Distressed Debt 1 LP

FINANCIAL STATEMENTS

December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Partners of Distressed Debt 1 LP,

We have audited the accompanying statement of assets and liabilities of Distressed Debt 1 LP, including the schedule of investments, as of December 31, 2017, and the related statements of operations, and changes in net assets for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Distressed Debt 1 LP, as of December 31, 2017, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Ashland Partners & Company LLP

Ashland Partners & Company LLP
Central Point, Oregon
March 19, 2018

Distressed Debt 1 LP

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2017

ASSETS		
Investments at fair value (cost - $3,864,039)	$	3,878,936
Cash and cash equivalents		236,049
Interest receivable		34,396
Total assets	$	4,149,381
LIABILITIES		
Management fees payable	$	25,249
Subscriptions received in advance		70,000
Redemptions payable		109,423
Accrued expenses and other liabilities		12,000
Total liabilities		216,672
NET ASSETS	$	3,932,709

See accompanying notes to financial statements.

Distressed Debt 1 LP

STATEMENT OF OPERATIONS

For the year ended December 31, 2017

Investment income	
Interest	$ 270,037
Total investment income	270,037
Investment expenses	
Management fees	43,187
Professional fees	12,000
Other expenses	1,248
Total investment expenses	56,435
Net investment income	213,602
Realized and unrealized gain (loss) from investments	
Net realized gain on sale of investments	503,326
Net change in unrealized gain on investments held	(282,430)
Net realized and unrealized gain from investments	220,896
Net increase in net assets from operations	$ 434,498

See accompanying notes to financial statements.

Distressed Debt 1 LP
STATEMENT OF CHANGES IN NET ASSETS
For the year ended December 31, 2017

	General Partner	Limited Partners	Total
Net Assets at January 1, 2017	$ -	$ 2,107,634	$ 2,107,634
Contributions	-	1,520,000	1,520,000
Redemptions	(97,423)	(32,000)	(129,423)
Results from operations	-	434,498	434,498
Incentive allocation	97,423	(97,423)	-
Net Assets at December 31, 2017	$ -	$ 3,932,709	$ 3,932,709

See accompanying notes to financial statements.

Distressed Debt 1 LP

SCHEDULE OF INVESTMENTS

December 31, 2017

	Principal	Cost	Fair Value	Percentage of Net Assets
Investments in securities, at fair value				
Corporate Bonds				
Canada				
Aerospace				
Discovery Air Inc 8.375% 6/30/18	$ 597,975		$ 208,506	5.30%
Energy				
EP Energy LLC 6.375% 6/15/23	150,000		83,940	2.13%
Healthcare				
Concordia International 7% 4/15/23	3,050,000		326,350	8.30%
Mining				
Gran Colombia Gold Corp 1% 8/11/18	702,526		597,147	15.18%
Total Canada		$ 1,361,135	1,215,943	30.92%
India				
Technology				
ROLTA Corp 8.75% 7/24/19	1,700,000		443,352	11.27%
Total India		380,254	443,352	11.27%
Luxemburg				
Telecom				
Intelsat Bermuda 7.75% 6/01/21	500,000		266,250	6.77%
Total Luxemburg		176,894	266,250	6.77%
Ukraine				
Agriculture				
Avangardco 10% 10/29/18	1,051,650		210,330	5.35%
Total Ukraine		286,300	210,330	5.35%
United States				
Energy				
North Atlantic Drilling Ltd 6.25% 2/1/19	2,900,000		420,500	10.69%
W&T Offshore 8.5% 6/15/19	800,000		756,000	19.22%
Legacy Reserves LP 8.0% 12/1/20	219,000		165,341	4.20%
Total Energy			1,341,841	34.12%
Media				
Cumulus Media Hldgs 7.75% 5/1/19	2,229,000		401,220	10.20%
Total United States		1,659,456	1,743,061	44.32%
Total Corporate Bonds		3,864,039	3,878,936	98.63%
Total Investments in securities, at fair value		$ 3,864,039	$ 3,878,936	98.63%

Individual category balances and percentages may not foot throughout this schedule due to rounding.

NOTE 1 - DESCRIPTION OF BUSINESS

Distressed Debt 1 LP (the "Fund"), a Delaware limited partnership, commenced operations on October 15, 2015. The Fund's investment objective is to earn above-market returns and long-term capital appreciation via investing primarily in marketable, global distressed debt and related securities. The Fund's General Partner is Durig Capital General Partner, Inc. and Investment Advisor is Durig Capital, Inc., a related party to the General Partner. See the Fund's Limited Partnership Agreement and offering documents for further information.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The financial statements have been presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and follows accounting and reporting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 946, *Financial Services – Investment Companies.*

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from estimated amounts.

Risk: The Fund investments are exposed to various risks such as economic, interest rate, credit, currency, concentrated investments and overall market volatility risks. Further, due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of assets and liabilities. Results are not guaranteed.

The Fund's investment activities expose it to various types of risks that are associated with the financial instruments and markets in which it invests. Investments have exposure to certain types of risk, including interest rate risk, market risk, and the potential default or bankruptcy of the investment assets. The liquidity of any investments will depend on the liquidity of these trading markets. Accordingly, in the event of a default, the Fund may incur a loss. From time to time, the Fund may leverage its investments, which could expose the Fund to further loss upon default. Given the nature of the Fund's strategy, risk of default of an individual security is higher than an Investment Grade asset.

The Fund clears all of its securities transactions through reputable U.S. securities firms. There are risks involved in dealing with the custodian or brokers who settle trades. Under certain circumstances, the securities and other assets deposited with the custodian or broker may be exposed to credit risk with regard to such parties. In addition, there may be practical or timing problems associated with enforcing the Fund's rights to its assets in the case of an insolvency of any such party.

Investments: Investment transactions are recorded on the trade date, and dividend income is recorded on the ex-dividend date. Interest and dividend income are accounted for on the accrual basis.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Realized gains (losses) from investment transactions are determined using the first-in, first-out, identified cost basis. Investments are carried at fair value, with unrealized gains (losses) reported in the statement of operations.

Investment securities denominated in foreign currencies are translated into U.S. dollar amounts at the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions. The Fund does not isolate the portion resulting from changes in foreign exchange rates from the fluctuations arising from changes in market prices. Such fluctuations are included with the net realized and unrealized gains (losses) from investments in the statement of operations.

The fair value estimates are made at a specific point in time and are based on relevant market information and other information about the investments. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Fund's entire holdings of an investment. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect these estimates. See Note 3 for disclosure of investment fair values at December 31, 2017.

Interest Income: Interest income on corporate bonds are accrued based on the contractual rate and principal amount. Interest ceases to accrue and interest receivable is reversed when a bond is in default and/or is trading flat in the market (without accrued interest). At December 31, 2017, investments with a fair value of $1,801,752, or 46% of total investments at fair value, is non-accruing.

Cash and Cash Equivalents: The Fund considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Allocation of Profit and Loss: Profits and losses are allocated in accordance with each partner's ownership percentage for the respective period, prior to the General Partner's incentive allocation. See Note 4 for disclosure of the incentive allocation earned for the year.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the financial statements.

Off-Balance Sheet Credit Instruments: At December 31, 2017, the Fund had no standby letters of credit, funding commitments, or other off-balance sheet contractual arrangements. Such financial instruments are recorded when they are funded.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes: A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. Management has concluded that they are unaware of any tax benefits or liabilities to be recognized at December 31, 2017 and does not expect any material change to this conclusion within the next twelve months.

No income tax provision or interest and/or penalties related to tax matters has been recorded in the Fund's financial statements because the liability is that of the individual partners and not the Fund. The Fund's tax returns are subject to examination by taxing authorities generally for three years after filing.

Subsequent Events: Management has evaluated the impact on the financial statements, if any, of subsequent events through March 19, 2018, the date which the financial statements were available to be issued.

NOTE 3 - FAIR VALUE

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Fund's investments are traded on a regulated exchange and valued at the last reported sales price on the day of valuation. To the extent these securities are actively traded, and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy.

To the extent investments are valued using a combination of factors, including recent transactions of the issuer or comparable issuers, market price quotations (when observable), bond spreads, and/or other observable data, the investments are categorized in Level 2.

(Continued)

NOTE 3 - FAIR VALUE (Continued)

The Fund had no assets or liabilities that were measured at fair value on a non-recurring basis. Assets and liabilities measured at fair value on a recurring basis at December 31, 2017 are summarized below:

	Level 1	Level 2	Level 3
Investments – Corporate bonds	$ 2,804,754	$ 1,074,182	$ -
Total investments	$ 2,804,754	$ 1,074,082	$ -

There were no transfers in or out of Level 3 during the year ended December 31, 2017.

NOTE 4 – RELATED PARTY TRANSACTIONS

Pursuant to the terms of the Partnership Agreement, the General Partner earns a quarterly management fee of 30 basis points (1.20% per annum), paid quarterly in advance and based on the value of each limited partner's capital account as of the beginning of the period. The General Partner, at its discretion, may waive or reduce the management fee for certain limited partners. The management fee earned for the year ended December 31, 2017 was $43,187, of which $25,249 was unpaid at year-end.

In addition to the management fee, the General Partner is entitled to an incentive allocation from the capital account of each qualified limited partner, as of the end of each fiscal year, equal to 20 percent of the profits and losses in excess of the limited partner’s high-water mark. No incentive allocation is made until any relative underperformance carried forward from prior periods has been eliminated by outperformance in the current period (i.e. high-water mark). The relative underperformance during any measurement period shall be carried forward indefinitely. The incentive allocation from the limited partners to the General Partner for the year ended December 31, 2017 was $97,423.

NOTE 5 - FINANCIAL HIGHLIGHTS

The total return, net investment income ratio, and investment expense ratio for the year ended December 31, 2017 are applicable to the Fund’s limited partner class taken as a whole. The monthly weighted average net assets attributable to the Fund’s limited partners was $3,613,346 for the year.

Total return is based on the change in value during the year of a theoretical investment made at the beginning of the year. The total return has been computed using a methodology that assumes a constant rate of return for the Fund during the year and weighs each cash flow by the amount of time held in the Fund. The net investment income and investment expense ratios are presented as a percentage of average net assets during the year, and do not reflect the effects of any incentive allocation.

(Continued)

NOTE 5 - FINANCIAL HIGHLIGHTS (Continued)

Total return before incentive allocation	19.83%
Incentive allocation	(2.90)%
Total return after incentive allocation	**16.93%**
Net investment income ratio	**5.91%**
Investment expense ratio	1.56%
Incentive allocation	2.70%
Total expenses and incentive allocation	**4.26%**

An individual limited partner's return and ratios may vary based on different performance and/or management fee arrangements, and the timing of capital transactions.