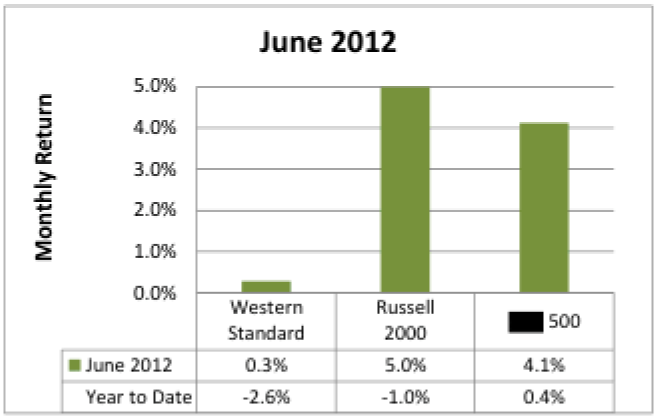
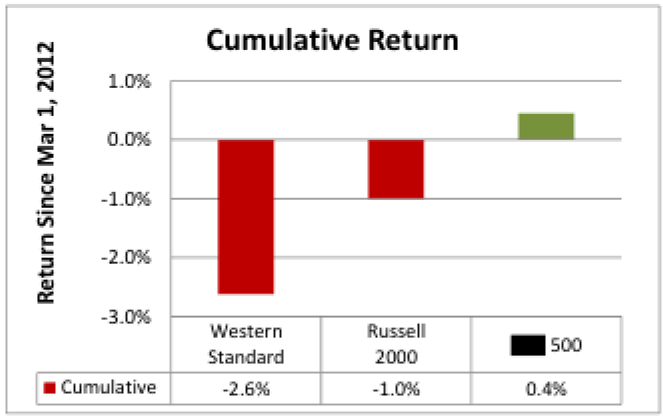
WESTERN STANDARD
PARTNERS QP, LP

July 1, 2012

Dear Limited Partner,

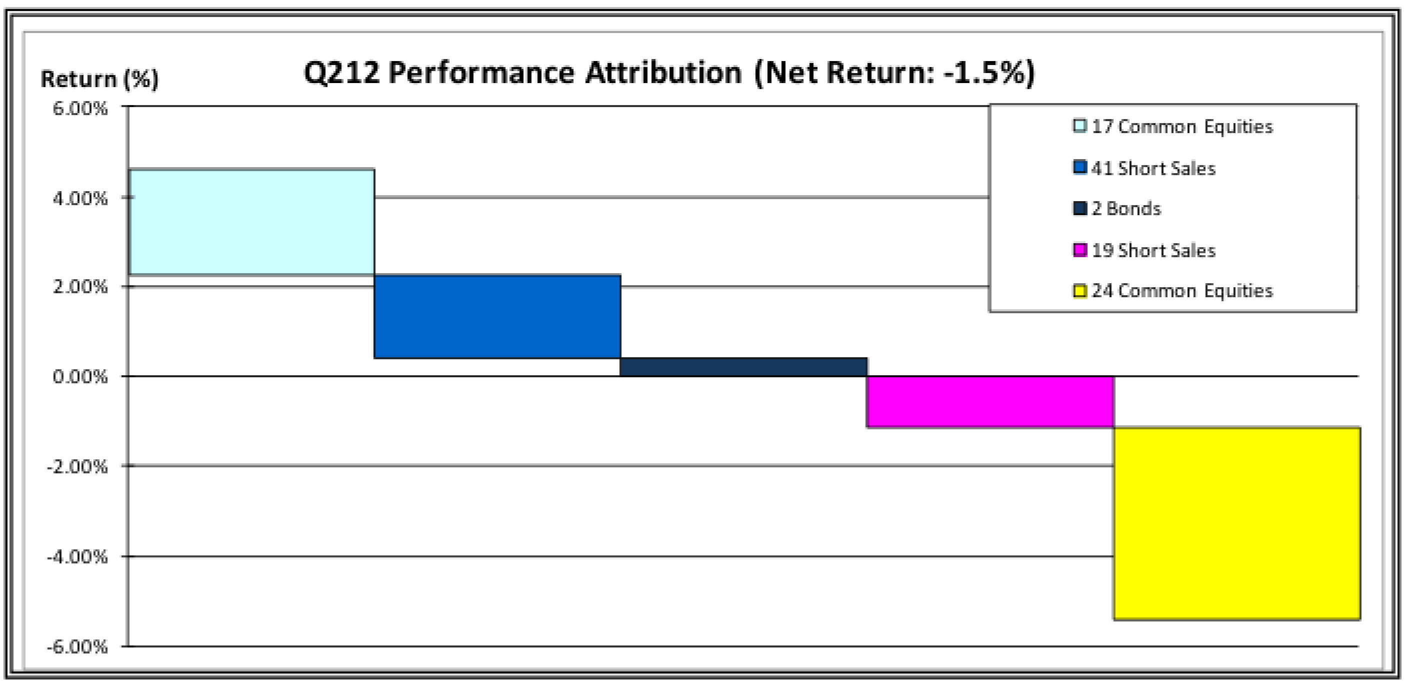
Performance for the month of June 2012 was +0.3% net of fees.[1] The index most comparable to Western Standard Partners QP, LP (the "partnership") is the Russell 2000, which was +5.0% for the month.





Q212 Portfolio Attribution

During Q212, the partnership had 60 positions that generated gains and 43 positions that generated losses. The average gain of the 60 winners was 0.6x the average loss of the 43 losers. While the partnership strives for a margin of safety in all positions, we recognize we can always be wrong and size positions such that a mistake is tolerable; our largest loss was 1.05% of capital, but our largest winner was 1.12% of capital for a ratio of 1.1x.



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June 2012 Focus of Western Standard

The most significant investments of the partnership in June were:

- Increased exposure to common equities – The partnership added 3 new positions and increased our ownership of 9 existing positions. We reduced our position size in 4 common equities and fully exited 3 common equities. Common equities represent 78.2% of partnership capital at month-end; 32.2% are common equity investments with no catalyst, while 45.9% are common equity investments with a catalyst.

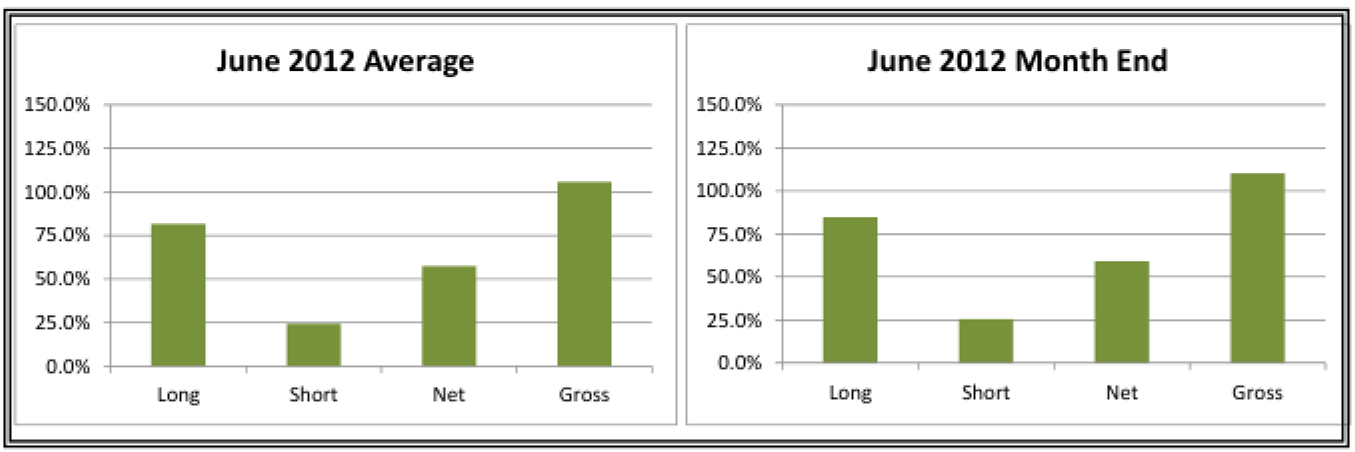
- Increased exposure to short equities – The partnership initiated 8 new short sales, increased our position size in 3 short sales, decreased our position size in 3 short sales, and fully covered 2 short sales.

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 110.1% and net exposure of 59.2%. The partnership's beta-adjusted net exposure is 25.1%.

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 July, 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

Select Income REIT ("SIR") is a publicly traded real estate company that was spun-off from its parent, CommonWealth REIT ("CWH"), on March 6, 2012. SIR's spin-off resulted from CWH's need to raise capital, as well as from its belief that SIR's real estate was undervalued within CWH's portfolio. After selling 30% of SIR to the public during the spin-off, CWH kept the remaining 70% and intends to remain the largest shareholder of SIR. The partnership initiated its position in SIR subsequent to the spin-off at an average cost of $22.43 per share.

SIR's primary business is to own, operate, and acquire a portfolio of triple net leased real estate and to pay consistent cash distributions to common shareholders. Today, SIR owns 251 properties that are 95.2% leased to 228 different tenants with an average remaining lease life of 12.1 years. 68.3% of SIR's portfolio is comprised of Hawaiian land owned by SIR leased to tenants who have constructed their own buildings, or operate their own businesses, on SIR's properties. SIR's remaining portfolio is comprised of 14 office and 9 industrial properties located on the U.S. mainland.

Our full thesis:

- Earnings growth – SIR's Hawaiian leases have automatic rent resets based on market rents every five to ten years that provide steadily increasing rental income and drive earnings growth. Since SIR acquired the Hawaiian portfolio these contractual resets have driven an average increase in rents of 30%.

- Dividend growth – SIR's current payout ratio of 67% is below the 90% payout ratios of most REITs. SIR will increase its payout ratio over time to that of peers, which at a 90% payout ratio would imply a dividend yield of 9.8%.

- Valuation – Trading at 9.1x 2012E FFO, 1.1x book value, and paying a 6.7% dividend yield, we believe SIR is cheap on both an absolute and a relative basis.

Based on a peer valuation we believe fair value is $31.50 per share, 33% upside from June's closing price of $23.76 per share. With a stable real estate portfolio, increasing return of capital to shareholders through dividends, and a cheap valuation, we believe downside is limited.

Risks to the partnership's position include: (i) Hawaiian real estate concentration; (ii) future equity raises as SIR looks to expand its portfolio; and (iii) RMR, SIR's external manager, receives management fees based on the cost of properties, so may be incentivized to acquire real estate over returning capital to shareholders.

This investment opportunity was highlighted to the partnership by a friend of the firm. We greatly appreciate the insight that he provided.

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. 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,

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Eric D. Andersen
Portfolio Manager
Western Standard Partners QP, LP

Subscriptions:	Monthly
Minimum Investment:	$250,000 (may be waived by GP)
Liquidity:	Redemption annually with 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]

[1]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: Mar '12: -1.12%; Apr '12: +1.11%; May '12: -2.88%. 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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