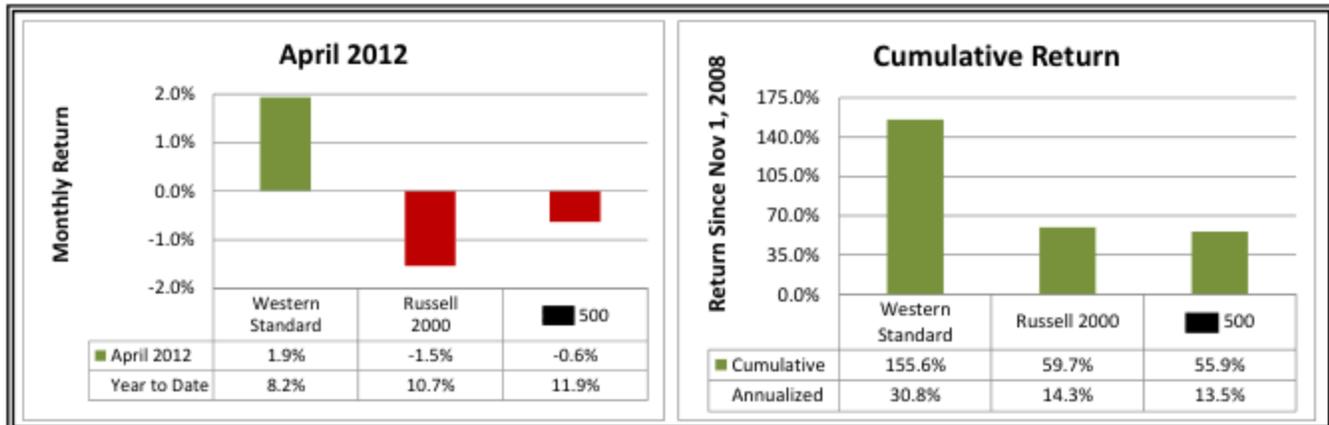


May 1, 2012

Dear Limited Partner,

Performance for the month of April 2012 was +1.9% net of fees.<sup>1</sup> The index most comparable to Western Standard Partners, LP (the “partnership”) is the Russell 2000, which was -1.5% for the month.



#### **April 2012 Focus of Western Standard**

The most significant investments of the partnership in April were:

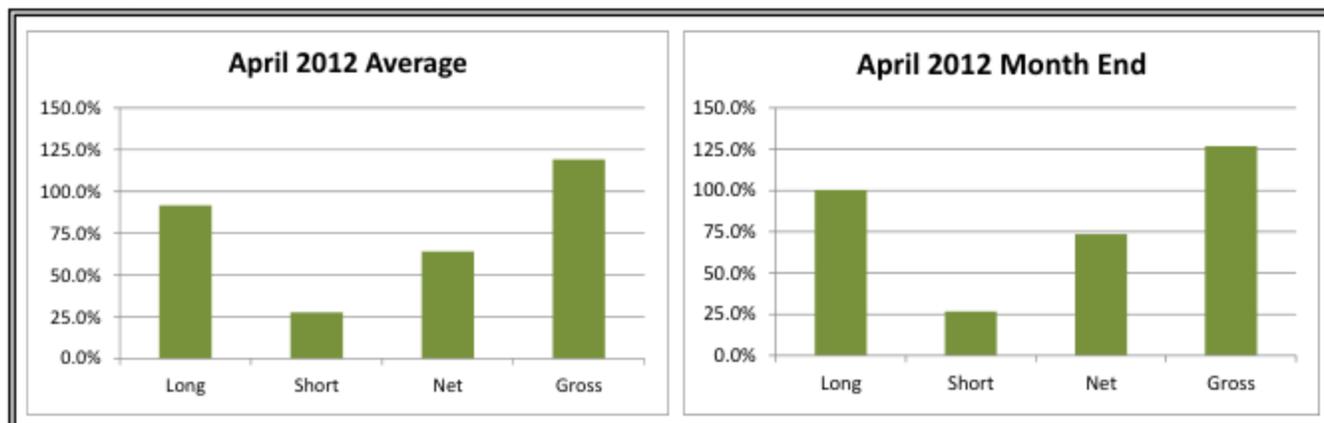
- **Increased exposure to common equities** – The partnership added 4 new positions and increased our ownership of 15 existing positions. We reduced our position size in 9 common equities and fully exited 5 common equities. Common equities represent 89.0% of partnership capital at month-end; 42.6% are common equity investments with no catalyst, while 46.4% are common equity investments with a catalyst.
- **Decreased exposure to short positions** – The partnership initiated 5 new short sales, increased our position size in 7 short sales, decreased our position size in 4 short sales, and fully covered 8 short sales.
- **Decreased exposure to bonds** – The partnership decreased 1 bond position.

The partnership is focused on increasing both long and short positions in small cap stocks. Historically, small cap stocks have displayed significant volatility. As the partnership invests a larger percentage of capital in volatile assets, the volatility of monthly returns will similarly increase.

#### **Current Portfolio Construction**

At month-end, the partnership had gross exposure of 126.8% and net exposure of 73.5%. Similar to prior months, the level of net exposure appears very high but this is principally the result of the partnership’s 9.8% position in low-risk credit and 1.0% position in arbitrage securities. The partnership’s beta-adjusted net exposure is 31.3%. Beta is a measure of correlation to the market and therefore our correlation is low.

The partnership cannot predict the moves of the market so exposure is managed to be close to zero. The partnership generates returns through security selection. Minimizing exposure to the market is part of the partnership's approach to risk management.



In May, the focus of Western Standard will be to search for under-valued small cap common equities, additional arbitrage investments, and over-valued stocks to sell short.

**Investment Highlight**

Asia Satellite Telecommunications (“1135 HK”) is Asia’s premier owner and operator of satellites serving 50 countries in the Asia Pacific region and covering two-thirds of the world’s population. 1135 HK is one of two satellite operators with a license to serve the fast growing and restricted Chinese market, providing 1135 HK significant returns on its invested capital. The partnership searches for companies with competitive moats and, as a result of 1135 HK’s significant regulatory advantage, invested in the company at an average cost of HKD \$16.80 per share.

Established in February 1988, 1135 HK has four satellites in prime geostationary positions orbiting the Asian landmass and two more satellites in construction. The company is ~74% owned by a joint-venture between CITIC, the state-owned investment company of the People’s Republic of China, and General Electric Company. In April 2007, both CITIC and General Electric offered to take the company private at HKD \$18.30 per share, but the U.S. State Department refused to approve the deal given the sensitive nature of the technology in the company’s satellites. As a result of the failed 2007 takeover, 1135 HK was left undervalued and thinly traded. While most investors ignored 1135 HK, the partnership was happy owning an oligopolistic business with high returns on invested capital and a steady and growing dividend payment.

Since 2007, both CITIC and General Electric have focused on creating long-term value and 1135 HK’s fundamentals have improved significantly due to increased demand for satellite services in emerging markets. This increased performance led to another takeover attempt announced on April 2, 2012, from the company’s management at HKD \$22.00 per share, 31% above our average cost of HKD \$16.80 per share. Learning its lessons from the past, the company worked diligently with both the Chinese and U.S. State Department before proposing the management buyout so we expect a quick deal close.

**Operational Highlights**

The partnership publishes this letter before the month-end return is finalized by HedgeCount, LLC. Therefore, the estimated return is likely to differ slightly from the final return due to timing of interest, dividends, short rebates, expenses, etc. Historical finalized monthly returns are included in the footnote.

Limited partners are welcome to stop by the office at anytime. Investor inquiries and feedback are always welcome. Limited partners may add additional capital to their account at the start of each month. I can be reached at (310) 829-0903.

Thank you for the trust you have placed in me with your investment. It is an honor and a responsibility I take very seriously.

Very truly yours,

Eric D. Andersen  
Portfolio Manager  
Western Standard Partners, LP

Subscriptions:	Monthly
Minimum Investment:	\$250,000 (may be waived by GP)
Liquidity:	Redemption quarterly, with 90 days notice
Lockup:	None
Fees:	1.5% Management fee, 20% Performance fee, with a high watermark
Investment Manager:	Western Standard LLC
General Partner:	Eric D. Andersen
Prime Brokers:	JP Morgan Clearing Corp, and Goldman Sachs Clearing and Execution Services, [REDACTED]
Introducing Broker:	Merlin Securities
Auditor:	Spicer Jeffries LLP
Law Firm:	Paul Hastings LLP
Fund Administrator:	HedgeCount, LLC
For further information, please contact:	Western Standard LLC 1507 Berkeley Street, Suite 7 Santa Monica, CA 90404 USA Tel: (310) 829-0903 Fax: (866) 665-9520 [REDACTED]

<sup>1</sup>Percentage indicated is an estimated fund return and was calculated by taking the net income of the fund after management fee and estimated performance allocation and dividing by the beginning capital. Reflects fee structure of 1.5% management fee and 20.0% performance allocation. Historical finalized monthly returns:

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>2012</b>	2.30%	2.02%	1.68%										8.2%
<b>2011</b>	3.34%	1.17%	2.95%	2.94%	1.41%	6.83%	0.45%	-0.81%	-3.87%	2.46%	-0.09%	1.68%	19.7%
<b>2010</b>	3.55%	3.24%	2.62%	8.08%	-1.58%	0.93%	2.92%	1.48%	0.91%	-1.48%	1.14%	6.22%	31.4%
<b>2009</b>	2.35%	1.00%	3.47%	5.98%	4.31%	5.56%	3.42%	2.53%	4.09%	0.65%	0.93%	2.75%	43.8%
<b>2008</b>											0.20%	4.30%	4.5%

LPs that do not meet the qualified client status have a different fee structure and therefore a different net return. Please see NAV from HedgeCount, LLC or contact Eric Andersen at (310) 829-0903. Returns presented for Russell 2000 and [REDACTED] 500 include dividend reinvestment.

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