

**YEAR AFTER YEAR THE MEMBERS OF YOUR BOARD HAVE CONSISTENTLY ACTED TO MAXIMIZE FEES TO CLAYMORE RATHER THAN RETURNS TO SHAREHOLDERS.**

**VOTE WITH WESTERN INVESTMENT TO ELECT TRUSTEES COMMITTED TO MAXIMIZING VALUE FOR ALL SHAREHOLDERS!**

Dear Fellow Shareholder:

**The Fund has been plagued by a persistent discount to net asset value, made worse by what we believe to be an ineffective and compromised Board. The Board claims to be seeking to protect the long-term interests of all shareholders, yet has not adopted proven remedies described in the offering prospectus. We believe it is time for true shareholder representation on the Board.**

Western Investment is the largest shareholder of TS&W/Claymore Tax-Advantaged Balanced Fund (the “Fund”), owning approximately 6.7% of the Fund’s shares. We are seeking your support on the **GOLD** proxy card FOR the election of TWO INDEPENDENT trustee nominees to the Fund’s Board of Trustees, and FOR our proposal to take the necessary steps to declassify the Board so that all trustees are reelected on an annual basis.

Western Investment specializes in investing in closed-end funds and has proven over many years to be an ethical activist investor for all shareholders. We have taken a stance in connection with 32 issuers since 2004. All completed activism situations resulted in significant pro-shareholder action by issuers. In every situation, the same result was available to all shareholders. We did not benefit in any way except as a shareholder, we have never accepted any fees nor did we accept “greenmail” or participate in any transaction not available to all other shareholders. We are proud of our public record and proud of the role we have played in creating value for shareholders.

**WHY HAS THE BOARD TAKEN NO SIGNIFICANT ACTION TO REDUCE THE PERSISTENT DISCOUNT TO NET ASSET VALUE?**

The Fund has been plagued by a persistent and significant discount to its per share net asset value, or NAV, since inception. This discount has averaged 11.4% and has been as high as 31.8%. **When compared with 254 publicly traded US municipal bond closed-end funds registered with the Securities and Exchange Commission, the Fund is the absolute worst in terms of discount to NAV.** The Fund holds more than 50% of its portfolio in municipal securities, with the balance in equities. Because of the Board’s ineffective action in addressing this discount, selling shareholders are forced to leave significant value behind, receiving less for their shares than the actual value of the securities they represent.

While the Board claims it has been cognizant of seeking to protect the long-term interests of all shareholders of the Fund, **little to nothing has been done to address the persistent discount to net asset value.**

For example, the Putnam Funds recently published a press release, currently posted at [www.fixmyfund.com](http://www.fixmyfund.com), showing that fund returns were increased by as much as 24% through repurchases. Why has this Board not taken similar action?

Why hasn't the Board proposed converting the Fund into a municipal bond ETF or, at the very least, shedding the equity security portion of the Fund's portfolio, increasing the Fund's dividend and conducting periodic tender-offers or accretive and aggressive open-market repurchases of the Fund's shares? Muni ETFs have had huge growth, been enormously popular and have offered greater liquidity with much lower fees to investors over the past three years. We suggested these two solutions to the Board prior to this solicitation so that shareholders could avoid a costly proxy contest. Unsurprisingly, the Board ignored our suggestion. In fact, they never even bothered to reply.

### **HOW CAN THE BOARD JUSTIFY PAYING OVER \$2.2 MILLION IN ADVISORY, "PROFESSIONAL" AND TRUSTEE FEES IN 2009?**

While many shareholders have incurred significant lost value in their investment in the Fund, the Fund still managed to pay over \$2.3 million in advisory, "professional" and trustee fees in 2009. We believe the Claymore Board needs to take aggressive action to decrease and justify these fees. Again we wonder how does a Board that is truly "cognizant of seeking to protect the long-term interests of all shareholders of the Fund" justify these excessive fees?

### **WHY DOES THIS BOARD CONTINUE TO DISREGARD BEST PRACTICE CORPORATE GOVERNANCE RECOMMENDATIONS?**

Egan-Jones Proxy Services, Glass, Lewis & Co. and RiskMetrics Group, three of the leading proxy advisory firms, in addition to The Council of Institutional Investors, a nonpartisan, not-for-profit association of public, labor and corporate employee benefit funds with assets exceeding \$3 trillion and a leading advocate for improving corporate governance standards and strengthening investor rights, all recommend that all members of a board of directors or trustees be elected annually. RiskMetrics Group has even been retained by the Fund to provide proxy voting guidelines on the Fund's behalf. Yet the Fund has determined that shareholders somehow benefit from a classified board. We wonder, are shareholders truly being served by a Board that spends shareholder money to engage a proxy advisory firm, only to ultimately ignore the firm's recommendation? By preserving its classified board, whose interests is this Board trying to protect?

### **WHAT DOES THE BOARD PLAN TO DO IN LIGHT OF THE EXPECTED EXPIRATION OF THE TAX-CUTS RELATING TO DIVIDEND INCOME?**

In 2011, without further action by Congress, dividend income will be taxed at higher rates. For a fund that "seeks to achieve its objective by investing in a pool of assets that generate income that is either exempt from regular federal income tax or qualifies for federal income taxation at long-term capital gains rates," the expiration of these tax-cuts is a big deal. Yet the Board has failed to even acknowledge the effect such a tax increase would have on the Fund and its shareholders. Why is the Board withholding this information from shareholders? Frankly, this is just further

inaction from a Board seemingly more interested in protecting its own interests than the interests of shareholders.

We urge you to vote the **GOLD** proxy today by following the simple instructions for telephone or internet voting on the **GOLD** proxy card. Alternatively, you can sign date and return your **GOLD** proxy in the postage paid envelope provided.

If you have any questions or require assistance in voting, please contact our proxy solicitor at the numbers given on the following page. Thank you for your support.

Regards,

Arthur D. Lipson

**If you have any questions or need assistance voting your Shares,  
please call:**

**InvestorCom, Inc.  
65 Locust Avenue, Third Floor  
New Canaan, Connecticut 06840**

**Shareholders Call Toll-Free at: (877) 972-0090  
Banks and Brokers Call Collect at: (203) 972-9300**

**You may also contact Western Investment LLC via email at  
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