

Western Standard, LLC

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Form ADV, Part 2A Brochure

March 31, 2021

This brochure provides information about the qualifications and business practices of Western Standard, LLC. If you have any questions about the contents of this brochure, please contact us at (310) 929-4300 or Investor@WesternStandardLLC.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Any reference to or use of the terms “registered investment adviser” or “registered,” does not imply that Western Standard, LLC or any person associated with Western Standard, LLC has achieved a certain level of skill or training.

Additional information about Western Standard, LLC is available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2 - MATERIAL CHANGES

March 31, 2021

The purpose of this page is to inform you of material changes since the previous annual update to this brochure. If you are receiving this brochure for the first time, this section may not be relevant to you.

Western Standard, LLC reviews and updates this brochure at least annually to confirm that it remains current. There have been no material changes since the brochure dated March 23, 2020.

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ITEM 4 - ADVISORY BUSINESS

Description of Advisory Firm

Western Standard, LLC (“Western Standard”) is a privately owned limited liability corporation headquartered in Los Angeles, California. Western Standard is registered as an investment adviser with the U.S. Securities and Exchange Commission (“SEC”).

Eric D. Andersen founded Western Standard in November 2008. Western Standard was initially exempt from registration as an investment adviser, then was subject to filing as an exempt reporting adviser with the SEC, and in 2016 first became subject to registration with the SEC. Mr. Andersen is the sole owner of Western Standard.

Advisory Services Offered

Western Standard is the general partner of, and serves as the investment adviser to, two private investment funds organized as Delaware limited partnerships: Western Standard Partners, L.P. and Western Standard Partners QP, L.P. (collectively, the “Partnerships”). Investment in each of the Partnerships is available only to “accredited investors,” as the term is defined by Rule 501 of the Securities Act of 1933, and only by an offering memorandum. Investors in the Partnerships (“Limited Partners”) must also be “qualified clients,” who meet the financial requirements of SEC Regulation 275.205-3(b) under the Investment Advisers Act of 1940, since each of the Partnerships has a performance-based compensation structure. Investors in Western Standard Partners QP, L.P. must also be “qualified purchasers,” as the term is defined by Section 2(a)(51) of the Investment Company Act of 1940. Additional information on these standards is provided in the offering memorandum and subscription agreement for each of the Partnerships.

This Form ADV Part 2A Brochure is not an offer to sell, or a solicitation of an offer to purchase, interests in the Partnerships. Such an offer can only occur when the prospective Limited Partner receives the offering documents.

Tailored Services and Client Imposed Restrictions

Western Standard manages each Partnership according to the investment objectives outlined in the Partnership’s offering memorandum. Since the Partnerships are pooled investment vehicles, Limited Partners may not impose restrictions on the investments held in the Partnerships.

Assets Under Management

As of December 31, 2020, Western Standard’s discretionary assets under management were \$264,587,840. Western Standard has no non-discretionary assets under management.

ITEM 5 - FEES AND COMPENSATION

For each of the Partnerships, Western Standard receives a “Management Fee” equal to 0.375% (approximately 1.50% on an annual basis) of each Limited Partner’s total capital account balance as of the first day of each quarter. The Management Fee is normally paid by deduction from a Limited Partner’s capital account. The Management Fee is prorated for Limited Partner interests held for less than a full quarter.

For each of the Partnerships, Western Standard also receives a “Performance Allocation” equal to 20% of the appreciation in each Limited Partner’s capital account during the year. The Performance Allocation is payable only if, and to the extent that, the net capital appreciation of a Limited Partner’s capital account for the year exceeds any net capital depreciation in the capital account (reduced pro rata for any withdrawals) accumulated in prior years (i.e., a “high water mark”).

Western Standard may receive Performance Allocations with regard to unrealized appreciation as well as realized gains in Limited Partners’ capital accounts. If a Limited Partner withdraws all or a portion of its capital account on a date other than December 31, a Performance Allocation will be made on the amount withdrawn for the period from the prior January 1 to the date of withdrawal, and any unearned Management Fee will be refunded to the Limited Partner.

In its sole discretion for any reason, Western Standard may adjust the Management Fee and Performance Allocation to be borne by any Limited Partner, including to reflect matters such as the amount of the Limited Partner’s investment and its commitment to maintain its investment in the Partnership. Western Standard may also share portions of the Management Fee and Performance Allocation, at its own expense, with persons who refer investors to the Partnerships.

The Partnerships may bear additional fees and expenses, which are outlined in each Partnership’s offering memorandum.

Termination

A Limited Partner may generally withdraw from the Partnership at the end of any calendar quarter, subject to the terms, conditions and limitations described in the respective offering memorandum.

ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Western Standard is entitled to earn performance-based compensation from the Partnerships (see description of Performance Allocations in *Item 5* above). The Partnerships are the only clients of Western Standard.

ITEM 7 - TYPES OF CLIENTS

Western Standard provides investment advisory services solely to the Partnerships, which are private investment funds. Generally, Limited Partners must make a minimum investment of \$250,000 into either of the Partnerships. Western Standard may waive that minimum at its discretion.

ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Investment Objective

The investment objective for each of the Partnerships is to achieve above-market returns, minimize risk and preserve capital through the use of hedging strategies and an investment process focused on minimizing downside risk. Each Partnership invests primarily in a portfolio of small capitalization, common equity securities. Short selling is a major component of the strategy as a mechanism to hedge risk and is also utilized with an aim to independently produce positive returns.

Investment Strategy

Western Standard focuses its research process primarily on small capitalization stocks (equity securities of companies with market capitalizations of \$1 billion or less), which tend to have little or no research coverage by major brokerage firms. Larger capitalization stocks, covered by hundreds of analysts such that the only edge is “judgment,” are generally avoided. Under normal market conditions, each Partnership will hold a portfolio of common equities focused on long-term results. Western Standard focuses on companies where it can underwrite attractive long-term fundamentals.

Four areas of diligence and analysis form the primary basis for Western Standard’s investment strategy: (1) valuation analysis; (2) company-specific due diligence; (3) industry-level due diligence; and (4) management interaction. Each Partnership aims to invest 60%-150% of total capital in long positions and 40%-80% in short positions.

Investing Involves Risk

Investment in private funds such as the Partnerships is speculative and involves a substantial degree of risk, which is why investing in private funds may not be suitable for all investors and why they are intended for sophisticated investors who can accept the risks associated with such investments. The investments may lose all or a substantial portion of their value and Limited Partners must be prepared to bear the risk of loss of their investments. Limited Partners will not have recourse except with respect to the assets of the Partnership in which they have invested. The Partnership documents outline important information for investors, including risk factors. Investors should review all Partnership documents carefully and should consider conducting additional due diligence before investing in either Partnership.

ITEM 9 - DISCIPLINARY INFORMATION

In 2013, Western Standard entered into a settlement with the SEC relating to alleged participation in a follow-on offering in violation of Rule 105 of Regulation M under the Securities Exchange Act of 1934. Without admitting or denying the SEC’s findings, Western Standard consented to the entry of an order requiring it to cease and desist from committing or causing any violation and any future violations of Rule 105. Western Standard also paid \$65,000 in civil penalties, \$44,980 in disgorgement of profits, and \$1,827 in prejudgment interest.

ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Western Standard does not offer any other services or have any affiliates in the financial industry. While Western Standard may refer clients to other professionals, it receives no compensation and does not believe that any of these referrals creates a material conflict of interest.

Proprietary Private Fund

Western Standard is the investment adviser to and general partner of the Partnerships, which are private investment funds. The Partnerships are not publicly offered or traded and are organized as limited partnerships. The Partnerships are only available to “Accredited Investors” as the term is defined by Rule 501 of the Securities Act of 1933. Limited Partners must also meet the financial requirements of Rule 205-3(b) of the Investment Advisers Act of 1940. Those regulations generally provide that Western Standard may only offer interests in the Partnerships to certain institutions, certain organizations, certain trusts, or persons who meet stated income or net worth requirements. The offering memorandum and subscription agreement for each Partnership (the “Offering Documents”) provide additional information on these standards. Prospective investors in the Partnerships receive the Offering Documents. This Form ADV Part 2A Brochure is not an offer to sell, or a solicitation of an offer to purchase, membership interests in the Partnerships. Such an offer can only occur when the prospective investor receives the Offering Documents.

ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

Western Standard believes that it owes clients the highest level of trust and fair dealing. As part of its fiduciary duty, Western Standard places the interests of its clients ahead of the interests of the firm and its personnel. Western Standard has adopted a Code of Ethics that emphasizes the high standards of conduct that Western Standard seeks to observe. Western Standard’s personnel are required to conduct themselves with integrity at all times and follow the principles and policies detailed in the Code of Ethics.

Western Standard’s Code of Ethics attempts to address specific conflicts of interest that either have been identified or that could likely arise. Western Standard’s personnel are required to follow clear guidelines from the Code of Ethics in areas such as gifts and entertainment, other business activities, prohibitions of insider trading, and adherence to applicable federal securities laws. Additionally, individuals who formulate investment advice for clients, or who have access to nonpublic information regarding any clients’ purchase or sale of securities (all considered “Access Persons”), are subject to personal trading policies governed by the Code of Ethics (see following).

Western Standard will provide a complete copy of the Code of Ethics to any client or prospective client upon request.

Personal Trading Practices

Western Standard and its Access Persons may not purchase or sell securities, including related securities (e.g., warrants, options, or futures), except: (1) in the Partnerships; or (2) in registered open-end investment companies (i.e., mutual funds), direct obligations of the U.S. government, bankers' acceptances, bank certificates of deposit, commercial paper, short-term high-quality debt securities (including repurchase agreements), unit investment trusts that are invested exclusively in one or more open-end investment companies, interests in 529 Plans not managed, distributed, marketed or underwritten by Western Standard or a control affiliate, and such other money market or investment instruments as may be authorized by Western Standard from time to time.

Certain members of an Access Person's immediate family ("Immediate Family") may transact in personal securities accounts, provided that (1) such transactions are not in Western Standard's investable universe, and (2) even if they are not, any required pre-approval has been obtained from Western Standard's Chief Compliance Officer ("CCO") or Assistant Compliance Officer ("ACO"). Access Persons must obtain such pre-approval from the CCO or ACO for any transaction by Immediate Family: (a) in an equity security; (b) that involves the purchase of an initial public offering, both in new issues and secondary offerings; or (c) that involves the purchase of a limited offering, including all private placements and in a pooled investment vehicle advised by the firm or an affiliate.

ITEM 12 - BROKERAGE PRACTICES

Factors Considered in Selecting Broker-Dealers for Client Transactions

Western Standard considers several factors in selecting broker-dealers for client transactions. Factors that Western Standard may consider include trading costs, net price, efficiency of execution, prime brokerage services offered, financial strength and stability, brand identity and reputation, availability of a dedicated trading desk, and accuracy and timeliness of reports.

Western Standard receives proprietary research from, and obtains other information by attending investment conferences hosted by, broker-dealers used by Western Standard to execute client transactions. Western Standard considers all of such information (including research) additive to its investment analysis for the benefit of the Partnerships, but of indeterminable value. Western Standard believes the Partnerships benefit from such information. While Western Standard has no formal arrangement with such broker-dealers to direct a specified level of commissions to them or otherwise employ "soft dollars," it may have an incentive to select or recommend a broker-dealer based on its interest in obtaining the information or brokerage products or other services, rather than on the Partnerships' interest in receiving the lowest cost execution. As a result, the Partnerships may pay a higher commission or bid/ask spread than would be the case if no weight were given to the provision of these products and/or services, provided that the amount of such commission has been determined in

good faith to be reasonable in relation to the value of the brokerage and/or information provided by such broker-dealer.

Western Standard has no soft dollar arrangements in place and does not receive soft-dollar benefits.

Aggregation and Allocation of Transactions

Western Standard may aggregate transactions if such aggregation is consistent with the duty to seek best execution for the Partnerships and is consistent with the disclosures made to Limited Partners in the Partnership documents. Neither Partnership account will be favored over the other Partnership account, and each Partnership account that participates in an aggregated order will participate at the average share price for all transactions in that security on a given business day. Each participating Partnership account will generally share in the transaction costs on a pro-rata basis, subject to minimum cost thresholds and other appropriate considerations.

The determination of which fund gets allocated the trade is based on the target allocation weights. If Western Standard determines that a pro rata allocation is not feasible or appropriate, it will seek a fair and equitable treatment of the Partnerships by using a rotational or random process.

ITEM 13 - REVIEW OF ACCOUNTS

Managed Account Reviews

Western Standard continuously monitors the investments in the Partnerships.

Account Reporting

As an investment adviser solely to proprietary private funds, Western Standard does not provide the funds with any reports. However, Western Standard annually makes available to Limited Partners copies of the audited financial statements for the Partnerships, together with their Limited Partner account balances in the Partnerships, and may send other reports at the discretion of Western Standard.

ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION

Western Standard does not have any arrangements under which it receives or pays any compensation for client referrals.

ITEM 15 - CUSTODY

Western Standard has custody of the assets of the Partnerships, which are private funds. Western Standard, as general partner of each of the Partnerships, has control over and access to the Partnerships' assets. Western Standard has put controls in place, in compliance with federal rules, to protect Limited Partners' assets in the Partnerships. An independent qualified custodian holds the Partnerships' assets. In addition, an independent accountant audits the Partnerships each year, and copies of such audited financial statements are sent to the Limited Partners in the respective Partnership. An independent accountant will also audit each Partnership upon liquidation.

ITEM 16 - INVESTMENT DISCRETION

Western Standard has full discretion to decide all investments made within the Partnerships. Western Standard manages the Partnerships in accordance with the terms outlined in the respective Partnership offering memorandum.

ITEM 17 - VOTING CLIENT SECURITIES

Proxy Voting

Western Standard provides investment advisory services to the Partnerships and is responsible for voting the proxies issued on securities held in the Partnerships, as well as monitoring corporate actions (e.g., mergers, spinoffs and tender offers) and making decisions in connection with such corporate actions in the best interests of the Partnerships. Western Standard has adopted Proxy Voting Policies and Procedures in an effort to ensure that votes are cast in the best interests of the Partnerships. These Proxy Voting Policies and Procedures are summarized as follows:

An effort is made to confirm that shares are voted in the best interest of the Partnerships and the value of the investment. Western Standard may, in some cases, vote a proxy contrary to its guidelines if it determines that such action is in the best interests of the Partnerships.

If Western Standard has a conflict of interest, it will disclose the conflict to the Limited Partners in the Partnership or it will contact a third party to advise Western Standard to determine the vote and/or provide voting recommendations. At any time, Limited Partners may contact Western Standard to request information about how proxies were voted for the Partnership or to get a copy of Western Standard's Proxy Voting Policies and Procedures.

Class Actions

For each Partnership, Western Standard will make the determination whether the Partnership will participate as a member of a class action and, if so, will file any claim on the Partnership's behalf.

ITEM 18 - FINANCIAL INFORMATION

Registered investment advisers are required in this item to provide clients with certain financial information or disclosures about the firm's financial condition. Western Standard does not require the prepayment of more than \$1,200 in fees per client, six months or more in advance, does not have or foresee any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy proceeding.