on managements estimates, assumptions and projections. Words such as expects, anticipates, targets, goals, projects, intends, plans, believes, seeks, estimates, and variations on such words, and similar expre are intended to identify such forward looking statements. These forward looking statements are only predictions, subject to risks and uncertainties, and actual results could differ materially from those discussed below. Important factors that could affect performance and cause results to differ materially from managements expectations are described in the sections entitled Risk Factors and Managements Discussion and Analysis of Financial Condition and Results of Operations in this Annual Report on Form 10-K for the year ended June 30, 2009, as updated from time to time in the Companys SEC filings.

These factors include, but are not limited to:

- unfavorable general economic and marketplace conditions and events, including consumer confidence and consumer spending levels, the rate of economic growth, the rate of inflation, and the financial condition of our customers, suppliers and service providers;
- foreign currency exchange rate and interest rate fluctuations;
- unfavorable political conditions in international markets and risks relating to international operations;
- the Companys costs, including volatility and increases in commodity costs such as resin, diesel, chlor-alkali, agricultural commodities and other raw materials;
- increases in energy costs;
- the impact of the volatility of the debt markets on the Companys cost of borrowing and access to funds, including commercial paper and its credit facility;
- risks relating to changes in the Companys capital structure;
- risks arising from declines in cash flow, whether resulting from tax payments, debt payments, share repurchases, interest cost increases greater than managements expectations, or increases in debt or changes in credit ratings, or otherwise;
- changes in the Companys tax rate;
- the success of the Companys strategies, including its previously announced Centennial Strategy;

- risks relating to acquisitions, mergers and divestitures, including the Company's ability to achieve the projected strategic and financial benefits from the Burt's Bees acquisition;
- the ability of the Company to implement and generate expected savings from its programs to reduce costs, including its supply chain restructuring and operating model changes;
- the need for any unanticipated restructuring or asset-impairment charges;
- the success of new products and the ability of the Company to develop products that delight the consumer;
- consumer and customer reaction to price increases;
- risks related to customer concentration;
- customer-specific ordering patterns and trends;

- competitive actions;
- supply disruptions or any future supply constraints that may affect key commodities or product inputs;
- risks inherent in supplier relationships, including sole-supplier relationships;
- risks related to the handling and/or transportation of hazardous substances, including but not limited to chlorine;
- risks related to the conversion of the Company's information systems, including potential disruptions;
- risks arising out of natural disasters;
- the impact of disease outbreaks, epidemics or pandemics on the Company's operations;
- risks inherent in litigation;
- risks inherent in maintaining an effective system of internal controls, including the potential impact of acquisitions or the use of third-party service providers;
- the ability to manage and realize the benefit of joint ventures and other cooperative relationships, including the Company's joint venture regarding the Company's Glad® plastic bags, wraps and containers business, and the agreements relating to the provision of information technology and related services by third parties;
- the ability of the Company to successfully manage tax, regulatory, product liability, intellectual property, environmental and other legal matters, including the risk resulting from joint and several liability for environmental contingencies; and
- the Company's ability to maintain its business reputation and the reputation of its brands.

The Company's forward looking statements in this Report are based on management's current views and assumptions regarding future events and speak only as of their dates. The Company undertakes no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise, except as required by the federal securities laws.

In this Report, unless the context requires otherwise, the terms "the Company" and "Clorox" refer to The Clorox Company and its subsidiaries.

ITEM 1. BUSINESS

Overview of Business

The Company is a leading manufacturer and marketer of consumer products with fiscal year 2009 net sales of $5.5 billion. The Company sells its products primarily through mass merchandisers, grocery stores and other retail outlets. It markets some of consumers' most trusted and recognized brand names, including its namesake bleach and cleaning products, Green Works™ natural cleaners and laundry products, Poett® and Mistolín® cleaning products, Armor All® and STP® auto-care products, Fresh Step® and Scoop Away® cat litter, Kingsford® charcoal, Hidden Valley® and K C Masterpiece® dressings and sauces, Brita® water-filtration systems, Glad® bags, wraps and containers, and Burt's Bees® natural personal care products. With approximately 8,300 employees worldwide, the Company manufactures products in more than two dozen countries and markets them in more than 100 countries. The Company was founded in Oakland, Calif., in 1913 and is incorporated in Delaware.

The Company has developed a strategy to guide it through its 100-year anniversary in 2013. The Company's Centennial Strategy is focused on creating value by investing in new and existing categories, sales channels and countries with profitable growth potential, particularly those categories aligned with global consumer trends in the areas of health and wellness, sustainability, affordability and a more multicultural marketplace. It uses economic profit to drive enhanced performance, portfolio choices and resource allocation. Economic profit represents profit generated over and above the cost of capital used by the business to generate that profit. For information on recent business developments, refer to the information set forth under the caption “Executive Overview - Fiscal Year 2009 Summary” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” on pages 1 through 3 of Exhibit 99.1 hereto, incorporated herein by reference.

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Financial Information About Operating Segments and Principal Products

Beginning with fiscal year 2009, the Company’s segment reporting has been modified and prior periods were updated to conform to the current year’s presentation of segments. The Company operates through strategic business units which are aggregated into four reportable segments: Cleaning, Lifestyle, Household and International. The four reportable segments consist of the following:

- Cleaning consists of laundry, home-care, professional products and auto-care products marketed and sold in the United States. Products within this segment include laundry additives, including bleaches, under the Clorox® and Clorox 2® brands; home-care products, primarily under the Clorox® , Formula 409®, Liquid-Plumr® , Pine-Sol® , S.O.S® and Tilex® brands; natural cleaning and laundry products under the Green Works™ brand; and auto-care products primarily under the Armor All® and STP® brands.
- Lifestyle consists of food products and water-filtration systems and filters marketed and sold in the United States and all natural personal care products. Products within this segment include dressings and sauces, primarily under the Hidden Valley® and K C Masterpiece® brands; water-filtration systems and filters under the Brita® brand; and all natural personal care products under the Burt’s Bees® brand.
- Household consists of charcoal, cat litter and plastic bags, wraps and container products marketed and sold in the United States. Products within this segment include plastic bags, wraps and containers, under the Glad® brand; cat litter products, under the Fresh Step®, Scoop Away ® and Ever Clean® brands; and charcoal products under the Kingsford® and Match Light® brands
- International consists of products sold outside the United States. These products include home-care, laundry, auto-care, water filtration, charcoal and cat litter products, dressings, plastic bags, wraps and containers, and insecticides, primarily under the Clorox®, Javex®, Glad®, PinoLuz®, Ayudin®, Limpido®, Clorinda®, Poett®, Mistolin®, Lestoil®, Bon Bril®, Nevex®, Brita®, Armor All®, STP®, Green Works®, Sabra®, Pine-Sol® and Agua Jane® , Ever Clean®, Chux®, Kingsford®, and Hidden Valley® brands.

The Company has three product lines that have accounted for 10% or more of total consolidated net sales during each of the past three fiscal years. In fiscal years 2009, 2008 and 2007, respectively, sales of liquid bleach represented approximately 13%, 14% and 14% of the Company’s total consolidated net sales. In fiscal years 2009, 2008 and 2007, respectively, sales of trash bags represented approximately 12%, 13% and 14% of the Company’s total consolidated net sales. In fiscal years 2009, 2008 and 2007 sales of charcoal represented approximately 10% of the Company’s total consolidated net sales.

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Information for the last three fiscal years about the results of each of the Company’s reportable segments and identifiable assets as of the end of the last two fiscal years, reconciled to the consolidated results, are set forth below. Historical segment financial information presented herein has been revised to reflect the new reportable segments.

(Millions)	Fiscal Year	Cleaning	Lifestyle	Household	International	Corporate (1)	Total Company
Net sales	2009	$ 1,836	$ 813	$ 1,726	$ 1,075	$ -	$ 5,450
	2008	1,817	676	1,698	1,082	-	5,273

	2007	1,781	511	1,636	919	-	4,847
Earnings (losses) from continuing operations before income taxes	2009	410	270	289	140	(298)	811
	2008	360	205	225	177	(274)	693
	2007	392	186	225	170	(230)	743
Identifiable assets	2009	1,043	1,316	724	895	598	4,576
	2008	1,026	1,313	789	958	626	4,712

(1) Corporate includes certain nonallocated administrative costs, interest income, interest expense and certain other nonoperating income and expense. Corporate assets include cash and cash equivalents, the Company’s headquarters and research and development facilities, information systems hardware and software, pension balances, and other investments.

Principal Markets and Methods of Distribution

Most of the Company’s products are nationally advertised and sold within the United States to mass merchandisers, warehouse clubs, and dollar, military and other types of retail stores primarily through a direct sales force, and to grocery stores and grocery wholesalers primarily through a combination of direct sales teams and a network of brokers. Within the United States, the Company also sells institutional, janitorial, healthcare and food-service versions of many of its products through distributors, as well as natural personal care products through the internet. Outside the United States, the Company sells products to the retail trade through subsidiaries, licensees, distributors and joint-venture arrangements with local partners.

Financial Information about Foreign and Domestic Operations

For detailed financial information about the Company’s foreign and domestic operations, including net sales and long-lived assets by geographic area, see Note 22 – *Segment Reporting* of the Notes to Consolidated Financial Statements beginning on page 60 of Exhibit 99.1 hereto.

Sources and Availability of Raw Materials

The Company purchases raw material from numerous unaffiliated domestic and international suppliers, some of which are sole suppliers. Interruptions in the delivery of these materials or services could adversely impact the Company. Key raw materials used by the Company include resin, jet fuel, chlor-alkali, corrugate, agricultural commodities and other raw materials. Sufficient raw materials were available during fiscal year 2009 and costs for materials continue to be volatile. The Company experienced significant commodity cost pressures, particularly in the first half of fiscal year 2009, and experienced some decline in commodity costs during the second half of the fiscal year. The Company generally utilizes supply and forward-purchase contracts to help ensure availability and help manage the volatility of the pricing of raw materials needed in its operations. However, the Company is nonetheless highly exposed to changes in the price of commodities used as raw materials in the manufacturing of its products. For further information regarding the impact of changes in commodity prices, see “Quantitative and Qualitative Disclosure about Market Risk” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on pages 16 through 17 of Exhibit 99.1 hereto and “Risk Factors – Price increases in raw materials, energy, transportation and other necessary supplies or services could harm the Company’s profits” in Item 1.A.

Patents and Trademarks

Most of the Company's brand name consumer products are protected by registered trademarks. Its brand names and trademarks are highly important to its business, and the Company pursues a course of vigorous action against apparent infringements. Maintenance of brand equity value is critical to the Company's success. The Company's patent rights are also material to its business and are asserted, where appropriate, against apparent infringements.

Seasonality

Most sales of the Company's charcoal products occur in the first six months of each calendar year. A moderate seasonality trend also occurs in the net sales of the Company's Burt's Bees® natural personal care products, with slightly more than half of the annual net sales occurring during the months of October through March. Operating cash flow is used to build inventories of those products in the off-season.

Customers and Order Backlog

In each of fiscal years 2009, 2008 and 2007 net sales to the Company's largest customer, Wal-Mart Stores, Inc. and its domestic and international affiliates, were 27%, 26% and 26%, respectively, of the Company's total consolidated net sales. Order backlog is not a significant factor in the Company's business.

Competition

The markets for consumer products are highly competitive. Most of the Company's products compete with other nationally advertised brands within each category and with "private label" brands and "generic" nonbranded products in certain categories. Competition is encountered from similar and alternative products, some of which are produced and marketed by major multinational or national companies having financial resources greater than those of the Company. Depending on the product, the Company's products compete on product performance, brand recognition, price, value or other benefits to consumers. A newly introduced consumer product (whether improved or newly developed) usually encounters intense competition requiring substantial expenditures for advertising, sales promotion and trade merchandising support. If a product gains consumer acceptance, it normally requires continued advertising and promotional support and ongoing product improvement to maintain its relative market position.

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Research and Development

The Company conducts research and development primarily at its Technical Center in Pleasanton, Calif. and also conducts research and development activities in Kennesaw, Ga.; Cincinnati, Oh; Willowbrook, Ill.; and Buenos Aires, Argentina. The Company devotes significant resources and attention to product development, process technology and consumer insight research to develop consumer-preferred products with innovative and distinctive features. The Company incurred expenses of $114 million, $111 million and $108 million in fiscal years 2009, 2008 and 2007, respectively, on direct research activities relating to the development of new products or the maintenance and improvement of existing products. In addition, the Company also obtains technologies for use in its products from third parties. Royalties relating to such technologies are reflected in the Company's cost of sales. For further information regarding the Company's research and development costs, see "Research and development costs" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 6 of Exhibit 99.1 hereto.

Environmental Matters

For information regarding noncapital expenditures related to environmental matters, see the discussions below under "Risk Factors — Environmental matters create potential liability risks" in Item 1.A. No material capital expenditures relating to environmental compliance are presently anticipated.

Number of Persons Employed

At June 30, 2009, the Company employed approximately 8,300 people.

Available Information

The Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Sections 13(a) or 15(d) of the Exchange Act are available on the Company's Internet Web site, free of charge, as soon as reasonably practicable after the reports are electronically filed with or furnished to the SEC. These reports are available at www.thecloroxcompany.com under Investors/Financial Information/SEC Filings. Information relating to corporate governance at Clorox, including the Company's Code of Conduct, Board of Directors Governance Guidelines and Board Committee charters, including charters for the Management Development and Compensation Committee, the Audit Committee, the Finance Committee and the Nominating and Governance Committee, is available at www.thecloroxcompany.com under Company Information/Corporate Governance. The Company will provide any of the foregoing information without charge upon written request to Corporate Communications, The Clorox Company, 1221 Broadway, Oakland, CA 94612-1888. The information contained on the Company's Internet Web site is not included as a part of, or incorporated by reference into, this Report.

ITEM 1.A. RISK FACTORS

The following risks and uncertainties, as well as other factors described elsewhere in this Report or in other filings by the Company with the SEC, could adversely affect the Company's business, financial condition and results of operations. Additional risks and uncertainties that are not currently known to the Company or that are not currently believed by the Company to be material may also harm the Company's business operations and financial results.

- the impact of general economic conditions in the United States and in other countries in which the Company currently does business;
- the impact of currency fluctuations;
- significant increases in the costs of energy and transportation, including the cost of diesel, or of key raw materials, including but not limited to resin, chlor-alkali, corrugate, agricultural commodities and other raw materials;
- the availability and cost of debt financing;
- changes to cash flow resulting from the Company's operating results, tax settlement payments, debt repayments and share repurchases;

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- fluctuations in federal, state, local and foreign taxes;
- the ability of the Company to successfully execute its strategies, including its Centennial Strategy;
- expenses for impairment and obsolescence of property, plant and equipment in excess of projections;
- expenses for impairment of goodwill, trademarks and other intangible assets and equity investments in excess of projections;
- the introduction of new products and line extensions by the Company or its competitors;
- the impact of potential emerging technologies on the Company's existing product lines, including any potential future obsolescence;
- consumer and customer reaction to price increases;
- changes in product pricing by the Company or its competitors;
- the impact of customer inventory reductions or shelf simplification initiatives;
- the mix of products sold within different channels and countries with varying profitability in a given quarter;
- the ability of the Company to manage inventory at appropriate levels, including decisions regarding obsolescence;
- the ability to attract and retain qualified personnel;
- charges resulting from any restructuring that management may, from time to time, choose to undertake;
- the impact of changing accounting principles and standards;

- expenses for impairment of goodwill, trademarks and other intangible assets and equity investments in excess of projections;
- the effectiveness of the Company□s advertising, marketing and promotional programs;
- the Company□s ability to control internal costs and generate expected cost savings and efficiencies;
- the ability of the Company to achieve its business plans, including volume growth and pricing plans, as a result of high levels of competitive activity;
- the ability of the Company to penetrate and grow international markets;
- the ability of the Company to maintain key retail customer relationships;
- the impact of potential emerging technologies on the Company□s existing product lines, including any potential future obsolescence;
- significant increases in interest rates, insurance costs, or in pension, healthcare or other employee benefit costs;
- the ability to attract and retain qualified personnel;
- the impact of changes in the market value of investments, including those investments held in the Company□s pension plan, and any resulting funding requirements;
- the ability of the Company to successfully manage regulatory, tax and legal matters, including the resolution of pending matters within current estimates;
- the impact of any litigation or product liability claims;
- the impact of environmental remediation costs, including those for which the Company is jointly and severally liable;
- the ability of the Company to maintain the value and reputation of its brands;
- the ability of the Company to maintain key retail customer relationships;
- the effectiveness of the Company□s advertising, marketing and promotional programs;
- the ability of the Company to maintain and enhance profits in the face of a consolidating retail environment;
- the ability of the Company to penetrate and grow international markets; and
- the impact of foreign import and export restrictions or other trade regulations.

In addition, sales volume growth, whether due to acquisitions or to internal growth, can burden management resources and financial controls that, in turn, can have a negative impact on operating results and net earnings. To some extent, the Company sets its expense levels in anticipation of future revenues. If actual revenue falls short of these expectations, operating results and net earnings are likely to be adversely affected.

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The Company faces intense competition in its markets, which could lead to reduced profitability.

The Company faces intense competition from consumer product companies both in the U.S. and in its international markets. Most of the Company□s products compete with other widely-advertised brands within each product category and with □private label□ brands and □generic□ nonbranded products of grocery chains and wholesale cooperatives in certain categories, which typically are sold at lower prices.

The Company□s products generally compete on the basis of product performance, brand recognition, price, value or other benefits to consumers. Advertising, promotion, merchandising and packaging also have a significant impact on consumer purchasing decisions. A newly introduced consumer product (whether improved or newly developed) usually encounters intense competition requiring substantial expenditures for advertising, sales promotion and trade merchandising. If a product gains consumer acceptance, it normally requires continued advertising, promotional support and product improvements to maintain its relative market position.

Some of the Company□s competitors are larger and have financial resources greater than those of the Company. These competitors may be able to spend more aggressively on advertising and promotional activities, introduce competing products more quickly and respond more effectively to changing business and economic conditions than the Company can. In addition, the Company□s competitors may attempt to gain market share by offering products at prices at or below those typically offered by the Company. Competitive activity may require the Company to increase its spending on advertising and promotions or reduce prices and could lead to reduced profits and could adversely affect growth.

Unfavorable general economic conditions and financial market volatility may negatively impact the Company's financial performance and liquidity.

Although the Company continues to devote significant resources to support its brands, unfavorable economic conditions may negatively affect consumer demand for the Company's products. Consumers may reduce discretionary spending due to economic uncertainty or unfavorable economic conditions and this may lead to reduced sales volumes or cause a shift in the Company's product mix from higher margin to lower margin products. Consumers may increase purchases of lower-priced or non-branded products and the Company's competitors may increase levels of promotional activity for lower-priced products as they seek to maintain sales volumes during the downturn.

In addition, global financial markets have experienced unprecedented disruptions during fiscal year 2009 and continuing volatility could harm the Company's business. Although the Company currently generates significant cash flows from ongoing operations and has access to global credit markets through its financing activities and existing credit facilities, if the current credit conditions were to worsen, the Company might not be able to access credit markets on favorable terms, which could adversely affect the Company's ability to borrow. Financial market volatility and unfavorable economic conditions may also adversely affect the financial condition of our customers, suppliers and other business partners. In addition, the decline in the equity markets and the valuation of other assets precipitated by the credit crisis and financial system disruptions has affected the value of the Company's pension plan assets. The lower pension plan asset base has negatively affected the return on plan assets, increased the Company's pension expense and required additional pension funding. If current market conditions worsen or continue for a prolonged period of time, it could have an additional negative impact on future pension expense and cash flow.

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Sales growth may be difficult to achieve.

A large percentage of the Company's revenues comes from mature markets that are subject to increased competition. During fiscal year 2009, approximately 80% of the Company's net sales were generated in U.S. markets. U.S. markets for household products are considered mature and are generally characterized by high household penetration. The Company's ability to achieve sales growth will depend on its ability to drive growth through innovation, investment in its established brands and enhanced merchandising and its ability to capture market share from competitors. In addition, price increases may slow sales growth or create declines in sales in the short term as consumers adjust to price increases. If the Company is unable to increase market share in existing product lines, develop product improvements, undertake sales, marketing and advertising initiatives that grow its product categories, and develop, acquire or successfully launch new products, it may not achieve its sales growth objectives.

Operations outside the United States expose the Company to foreign exchange rate risk, uncertain conditions and other risks in international markets.

The Company is exposed to foreign currency exchange rate risk with respect to its sales, profits, assets and liabilities denominated in currencies other than the U.S. dollar. Although the Company uses instruments to hedge certain foreign currency risks, these hedges only offset a small portion of the Company's exposure to foreign currency fluctuations and its reported earnings may be affected by changes in foreign exchange rates. Moreover, any favorable impacts to profit margins or financial results from fluctuations in foreign currency exchange rates are likely to be unsustainable over time.

In addition to foreign exchange rate risks, the Company faces and will continue to face substantial risks associated with having foreign operations, including:

- economic or political instability in its international markets, particularly in Latin America;
- difficulty in obtaining U.S. dollars to pay for the raw materials needed to manufacture the Company's products, particularly in Venezuela;
- restrictions on or costs relating to the repatriation of foreign profits to the United States, including possible taxes or withholding obligations on any repatriations; and
- the imposition of tariffs, trade restrictions or other governmental actions.

These risks could have a significant impact on the Company's ability to sell its products on a competitive basis in international markets and may have a material adverse effect on its results of operations or financial position. The Company's small sales volume in some countries, relative to some multinational and local competitors, could exacerbate such risks.

Also, the Company's operations outside the United States are subject to risks relating to compliance with legal and regulatory requirements in local jurisdictions, potential difficulties in staffing and managing local operations, potentially higher incidence of fraud or corruption, credit risk of local customers and distributors, and potentially adverse tax consequences.

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The Company may not successfully develop and introduce new products and line extensions.

The Company's future performance and growth depends on its ability to successfully develop and introduce new products and line extensions. The Company cannot be certain that it will successfully achieve those goals. The development and introduction of new products requires substantial and effective research, development and marketing expenditures, which the Company may be unable to recoup if the new products do not gain widespread market acceptance. New product development and marketing efforts, including entering markets or product categories in which the Company has limited or no prior experience, have inherent risks. These risks include product development or launch delays, which could result in the Company not being first to market, the failure of new products and line extensions to achieve anticipated levels of market acceptance, and the cost of failed product introductions.

Dependence on key customers could adversely affect the Company's business, financial condition and results of operations.

A limited number of customers account for a large percentage of the Company's net sales. The Company's largest customer, Wal-Mart Stores, Inc. and its domestic and international affiliated companies, accounted for approximately 27%, 26% and 26% of the Company's net sales during fiscal years 2009, 2008 and 2007. During fiscal years 2009, 2008, and 2007, the Company's five largest customers accounted for 43%, 42% and 42%, respectively, of its total consolidated net sales. The Company expects that a significant portion of its revenues will continue to be derived from a small number of customers. As a result, changes in the strategies of the Company's largest customers, including shelf simplification or a reduction in the number of brands they carry or a shift of shelf space to "private-label" or competitors' products, may harm the Company's sales.

In addition, the Company's business is based primarily upon individual sales orders, and the Company typically does not enter into long-term contracts with its customers. Accordingly, these customers could reduce their purchasing levels or cease buying products from the Company at any time and for any reason. If the Company does not effectively respond to the demands of its customers, they could decrease their purchases from the Company, causing the Company's sales and profits to decline. In recent years, the Company has seen increasing retailer consolidation both in the U.S. and internationally. This trend has resulted in the increased size and influence of large consolidated retailers, who may demand lower pricing or special packaging, or impose other requirements on product suppliers. These business demands may relate to inventory practices, logistics, or other aspects of the customer-supplier relationship. If the Company ceases doing business with a significant customer or if sales of its products to a significant customer materially decrease, the Company's business, financial condition and results of operations may be harmed.

The Company's financial results could suffer if the Company is unable to implement its strategies or if the Company's strategies do not achieve the intended effects.

There is no assurance that the Company will be able to implement its strategies, including its Centennial Strategy, or will achieve its intended growth targets. If the Company is unable to implement its strategies in accordance with its expectations, the Company's financial results could be adversely affected. Moreover, the Company cannot be certain that implementation of its strategies will necessarily advance the Company's business or financial results.

Profitability could suffer if the Company is unable to generate anticipated savings and efficiencies, including through its supply chain restructuring and operating model changes.

The Companys success and profitability depend on efficient manufacture and production of products. Beginning in fiscal year 2008, the Company began a supply chain restructuring involving closing certain domestic and international manufacturing facilities and redistributing production between the remaining facilities and third-party producers to optimize available capacity and reduce operating costs. Gaining additional efficiencies may become increasingly difficult over time and any failure to successfully execute such changes may result in supply chain interruption, which may negatively impact product volume and margins. In addition, one of the Companys key strategies is to reduce waste, lower costs and increase productivity. The Company sets aggressive annual cost savings targets in support of this strategy. Failure to reduce costs through productivity gains and operating model efficiencies could adversely affect profitability.

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Price increases in raw materials, energy, transportation and other necessary supplies or services could harm the Companys profits.

Increases in the cost of raw materials, including resin, chlor-alkali, linerboard, soybean oil, solvent, natural oils, corrugate and other chemicals and agricultural commodities, or increases in the cost of energy, transportation and other necessary services, including the cost of diesel, may harm the Companys profits and operating results. If price increases for any of the primary raw materials or other necessary supplies or services occur and the Company is not able to increase the prices of its products or achieve cost savings to offset such price increases, its profits and operating results will be harmed. In addition, if the Company increases the prices of its products in response to increases in the cost of commodities, and the commodity costs decline, the Company may not be able to sustain its price increases over time. Sustained price increases may lead to declines in volume, and while the Company seeks to project tradeoffs between price increases and volume, its projections may not accurately predict the volume impact of price increases.

For further information regarding the impact of changes in commodity prices, see Quantitative and Qualitative Disclosure about Market Risk in Managements Discussion and Analysis of Financial Condition and Results of Operations on pages 16 through 17 of Exhibit 99.1 hereto, incorporated herein by reference.

Reliance on a limited base of suppliers may result in disruption to the Companys business.

The Company relies on a limited number of suppliers, including sole suppliers for certain of its raw materials, packaging, product components, finished products and other necessary supplies. If the Company is unable to maintain supplier arrangements and relationships, or if it is unable to contract with suppliers at the quantity and quality levels needed for its business, or if any of the Companys key suppliers becomes insolvent or experiences other financial distress, the Company could experience disruptions in production and its financial results could be adversely affected.

Acquisitions and new venture investments may not be successful.

In connection with the Companys Centennial Strategy, the Company may seek to increase growth through acquisitions. Not only is the identification of good acquisition candidates difficult and competitive, but these transactions also involve numerous risks, including the ability to:

- successfully integrate acquired companies, products or personnel into the Companys existing business;
- achieve expected synergies and obtain the desired financial or strategic benefits from acquisitions;
- retain key relationships with employees, customers, partners and suppliers of acquired companies; and
- maintain uniform standards, controls, procedures and policies throughout acquired companies.

Companies or operations acquired or joint ventures created may not be profitable or may not achieve sales levels and profitability that justify the investments made. Future acquisitions could also result in potentially dilutive issuances of equity securities, the incurrence of debt, the assumption of contingent liabilities, the increase in amortization expenses related to certain intangible assets and increased operating expenses, which could adversely affect the Company's results of operations and financial condition. Future acquisitions of foreign companies would increase the Company's exposure to foreign exchange risks. In addition, to the extent that the economic benefits associated with any of the Company's acquisitions diminish in the future, the Company may be required to record additional write-downs of goodwill, intangible assets or other assets associated with such acquisitions, which could adversely affect its operating results.

In November 2007, the Company acquired Burt's Bees Inc., a leading manufacturer and marketer of natural personal care products, for an aggregate purchase price of $913 million (excluding $25 million of associated tax benefits). There is no assurance that the Company will be able to achieve the sales and profit growth or increased distribution in the Burt's Bees business that management has projected.

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Additional government regulations could impose material costs.

Generally, the manufacture, packaging, labeling, storage, distribution and advertising of the Company's products and the conduct of its business operations must all comply with extensive federal, state and foreign laws and regulations. For example, in the United States, many of the Company's products are regulated by the Environmental Protection Agency, the Food and Drug Administration and the Consumer Product Safety Commission and the Company's product claims and advertising are regulated by the Federal Trade Commission. In addition, security at certain of our facilities is regulated by the Department of Homeland Security. Most states have agencies that regulate in parallel to these federal agencies. In addition, the Company's international operations are subject to regulation in each of the foreign jurisdictions in which it manufactures or distributes its products. If the Company is found to be out of compliance with applicable laws and regulations in these or other areas, it could be subject to civil remedies, including fines, injunctions, recalls or asset seizures, as well as potential criminal sanctions, any of which could have a material adverse effect on its business. Loss of or failure to obtain necessary permits and registrations could delay or prevent the Company from meeting current product demand, introducing new products, building new facilities or acquiring new businesses and could adversely affect operating results, particularly with respect to its charcoal business. It is possible that the federal government will increase regulation of the transportation, storage or use of certain chemicals to enhance homeland security or protect the environment and that such regulation could negatively impact the Company's ability to obtain raw material or increase costs. In addition, pending legislative initiatives, such as in the areas of healthcare reform, taxation of foreign profits and corporate governance and executive compensation, could also increase the Company's costs.

Product liability claims could adversely affect the Company's sales and operating results.

The Company may be required to pay for losses or injuries purportedly caused by its products. Claims could be based on allegations that, among other things, the Company's products contain contaminants or provide inadequate instructions regarding their use, or inadequate warnings concerning interactions with other substances or damage property. Product liability claims could result in negative publicity that could harm the Company's sales and operating results. In addition, if one of the Company's products is found to be defective, the Company could be required to recall it, which could result in adverse publicity and significant expenses. Although the Company maintains product liability insurance coverage, potential product liability claims may exceed the amount of insurance coverage or certain product liability claims may be excluded under the terms of the policy.

Environmental matters create potential liability risks.

The Company must comply with various environmental laws and regulations in the jurisdictions in which it operates, including those relating to air emissions, water discharges, the handling and disposal of solid and hazardous wastes and the remediation of contamination associated with the use and disposal of hazardous substances. The Company is currently involved in or has potential liability with respect to the remediation of past contamination in the operation of some of its currently and formerly owned and leased facilities. In addition, some of its present and former facilities have been or had been in operation for many years and, over that time, some of these facilities may have used substances or generated and disposed of wastes that are or may be considered hazardous. It is possible that those sites, as well as disposal sites owned by third parties to whom the Company has sent waste, may in the future be identified and become the subject of remediation. It is possible that the Company could become subject to additional environmental liabilities in the future that could result in a material adverse effect on its results of operations or financial condition.

At June 30, 2009, the Company had a recorded liability of $19 million for its future remediation costs. One matter in Dickinson County, Michigan, for which the Company is jointly and severally liable, accounts for a substantial majority of the recorded liability. The Company is subject to a cost-sharing arrangement with Ford Motor Co. (Ford) for this matter, under which the Company has agreed to be liable for 24.3% of the aggregate remediation and associated costs, other than legal fees, as it and Ford are each responsible for their own such fees. If Ford is unable to pay its share of the response and remediation obligations, the Company would likely be responsible for such obligations. In October 2004, the Company and Ford agreed to a consent judgment with the Michigan Department of Environmental Quality, which sets forth certain remediation goals and monitoring activities. Based on the current status of this matter, and with the assistance of environmental consultants, the Company maintains an undiscounted liability representing its best estimate of its share of costs associated with the capital expenditures, maintenance and other costs to be incurred over an estimated 30-year remediation period. The most significant components of the liability relate to the estimated costs associated with the remediation of groundwater contamination and excess levels of subterranean methane deposits. Currently, the Company cannot accurately predict the timing of the payments that will likely be made under this estimated obligation. In addition, the estimated loss exposure is sensitive to a variety of uncertain factors, including the efficacy of remediation efforts, changes in remediation requirements and the timing, varying costs and alternative clean-up technologies that may become available in the future. Although it is possible that the Companys exposure may exceed the amount recorded, any amount of such additional exposures, or range of exposures, is not estimable at this time.

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The Company also handles and/or transports hazardous substances, including but not limited to chlorine, at its plant sites, including the rail transit of liquid chlorine from its point of origin to the Companys manufacturing facilities. A release of such chemicals, whether in transit or at our facilities, due to accident or an intentional act, could result in substantial liability. The Company has incurred, and will continue to incur, significant capital and operating expenditures and other costs in complying with environmental laws and regulations and in providing physical security for its worldwide operations, and such expenditures reduce the cash flow available to the Company for other purposes.

Failure to maximize, successfully assert or successfully defend the Companys intellectual property rights could impact its competitiveness.

The Company relies on intellectual property rights based on trademark, trade secret, patent and copyright laws to protect its brands, its products, and the packaging for those products. The Company cannot be certain that these intellectual property rights will be maximized or that they can be successfully asserted. There is a risk that the Company will not be able to obtain and perfect its own intellectual property rights or, where appropriate, license intellectual property rights necessary to support new product introductions. The Company cannot be certain that these rights, if obtained, will not later be invalidated, circumvented or challenged, and the Company could incur significant costs in connection with legal actions to assert its intellectual property rights, or to defend those rights from assertions of invalidity. In addition, even if such rights are obtained in the United States, the laws of some of the other countries in which the Companys products are or may be sold do not protect intellectual property rights to the same extent as the laws of the United States. If other parties infringe the Companys intellectual property rights, they may dilute the value of the Companys brands in the marketplace, which could diminish the value that consumers associate with the Companys brands and harm its sales. The failure to perfect or successfully assert its intellectual property rights could make the Company less competitive and could have a material adverse effect on its business, operating results and financial condition.

If the Company is found to have infringed the intellectual property rights of others or cannot obtain necessary intellectual property rights from others, its competitiveness could be negatively impacted.

If the Company is found to have violated the trademark, trade secret, copyright, patent or other intellectual property rights of others, such a finding could result in the need to cease use of a trademark, trade secret, copyrighted work or patented invention in the Companys business and the obligation to pay a substantial amount for past infringement. In some instances, the Company may not be able to obtain the intellectual property rights necessary to support new product introductions or on-going sales. It could also be necessary to pay a substantial amount in the future for rights if holders are willing to permit the Company to continue to use the intellectual property rights. Either having to cease use or pay such amounts could make the Company less competitive and could have a material adverse impact on its business, operating results and financial condition.

The Companys substantial indebtedness could adversely affect its operations and financial results and prevent the Company from fulfilling its obligations.

The Company has a significant amount of indebtedness. As of June 30, 2009, the Company had $3.1 billion of debt. The Companys substantial indebtedness could have important consequences. For example, it could:

- make it more difficult for the Company to satisfy its cash obligations;
- increase the Companys vulnerability to general adverse economic and industry conditions;
- limit the Companys ability to fund potential acquisitions;
- require the Company to dedicate a substantial portion of its cash flow from operations to payments on its indebtedness, which would reduce the availability of its cash flow to fund working capital requirements, capital expenditures, expansion efforts and other general corporate purposes;
- limit the Companys flexibility in planning for, or reacting to, changes in its business and the industry in which it operates;

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- place the Company at a competitive disadvantage compared to its competitors that have less debt; and
- limit, along with the financial and other restrictive covenants in the Companys indebtedness, among other things, its ability to borrow additional funds. Failure to comply with these covenants could result in an event of default that, if not cured or waived, could have a significant adverse effect on the Company.

The Company may not have sufficient cash to service its indebtedness and pay cash dividends.

The Companys ability to repay and refinance its indebtedness and to fund capital expenditures depends on the Companys cash flow. In addition, the Companys ability to pay cash dividends depends on cash flow and net profits (as defined by Delaware law). The Companys cash flow and net profits are often subject to general economic, financial, competitive, legislative, regulatory and other factors beyond the Companys control, and such factors may limit the Companys ability to repay indebtedness and pay cash dividends.

The Company may incur substantially more debt, which could further exacerbate the risks described above.

The Company may incur substantial additional indebtedness in the future to fund acquisitions, to repurchase shares or to fund other activities for general business purposes, subject to compliance with the Companys existing restrictive debt covenants. As of June 30, 2009, the Company could add approximately $600 million in incremental debt and remain in compliance with restrictive debt covenants. If new debt is added to the current debt levels, the related risks that the Company now faces could intensify. In addition, the cost of incurring additional debt could increase due to possible additional downgrades in the Companys credit rating.

The facilities of the Company and its suppliers are subject to disruption by events beyond the Companys control.

Operations at the facilities of the Company and its suppliers are subject to disruption for a variety of reasons, including work stoppages, disease outbreaks or pandemics, acts of war, terrorism, , fire, earthquakes, flooding or other natural disasters. In addition, the Companys corporate headquarters and Technical Center are located near major earthquake fault lines in California. If a major disruption were to occur, it could result in harm to people or the natural environment, temporary loss of access to critical data, delays in shipments of products to customers or suspension of operations.

The Companys continued growth and expansion and increasing reliance on third party service providers could adversely affect its internal control over financial reporting, which could harm its business and financial results.

Clorox management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with accounting principles generally accepted in the United States. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of the Company's financial statements would be prevented or detected. The Company's continuing growth and expansion in domestic and globally dispersed markets will place significant additional pressure on the Company's system of internal control over financial reporting. Moreover, the Company increasingly engages the services of third parties to assist with business operations and financial reporting processes, which inserts additional monitoring obligations and risk into the system of internal control. Any failure to maintain an effective system of internal control over financial reporting could limit the Company's ability to report its financial results accurately and on a timely basis or to detect and prevent fraud.

Harm to the Company's reputation or the reputation of one or more of its leading brands could have an adverse effect on the business.

Maintaining a strong reputation with consumers, customers and trade partners is critical to the success of the Company's business. The Company devotes significant time and resources to programs designed to protect and preserve the Company's reputation and the reputation of its brands. These programs include ethics and compliance, sustainability, and product safety and quality initiatives, among others. Despite these efforts, adverse publicity about the Company, including product safety or quality or similar concerns, whether real or perceived, could harm the Company's image and result in an adverse effect on its business, as well as require resources to rebuild its reputation.

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Resolutions of tax disputes may impact the Company's earnings and cash flow.

Significant judgment is required in determining the Company's effective tax rate and in evaluating its tax positions. On July 1, 2007, the Company adopted FASB Interpretation No. (FIN) 48, *Accounting for Uncertainty in Income Taxes – an Interpretation of Financial Accounting Standards Board Statement No. 109*. The Company provides for uncertain tax positions when such tax positions do not meet the recognition thresholds or measurement standards prescribed by FIN 48. Changes to uncertain tax positions, including related interest and penalties, impact the Company's effective tax rate. When particular tax matters arise, a number of years may elapse before such matters are audited and finally resolved. Favorable resolution of such matters could be recognized as a reduction to the Company's effective tax rate in the year of resolution. Unfavorable resolution of any tax matter could increase the effective tax rate. Any resolution of a tax issue may require the use of cash in the year of resolution. For additional information, refer to the information set forth in Note 20 - *Income Taxes* of the Notes to Consolidated Financial Statements beginning on page 53 of Exhibit 99.1 hereto, incorporated herein by reference.

ITEM 1.B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Production and Distribution Facilities

The Company owns or leases and operates 23 manufacturing facilities in North America and owns and operates 17 manufacturing facilities outside North America. The Company also leases seven regional distribution centers in North America and several other warehouse facilities. Management believes the Company's production and distribution facilities, together with additional facilities owned or leased and operated by various unaffiliated finished product suppliers and distribution center service providers that serve the Company, are adequate to support the business efficiently and that the Company's properties and equipment have generally been well maintained. The Company has announced a supply chain restructuring that it expects to complete by fiscal year 2012, which involves closing certain domestic and international manufacturing facilities. For additional information, see Restructuring and asset impairment costs in Managements Discussion and Analysis of Financial Condition and Results of Operations on pages 6 through 8 of Exhibit 99.1 hereto, incorporated herein by reference.

Offices and Research and Development Facilities

The Company owns its general office building located in Oakland, Calif., its Technical Center and Data Center located in Pleasanton, Calif. and its research and development facility at its plant in Buenos Aires, Argentina. The Company also leases certain research and development centers and engineering research facilities in Willowbrook, Ill., and Kennesaw, Ga. Leased sales and other facilities are located at a number of other locations.

Encumbrances

None of the Companys owned facilities are encumbered to secure debt owed by the Company.

ITEM 3. LEGAL PROCEEDINGS

The Company is subject to various lawsuits and claims relating to issues such as contract disputes, product liability, patents and trademarks, advertising, employee and other matters. Although the results of claims and litigation cannot be predicted with certainty, it is the opinion of management that the ultimate disposition of these matters, to the extent not previously provided for, will not have a material adverse effect, individually or in the aggregate, on the Companys consolidated financial statements taken as a whole.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

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EXECUTIVE OFFICERS OF THE REGISTRANT

The names, ages, year first elected an executive officer and current titles of each of the executive officers of the Company as of July 31, 2009, are set forth below:

Name	Age	Year First Elected Executive Officer	Title
Donald R. Knauss	58	2006	Chairman of the Board and Chief Executive Officer
Lawrence S. Peiros	54	1999	Executive Vice President and Chief Operating Officer North America
Daniel J. Heinrich	53	2003	Executive Vice President Chief Financial Officer
Frank A. Tataseo	54	2004	Executive Vice President Strategy & Growth, Bags & Wraps and Away from Home
M. Beth Springer	45	2005	Executive Vice President International & Natural Personal Care
Jacqueline P. Kane	57	2004	Senior Vice President Human Resources & Corporate Affairs
Laura Stein	47	2005	Senior Vice President General Counsel
Thomas P. Britanik	51	2009	Senior Vice President Chief Marketing Officer
Wayne L. Delker	55	2009	Senior Vice President Chief Innovation Officer
Benno Dorer	45	2009	Senior Vice President General Manager, Cleaning Division
James Foster	47	2009	Senior Vice President Chief Product Supply Officer
Grant J. LaMontagne	53	2009	Senior Vice President Chief Customer Officer
George Roeth	48	2009	Senior Vice President General Manager, Specialty Division

There is no family relationship between any of the above-named persons, or between any of such persons and any of the directors of the Company. See Item 10 of Part III of this Report for additional information regarding the Companys executive officers.

Donald R. Knauss was elected chairman and chief executive officer of the Company in October 2006. He was executive vice president of The Coca-Cola Company and president and chief operating officer for Coca-Cola North America from February 2004 until August 2006. Previously, he was president of the Retail Division of Coca-Cola North America from January 2003 through February 2004.

Lawrence S. Peiros was elected executive vice president and chief operating officer North America effective January 2007. From January 1999 through January 2007, he served as group vice president household.

Daniel J. Heinrich was elected executive vice president chief financial officer effective June 2009. From July 2004 until June 2009, he served as senior vice president chief financial officer. From October 2003 to June 2004, he served as vice president chief financial officer.

Frank A. Tataseo was elected executive vice president strategy & growth, bags & wraps and away from home effective January 2009. From January 2007 to November 2008, he served as executive vice president - functional operations. From July 2004 through January 2007, he served as group vice president functional operations. He served as senior vice president sales from September 1999 through June 2004.

M. Beth Springer was elected executive vice president - international and natural personal care effective January 2009. She served as executive vice president strategy & growth from January 2007 until January 2009. From January 2005 through January 2007, she served as group vice president specialty. She served as vice president, general manager of Glad Products from October 2002 through December 2004.

Jacqueline P. Kane was elected senior vice president human resources & corporate affairs effective January 2005. She joined the Company as vice president human resources in March 2004 and was elected senior vice president human resources in July 2004. From September 2000 to February 2004, she was employed by Hewlett-Packard Company, most recently as vice president of executive leadership and human resources for corporate functions.

Laura Stein was elected senior vice president general counsel effective January 2005. She also served as secretary from September 2005 through May 2007. From January 2000 through January 2005, she was senior vice president general counsel for H.J. Heinz Company.

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Thomas P. Britanik was elected senior vice president chief marketing officer effective June 2009. He previously held the position of vice president marketing from February 2008 to May 2009. From July 2005 through January 2008, he served as vice president general manager, U.S. auto-care and Brita®. He held vice president positions in the customer capability development and marketing, litter, food & charcoal business units prior to July 2005.

Wayne Delker was elected senior vice president chief innovation officer effective June 2009. He joined the Company in August 1999 as vice president global research & development and served in that position through May 2009.

Benno Dorer was elected senior vice president general manager, cleaning division effective June 2009. From October 2007 to May 2009, he held the title of vice president general manager, cleaning division. He previously held the position of vice president general manager, household division from March 2007 to October 2007. He joined the Company in January 2005 as vice president general manager, Glad® Products and served in that position through March 2007. From January 2003 through January 2005, he was vice president marketing, Glad® joint venture for Procter & Gamble.

James Foster was elected senior vice president chief product supply officer effective June 2009. From April 2009 to May 2009, he served as vice president product supply. From October 2007 through April 2009, he served as vice president manufacturing. He held the position of vice president product supply, specialty products groups from July 2004 through September 2007. From August 2002 through March 2004, he held the position of director, manufacturing charcoal and litter.

Grant J. LaMontagne was elected senior vice president chief customer officer effective June 2009. From July 2004 to May 2009 he served as vice president sales. He held the position of vice president specialty sales, from July 1994 to July 2004.

George Roeth was elected senior vice president general manager, specialty division effective June 2009. He held the title of vice president general manager, specialty division from February 2007 through May 2009. From April 2004 through February 2007, he served as vice president general manager, litter, food & charcoal. He served as vice president growth and marketing from July 2003 through April 2004.

PART II

ITEM 5. MARKET FOR REGISTRANTS COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

The Companys common stock is listed on the New York Stock Exchange. The high and low sales prices quoted for the New York Stock Exchange-Composite Transactions Report for each quarterly period during the past two fiscal years appear in Note 24 *Unaudited Quarterly Data* of the Notes to Consolidated Financial Statements, which appears on page 63 of Exhibit 99.1 hereto, incorporated herein by reference.

Holders

The number of record holders of the Companys common stock as of July 31, 2009, was 12,627 based on information provided by the Companys transfer agent.

Dividends

The amount of quarterly dividends declared with respect to the Companys common stock during the past two fiscal years appears in Note 24 *Unaudited Quarterly Data* of the Notes to Consolidated Financial Statements, which appears on page 63 of Exhibit 99.1 hereto, incorporated herein by reference.

Equity Compensation Plan Information

This information appears in Part III, Item 12 hereof.

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Issuer Purchases of Equity Securities

The following table sets out the purchases of the Companys securities by the Company and any affiliated purchasers within the meaning of Rule 10b-18(a)(3) (17 CFR 240.10b-18(a)(3)) during the fourth quarter of fiscal year 2009.

	[a] Total Number of	[b]	[c] Total Number of Shares (or Units) Purchased as Part of	[d] Maximum Number (or Approximate Dollar Value) of Shares (or

Period	Shares (or Units) Purchased(1)	Average Price Paid per Share (or Unit)	Publicly Announced Plans or Programs	Units that May Yet Be Purchased Under the Plans or Programs(2)
April 1 to 30, 2009	436	$ 55.18		$ 750,000,000
May 1 to 31, 2009	1,788	$ 51.40		$ 750,000,000
June 1 to 30, 2009	3,790	$ 56.39		$ 750,000,000

(1) The shares purchased in April, May and June 2009 relate entirely to the surrender to the Company of shares of common stock to satisfy tax withholding obligations in connection with the vesting of restricted stock and the exercise of stock options.

(2) On May 13, 2008, the board of directors approved a new $750,000,000 share repurchase program, all of which remains available for repurchase as of June 30, 2009. On September 1, 1999, the Company announced a share repurchase program to reduce or eliminate dilution upon the issuance of shares pursuant to the Companys stock compensation plans. The program initiated in 1999 has no specified cap and therefore is not included in column [d] above. On November 15, 2005, the Board of Directors authorized the extension of the 1999 program to reduce or eliminate dilution in connection with issuances of common stock pursuant to the Companys 2005 Stock Incentive Plan. None of these programs has a specified termination date.

ITEM 6. SELECTED FINANCIAL DATA

This information appears under Five-Year Financial Summary, on page 67 of Exhibit 99.1 hereto, incorporated herein by reference.

ITEM 7. MANAGEMENTS DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This information appears under Managements Discussion and Analysis of Financial Condition and Results of Operations, on pages 1 through 23 of Exhibit 99.1 hereto, incorporated herein by reference.

ITEM 7.A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This information appears under Quantitative and Qualitative Disclosure about Market Risk in Managements Discussion and Analysis of Financial Condition and Results of Operations, on pages 16 through 17 of Exhibit 99.1 hereto, incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

These statements and data appear on pages 24 through 63 of Exhibit 99.1 hereto, incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

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ITEM 9.A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Companys management, with the participation of the Companys chief executive officer and chief financial officer, evaluated the effectiveness of the Companys disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures, as of the end of the period covered by this report, were effective such that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to management, including the chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding disclosure.

Changes in Internal Control Over Financial Reporting

There was no change in the Company's internal control over financial reporting that occurred during the Company's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Management's report on internal control over financial reporting is set forth on page 64 of Exhibit 99.1 hereto, and is incorporated herein by reference. The Company's independent registered public accounting firm, Ernst & Young, LLP, has audited the effectiveness of the Company's internal control over financial reporting as of June 30, 2009, and has expressed an unqualified opinion in their report, which appears on page 65 of Exhibit 99.1 hereto.

ITEM 9.B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Pursuant to Instruction 3 to Item 401(b) of Regulation S-K, information regarding the executive officers of the registrant is reported in Part I of this Report.

The Company has adopted a Code of Conduct that applies to its principal executive officer, principal financial officer and controller, among others. The Code of Conduct is located on the Company's Internet Web site at www.thecloroxcompany.com under Company Information/Corporate Governance. The Company intends to satisfy the requirement under Item 5.05 of Form 8-K regarding disclosure of amendments to, or waivers from, provisions of its Code of Conduct by posting such information on the Company's Internet Web site. The Company's Internet Web site also contains its corporate governance guidelines and the charters of its principal board committees.

Information regarding the Company's directors, compliance with Section 16(a) of the Exchange Act and corporate governance set forth in the Proxy Statement are incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information regarding executive compensation and the report of the Compensation Committee of the Company's board of directors set forth in the Proxy Statement are incorporated herein by reference.

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ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information regarding security ownership of certain beneficial owners and management and equity compensation plan information set forth in the Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information regarding certain relationships and related transactions, director independence and securities authorized for issuance under equity compensation plans, set forth in the Proxy Statement, is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information regarding principal accountant fees and services set forth in the Proxy Statement is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)	Financial Statements and Schedules:
	Consolidated Financial Statements and Reports of Independent Registered Public Accounting Firm included in Exhibit 99.1 hereto, incorporated herein by reference:
	Consolidated Statements of Earnings for the years ended June 30, 2009, 2008 and 2007
	Consolidated Balance Sheets as of June 30, 2009 and 2008
	Consolidated Statements of Stockholders’ (Deficit) Equity for the years ended June 30, 2009, 2008 and 2007
	Consolidated Statements of Cash Flows for the years ended June 30, 2009, 2008 and 2007
	Notes to Consolidated Financial Statements
	Reports of Independent Registered Public Accounting Firm
	Valuation and Qualifying Accounts and Reserves included in Exhibit 99.2 hereto, incorporated herein by reference
(b)	Exhibits
3.1	Restated Certificate of Incorporation (filed as Exhibit 3(iii) to the Quarterly Report on Form 10-Q filed for the quarter ended December 31, 1999, incorporated herein by reference).
3.2	Bylaws (amended and restated) of the Company (filed as Exhibit 3.1 to the Current Report on Form 8-K filed September 24, 2007, incorporated herein by reference).
4.1	Indenture dated as of December 3, 2004, by and between the Company and The Bank of New York Trust Company N.A., as trustee (filed as Exhibit 4.1 to the Current Report on Form 8-K filed on December 3, 2004, incorporated herein by reference).
4.2	Exchange and Registration Agreement dated December 3, 2004, relating to the Company’s Floating Rate Notes due 2007, 4.20% Senior Notes due 2010 and 5.00% Notes due 2015 (filed as Exhibit 4.2 to the Current Report on Form 8-K filed on December 3, 2004,

incorporated herein by reference).

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4.3	Cross-reference table for Indenture dated as of December 3, 2004, (listed as Exhibit 4.1 above) and the Trust Indenture Act of 1939, as amended (filed as Exhibit 4.3 to the Registration Statement on Form S-4 (File No. 333-123115), as declared effective by the Securities and Exchange Commission on April 29, 2005).
10.1*	1993 Directors Stock Option Plan dated November 17, 1993, which was adopted by the stockholders at the Company s annual meeting of stockholders on November 17, 1993, and amended and restated on September 15, 2004 (filed as Exhibit 10-2 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, incorporated herein by reference).
10.2*	Form of Option Award under the 1993 Directors Stock Option Plan as amended and restated as of September 15, 2004, (filed as Exhibit 10-3 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, incorporated herein by reference).
10.3*	The Clorox Company Independent Directors Stock-Based Compensation Plan, which was adopted by the stockholders at the Company s annual meeting of stockholders on November 19, 2003 (filed as Exhibit 10(xiv) to the Annual Report on Form 10-K for the year ended June 30, 2002, incorporated herein by reference).
10.4*	The Clorox Company Independent Directors Deferred Compensation Plan, amended and restated as of February 7, 2008 (filed as Exhibit 10.55 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, incorporated herein by reference).
10.5*	Form of Officer Employment Agreement (filed as Exhibit 10(viii) to the Annual Report of Form 10-K for the year ended June 30, 2004, incorporated herein by reference).
10.6*	Form of Amendment No. 1 to Employment Agreement (filed as Exhibit 10.4 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2006, incorporated herein by reference).
10.7*	Form of Amendment No. 2 to Employment Agreement (filed as Exhibit 10.1 to the Report on Form 8-K, filed May 22, 2006, incorporated herein by reference).
10.8*	Form of Officer Employment Agreement, amended and restated as of February 7, 2008 (filed as Exhibit 10.60 to the Quarterly Report of Form 10-Q for the quarter ended March 31, 2008, incorporated herein by reference).
10.9*	Non-Qualified Deferred Compensation Plan adopted as of January 1, 1996, and amended and restated as of July 20, 2004 (filed as Exhibit 10(x) to the Annual Report on Form 10-K for the year ended June 30, 2004, incorporated herein by reference).
10.10*	The Clorox Company 1996 Stock Incentive Plan, which was adopted by the stockholders at the Company□s annual meeting of stockholders on November 28, 2001, amended and restated as of September 15, 2004 (filed as Exhibit 10-4 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, incorporated herein by reference).
10.11*	Form of Option Award under the Company□s 1996 Stock Incentive Plan amended and restated as of September 15, 2004 (filed as Exhibit 10-5 to the Quarterly Report on Form 10-Q for the quarter

	ended September 30, 2004, incorporated herein by reference).
10.12*	The Clorox Company Annual Incentive Plan (formerly named The Clorox Company Management Incentive Compensation Plan), amended and restated as of February 7, 2008 (filed as Exhibit 10.54 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, incorporated herein by reference).
10.13*	The Clorox Company 2005 Stock Incentive Plan, amended and restated as of February 7, 2008 (filed as Exhibit 10.53 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, incorporated herein by reference).
10.14*	Amendment Number One to The Clorox Company 2005 Stock Incentive Plan (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2006, incorporated herein by reference).
10.15*	Form of Performance Share Award Agreement under the Company's 2005 Stock Incentive Plan (filed as Exhibit 10.5 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2006, incorporated herein by reference).
10.16*	Form of Restricted Stock Award Agreement under the Company's 2005 Stock Incentive Plan (filed as Exhibit 10.6 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2006, incorporated herein by reference).

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10.17*	Form of Nonqualified Stock Option Award Agreement under the Company s 2005 Stock Incentive Plan (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2006, incorporated herein by reference).
10.18*	The Clorox Company 2005 Nonqualified Deferred Compensation Plan, amended and restated effective January 1, 2008 (filed as Exhibit 10.18 to the Annual Report on Form 10-K for the year ended June 30, 2008, incorporated herein by reference).
10.19*	The Clorox Company Amended and Restated Replacement Supplemental Executive Retirement Plan, as restated effective October 2, 2006, as revised December 19, 2008 (filed as Exhibit 10.19 to the Quarterly Report on Form 10-Q for the quarter ended December 31, 2008, incorporated herein by reference).
10.20*	Form of Change in Control Agreement, amended and restated as of February 7, 2008 (filed as Exhibit 10.59 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, incorporated herein by reference).
10.21*	The Clorox Company Interim Executive Officer Deferred Compensation Plan (filed as Exhibit 10.1 to the Report on Form 8-K, filed May 4, 2006, incorporated herein by reference).
10.22*	Form of Employment Offer Letter for Executive Committee Members (filed as Exhibit 10.25 to the Annual Report on Form 10-K for the year ended June 30, 2005, incorporated herein by reference).
10.23*	Schedule of Non-Management Director Compensation (filed as Exhibit 99.1 to the Current Report on Form 8-K filed on September 25, 2006, incorporated herein by reference).
10.24*	

	The Clorox Company Executive Incentive Compensation Plan, amended and restated as of February 7, 2008 (filed as Exhibit 10.58 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, incorporated herein by reference).
10.25*	Employment Agreement between The Clorox Company and Donald R. Knauss, amended and restated as of February 7, 2008 (filed as Exhibit 10.57 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, incorporated herein by reference).
10.26*	Change in Control Agreement between The Clorox Company and Donald R. Knauss, amended and restated as of February 7, 2008 (filed as Exhibit 10.56 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, incorporated herein by reference).
10.27	Share Exchange Agreement dated as of October 6, 2004, by and among the Company, Henkel KGaA and HC Investments, Inc. (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, incorporated herein by reference).
10.28	Commercial Paper Dealer Agreement between The Clorox Company, as Issuer, and Banc of America Securities LLC, as Dealer (filed as Exhibit 10.1 to the Report on Form 8-K, filed November 16, 2004, incorporated herein by reference).
10.29	Commercial Paper Dealer Agreement between The Clorox Company, as Issuer, and Citicorp Global Markets Inc., as Dealer (filed as Exhibit 10.2 to the Report on Form 8-K, filed November 16, 2004, incorporated herein by reference).
10.30	Commercial Paper Dealer Agreement between The Clorox Company, as Issuer, and Goldman, Sachs & Co., as Dealer (filed as Exhibit 10.3 to the Report on Form 8-K, filed November 16, 2004, incorporated herein by reference).
10.31	Commercial Paper Dealer Agreement between The Clorox Company, as Issuer, and J.P. Morgan Securities Inc., as Dealer (filed as Exhibit 10.4 to the Report on Form 8-K, filed November 16, 2004, incorporated herein by reference).
10.32	Issuing and Paying Agency Agreement by and between The Clorox Company and J.P. Morgan Trust Company, National Association (filed as Exhibit 10.5 to the Report on Form 8-K, filed November 16, 2004, incorporated herein by reference).
10.33	Purchase Agreement dated November 30, 2004, relating to the Floating Rate Senior Notes due December 2007, 4.20% Senior Notes due January 2010 and 5.00% Senior Notes due January 2015 (filed as Exhibit 10.1 to the Report on Form 8-K, filed December 3, 2004, incorporated herein by reference).

10.34	Credit Agreement, dated as of April 16, 2008 among The Clorox Company, the banks listed therein, JPMorgan Chase Bank, N.A., Citicorp USA, Inc. and Wachovia Bank, N.A. as Administrative Agents, Citicorp USA, Inc. as Servicing Agent and The Bank of Tokyo-Mitsubishi UFJ, Ltd. and BNP Paribas as Documentation Agents (filed as Exhibit 10.1 to the Current Report on Form 8-K filed on April 22, 2008, incorporated herein by reference).

10.35	Amendment No. 1 to Credit Agreement, dated as of April 2, 2009 among The Clorox Company, the banks listed therein, Citicorp USA, Inc., JPMorgan Chase Bank, N.A., Wachovia Bank, N.A., The Bank of Tokyo-Mitsubishi UFJ, Ltd., BNP Paribas, Lehman Brothers Bank, FSB, William Street LLC, Wells Fargo Bank, N.A., PNC Bank, N.A., The Northern Trust Company and Fifth Third Bank.
10.36	Accelerated Share Repurchase Agreement dated as of August 10, 2007, by and among the Company and Citibank, N.A. (filed as Exhibit 10.49 to the Quarterly Report for the period ending September 30, 2007, incorporated herein by reference).
10.37	Accelerated Share Repurchase Agreement dated as of August 10, 2007, by and among the Company and J.P. Morgan Securities Inc. (filed as Exhibit 10.50 to the Quarterly Report for the period ending September 30, 2007, incorporated herein by reference).
10.38	Form of Escrow Agreement (filed as Exhibit 10.1 to the Current Report on Form 8-K filed on November 5, 2007, incorporated herein by reference).
10.39	Form of Principal Stockholder Consent (filed as Exhibit 99.1 to the Current Report on Form 8-K filed on November 5, 2007, incorporated herein by reference).
10.40(+)	Amended and Restated Joint Venture Agreement dated as of January 31, 2003, between The Glad Products Company and certain affiliates and The Procter and Gamble Company and certain affiliates (filed as Exhibit 10 to the amended Quarterly Report on Form 10-Q/A for the quarter ended December 31, 2004, incorporated herein by reference).
10.41	Agreement and Plan of Merger among the Company, Burt s Bees, Inc., Buzz Acquisition Corp., and BBI Holdings LP, dated as of October 30, 2007 (filed as Exhibit 2.1 to the Current Report on Form 8-K filed on November 5, 2007, incorporated herein by reference).
21.1	Subsidiaries.
23.1	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of the Chief Executive Officer of The Clorox Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer of The Clorox Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer and Chief Financial Officer of The Clorox Company pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Management□s Discussion and Analysis of Financial Condition and Results of Operations, Consolidated Financial Statements, Management□s Report on Internal Control over Financial Reporting and Reports of Independent Registered Public Accounting Firm.
99.2	Valuation and Qualifying Accounts and Reserves.
99.3	Reconciliation of Economic Profit.

(+) Confidential treatment has been granted for certain information contained in this document. Such information has been omitted and filed separately with the Securities and Exchange Commission.
(*) Indicates a management or director contract or compensatory plan or arrangement required to be filed as an exhibit to this report.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE CLOROX COMPANY

Date: August 25, 2009	By:	/s/ D. R. Knauss D. R. Knauss Chairman and Chief Executive Officer

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

Signature	**Title**	**Date**
/s/ D. Boggan, Jr. D. Boggan, Jr.	Director	August 25, 2009
/s/ R. Carmona R. Carmona	Director	August 25, 2009
/s/ T. M. Friedman T. M. Friedman	Director	August 25, 2009
/s/ G. J. Harad G. J. Harad	Director	August 25, 2009
/s/ D. R. Knauss D. R. Knauss	Chairman and Chief Executive Officer (Principal Executive Officer)	August 25, 2009
/s/ R. W. Matschullat R. W. Matschullat	Director	August 25, 2009
/s/ G. G. Michael G. G. Michael	Director	August 25, 2009

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Signature	**Title**	**Date**

/s/ E. A. Mueller E. A. Mueller	Director	August 25, 2009
/s/ J. L. Murley J. L. Murley	Director	August 25, 2009
/s/ P. Thomas-Graham P. Thomas-Graham	Director	August 25, 2009
/s/ C. M. Ticknor C. M. Ticknor	Director	August 25, 2009
/s/ D. J. Heinrich D. J. Heinrich	Executive Vice President Chief Financial Officer (Principal Financial Officer)	August 25, 2009
/s/ T. D. Johnson T. D. Johnson	Vice President Controller (Principal Accounting Officer)	August 25, 2009

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INDEX OF EXHIBITS

10.35	Amendment No. 1 to Credit Agreement, dated as of April 2, 2009 among The Clorox Company, the banks listed therein, Citicorp USA, Inc., JPMorgan Chase Bank, N.A., Wachovia Bank, N.A., The Bank of Tokyo-Mitsubishi UFJ, Ltd., BNP Paribas, Lehman Brothers Bank, FSB, William Street LLC, Wells Fargo Bank, N.A., PNC Bank, N.A., The Northern Trust Company and Fifth Third Bank.
21.1	Subsidiaries.
23.1	Consent of Independent Registered Public Accounting Firm.
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31.2	Certification of the Chief Financial Officer of The Clorox Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer and Chief Financial Officer of The Clorox Company pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Managements Discussion and Analysis of Financial Condition and Results of Operations, Consolidated Financial Statements, Managements Report on Internal Control over Financial Reporting and Reports of Independent Registered Public Accounting Firm.
99.2	Valuation and Qualifying Accounts and Reserves.
99.3	Reconciliation of Economic Profit.

	1,500
	673
JPMorgan Chase & Co.	
7.90%, due 04/30/2018 ¡	
	1,750
	1,125
Pemex Finance, Ltd.	
9.03%, due 02/15/2011	
	1,560
	1,600

Sensus Metering Systems, Inc.

8.63%, due 12/15/2013

300

251

Diversified Telecommunication Services (2.1%)

Sprint Capital Corp.

7.63%, due 01/30/2011

1,300

	1,203
Telefonica Europe BV	
7.75%, due 09/15/2010	
	1,170
	1,221
Electric Utilities (0.1%)	
Energy Future Holdings Corp.	
10.88%, due 11/01/2017	

200

129

Electronic Equipment & Instruments (0.9%)

Tyco Electronics, Ltd.

6.55%, due 10/01/2017

1,334

1,009

Energy Equipment & Services (1.6%)

DCP Midstream LLC		
9.75%, due 03/15/2019 -144A	610	605
Weatherford International, Ltd.		
9.63%, due 03/01/2019	1,200	1,241

Food & Staples Retailing (1.0%)

Stater Brothers Holdings, Inc.		
8.13%, due 06/15/2012	1,200	1,182
Food Products (1.5%)		
ConAgra Foods, Inc.		
9.75%, due 03/01/2021		

235

278

The notes to the financial statements are an integral part of this report.

SCHEDULE OF INVESTMENTS (continued)

At March 31, 2009

(all amounts except share amounts in thousands)

	Principal	Value
Food Products (continued)		
Michael Foods, Inc.		
8.00%, due 11/15/2013	$ 1,500	$ 1,336
Hotels, Restaurants & Leisure (1.8%)		
Carrols Corp.		
9.00%, due 01/15/2013	450	387
Pokagon Gaming Authority		
10.38%, due 06/15/2014 -144A	1,000	830
Yum! Brands, Inc.		
8.88%, due 04/15/2011	755	806
Household Products (0.3%)		
Sealy Mattress Co.		
8.25%, due 06/15/2014	800	294
Industrial Conglomerates (0.5%)		
Susser Holdings LLC		
10.63%, due 12/15/2013	624	605
Insurance (1.3%)		
MetLife, Inc.		
7.72%, due 02/15/2019	1,375	1,233
Oil Insurance, Ltd.		
7.56%, due 06/30/2011 -144A ¡	740	272
IT Services (0.3%)		
Aramark Corp.		
8.50%, due 02/01/2015	400	368
Machinery (2.0%)		
PACCAR, Inc.		
6.88%, due 02/15/2014	1,450	1,510
Polypore, Inc.		
8.75%, due 05/15/2012	450	329
Titan International, Inc.		
8.00%, due 01/15/2012	600	468
Media (6.9%)		
Comcast Cable Holdings LLC		
9.80%, due 02/01/2012	1,500	1,608
Historic TW, Inc.		
9.13%, due 01/15/2013	1,050	1,103
News America Holdings, Inc.		
9.25%, due 02/01/2013	2,985	3,168
Omnicom Group, Inc.		
5.90%, due 04/15/2016	1,035	884
Viacom, Inc.		
1.67%, due 06/16/2009*	1,140	1,132
Metals & Mining (4.5%)		
Arcelormittal		
5.38%, due 06/01/2013	680	528
BHP Billiton Finance USA, Ltd.		
5.00%, due 12/15/2010	1,225	1,252
Freeport-McMoRan Copper & Gold, Inc.		

8.38%, due 04/01/2017	1,000	935
Rio Tinto Finance USA, Ltd.		
5.88%, due 07/15/2013	1,400	1,254
Vale Overseas, Ltd.		
6.25%, due 01/23/2017	1,250	1,232
Multi-Utilities (1.1%)		
Sempra Energy		
9.80%, due 02/15/2019	1,090	1,207
Oil, Gas & Consumable Fuels (5.1%)		
Anadarko Finance Co.		
6.75%, due 05/01/2011	1,100	1,109
Energy Transfer Partners, LP		
9.70%, due 03/15/2019	1,000	1,062
Enterprise Products Operating, LP		
8.38%, due 08/01/2066 ¡	600	402
Opti Canada, Inc.		
8.25%, due 12/15/2014	1,000	448
Petrobras International Finance Co.		
5.88%, due 03/01/2018	800	744
PetroHawk Energy Corp.		
9.13%, due 07/15/2013	1,000	960
Petroleum Development Corp.		
12.00%, due 02/15/2018	400	264
Teppco Partners, LP		
7.00%, due 06/01/2067 ¡	1,300	744
Paper & Forest Products (0.2%)		
Exopack Holding, Inc.		
11.25%, due 02/01/2014	475	216
Professional Services (0.3%)		
FTI Consulting, Inc.		
7.75%, due 10/01/2016	300	299
Real Estate Investment Trusts (1.9%)		
Healthcare Realty Trust, Inc.		
8.13%, due 05/01/2011	1,060	984
Hospitality Properties Trust		
6.30%, due 06/15/2016	1,000	525
Westfield Capital Corp.		
4.38%, due 11/15/2010 -144A	650	602
Road & Rail (4.0%)		
CSX Corp.		
6.75%, due 03/15/2011	1,500	1,509
Hertz Corp.		
10.50%, due 01/01/2016	335	146
Kansas City Southern de Mexico SA de CV		
7.63%, due 12/01/2013	820	664
12.50%, due 04/01/2016 -144A	1,000	948
Norfolk Southern Corp.		
6.20%, due 04/15/2009	1,145	1,145
Specialty Retail (1.5%)		
Michaels Stores, Inc.		
11.38%, due 11/01/2016	1,100	407
Staples, Inc.		
9.75%, due 01/15/2014	1,170	1,225
Tobacco (0.4%)		
Alliance One International, Inc.		
11.00%, due 05/15/2012	450	419
Wireless Telecommunication Services (0.8%)		
Centennial Communications Corp.		
6.96%, due 01/01/2013*	880	880
Total Corporate Debt Securities (cost $77,576)		71,011

		Shares	
CONVERTIBLE PREFERRED STOCK (0.4%)			
Road & Rail (0.4%)			
Kansas City Southern, 5.13% p		710	401
Total Convertible Preferred Stock (cost $606)			401
PREFERRED STOCK (0.5%)			
Diversified Telecommunication Services (0.5%)			
Centaur Funding Corp., 9.08% -144A p		852	535
Total Preferred Stock (cost $838)			535
		Principal	
CONVERTIBLE BONDS (2.5%)			
Auto Components (0.7%)			
Johnson Controls, Inc.			
6.50%, due 09/30/2012	$	650	819
Containers & Packaging (0.3%)			
Sealed Air Corp.			
3.00%, due 06/30/2033 -144A		390	363

The notes to the financial statements are an integral part of this report.

		Principal		Value
Diversified Telecommunication Services (0.9%)				
Lucent Technologies, Inc.				
2.88%, due 06/15/2023	$	1,150	$	1,005
Software (0.6%)				
Symantec Corp.				
0.75%, due 06/15/2011		650		639
Total Convertible Bonds (cost $2,832)				2,826
REPURCHASE AGREEMENT (1.5%)				
State Street Repurchase Agreement 0.01%, dated 03/31/2009, to be repurchased at $1,647 on 04/01/2009		1,647		1,647
Total Repurchase Agreement (cost $1,647)				1,647
Total Investment Securities (cost $117,021) #			$	110,390

FORWARD FOREIGN CURRENCY CONTRACTS:

Currency	Bought (Sold)	Settlement Date		Amount in U.S. Dollars Bought (Sold)		Net Unrealized Appreciation (Depreciation)
Euro	(2,643)	04/30/2009	$	(3,490)	$	(21)
British Pound Sterling	1,643	04/30/2009		2,305		53
British Pound Sterling	(1,643)	04/30/2009		(2,347)		(11)
					$	21

NOTES TO SCHEDULE OF INVESTMENTS:

* *Floating or variable rate note. Rate is listed as of 03/31/2009.*
Step bond. Interest rate may increase or decrease as the credit rating changes.
The security has a perpetual maturity. The date shown is the next call date.
¡ *Coupon rate is fixed for a predetermined period of time and then converts to a floating rate until maturity/call date. Rate is listed as of 03/31/2009.*
p *Rate shown reflects the yield at 03/31/2009.*
Repurchase agreement is collateralized by a U.S. Government Obligation with a zero coupon interest rate, a maturity date of 08/06/2009, and with a market value plus accrued interest of $1,683.
\# *Aggregate cost for federal income tax purposes is $117,562. Aggregate gross unrealized appreciation/depreciation for all securities in which there is an excess of value over tax cost were $2,021 and $9,193, respectively. Net unrealized depreciation for tax purposes is $7,172.*

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 03/31/2009, these securities aggregated $14,892, or 13.21%, of the Fund s net assets.*
EUR *Euro*
LLC *Limited Liability Company*
LP *Limited Partnership*

PLC *Public Limited Company*

The following is a summary of the fair valuations according to the inputs used as of March 31, 2009 in valuing the Fund s assets and liabilities.

Investments in Securities				Other Financial Instruments*		
Level 1	**Level 2**	**Level 3**	**Total Investments in Securities**	**Level 1**	**Level 2**	**Level 3**
$ 936	$ 109,454	$	$ 110,390	$	$ 21	$

*Other financial instruments are derivative instruments such as futures, forwards, and swap contracts, which are valued at the unrealized appreciation (depreciation) on the instrument.

The notes to the financial statements are an integral part of this report.

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STATEMENT OF ASSETS AND LIABILITIES

At March 31, 2009

(all amounts except per share amounts in thousands)

Assets:		
Investment securities, at value (cost: $117,021)	$	110,390
Foreign currency		44
Receivables:		
Investment securities sold		1,278
Interest		1,809
Unrealized appreciation on forward foreign currency contracts		53
		113,574
Liabilities:		
Accounts payable and accrued liabilities:		
Management and advisory fees		49
Transfer agent fees		10
Administration fees		2
Dividends to shareholders		663
Unrealized depreciation on forward foreign currency contracts		32
Other		77
		833
Net Assets applicable to 6,319 capital shares outstanding, $1.00 par value (authorized 20,000 shares)	$	112,741
Net Asset Value Per Share	$	17.84
Net Assets Consist of:		
Paid-in capital		141,184
Accumulated net investment loss		(795)
Accumulated net realized loss from investment securities		(21,043)
Net unrealized depreciation on investment securities		(6,631)
Translation of assets and liabilities denominated in foreign currencies		26
Net Assets	$	112,741

STATEMENT OF OPERATIONS

For the year ended March 31, 2009

(all amounts in thousands)

Investment Income:		
Interest	$	7,900
Dividends (net of withholding taxes on foreign dividends of $2)		142
Income from loaned securities-net		202
		8,244
Expenses:		
Management and advisory fees		604
Transfer agent fees		58
Printing and shareholder reports		45

Custody fees		22
Administration fees		24
Legal fees		19
Audit fees		45
Director fees		13
Other		34
Total expenses		864
Net Investment Income		7,380
Net Realized and Unrealized Gain (Loss) from:		
Realized loss from investment securities		(13,745)
Realized gain from foreign currency transactions		391
Decrease in unrealized appreciation (depreciation) on investment securities		(4,249)
Increase in unrealized appreciation (depreciation) from translation of assets and liabilities denominated in foreign currencies		26
Net Realized and Unrealized Loss on Investment Securities		(17,577)
Net Decrease In Net Assets Resulting from Operations	$	(10,197)

The notes to the financial statements are an integral part of this report.

STATEMENTS OF CHANGES IN NET ASSETS

For the years ended:

(all amounts except per share amounts and shares in thousands)

	March 31, 2009	March 31, 2008
Increase (Decrease) in Net Assets From:		
Operations:		
Net investment income	$ 7,380	$ 7,978
Net realized loss from investment securities	(13,354)	(3,897)
Change in unrealized appreciation (depreciation) on investment securities	(4,223)	(5,596)
Net decrease in net assets resulting from operations	(10,197)	(1,515)
Distributions to Shareholders:		
From net investment income:	(8,041)	(8,530)
Net decrease in net assets	(18,238)	(10,045)
Net Assets:		
Beginning of year	$ 130,979	$ 141,024
End of year	$ 112,741	$ 130,979
Accumulated Net Investment Loss	$ (795)	$ (1,748)

FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

	Year Ended March 31, 2009	2008	2007	2006	2005
Net Asset Value					
Beginning of year	$ 20.73	$ 22.32	$ 22.04	$ 23.17	$ 24.34
Investment Operations					
Net investment income(a)	1.17	1.26	1.30	1.13	1.24
Net realized and unrealized gain (loss)	(2.79)	(1.50)	0.36	(0.70)	(0.85)
Total operations	(1.62)	(0.24)	1.66	0.43	0.39
Distributions					
From net investment income	(1.27)	(1.35)	(1.38)	(1.30)	(1.56)
From net realized gains				(0.10)	
Return of capital				(0.16)	
Total distributions	(1.27)	(1.35)	(1.38)	(1.56)	(1.56)
Net Asset Value					
End of year	$ 17.84	$ 20.73	$ 22.32	$ 22.04	$ 23.17
Market Value per Share					
End of year	$ 16.60	$ 18.50	$ 21.11	$ 21.23	$ 21.74
Total Return(b)	(3.24)%	(6.17)%	6.32%	4.87%	(5.43)%
Ratio and Supplemental Data					

Expenses to average net assets	0.72%	0.77%	0.77%	0.84%	0.72%
Net investment income, to average net assets	6.13%	5.84%	5.91%	4.95%	5.24%
Portfolio turnover rate	129%	75%	68%	95%	59%
Net Assets End of Year (000 s)	$ 112,741	$ 130,979	$ 141,024	$ 139,275	$ 146,380

The number of shares outstanding at the end of each period was 6,318,771.

(a) Calculation is based on average number of shares outstanding.

(b) Based on the market price of the Fund's shares including the reinvestment of dividends and distributions at prices obtained by the Fund s dividend reinvestment plan.

The notes to the financial statements are an integral part of this report.

NOTES TO FINANCIAL STATEMENTS

At March 31, 2009

(all amounts in thousands)

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. The Fund s investment objective is to seek as high a level of current income as is consistent with prudent investment, with capital appreciation as only a secondary objective.

In the normal course of business, the Fund enters into contracts that contain a variety of representations and warranties, which 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 policies were consistently followed by the Fund, in accordance with GAAP.

Securities Valuations: Fund investments traded on an exchange are valued at the last sale price or closing price on the day of valuation on the exchange where the security is principally traded.

Certain debt securities are valued based on a price quotation or other equivalent indication of value supplied by an exchange, a pricing service or a major market maker; however, those that mature in sixty days or less are valued at amortized cost, which approximates market value.

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 (TAM) Valuation Committee under the supervision of the Board of Directors.

The Fund is subject to the provisions of Statement of Financial Accounting Standards No. 157, Fair Value Measurements (FAS 157). FAS 157 establishes a hierarchy that prioritizes the inputs to valuation techniques giving the highest priority to readily available unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3) when market prices are not readily available or reliable. Valuation levels are not necessarily an indication of the risk associated with investing in those securities. The three levels of the hierarchy under FAS 157 are described below:

Level 1 - Quoted prices in active markets for identical securities.

Level 2 - Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)

Level 3 - Significant unobservable inputs (including the Fund s own assumptions in determining the fair value of investments).

The aggregate value by input level, as of March 31, 2009, for the Fund s investments, as well as a reconciliation of assets for which significant unobservable inputs (Level 3) were used in determining value, is included at the end of the Fund s Schedule of Investments.

Forward Foreign Currency Contracts: The Fund may enter into forward foreign currency contracts to hedge against exchange rate risk arising from investments in securities denominated in foreign currencies. Contracts are valued at the contractual forward rate and are marked to market daily, with the change in value recorded as an unrealized gain or loss. When the contracts are settled, a realized gain or loss is incurred. Risks may arise from changes in market value of the underlying currencies and from the possible inability of counterparties to meet the terms of their contracts.

Open forward currency contracts at March 31, 2009 are listed in the Schedule of Investments.

Repurchase Agreements: The Fund is authorized to enter into repurchase agreements. The Fund, through its custodian, State Street Bank & Trust Company (State Street), receives delivery of the underlying securities, the value of which at the time of purchase is required to be an amount equal to at least 102% of the resale price. The Fund will bear the risk of value fluctuations until the security can be sold and may encounter delays and incur costs in liquidating the security. In the event of bankruptcy or insolvency of the seller, delays and costs may be incurred.

Real Estate Investment Trusts (REITs): There are certain additional risks involved in investing in REITs. These include, but are not limited to, economic conditions, changes in zoning laws, real estate values, property taxes and interest rates.

Dividend income is recorded at management s estimate of the income included in distributions from the REIT investments. Distributions received in excess of the estimated amount are recorded as a reduction of the cost of investments. The actual amounts of income, return of capital and capital gains are only determined by each REIT after the fiscal year end and may differ from the estimated amounts.

NOTES TO FINANCIAL STATEMENTS (continued)

At March 31, 2009

(all amounts in thousands)

NOTE 1. (continued)

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 rate 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.

Foreign Taxes: The Fund may be subject to foreign taxes on income, gains on investments or currency repatriation, a portion of which may be recoverable. The Fund will accrue such taxes and recoveries as applicable, based upon the current interpretation of tax rules and regulations that exist in the markets in which the Fund invests.

Securities Lending: The Fund may lend securities to qualified borrowers with the Fund s lending agent. The Fund earns negotiated lenders fees. The Fund receives cash and/or securities as collateral against the loaned securities. Cash collateral received is invested in the State Street Navigator Securities Lending Trust-Prime Portfolio. The Fund monitors the market value of securities loaned on a daily basis and requires collateral in an amount at least equal to the value of the securities loaned. At March 31, 2009, the Fund did not have any securities on loan.

Income from loaned securities on the Statement of Operations is net of fees earned by the lending agent.

Securities Transactions and Investment Income: Security transactions are recorded on the trade date. Security gains and losses are calculated on the specific identification basis. Dividend income, if any, is recorded on the ex-dividend date. Interest income, including accretion of discounts and amortization of premiums, is recorded on the accrual basis commencing on the settlement date.

Dividend Distributions: Dividend distributions are declared monthly. Capital gains distributions are declared annually. Distributions are generally paid in the month following the ex-date, on or about the fifteenth calendar day. See Automatic Reinvestment Plan on page 15 for an opportunity to reinvest distributions in shares of the Fund s common stock.

NOTE 2. RELATED PARTY TRANSACTIONS

TAM is the Fund s investment adviser. TAM is directly owned by Western Reserve Life Assurance Co. of Ohio (77%) and AUSA Holding Company (23%) (AUSA), both of which are indirect, wholly owned subsidiaries of AEGON NV. AUSA is wholly owned by AEGON USA, LLC (AEGON USA), a financial services holding company whose primary emphasis is on life and health insurance, and annuity and investment products. AEGON USA is owned by AEGON US Holding Corporation, which is owned by Transamerica Corporation (DE). Transamerica Corporation (DE) is owned by The AEGON Trust, which is owned by AEGON International B.V., which is owned by AEGON NV, a Netherlands corporation, and a publicly traded international insurance group.

Transamerica Fund Services (TFS) is the Fund s administrator. TAM and TFS are affiliates of AEGON, NV, a Netherlands corporation.

Certain officers and directors of the Fund are also officers and/or directors of TAM and TFS.

Transamerica Investment Management, LLC (TIM) is both an affiliate of the Fund and the sub-adviser to the Fund.

As of March 31, 2009, an investor owned 7.6% of the outstanding shares of the Fund.

Investment Advisory Fees: The Fund pays management fees to TAM based on average daily net assets (ANA) at the following rate:

0.50% of ANA

NOTES TO FINANCIAL STATEMENTS (continued)

At March 31, 2009

(all amounts in thousands)

NOTE 2. (continued)

TAM currently voluntarily waives its advisory fee and will reimburse the Fund to the extent that operating expenses exceed the following stated limits of ANA:

First $30 million	1.50%
Over $30 million	1.00%

There were no fees waived during the year ended March 31, 2009.

Administrative Services: The Fund has entered into an agreement with TFS for financial and legal fund administration services. The Fund pays TFS an annual fee of 0.02% of ANA. The Legal fees on the Statement of Operations are fees paid to external legal counsel.

NOTE 3. INVESTMENT TRANSACTIONS

The cost of securities purchased and proceeds from securities sold (excluding short-term securities) for the year ended March 31, 2009 were as follows:

Purchases of securities:		
Long-term	$	109,881
U.S. Government		42,364
Proceeds from maturities and sales of securities:		
Long-term	$	111,589
U.S. Government		58,949

NOTE 4. FEDERAL INCOME TAX MATTERS

The Fund has not made any provision for federal income or excise taxes due to its policy to distribute all of its taxable income and capital gains to its shareholders and otherwise qualify as a regulated investment company under Subchapter M of the Internal Revenue Code. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP. These differences are primarily due to differing treatments for items including, but not limited to, bond premium amortization, dividends payable and Post-October loss deferrals.

Therefore, distributions determined in accordance with tax regulations may differ significantly in amount or character from net investment income and realized gains for financial reporting purposes. Financial reporting records are adjusted for permanent book\tax differences to reflect tax character. Financial records are not adjusted for temporary differences. These reclassifications are as follows:

Undistributed (accumulated) net investment income (loss)	$	1,614
Undistributed (accumulated) net realized gain (loss) from investment securities	$	(1,614)

The tax character of distributions paid may differ from the character of distributions shown in the Statements of Changes in Net Assets due to short-term gains being treated as ordinary income for tax purposes. The tax character of distributions paid during 2008 and 2009 was as follows:

2008 Distributions paid from:		
Ordinary Income	$	8,530
Long-term Capital Gain		
2009 Distributions paid from:		
Ordinary Income	$	8,041
Long-term Capital Gain		

The following capital loss carryforwards are available to offset future realized gains through the periods listed:

Capital Loss Carryforwards		Available Through
$	49	March 31, 2014
	1,561	March 31, 2015
	1,697	March 31, 2016
	9,429	March 31, 2017

NOTES TO FINANCIAL STATEMENTS (continued)

At March 31, 2009

(all amounts in thousands)

NOTE 4. (continued)

The tax basis components of distributable earnings as of March 31, 2009, are as follows:

Undistributed Ordinary Income	$	409
Undistributed Long-term Capital Gain	$	
Capital Loss Carryforward	$	(12,736)
Post October Capital Loss Deferral	$	(8,285)
Dividends Payable	$	(663)
Net Unrealized Appreciation (Depreciation)	$	(7,168)

NOTE 5. ACCOUNTING PRONOUNCEMENT

In March 2008, the Financial Accounting Standards Board issued its new Standard No. 161, Disclosure About Derivative Instruments and Hedging Activities (FAS 161). FAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008. FAS 161 requires enhanced disclosures about a Fund s derivative and hedging activities. Management is currently evaluating the impact the adoption of FAS 161 will have on the Fund s financial statement disclosures.

Report of Independent Registered Certified Public Accounting Firm

To the Board of Directors and Shareholders of Transamerica Income Shares, Inc:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Transamerica Income Shares, Inc.(the Fund) at March 31, 2009, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as financial statements) are the responsibility of the Fund s management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at March 31, 2009 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

Tampa, Florida

May 18, 2009

SUPPLEMENTAL TAX INFORMATION (unaudited)

(all amounts in thousands)

For corporate shareholders, 0.83% of investment income (dividend income plus short-term gains, if any) qualifies for the dividends received deduction.

The Fund designates a maximum amount of $66,813 as qualified dividend income, which is 0.83% of what was distributed.

The information and distributions reported herein may differ from the information and distributions taxable to the shareholders for the calendar year ended December 31, 2008. Complete information was computed and reported in conjunction with year 2008 Form 1099-DIV.

AUTOMATIC REINVESTMENT PLAN

Holders of 50 (not in thousands) shares or more of the Fund s common stock are offered the opportunity to reinvest dividends and other distributions in shares of the common stock of the Fund through participation in the Automatic Reinvestment Plan (the Plan). Under the Plan, Mellon, as Transfer Agent, automatically invests dividends and other distributions in shares of the Fund s common stock by making purchases in the open market. Plan participants may also deposit cash in amounts (not in thousands) between $25 and $2,500 with Mellon for the purchase of additional shares. Dividends, distributions and cash deposits are invested in, and each participant s account credited with, full and fractional shares.

The price at which Mellon is deemed to have acquired shares for a participant s account is the average price (including brokerage commissions and any other costs of purchase) of all shares purchased by it for all participants in the Plan.

Your dividends and distributions, even though automatically reinvested, continue to be taxable as though received in cash.

Another feature of the Plan is the Optional Cash Only feature. You can make additional investments only, without reinvesting your monthly dividend. If you own 50 shares (not in thousands) or more, registered in your name and currently in your Plan account, and desire to periodically send additional contributions (not in thousands) between $25 and $2,500 for investment, you may do so. The shares you own and the new shares acquired through this feature will not participate in automatic reinvestment of dividends and distributions. Rather, the shares you acquire if you participate in the Optional Cash Only feature of the Plan will be held for safekeeping in your Plan account. Each investment will be made on or near the next dividend payment date. All other procedures for the purchase and sale of shares described above will apply.

Mellon charges a service fee of $1.75 (not in thousands) for each investment, including both dividend reinvestment and optional cash investment.

Shareholders interested in obtaining a copy of the Plan should contact Mellon:

Mellon Investor Services, LLC

Shareholder Investment Services

Newport Office Center VII

480 Washington Boulevard

Jersey City, NJ 07310

(800) 454-9575

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BOARD MEMBERS AND OFFICERS

The Board Members and executive officers of the Company are listed below. The Board governs each fund and is responsible for protecting the interests of the shareholders. The Board Members are experienced executives who meet periodically throughout the year to oversee the business affairs of each fund and the operation of the Company by its officers. The Board also reviews the management of each fund s assets by the investment adviser and its respective sub-adviser. The funds are among the funds advised and sponsored by TAM (collectively, Transamerica Asset Management Group). Transamerica Asset Management Group (TAMG) consists of Transamerica Funds, Transamerica Series Trust (TST), Transamerica Investors, Inc. (TII), Transamerica Income Shares, Inc. (TIS), Transamerica Partners Funds Group (TPFG), Transamerica Partners Funds Group II (TPFG II), Transamerica Partners Portfolios (TPP), and Transamerica Asset Allocation Variable Funds (TAAVF) and consists of 179 funds/portfolios.

The mailing address of each Board Member is c/o Secretary, 570 Carillon Parkway, St. Petersburg, Florida 33716. The Board Members, their ages, their positions with the Company, and their principal occupations for the past five years (their titles may have varied during that period), the number of funds in TAMG the Board oversees, and other board memberships they hold are set forth in the table below.

Name and Age	Position(s) Held with Company	Term of Office and Length of Time Served*	Principal Occupation(s) During Past 5 Years	Number of Funds in Complex Overseen by Board Member	Other Directorships
INTERESTED BOARD MEMBER**					
John K. Carter (1961)	Chairman, Board Member, President, and Chief Executive Officer	Since 2002	Chairman and Board Member (2008 present), President (2007 present), Chief Executive Officer (2006 present), Vice President, Secretary and Chief Compliance Officer (2003 2006), TII; Chairman, Board Member, President and Chief Executive Officer, TPP, TPFG, TPFG II and TAAVF (2007 present); Chairman (2007 present), Board Member (2006 present), President and Chief Executive Officer (2006 present), Senior Vice President (1999 2006), Chief Compliance Officer, General Counsel and Secretary (1999 2006), Transamerica Funds and TST;	179	N/A

	Chairman (2007 present), Board Member (2006 present), President and Chief Executive Officer (2006 present), Senior Vice President (2002 2006), General Counsel, Secretary and Chief Compliance Officer (2002 2006), TIS;
	President and Chief Executive Officer (2006 present), Senior Vice President (1999 2006), Director (2000 present), General Counsel and Secretary (2000 2006),

Name and Age	Position(s) Held with Company	Term of Office and Length of Time Served*	Principal Occupation(s) During Past 5 Years	Number of Funds in Complex Overseen by Board Member	Other Directorships
			Chief Compliance Officer (2004 2006), TAM; President and Chief Executive Officer (2006 present), Senior Vice President (1999 2006), Director (2001 present), General Counsel and Secretary (2001 2006), Transamerica Fund Services, Inc. (TFS); Vice President, AFSG Securities Corporation (2001 present); Senior Vice President, General Counsel and Secretary, Transamerica Index Funds, Inc. (TIF) (2002 2004); and Director (2008 present), Vice President, Transamerica Investment Services, Inc. (TISI) (2003 2005) and Transamerica Investment Management, LLC (TIM) (2001 2005).		
INDEPENDENT BOARD MEMBERS* **					
Sandra N. Bane (1952)	Board Member	Since 2008	Retired, KPMG (1999 present); Board Member, TII (2003 present); and Board Member, Transamerica Funds, TST, TIS, TPP, TPFG, TPFG II and TAAVF (2008 present).	179	Big 5 Sporting Goods (2002 present); AGL Resources, Inc. (energy services holding company) (2008 present)
		Since 2002		179	N/A

Leo J. Hill (1956)	Lead Independent Board Member	Principal, Advisor Network Solutions, LLC (business consulting) (2006 present);
		Board Member, TST (2001 present);
		Board Member, Transamerica Funds and TIS (2002 present);
		Board Member, TPP, TPFG, TPFG II and TAAVF (2007 present);
		Board Member, TII (2008 present);

Name and Age	Position(s) Held with Company	Term of Office and Length of Time Served*	Principal Occupation(s) During Past 5 Years	Number of Funds in Complex Overseen by Board Member	Other Directorships
			Owner and President, Prestige Automotive Group (2001 2005);		
			President, L. J. Hill & Company (1999 present);		
			Market President, Nations Bank of Sun Coast Florida (1998 1999);		
			President and Chief Executive Officer, Barnett Banks of Treasure Coast Florida (1994 1998);		
			Executive Vice President and Senior Credit Officer, Barnett Banks of Jacksonville, Florida (1991 1994); and		
			Senior Vice President and Senior Loan Administration Officer, Wachovia Bank of Georgia (1976 1991).		
Neal M. Jewell (1935)	Board Member	Since 2007	Retired (2004 present);	179	N/A
			Board Member, TPP, TPFG, TPFG II and TAAVF (1993 present);		
			Board Member, Transamerica Funds, TST and TIS (2007 present);		
			Board Member, TII (2008 - present); and		

			Independent Trustee, EAI Select Managers Equity Fund (a mutual fund) (1996 2004).		
Russell A. Kimball, Jr. (1944)	Board Member	Since 2002	General Manager, Sheraton Sand Key Resort (1975 present); Board Member, TST (1986 present); Board Member, Transamerica Funds (1986 1990), (2002 present); Board Member, TIS (2002 present); Board Member, TPP, TPFG, TPFG II and TAAVF (2007 present); and	179	N/A

Name and Age	Position(s) Held with Company	Term of Office and Length of Time Served*	Principal Occupation(s) During Past 5 Years	Number of Funds in Complex Overseen by Board Member	Other Directorships
			Board Member, TII (2008 present).		
Eugene M. Mannella (1954)	Board Member	Since 2007	Chief Executive Officer, HedgeServ Corporation (hedge fund administration) (2008 present); Self-employed consultant (2006 present); President, ARAPAHO Partners LLC (limited purpose broker-dealer) (1998 2008); Board Member, TPP, TPFG, TPFG II and TAAVF (1994 present); Board Member, Transamerica Funds, TST and TIS (2007 present); Board Member, TII (2008 present); and President, International Fund Services (alternative asset administration) (1993 2005).	179	N/A
Norman R. Nielsen (1939)	Board Member	Since 2006	Retired (2005 present); Board Member, Transamerica Funds, TST and TIS (2006 present); Board Member, TPP, TPFG, TPFG II and TAAVF (2007 present);	179	Buena Vista University Board of Trustees (2004 - present)

Board Member, TII (2008 present);

Director, Iowa Student Loan Service Corporation (2006 present);

Director, League for Innovation in the Community Colleges (1985 2005);

Director, Iowa Health Systems (1994 2003);

Director, U.S. Bank (1987 2006); and

President, Kirkwood Community College (1985 2005).

Name and Age	Position(s) Held with Company	Term of Office and Length of Time Served*	Principal Occupation(s) During Past 5 Years	Number of Funds in Complex Overseen by Board Member	Other Directorships
Joyce G. Norden (1939)	Board Member	Since 2007	Retired (2004 present); Board Member, TPFG, TPFG II and TAAVF (1993 present); Board Member, TPP (2002 present); Board Member, Transamerica Funds, TST and TIS (2007 present); Board Member, TII (2008 present); and Vice President, Institutional Advancement, Reconstructionist Rabbinical College (1996 2004).	179	Board of Governors, Reconstructionist Rabbinical College (2007 - present)
Patricia L. Sawyer (1950)	Board Member	Since 2007	Retired (2007 present); President/Founder, Smith & Sawyer LLC (management consulting) (1989 2007); Board Member, Transamerica Funds, TST and TIS (2007 present); Board Member, TII (2008 present); Board Member, TPP, TPFG, TPFG II and TAAVF (1993 present);	179	N/A

			Vice President, American Express (1987 1989); Vice President, The Equitable (1986 1987); and Strategy Consultant, Booz, Allen & Hamilton (1982 1986).		
John W. Waechter (1952)	Board Member	Since 2004	Attorney, Englander & Fischer, P.A. (2008 present); Retired (2004 2008); Board Member, TST and TIS (2004 present); Board Member, Transamerica Funds (2005 present); Board Member, TPP, TPFG,	179	Operation Par, Inc. (2008 present); West Central Florida Council Boy Scouts of America (2008 present)

Name and Age	Position(s) Held with Company	Term of Office and Length of Time Served*	Principal Occupation(s) During Past 5 Years	Number of Funds in Complex Overseen by Board Member	Other Directorships
			TPFG II and TAAVF (2007 present); Board Member, TII (2008 present); Employee, RBC Dain Rauscher (securities dealer) (2004); Executive Vice President, Chief Financial Officer and Chief Compliance Officer, William R. Hough & Co. (securities dealer) (1979 2004); and Treasurer, The Hough Group of Funds (1993 2004).		

* Each Board Member shall hold office until: 1) his or her successor is elected and qualified or 2) he or she resigns, retires or his or her term as a Board Member is terminated in accordance with the Company s Articles of Incorporation.

** May be deemed an interested person (as that term is defined in the 1940 Act) of the Company because of his employment with TAM or an affiliate of TAM.

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

OFFICERS

The mailing address of each officer is c/o Secretary, 570 Carillon Parkway, St. Petersburg, Florida 33716. The following table shows information about the officers, including their ages, their positions held with the Company and their principal occupations during the past five years (their titles may have varied during that period). Each officer will hold office until his or her successor has been duly elected or appointed or until his or her earlier death, resignation or removal.

Name and Age	Position	Term of Office and Length of Time Served*	Principal Occupation(s) or Employment During Past 5 Years

John K. Carter (1961)	Chairman, Board Member, President, and Chief Executive Officer	Since 2002	See the table above.
Dennis P. Gallagher (1970)	Vice President, General Counsel and Secretary	Since 2006	Vice President, General Counsel and Secretary, TII, Transamerica Funds, TST and TIS (2006 present); Vice President, General Counsel and Secretary, TPP, TPFG, TPFG II and TAAVF (2007 present); Director, Senior Vice President, General Counsel and Secretary, TAM and TFS (2006 present); Assistant Vice President, TCI (2007 present); and Director, Deutsche Asset Management (1998 2006).
Joseph P. Carusone (1965)	Vice President, Treasurer and Principal Financial Officer	Since 2007	Vice President, Treasurer and Principal Financial Officer, Transamerica Funds, TST, TIS and TII (2007 present); Vice President (2007 present), Treasurer and Principal Financial Officer (2001 present), TPP, TPFG, TPFG II and TAAVF; Senior Vice President, TAM and TFS (2007 present); Senior Vice President (2008 present), Vice President (2001 2008), Diversified Investment Advisors, Inc. (DIA); Director and President, Diversified Investors Securities Corp. (DISC) (2007 present); Director, Transamerica Financial Life Insurance Company (TFLIC) (2004 present); and

			Treasurer, Diversified Actuarial Services, Inc. (2002 present).
Christopher A. Staples (1970)	Vice President and Chief Investment Officer	Since 2005	Vice President and Chief Investment Officer (2007 present); Vice President - Investment Administration (2005 2007), TII; Vice President and Chief Investment Officer (2007 present), Senior Vice President - Investment Management (2006 2007), Vice President - Investment Management (2005 2006), Transamerica Funds, TST and TIS; Vice President and Chief Investment Officer, TPP, TPFG,

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Name and Age	Position	Term of Office and Length of Time Served*	Principal Occupation(s) or Employment During Past 5 Years

			TPFG II and TAAVF (2007 present); Director (2005 present), Senior Vice President Investment Management (2006 present) and Chief Investment Officer (2007 present), TAM; Director, TFS (2005 present); and Assistant Vice President, Raymond James & Associates (1999 2004).
Rick B. Resnik (1967)	Vice President, Chief Compliance Officer and Conflicts of Interest Officer	Since 2008	Chief Compliance Officer, TPP, TPFG, TPFG II and TAAVF (2004 present); Chief Compliance Officer, Transamerica Funds, TST, TIS and TII (2008 present); Vice President and Conflicts of Interest Officer, TPP, TPFG, TPFG II, TAAVF, Transamerica Funds, TST, TIS and TII (2008 present); Senior Vice President and Chief Compliance Officer, TAM (2008 present); Senior Vice President, TFS (2008 present); Vice President and Chief Compliance Officer, DIA (2004 present); with DIA since 1988; Director (1999 present), Vice President and Chief Compliance Officer (1996 present), DISC; Assistant Vice President, TFLIC (1999 present); and Chief Compliance Officer, Transamerica Partners Variable Funds (2004 present).
Robert A. DeVault, Jr. (1965)	Assistant Treasurer	Since 2009	Assistant Treasurer, Transamerica Funds, TST, TIS, TII, TPP, TPFG, TPFG II and TAAVF (January 2009 present); and Assistant Vice President (2007 present) and Manager, Fund Administration (2002 2007), TFS.

Suzanne Valerio-Montemurro (1964)	Assistant Treasurer	Since 2007	Assistant Treasurer, Transamerica Funds, TST, TIS, TII, TPP, TPFG, TPFG II and TAAVF (2007 present); and Vice President, DIA (1998 present).
Sarah L. Bertrand (1967)	Assistant Secretary	Since 2009	Assistant Secretary, Transamerica Funds, TST, TIS, TII, TPP, TPFG, TPFG II and TAAVF (January 2009 present); Assistant Vice President and Manager, Legal Administration, TAM and TFS (2007 present); Assistant Secretary and Chief Compliance Officer, 40l86 Series Trust and 40l86 Strategic Income Fund (2000 - 2007); and Second Vice President and Assistant Secretary, Legal and Compliance, 40l86 Capital Management, Inc. (1994 2007).

Name and Age	Position	Term of Office and Length of Time Served*	Principal Occupation(s) or Employment During Past 5 Years

Timothy J. Bresnahan (1968)	Assistant Secretary	Since 2009	Assistant Secretary, Transamerica Funds, TST, TIS, TII, TPP, TPFG, TPFG II and TAAVF (January 2009 present); Counsel, TAM (2008 present); Counsel (contract), Massachusetts Financial Services, Inc. (2007); Assistant Counsel, BISYS Fund Services Ohio, Inc. (2005 2007); and Associate, Greenberg Traurig, P.A. (2004 2005).
Richard E. Shield, Jr. (1974)	Tax Officer	Since 2008	Tax Officer, Transamerica Funds, TST, TIS, TII, TPP, TPFG, TPFG II and TAAVF (2008 present); Tax Manager, Jeffrey P. McClanathan, CPA (2006 2007) and Gregory, Sharer & Stuart (2005 2006); Tax Senior, Kirkland, Russ, Murphy & Tapp, P.A. (2003 2005); and Certified Public Accountant, Schultz, Chaipel & Co., LLP (1998 2003).

*	Elected and serves at the pleasure of the Board of the Company.

If an officer has held offices for different funds for different periods of time, the earliest applicable date is shown. No officer of the Company, except for the Chief Compliance Officer, receives any compensation from the Company.

OTHER INFORMATION

INVESTMENT POLICY AMENDMENT

The Fund, under normal circumstances, may invest up to 20% of its net assets in equity securities of issuers with market capitalizations of $1 billion to $10 billion.

PROXY VOTING POLICIES AND PROCEDURES AND QUARTERLY PORTFOLIO HOLDINGS

A description of the Fund s proxy voting policies and procedures is available upon request by calling 1-888-233-4339 (toll free) or can be located on the Securities and Exchange Commission (SEC) website www.sec.gov.

In addition, the Fund is required to file Form N-PX, with the complete proxy voting records for the 12 months ended June 30th, no later than August 31st of each year. Form N-PX is available without charge from the Fund by calling 1-888-233-4339, and can also be located on the SEC s website at www.sec.gov.

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarter of each fiscal year on Form N-Q which is available on the SEC s website at www.sec.gov. The Fund s Form N-Q may be reviewed and copied at the SEC s Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

CERTIFICATIONS

On August 15, 2008, the Fund submitted a CEO annual certification to the NYSE on which the Fund s chief executive officer certified that he was not aware, as of that date, of any violation by the Fund of the NYSE s corporate governance listing standards. In addition, the Fund s report to the SEC on Form N-CSR contains certifications by the Fund s principal executive officer and principal financial officer as required by Rule 30a-2(a) under the 1940 Act, relating to, among other things, the quality of the Fund s disclosure controls and procedures and internal controls over financial reporting.

Investment Adviser

Transamerica Asset Management, Inc.

570 Carillon Parkway

St. Petersburg, FL 33716-1202

Sub-Adviser

Transamerica Investment Management, LLC

11111 Santa Monica Boulevard, Suite 820

Los Angeles, CA 90025

Transfer Agent

Mellon Investor Services LLC

Newport Office Center VII

480 Washington Boulevard

Jersey City, NJ 07310

1-800-454-9575

www.bnymellon.com

Custodian

State Street Bank & Trust Company

200 Clarendon Street

Boston, MA 02116

1-617-937-6700

Listed

New York Stock Exchange

Symbol: TAI

NASDAQ Symbol: XTAIX

Transamerica Income Shares, Inc. is a closed-end investment company which invests primarily in debt securities. Its objective is to provide a high level of current income.

Item 2: Code of Ethics.

(a) Registrant has adopted a code of ethics that applies to its principal executive officer, principal financial officer, and any other officers who serve a similar function.

(b) Registrant s code of ethics is reasonably designed as described in this Form N-CSR.

(c) During the period covered by the report, no amendments were made to the provisions of this code of ethics.

(d) During the period covered by the report, Registrant did not grant any waivers, including implicit waivers, from the provisions of this code of ethics.

(e) Not Applicable

(f) Registrant has filed this code of ethics as an exhibit pursuant to Item 12(a)(1) of Form N-CSR.

Item 3: Audit Committee Financial Expert.

Registrant s Board of Directors has determined that Sandra N. Bane, Eugene M. Mannella and John W. Waechter are each an audit committee financial expert, as such term is defined in Item 3 of Form N-CSR. Ms Bane and Messrs. Mannella and Waechter are independent under the standards set forth in Item 3 of Form N-CSR. The designation of Ms. Bane and Messrs. Mannella and Waechter as audit committee financial experts pursuant to Item 3 of Form N-CSR does not (i) impose upon them any duties, obligations, or liabilities that are greater than the duties, obligations and liabilities imposed upon them as members of the Registrant s Audit Committee or Board of Directors in the absence of such designation; or (ii) affect the duties, obligations or liabilities of any other member of the Registrant s Audit Committee or Board of Directors.

Item 4: Principal Accountant Fees and Services.

		Fiscal Year Ended 3/31	
(in thousands)		**2009**	**2008**
(a)	Audit Fees	39	38
(b)	Audit-related Fees(1)	0	0
(c)	Tax Fees(2)	2	2

(d)	All Other Fees	N/A	N/A
(e) (1)	Pre-approval policy(3)		
(e) (2)	% of above that were pre-approved	100%	100%
(f)	If greater than 50%, disclose hours	N/A	N/A
(g)	Non-audit fees rendered to Adviser (or affiliate that provided services to Registrant)	N/A	N/A
(h)	Disclose whether the Audit Committee has considered whether the provisions of non-audit services rendered to the Adviser that were NOT pre-approved is compatible with maintaining the auditor s independence.	Yes	Yes

(1) Audit-Related Fees represent assurance and related services provided that are reasonably related to the performance of the audit of the financial statements of the Registrant, specifically data verification and agreed-upon procedures related to asset securitizations and agreed-upon procedures engagements.

(2) Tax Fees represent tax compliance, tax planning and tax advice services provided in connection with the preparation and review of the Registrant s tax returns.

(3) The Audit Committee may delegate any portion of its authority, including the authority to grant pre-approvals of audit and permitted non-audit services, to one or more members or a subcommittee. Any decision of the subcommittee to grant pre-approvals shall be presented to the full Audit Committee at its next regularly scheduled meeting.

Item 5: Audit Committee of Listed Registrant.

The following individuals comprise the standing Audit Committee: John W. Waechter, Chairperson; Sandra N. Bane, Leo J. Hill, Neal M. Jewell, Russell A. Kimball, Jr., Eugene M. Mannella, Norman R. Nielsen, Joyce G. Norden and Patricia L. Sawyer.

Item 6: Investments.

(a) The Schedule of Investments in securities of unaffiliated issuers is included as part of the annual report to shareholders filed under Item 1 of this Form.

(b) No disclosures are required by this Item 6(b).

Item 7: Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.

TRANSAMERICA INCOME SHARES, INC. (THE FUND)

PROXY VOTING POLICIES AND PROCEDURES

I. Statement of Principle

The Fund seeks to assure that proxies received by the Fund is voted in the best interests of the Fund s stockholders and have accordingly adopted these procedures.

II. Delegation of Proxy Voting/Adoption of Adviser and Sub-Adviser Policies

The Fund delegates the authority to vote proxies related to portfolio securities to Transamerica Asset Management, Inc. (the Adviser), as investment adviser to the Fund, which in turn delegates proxy voting authority for most portfolios of the Fund to the Sub-Adviser retained to provide day-to-day portfolio management for that portfolio. The Board of Directors of the Fund adopts the proxy voting policies and procedures of the Adviser and Sub-Adviser as the proxy voting policies and procedures (each a Proxy Voting Policy) that will be used by each of these respective entities when exercising voting authority on behalf of the Fund. These policies and procedures are attached hereto.

III. Annual Review of Proxy Voting Policies of Adviser and Sub-Advisers

No less frequently than once each calendar year, the Proxy Voting Administrator will request each Sub-Adviser to provide a current copy of its Proxy Voting Policy, or certify that there have been no material changes to its Proxy Voting Policy or that all material changes have been previously provided for review, and verify that such Proxy Voting Policy is consistent with those of the Fund and Adviser. Any inconsistency between the Sub-Adviser s Proxy Voting Policy and that of the Fund or Adviser shall be reconciled by the Proxy Voting Administrator before presentation for approval by the Board.

The Proxy Voting Administrator will provide an electronic copy of each Board approved Proxy Voting Policy to Legal department for inclusion in applicable SEC filings.

IV. Securities on Loan

The Board of Directors of the Fund has authorized the Adviser, in conjunction with State Street Bank and Trust Company (State Street), to lend portfolio securities on behalf of the Fund. Securities on loan generally are voted by the borrower of such securities. Should a Sub-Adviser to the Fund wish to exercise its vote for a particular proxy, the Adviser will immediately contact State Street and terminate the loan.

Dated: January 9, 2007

Revised: November 7, 2007

Revised: March 1, 2008

TRANSAMERICA ASSET MANAGEMENT, INC. (TAM)

PROXY VOTING POLICIES AND PROCEDURES (TAM Proxy Policy)

I. Purpose

The TAM Proxy Policy is adopted in accordance with Rule 206(4)-6 under the Investment Advisers Act of 1940 (the Advisers Act) and TAM s fiduciary and other duties to its clients. The purpose of the TAM Proxy Policy is to ensure that where TAM exercises proxy voting authority with respect to client securities it does so in the best interests of the client, and that Sub-Advisers (as defined below) to TAM clients exercise voting authority with respect to TAM client securities in accordance with policies and procedures adopted by the Sub-Advisers under Rule 206(4)-6 and approved by the TAM client.

II. TAM s Advisory Activities

TAM acts as investment adviser to Transamerica Funds, Transamerica Income Shares, Inc., Transamerica Investors, Inc., Transamerica Partners Portfolios, Transamerica Asset Allocation Variable Funds, The Transamerica Partners Funds Group, The Transamerica Partners Funds Group II and Transamerica Series Trust (collectively, the Funds). For most of the investment portfolios comprising the Funds, TAM has delegated day-to-day management of the portfolio, including the authority to buy, sell, or hold securities in the portfolio and to exercise proxy voting authority with respect to those securities, to one or more investment sub-advisers, pursuant to sub-advisory agreements entered into between TAM and each sub-adviser (each, a Sub-Adviser and collectively, the Sub-Advisers) and approved by the Board of Trustees/Directors of the client Fund (the Board). TAM serves as a manager of managers with respect to the Sub-Advisers and monitors their activities in accordance with the terms of an exemptive order granted by the Securities and Exchange Commission (Release No. IC-23379, August 5, 1998).

III. Summary of the TAM Proxy Policy

TAM delegates the responsibility to exercise voting authority with respect to securities held in the Funds portfolios for which one or more Sub-Advisers has been retained to the Sub-Adviser(s) for each such portfolio, in accordance with each applicable Sub-Adviser Proxy Policy (as defined below). TAM will collect and review each Sub-Adviser Proxy Policy, together with a certification from the Sub-Adviser that the Sub-Adviser Proxy Policy complies with Rule 206(4)-6, and submit these materials to the Board for approval. In the event that TAM is called upon to exercise voting authority with respect to client securities, TAM generally will vote in accordance with the recommendation of Institutional Shareholder Services, Inc. (ISS) or another qualified independent third party, except that if TAM believes the recommendation would not be in the best interest of the relevant portfolio and its shareholders, TAM will consult the Board of the relevant Fund (or a Committee of the Board) and vote in accordance with instructions from the Board or Committee.

IV. Delegation of Proxy Voting Authority to Sub-Advisers

TAM delegates to each Sub-Adviser the responsibility to exercise voting authority with respect to securities held by the portfolio(s), or portion thereof, managed by the Sub-Adviser. Each Sub-Adviser is responsible for monitoring, evaluating and voting on all proxy matters with regard to investments the Sub-Adviser manages for the Funds in accordance with the Sub-Adviser s proxy voting policies and procedures adopted to comply with Rule 206(4)-6 (each, a Sub-Adviser Proxy Policy and collectively, the Sub-Adviser Proxy Policies).

V. Administration, Review and Submission to Board of Sub-Adviser Proxy Policies

A. Appointment of Proxy Administrator

TAM will appoint an officer to be responsible for collecting and reviewing the Sub-Adviser Proxy Policies and carrying out the other duties set forth herein (the Proxy Administrator).

B. Initial Review

1. The Proxy Administrator will collect from each Sub-Adviser:

a) its Sub-Adviser Proxy Policy;

b) a certification from the Sub-Adviser that (i) its Sub-Adviser Proxy Policy is reasonably designed to ensure that the Sub-Adviser votes client securities in the best interest of clients, and that the Sub-Adviser Proxy Policy includes an explanation of how the Sub-Adviser addresses material conflicts that may arise between the Sub-Adviser s interests and those of its clients, (ii) the Sub-Adviser Proxy Policy has been adopted in accordance with Rule 206(4)-6, and (iii) the Sub-Adviser Proxy Policy complies the terms of Rule 206(4)-6; and

c) a summary of the Sub-Adviser Proxy Policy suitable for inclusion in the client Fund s registration statement, in compliance with Item 13(f) of Form N-1A, and a certification to that effect.

2. The Proxy Administrator will review each Sub-Adviser Proxy Policy with a view to TAM making a recommendation to the Board. In conducting its review, TAM recognizes that the Securities and Exchange Commission has not adopted specific policies or procedures for advisers, or provided a list of approved procedures, but has left advisers the flexibility to craft policies and procedures suitable to their business and the nature of the conflicts they may face. As a consequence, Sub-Adviser Proxy Policies are likely to differ widely. Accordingly, the Proxy Administrator s review of the Sub-Adviser Proxy Policies will be limited to addressing the following matters:

a) whether the Sub-Adviser Proxy Policy provides that the Sub-Adviser votes solely in the best interests of clients;

b) whether the Sub-Adviser Proxy Policy includes a description of how the Sub-Adviser addresses material conflicts of interest that may arise between the Sub-Adviser or its affiliates and its clients; and

c) whether the Sub-Adviser Proxy Policy includes both general policies and procedures as well as policies with respect to specific types of issues (for this purpose general policies include any delegation to a third party, policies relating to matters that may substantially affect the rights or privileges of security holders, and policies regarding the extent of weight given to the view of the portfolio company management; specific issues include corporate governance matters, changes to capital structure, stock option plans and other management compensation issues, and social corporate responsibility issues, among others).

3. The Proxy Administrator will review the certification provided pursuant to paragraph 1(b) above for completeness, and will review the summary provided pursuant to paragraph 1(c) above for compliance with the requirements of Form N-1A.

4. TAM will provide to the Board (or a Board Committee), the materials referred to in Section V.B.1. and a recommendation pursuant to the Proxy Administrator s review of the Sub-Adviser Proxy Policy provided for in Section V.B.2.

5. TAM will follow the same procedure in connection with the engagement of any new Sub-Adviser.

C. Subsequent Review

TAM will request that each Sub-Adviser provide TAM with prompt notice of any material change in its Sub-Adviser Proxy Policy. TAM will report any such changes at the next quarterly Board meeting of the applicable Fund. No less frequently than once each calendar year, TAM will request that each Sub-Adviser provide TAM with its current Sub-Adviser Proxy Policy, or certify that there have been no material changes to its Sub-Adviser Proxy Policy or that all material changes have been previously provided for review by TAM and approval by the relevant Board(s), and that the Sub-Adviser Proxy Policy continues to comply with Rule 206(4)-6.

D. Record of Proxy Votes Exercised by Sub-Adviser

The Proxy Administrator, or a third party as permitted by regulations issued by the Securities and Exchange Commission (such as ISS), will maintain a record of any proxy votes (including the information called for in Items 1(a) through (i) of Form N-PX) exercised by the Sub-Adviser on behalf of a portfolio of the Funds. The Proxy Administrator, or a third party as permitted by regulations issued by the Securities and Exchange Commission (such as ISS), will maintain a complete proxy voting record with respect to each Fund. If TAM utilizes the services of a third party for maintaining the records above specified, TAM shall obtain an undertaking from the third party that it will provide the records promptly upon request.

VI. TAM Exercise of Proxy Voting Authority

A. Use of Independent Third Party

If TAM is called upon to exercise voting authority on behalf of a Fund client, TAM will vote in accordance with the recommendations of ISS or another qualified independent third party (the Independent Third Party), provided that TAM agrees that the voting recommendation issued by the Independent Third Party reflects the best interests of the relevant portfolio and its shareholders.

B. Conflict with View of Independent Third Party

If, in its review of the Independent Third Party recommendation, TAM believes that the recommendation is not in the best interests of the Fund client, TAM will submit to the Board (or a Board Committee) its reasons for disagreeing with the Independent Third Party, as well as full disclosure of any conflict of interest between TAM or its affiliates and the Fund in connection with the vote, and seek consent of the Board (or Committee) with respect to TAM s proposed vote.

C. Asset Allocation Portfolios

For any asset allocation portfolio managed by TAM and operated, in whole or in part, as a fund of funds , TAM will vote proxies in accordance with the recommendations of the Board(s) of the Fund(s). If any such asset allocation portfolio holds shares of a registered investment company that is not a portfolio of a Fund, TAM will seek Board (or Committee) consent with respect to TAM s proposed vote in accordance with the provisions of Section VI.B.

VII. Conflicts of Interest Between TAM or Its Affiliates and the Funds

The TAM Proxy Voting Policy addresses material conflicts that may arise between TAM or its affiliates and the Funds by, in every case where TAM exercises voting discretion, either (i) providing for voting in accordance with the recommendation of the Independent Third Party or Board(s); or (ii) obtaining the consent of the Board (or a Board Committee) with full disclosure of the conflict.

VIII. Recordkeeping

A. Records Generally Maintained

In accordance with Rule 204-2(c)(2) under the Advisers Act, the Proxy Administrator shall cause TAM to maintain the following records:

1. the TAM Proxy Voting Policy; and

2. records of Fund client requests for TAM proxy voting information.

B. Records for TAM Exercise of Proxy Voting Authority

In accordance with Rule 204-2(c)(2) under the Advisers Act, if TAM exercises proxy voting authority pursuant to Section VI above, TAM, or a third party as permitted by regulations issued by the Securities and Exchange Commission (such as ISS), shall make and maintain the following records:

1. proxy statements received regarding matters it has voted on behalf of Fund clients;

2. records of votes cast by TAM; and

3. copies of any documents created by TAM that were material to deciding how to vote proxies on behalf of Fund clients or that memorialize the basis for such a decision.

If TAM utilizes the services of a third party for maintaining the records above specified, TAM shall obtain an undertaking from the third party that it will provide the records promptly upon request.

C. Records Pertaining to Sub-Adviser Proxy Policies

The Proxy Administrator will cause TAM and/or a third party as permitted by regulations issued by the Securities and Exchange Commission (such as ISS), to maintain the following records:

1. each Sub-Adviser Proxy Policy; and

2. the materials delineated in Article V above.

If TAM utilizes the services of a third party for maintaining the records above specified, TAM shall obtain an undertaking from the third party that it will provide the records promptly upon request.

D. Time Periods for Record Retention

All books and records required to maintain under this Section VIII will be maintained in an easily accessible place for a period of not less than five years from the end of the fiscal year during which the last entry was made on the record, the first two years in an appropriate office of TAM.

IX. Provision of TAM Proxy Policy to Fund Clients

The Proxy Administrator will provide each Fund s Board (or a Board Committee) a copy of the TAM Proxy Policy at least once each calendar year.

Last Revised: July 1, 2008

Item 8: Portfolio Managers of Closed-End Management Investment Companies

As of the date of this filing, Brian W. Westhoff, CFA, Kirk J. Kim and Peter O. Lopez are the Co-Lead Portfolio Managers of the Registrant and Derek S. Brown and Greg D. Haendel, CFA are Co-Managers.

Brian W. Westhoff, CFA

Portfolio Manager (co-lead)

Brian W. Westhoff is a Portfolio Manager at Transamerica Investment Management, LLC (TIM). Prior to joining TIM in 2003, Mr. Westhoff worked as an Equity Research Intern with Credit Suisse Asset Management, as a Fixed Income Investment Analyst at St. Paul Companies, and as an Argentine/Oil and Gas Equity Research Intern with Merrill Lynch in Argentina. He holds an M.B.A. from Thunderbird, and the Garvin Graduate School of International Management, and received a B.S. in Business Administration from Drake University. Mr. Westhoff has earned the right to use the Charter Financial Analyst designation and has 11 years of investment experience.

Kirk J. Kim

Portfolio Manager (co-lead)

Kirk J. Kim is a Principal and Portfolio Manager at TIM. He manages sub-advised funds and institutional separate accounts in TIM s Convertible Securities discipline and is a member of TIM s Concentrated All Cap Growth Equity investment team. Prior to joining TIM in 1997, Mr. Kim worked as a securities analyst for The Franklin Templeton Group. He holds a B.S. in Finance from the University of Southern California. Mr. Kim has 13 years of investment experience.

Peter O. Lopez

Portfolio Manager (co-lead)

Peter O. Lopez is Principal and Director of Research at TIM. He co-manages sub-advised funds and institutional accounts in the Large Growth Equity and Convertible Securities disciplines. Prior to joining TIM in 2003, he was Managing Director at Centre Pacific, LLC. Mr. Lopez also previously served as Senior Fixed Income Analyst for Transamerica Investments Services, Inc. from 1997 2000. He Holds an M.B.A. in Finance and Accounting from the University of Michigan and received a B.A. in Economics from Arizona State University. Mr. Lopez has 17 years of investment experience.

Derek S. Brown, CFA

Portfolio Manager (co)

Derek S. Brown is a Portfolio Manager and Director of Fixed Income at TIM. He manages mutual funds, sub-advised funds and institutional accounts in the Fixed Income discipline. Prior to joining TIM in 2005, he served in the portfolio management and fixed income trading departments at Bradford & Marzec, Inc. Mr. Brown also previously worked in the trading departments of Back Bay Advisors and The Boston Company Asset Management. He holds an M.B.A. from Boston College and received a B.A. in Communications Studies from University of Maine. Mr. Brown has earned the right to use the Chartered Financial Analyst designation and has 17 years of investment experience.

Greg D. Haendel, CFA

Portfolio Manager (co)

Greg D. Haendel is a Portfolio Manager at TIM. Prior to joining TIM in 2003, he worked as a High Yield Intern for Metropolitan West Asset Management, as a Fixed Income Intern for Lehman Brothers in London, as a Mortgage-Backed Portfolio Manager for Co-Bank in Colorado, and as a Global Debt Analyst for Merrill Lynch in New York. Mr. Haendel holds an M.B.A. in Finance and Accounting from The Anderson School at UCLA and received a B.A. in Economics from Amherst College. Mr. Haendel has earned the right to use the Chartered Financial Analyst designation and has 11 years of investment experience.

<u>(a) (2) Other Accounts Managed by Portfolio Managers</u>

The Portfolio Managers may also be responsible for the day-to-day management of other accounts, as indicated by the following table. None of these accounts have an advisory fee based on the performance of the account.

Portfolio Managers	Number	RICs Assets Managed	Number	Pooled Assets Managed	Number	Other Assets Managed
Brian W. Westhoff*	3	$ 168,320,788	0	$ 0	1	$ 15,453,872
Kirk J. Kim*	7	$ 376,768,327	1	$ 15,021,428	4	$ 285,263,331
Peter O. Lopez*	2	$ 58,969,703	1	$ 9,946,663	1	$ 7,998,591
Derek S. Brown	1	$ 894,460,006	0	$ 0	15	$ 1,543,872,623
Greg D. Haendel	10	$ 2,326,968,817	0	$ 0	13	$ 675,725,279

Fee Based Accounts

(The number of accounts and the total assets in the accounts managed by each portfolio manager with respect to which the advisory fee is based on the performance of the account.)

Brian W. Westhoff	0	$	0	0	$	0	0	$	0
Kirk J. Kim	0	$	0	0	$	0	0	$	0
Peter O. Lopez	0	$	0	0	$	0	0	$	0
Derek S. Brown	0	$	0	0	$	0	0	$	0
Greg D. Haendel	0	$	0	0	$	0	0	$	0

Core Plus Team: Brian W. Westhoff, Peter Lopez, and Kirk Kim manage the Aegon USA Charitable Foundation (Classified above as Other), Transamerica Flexible Income Fund (RIC), and Transamerica Income Shares (RIC) as a team; thus, the assets managed for the Core Plus Team-managed portion of these three accounts is divided equally amongst the three managers for the purposes of the table above.

Potential Conflicts of Interest

At TIM, individual portfolio managers may manage multiple accounts for multiple clients. In addition to the sub-advisory management of the Fund, TIM manages separate accounts for institutions and individuals. TIM manages potential conflicts between accounts through its allocation policies and procedures, internal review processes and oversight by senior management and its board of directors. TIM has developed trade allocation policies to address potential conflicts in situations where two or more accounts participate in investment decisions involving the same securities using procedures that it considers to be fair and equitable. As of March 31, 2009, TIM did not foresee any conflict of interest in the management of the Fund.

(a) (3) Compensation for the Fiscal Year Completed March 31, 2009

Portfolio managers, including the members of the executive team, are remunerated with a combination of base salary, performance-based bonus, and profit sharing or ownership interest. The overall compensation structure is reviewed annually for market competitiveness with an objective of offering compensation structures above the median as compared to our industry peers. For purposes of determining the level of performance-based compensation, potential track records (pre-tax) are based on full years of portfolio management for TIM. There are two weighted components taken into consideration for determining maximum incentive compensation amounts. These total 100% and consist of an objective and subjective component as further described below:

• 80% Objective-portfolio performance-based calculation; based upon relative rankings of track record and return formula criteria. A portion of the objective component is necessarily subjective taking into account such items as co/multi-management responsibilities; portfolio performance upon assignment; length of time managing portfolio; customized client benchmarks; etc., in determining the portfolio manager s relative ranking. TIM s senior management and its board of directors determine the criteria to be used for evaluating how the rankings are determined for each portfolio manager under this objective component.

20% Subjective-based upon additional contributions to the firm as a whole and consistent with responsibilities identified on position descriptions for example, general research contribution, behavioral competencies (e.g. team contributions; decision making capabilities; work ethic), quality of investment ideas, managerial duties out

Item 9: Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid Per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
April 1 through April 30, 2008	0	$ 0.00	0	0
May 1 through May 31, 2008	0	$ 0.00	0	0
June 1 through June 30, 2008	0	$ 0.00	0	0
July 1 through July 31, 2008	0	$ 0.00	0	0
August 1 through August 31, 2008	0	$ 0.00	0	0
September 1 through September 30, 2008	0	$ 0.00	0	0
October 1 through October 31, 2008	0	$ 0.00	0	0
November 1 through November 30, 2008	0	$ 0.00	0	0
December 1 through December 31,2008	0	$ 0.00	0	0
January 1 through January 31, 2009	0	$ 0.00	0	0
February 1 through February 29, 2009	0	$ 0.00	0	0
March 1 through March 31, 2009	0	$ 0.00	0	0

Total	0	$	0.00	0	0

Item 10: Submission of Matters to a Vote of Security Holders.

There have been no material changes to the procedures by which shareholders may recommend nominees to the Registrant s Board of Directors that have been implemented since the Registrant last provided disclosure in response to the requirements of this Item.

Item 11: Controls and Procedures.

(a) The Registrant s principal executive officer and principal financial officer evaluated the Registrant s disclosure 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 Registrant in the reports that it files on Form N-CSR (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 controls over financial reporting that occurred during the Registrant s most recent fiscal quarter that has materially affected, or is reasonable likely to materially affect, the Registrant s internal control over financial reporting.

Item 12: Exhibits.

(a)	(1)	Registrant s code of ethics (that is the subject of the disclosure required by Item 2(a)) is attached
	(2)	Separate certifications for Registrant s principal executive officer and principal financial officer, as required by Rule 30a-2(a) under the 1940 Act, are attached.
	(3)	Not applicable

(b) A certification for Registrant s principal executive officer and principal financial officer, as required by Rule 30a-2(b) under the Investment Company Act of 1940, is attached. The certification furnished pursuant to this paragraph is not deemed to be filed for purposes of Section 18 of the Securities Act of 1934, or otherwise subject to liability of that section. Such certification is not deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Registrant specifically incorporates it by reference.

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 John K. Carter Chief Executive Officer
Date:	May 27, 2009

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 John K. Carter Chief Executive Officer
Date:	May 27, 2009

By:	/s/ Joseph P. Carusone Joseph P. Carusone Principal Financial Officer
Date:	May 27, 2009

EXHIBIT A

PERSONS COVERED BY THE

TRANSAMERICA SERIES TRUST

TRANSAMERICA PARTNERS PORTFOLIOS

TRANSAMERICA ASSET ALLOCATION VARIABLE FUNDS

THE TRANSAMERICA PARTNERS FUNDS GROUP

THE TRANSAMERICA PARTNERS FUNDS GROUP II

TRANSAMERICA FUNDS

TRANSAMERICA INCOME SHARES

TRANSAMERICA INVESTORS, INC.

CODE OF ETHICS FOR PRINCIPAL EXECUTIVE AND SENIOR FINANCIAL OFFICERS

Name	Title
John K. Carter	Chief Executive Officer
Joseph P. Carusone	Principal Financial Officer

EXHIBIT B

INITIAL AND ANNUAL CERTIFICATION OF

COMPLIANCE WITH THE

TRANSAMERICA SERIES TRUST

TRANSAMERICA PARTNERS PORTFOLIOS

TRANSAMERICA ASSET ALLOCATION VARIABLE FUNDS

THE TRANSAMERICA PARTNERS FUNDS GROUP

THE TRANSAMERICA PARTNERS FUNDS GROUP II

TRANSAMERICA FUNDS

TRANSAMERICA INCOME SHARES

TRANSAMERICA INVESTORS, INC.

CODE OF ETHICS FOR PRINCIPAL EXECUTIVE AND SENIOR FINANCIAL OFFICERS

To: The Board of Directors

/s/ JKC I hereby certify that I have received the Transamerica Funds, Transamerica Series Trust, Transamerica Partners Portfolios, The Transamerica Partners Funds Group, The Transamerica Partners Funds Group II, Transamerica Asset Allocation Variable Funds, Transamerica Investors, Inc., Transamerica Income Shares, Inc., Code of Ethics for Principal Executive and Senior Financial Officers adopted pursuant to the Sarbanes-Oxley Act of 2002 (the Code) and that I have read and understood the Code. I further certify that I am subject to the Code and will comply with each of the Code s provisions to which I am subject.

/s/ JKC I hereby certify that I have received the Transamerica Funds, Transamerica Series Trust, Transamerica Partners Portfolios, The Transamerica Partners Funds Group, The Transamerica Partners Funds Group II, Transamerica Asset Allocation Variable Funds, Transamerica Investors, Inc., Transamerica Income Shares, Inc., Code of Ethics for Principal Executive and Senior Financial Officers adopted pursuant to the Sarbanes-Oxley Act of 2002 (the Code) and that I have read and understood the Code. I further certify that I have complied with and will continue to comply with each of the provisions of the Code to which I am subject.

/s/ John K. Carter

(Signature)

Name:	John K. Carter, Chief Executive Officer
Date:	May 27, 2009

EXHIBIT B

INITIAL AND ANNUAL CERTIFICATION OF

COMPLIANCE WITH THE

TRANSAMERICA SERIES TRUST

TRANSAMERICA PARTNERS PORTFOLIOS

TRANSAMERICA ASSET ALLOCATION VARIABLE FUNDS

THE TRANSAMERICA PARTNERS FUNDS GROUP

THE TRANSAMERICA PARTNERS FUNDS GROUP II

TRANSAMERICA FUNDS

TRANSAMERICA INCOME SHARES

TRANSAMERICA INVESTORS, INC.

CODE OF ETHICS FOR PRINCIPAL EXECUTIVE AND SENIOR FINANCIAL OFFICERS

To: The Board of Directors

/s/ JPC I hereby certify that I have received the Transamerica Funds, Transamerica Series Trust, Transamerica Partners Portfolios, The Transamerica Partners Funds Group, The Transamerica Partners Funds Group II, Transamerica Asset Allocation Variable Funds, Transamerica Investors, Inc., Transamerica Income Shares, Inc., Code of Ethics for Principal Executive and Senior Financial Officers adopted pursuant to the Sarbanes-Oxley Act of 2002 (the Code) and that I have read and understood the Code. I further certify that I am subject to the Code and will comply with each of the Code s provisions to which I am subject.

/s/ JPC I hereby certify that I have received the Transamerica Funds, Transamerica Series Trust, Transamerica Partners Portfolios, The Transamerica Partners Funds Group, The Transamerica Partners Funds Group II, Transamerica Asset Allocation Variable Funds, Transamerica Investors, Inc., Transamerica Income Shares, Inc., Code of Ethics for Principal Executive and Senior Financial Officers adopted pursuant to the Sarbanes-Oxley Act of 2002 (the Code) and that I have read and understood the Code. I further certify that I have complied with and will continue to comply with each of the provisions of the Code to which I am subject.

/s/ Joseph P. Carusone
(Signature)

Name:	Joseph P. Carusone, Principal Financial Officer
Date:	May 27, 2009

EXHIBIT INDEX

Exhibit No.	**Description of Exhibit**
12(a)(1)	Code of Ethics for Chief Executive and Principal Financial Officers
12(a)(2)(i)	Section 302 N-CSR Certification of Chief Executive Officer
12(a)(2)(ii)	Section 302 N-CSR Certification of Principal Financial Officer
12(b)	Section 906 N-CSR Certification of Chief Executive Officer and Principal Financial Officer