

ADVANTAGE CAPITAL COMMUNITY DEVELOPMENT FUND XXVIII, L.L.C.
REPORTS REQUIRED BY
FLORIDA SINGLE AUDIT ACT

For the year ended December 31, 2013

ADVANTAGE CAPITAL COMMUNITY DEVELOPMENT FUND XXVIII, L.L.C.

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE
PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
CHAPTER 10.650, RULES OF THE AUDITOR GENERAL**

To the Members of
Advantage Capital Community Development Fund XXVIII, L.L.C.:

Report on Compliance for Each Major State Project

We have audited the compliance of Advantage Capital Community Development Fund XXVIII, L.L.C. (the "Company") with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of the Company's major State projects for the year ended December 31, 2013. The Company's major State projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major State projects.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's compliance based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and Chapter 10.650, Rules of the Auditor General. Those standards and Chapter 10.650, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State project occurred. An audit includes examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State project. However, our audit does not provide a legal determination on the Company's compliance with those requirements.

Opinion on Each Major State Project

In our opinion, the Company complied, in all material respects, with the types of requirements referred to above that could have a direct and material effect on each of its major State projects for the year ended, December 31, 2013.

Report on Internal Control Over Compliance

Management of the Company is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the Company's internal control over compliance with the types of requirements that could have a direct and material effect on each major State project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State project and to test and report on internal control over compliance in accordance with Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a State project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or as combination of deficiencies, in internal control over compliance with the type of compliance requirement of a State project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses, or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and results of that testing based on the requirements of Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Novogradac & Company LLP

Cleveland, Ohio
April 15, 2014

To the Members of
Advantage Capital Community Development Fund XXVIII, L.L.C.:

We have audited the financial statements of Advantage Capital Community Development Fund XXVIII, L.L.C. ("the Company"), as of and for the fiscal year ended December 31, 2013, and have issued our report thereon dated March 9, 2014.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. We have issued our Independent Auditor's Report on Compliance for Each Major State Project and Report on Internal Control over Compliance Required by Chapter 10.650, Rules of the Auditor General, and Schedule of Findings and Questioned Costs – State Projects. Disclosures in those reports and schedule, which are dated April 15, 2014, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.650, Rules of the Auditor General, which requires disclosure in the management letter noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements or State project amounts that is less than material but which warrants the attention of those charged with governance.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, and the Company's management and is not intended to be and should not be used by anyone other than these specified parties.

Novogradac & Company LLP

Cleveland, Ohio
April 15, 2014

ADVANTAGE CAPITAL COMMUNITY DEVELOPMENT FUND XXVIII, L.L.C.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – STATE PROJECTS

Fiscal Year Ended December 31, 2013

A. SUMMARY OF AUDITOR’S RESULTS

1. The auditor’s report expresses an unqualified opinion on the Company’s basic financial statements.
2. No significant deficiencies in internal control were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Company were disclosed during the audit.
4. No significant deficiencies in internal control over a major State project were reported in the Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major State Project and on Internal Control Over Compliance in Accordance with Chapter 10.650, Rules of the Auditor General.
5. The auditor’s report on compliance with requirements that could have a direct and material effect on each major State project for the Company expresses an unqualified opinion.
6. Our audit disclosed no findings required to be reported related to State projects required to be disclosed under Chapter 10.656, Rules of the Auditor General.

The projects tested as major projects included the following:

<u>State Project</u>	<u>State CSFA No.</u>	<u>Year</u>
Department of Economic Opportunity	40.020	2013

7. The threshold for distinguishing Type A and Type B projects was \$500,000 for major State projects.

B. FINDINGS – FINANCIAL STATEMENTS

There are no findings to the Company’s financial statements as of December 31, 2013.

**ADVANTAGE CAPITAL COMMUNITY DEVELOPMENT FUND XXVIII, L.L.C.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – STATE PROJECTS (CONTINUED)**

Fiscal Year Ended December 31, 2013

C. FINDINGS AND QUESTIONED COSTS –MAJOR STATE PROJECTS

There are no findings or questioned costs relating to the Florida Department of Economic Opportunity and their regulations over the state New Markets Development Program and the Department of Financial Services' State Projects Compliance Supplement.

D. OTHER ISSUES

The Supplemental Reports do not include the Summary Schedule of Prior Audit Findings because there were no prior audit findings related to State Projects and no Corrective Action Plan is required because there were no findings required to be reported under the Florida Single Audit Act.

ADVANTAGE CAPITAL COMMUNITY DEVELOPMENT FUND XXVIII, L.L.C.
SCHEDULE OF EXPENDITURES AND STATE FINANCIAL ASSISTANCE

Fiscal Year Ended December 31, 2013

<u>STATE AGENCY</u>	<u>State CSFA</u>	<u>Grant Number</u>	<u>Project Expenditures</u>
Department of Economic Opportunity			
<u>Direct Projects</u>			
Florida New Markets Development Program			
Qualified Low-Income Community Investments	40.020	N/A	\$ 17,250,000
			<u>\$ 17,250,000</u>

Pursuant to the State of Florida New Markets Tax Credit statute (the "Florida Statute"), the Company applied for and received the authority to issue up to \$10,000,000 in Florida qualified equity investments ("Florida QEIs") in 2009. Under the Florida Statute, the Company's Members will be allowed to claim Florida new markets tax credits ("Florida NMTCs") over seven periods spanning six years and one day for any equity investment made by such Member that is designated as a Florida QEI within the meaning of the Florida Statute and has at least 85% of its cash purchase price used by the issuer to make qualified low-income community investments ("Florida QLICIs"). Pursuant to the Company's approval from the State of Florida on November 23, 2009, and as amended on December 29, 2009, to issue up to \$10,000,000 of Florida QEIs, the Company designated the capital contributions received by the Preferred Unit Holder in the amount of \$10,000,000 as Florida QEIs. During 2010, the Company made loans and an equity investment in the amount of \$8,500,000 that constitute Florida QLICIs. In 2011, Advantage Capital Community Development Fund XXX, LLC ("ACCDF XXX") merged with and into the Company. The loan of \$8,500,000 to Patriot Risk Management, Inc. was repaid on June 24, 2011. The Company redeployed the \$8,500,000 of proceeds by making loans to Atlas Paper Mills, LLC and ESP Management of Central Florida, Inc. totaling \$8,500,000 in QLICIs on March 19, 2012 and June 14, 2012, respectively. During 2013, an additional loan was made to ESP Management of Central Florida, Inc. in the amount of \$250,000.

Pursuant to the Florida Statute, ACCDF XXX applied for and received the authority to issue up to \$10,000,000 in Florida QEIs in 2009. Under the Florida Statute, ACCDF XXX's Members will be allowed to claim Florida NMTCs over seven periods spanning six years and one day for any equity investment made by such Member that is designated as a Florida QEI within the meaning of the Florida Statute and has at least 85% of its cash purchase price used by the issuer to make Florida QLICIs. Pursuant to ACCDF XXX's approval from the State of Florida on November 23, 2009, and as amended on December 29, 2009, to issue up to \$10,000,000 of Florida QEIs, ACCDF XXX designated the capital contributions received by the Preferred Unit Holder in the amount of \$10,000,000 as Florida QEIs. ACCDF XXX made loans in the amount of \$8,500,000 that constitute Florida QLICIs. As of December 31, 2013, \$17,250,000 constitutes Florida QLICIs.

ADVANTAGE CAPITAL COMMUNITY DEVELOPMENT FUND XXVIII, L.L.C.
FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2012
with
Report of Independent Auditors

ADVANTAGE CAPITAL COMMUNITY DEVELOPMENT FUND XXVIII, L.L.C.

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Report of Independent Auditors

To the Members of

Advantage Capital Community Development Fund XXVIII, L.L.C.:

Report on Financial Statements

We have audited the accompanying financial statements of Advantage Capital Community Development Fund XXVIII, L.L.C. (the "Company"), a Delaware limited liability company, which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of operations, changes in members' equity and cash flows for the years 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 controls 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 audits. We conducted our audits 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 Advantage Capital Community Development Fund XXVIII, L.L.C. as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Note 2, the Company's financial statements include certain nonmarketable investments valued at \$897,798 and \$960,432 at December 31, 2013 and 2012, respectively, whose values have been estimated by the Manager in the absence of readily ascertainable market values. We have reviewed the procedures employed by the Manager and have inspected underlying documentation, and, in the circumstances, we believe the procedures are reasonable and the documentation appropriate. However, because of the uncertainty inherent in any valuation, the estimated values may differ from the values that would have been used had a ready market for the securities existed, and the difference (increasing or decreasing the values assigned) could be material. Our opinion is not modified with respect to that matter.

Novogradac & Company LLP

Cleveland, Ohio
March 9, 2014

ADVANTAGE CAPITAL COMMUNITY DEVELOPMENT FUND XXVIII, L.L.C.
BALANCE SHEETS
December 31, 2013 and 2012

ASSETS	<u>2013</u>	<u>2012</u>
Current assets		
Cash and cash equivalents	\$ 703,122	\$ 685,076
Accounts receivable	-	181,793
Notes receivable - qualified active low-income community businesses	1,210,920	-
Due from related party	171,771	351,764
Interest receivable - qualified active low-income community businesses	<u>194,991</u>	<u>245,229</u>
Total current assets	2,280,804	1,463,862
Long-term assets		
Interest receivable - other	35,615	23,147
Notes receivable - qualified active low-income community businesses, net of allowance for loan loss	14,039,080	15,000,000
Investment in investee company	897,798	960,432
Notes receivable - other	<u>2,957,473</u>	<u>3,012,052</u>
Total long-term assets	<u>17,929,966</u>	<u>18,995,631</u>
Total assets	<u>\$ 20,210,770</u>	<u>\$ 20,459,493</u>
LIABILITY AND MEMBERS' EQUITY		
Current liability		
Due to related party	<u>\$ 12,852</u>	<u>\$ 25,591</u>
Total current liability	12,852	25,591
Members' equity	<u>20,197,918</u>	<u>20,433,902</u>
Total liability and members' equity	<u>\$ 20,210,770</u>	<u>\$ 20,459,493</u>

see accompanying notes

ADVANTAGE CAPITAL COMMUNITY DEVELOPMENT FUND XXVIII, L.L.C.

STATEMENTS OF OPERATIONS

For the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
REVENUE		
Interest income - qualified active low-income community businesses	\$ 1,956,411	\$ 1,824,368
Fee Income	<u>37,500</u>	<u>-</u>
Total revenue	1,993,911	1,824,368
EXPENSES		
General and administrative fees	573	1,450
Professional fees	12,000	15,000
Loan servicing fee	<u>9,324</u>	<u>7,430</u>
Total expenses	<u>21,897</u>	<u>23,880</u>
Net operating income	1,972,014	1,800,488
OTHER INCOME (EXPENSES)		
Interest income	178,169	189,071
Realized loss on sale of investment in qualified active low-income community businesses	(121,696)	(12,283)
Unrealized (loss) gain on investment in investee company	(62,634)	423,425
Provision for loan loss	<u>(201,837)</u>	<u>(2,000,000)</u>
Net other income (expenses)	<u>(207,998)</u>	<u>(1,399,787)</u>
Net income	<u>\$ 1,764,016</u>	<u>\$ 400,701</u>

see accompanying notes

ADVANTAGE CAPITAL COMMUNITY DEVELOPMENT FUND XXVIII, L.L.C.

STATEMENTS OF CHANGES IN MEMBERS' EQUITY

For the years ended December 31, 2013 and 2012

	<u>Preferred Unit Holder</u>	<u>Common Unit Holder</u>	
	<u>Advantage Capital Florida NMTC Partners II, LLC</u>	<u>Advantage Capital Florida State Tax Credit Investor I, L.L.C.</u>	<u>Total Members' Equity</u>
Balance, January 1, 2012	\$ 21,231,010	\$ 2,191	\$ 21,233,201
Net income	400,661	40	400,701
Operating distributions	<u>(1,199,880)</u>	<u>(120)</u>	<u>(1,200,000)</u>
Balance, December 31, 2012	20,431,791	2,111	20,433,902
Net income	1,763,840	176	1,764,016
Operating distributions	<u>(1,999,800)</u>	<u>(200)</u>	<u>(2,000,000)</u>
Balance, December 31, 2013	<u>\$ 20,195,831</u>	<u>\$ 2,087</u>	<u>\$ 20,197,918</u>

see accompanying notes

ADVANTAGE CAPITAL COMMUNITY DEVELOPMENT FUND XXVIII, L.L.C.

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Net income	\$ 1,764,016	\$ 400,701
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred interest income - qualified low-income community business	(201,837)	(172,052)
Deferred interest income - other	(20,421)	-
Unrealized loss (gain) on investment in investee company	62,634	(423,425)
Provision for loan loss	201,837	2,000,000
Write off of accounts receivable	121,696	-
Changes in operating assets and liabilities		
Decrease (increase) in due from related party	179,993	(199,708)
Decrease (increase) in interest receivable - qualified active low-income community businesses	50,238	(243,576)
(Increase) decrease in interest receivable - other	(12,468)	170,945
(Decrease) increase in due to related party	<u>(12,739)</u>	<u>23,880</u>
Net cash provided by operating activities	2,132,949	1,556,765
Cash flows from investing activities		
Funding of notes receivable - qualified active low-income community businesses	(250,000)	(8,500,000)
Principal payments on notes receivable	75,000	100,000
Recovery of qualified active low-income community business	<u>60,097</u>	<u>135,109</u>
Net cash used in investing activities	(114,903)	(8,264,891)
Cash flows from financing activities		
Operating distributions - Preferred Unit Holder	(1,999,800)	(1,199,880)
Operating distributions - Common Unit Holder	<u>(200)</u>	<u>(120)</u>
Net cash used in financing activities	<u>(2,000,000)</u>	<u>(1,200,000)</u>
Net increase (decrease) in cash and cash equivalents	18,046	(7,908,126)
Cash and cash equivalents at beginning of year	<u>685,076</u>	<u>8,593,202</u>
Cash and cash equivalents at end of year	<u>\$ 703,122</u>	<u>\$ 685,076</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Capitalized interest on note receivable - qualified active low-income community business	<u>\$ 201,837</u>	<u>\$ 172,052</u>
Capitalized interest on note receivable - other	<u>\$ 20,421</u>	<u>\$ -</u>

see accompanying notes

ADVANTAGE CAPITAL COMMUNITY DEVELOPMENT FUND XXVIII, L.L.C.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

1. Organization and Purpose

Advantage Capital Community Development Fund XXVIII, L.L.C. (the "Company") is a Delaware limited liability company that was formed on June 29, 2009. The initial members were Advantage Capital Community Development Fund, L.L.C. ("ACCDF"), Steven T. Stull ("Stull") and Michael T. Johnson ("Johnson"). Pursuant to the Amended and Restated Limited Liability Company Operating Agreement dated December 30, 2009, Stull and Johnson withdrew, and the Company admitted an investor member, Advantage Capital Florida NMTC Partners II, LLC (the "Preferred Unit Holder"). The Company appointed ACCDF (the "Manager") as managing member. Pursuant to the Second Amended and Restated Limited Liability Company Agreement (the "Operating Agreement") dated November 4, 2010, the Company admitted Advantage Capital Florida State Tax Credit Investor I, L.L.C. as Common Unit Holder (the "Common Unit Holder") and the Manager withdrew as a member. The Preferred Unit Holder and Common Unit Holder are collectively referred to as the "Members."

Pursuant to the terms of the Agreement and Plan of Merger dated December 12, 2011, Advantage Capital Community Development Fund XXX, L.L.C. ("ACCDF XXX") merged with and into the Company, with the Company continuing as the surviving company.

The Company applied for and received certification from the US Treasury's Community Development Financial Institutions Fund ("CDFI Fund") as a qualified Community Development Entity ("CDE") in accordance with Internal Revenue Code Section 45D and Treasury Regulations thereunder. The primary purpose of the Company is to serve or provide investment capital for low-income communities or low-income persons in the Company's Service Area (as further defined in the Operating Agreement) consistent with the New Markets Tax Credit ("NMTC") Program. To help fulfill its primary mission, the Company makes capital or equity investments in, or loans to, qualified active low-income community businesses, ("QALICBs"), as defined in Internal Revenue Code Section 45D. The loans to or investments in QALICBs are intended to be qualified low-income community investments ("QLICs") under the NMTC Program.

Ownership rights are segregated into two classes: the Common Units and the Preferred Units. The Company has issued 10,000 Common Units and 10,000 Preferred Units to the Common Unit Holder and Preferred Unit Holder, respectively. Pursuant to the Operating Agreement, the Preferred Unit Holder is required to make capital contributions in the amount of \$10,000,000. As of December 31, 2013 and 2012, the Preferred Unit Holder had made its required capital contribution. The Common Unit Holder was required to make a capital contribution of \$0.10 per Common Unit, which totaled \$1,000. During 2010, the Common Unit Holder made its required capital contribution. No additional capital shall be required of the Preferred Unit Holder or Common Unit Holder.

ADVANTAGE CAPITAL COMMUNITY DEVELOPMENT FUND XXVIII, L.L.C.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

1. Organization and Purpose (continued)

Net income and losses are allocated in accordance with the Operating Agreement. Net income is allocated first, to the Members to the extent of the amount by which the cumulative net losses previously allocated to each Member in accordance with the Operating Agreement exceeds the cumulative net profits previously allocated to each Member and second, 99.99% and 0.01% to the Preferred Unit Holders and Common Unit Holders, respectively, in accordance with their respective Sharing Percentages.

Net losses are allocated first to the Members in proportion to their Adjusted Capital Account Balances, as defined in the Operating Agreement, until their respective capital account balances have been reduced to zero; and second, to the Common Unit Holders.

Operating distributions are made at the discretion of the Manager and in accordance with the Operating Agreement. For the years ended December 31, 2013 and 2012, the Company made operating distributions to the Preferred Unit Holder in the amount of \$1,999,800 and \$1,199,880, respectively, and to the Common Unit Holder in the amount of \$200 and \$120, respectively.

2. Summary of Significant Accounting Policies and Nature of Operations

Basis of accounting

The Company prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

Cash and cash equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with maturities of three months or less at the date of acquisition.

Concentration of credit risk

The Company maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on these accounts.

Economic concentrations

Substantially all of the Company's operations are derived from the loans to and investments in qualified active low-income community businesses ("QALICBs") and investee companies. Future operations could be affected by changes in economic or other conditions that would affect the business of the QALICBs and investee companies.

ADVANTAGE CAPITAL COMMUNITY DEVELOPMENT FUND XXVIII, L.L.C.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

2. Summary of Significant Accounting Policies and Nature of Operations (continued)

Use of estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Fair value measurements

The Company applies the accounting provisions related to fair value measurements. These provisions define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establish a hierarchy that prioritizes the information used in developing fair value estimates and require disclosure of fair value measurements by level within the fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable data (Level 3 measurements), such as the reporting entity's own data. These provisions also provide valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flows) and the cost approach (cost to replace the service capacity of an asset or replacement cost).

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of valuation hierarchy are defined as follows:

Level 1: Observable inputs such as quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs other than quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Unobservable inputs that reflect the Company's own assumptions.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the valuation methods are determined to be appropriate and consistent within the industry, the use of different methodologies or assumptions to determine the fair value of certain assets and liabilities could result in a different estimate of fair value at the reporting date.

ADVANTAGE CAPITAL COMMUNITY DEVELOPMENT FUND XXVIII, L.L.C.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

2. Summary of Significant Accounting Policies and Nature of Operations (continued)

Fair value measurements (continued)

Certain of these fair value measurements are based on significant unobservable inputs classified within Level 3 of the valuation hierarchy. When a determination is made to classify a fair value measurement within Level 3 of the valuation hierarchy, the determination is based upon the significance of the unobservable factors to the overall fair value measurement. However, Level 3 fair value measurements typically include, in addition to the unobservable or Level 3 components, observable components that can be validated to observable external sources.

Income taxes

Income taxes on Company income are levied on the Members at the member level. Accordingly, all profits and losses of the Company are recognized by each member on its respective tax return.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Company to report information regarding its exposure to various tax positions taken by the Company. Management has determined whether any tax positions have met the recognition threshold and has measured the Company's exposure to those tax positions. Management believes that the Company has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Company are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Revenue and interest recognition

The Company recognizes revenue from interest income, realized and unrealized gains or losses on its investments. Interest on the loans to QALICBs and investee companies is calculated using the simple-interest method on principal amounts outstanding and is recognized when earned. The interest rates on the loans may be affected by the tax attributes of the NMTC Program and the legal restrictions established by the CDFI Fund. The accrual of interest is discontinued when, in management's opinion, the borrower may be unable to make payments as they become due. Interest income is subsequently recognized only to the extent cash payments are received and the principal balance is believed collectible.

Notes receivable and allowance for loan losses

The notes receivable – qualified active low-income community businesses balance is stated at the amount of unpaid principal, less an allowance for loan losses and net of deferred loan origination fees and unearned discounts. Loan origination and commitment fees as well as certain direct origination costs, are deferred and recognized into income ratably over the term of the loan. Amortization of deferred loan fees is discontinued when a loan is placed on nonaccrual status.

ADVANTAGE CAPITAL COMMUNITY DEVELOPMENT FUND XXVIII, L.L.C.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

2. Summary of Significant Accounting Policies and Nature of Operations (continued)

Notes receivable and allowance for loan losses (continued)

The allowance is increased by a provision for loan losses, which is charged to expense, and reduced by charge-offs, net of recoveries. Management's periodic evaluation of the adequacy of the allowance is based on the Company's quarterly evaluation of specific loans to determine the existence of adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and current economic conditions. Although management uses available information to recognize losses on loans, because of uncertainties associated with local economic conditions, collateral values, and future cash flows on impaired loans, it is reasonably possible that a material change could occur in the allowance for loan losses in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

The Company considers a loan impaired when based on current information or factors, it is probable that the Company will not collect the principal and interest payments according to the loan agreement. Management considers many factors in determining whether a loan is impaired, such as payment history and value of collateral. Loans that are contractually delinquent less than 90 days are generally not considered impaired, unless the borrower has claimed bankruptcy or the Company has received specific information concerning the loan impairment. The Company reviews delinquent loans to determine impaired accounts. The Company measures impairment on its notes receivable – qualified active low-income community businesses on a specific loan basis.

If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated futures cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral.

The Company's notes receivable – qualified active low-income community businesses consist of loans to operating businesses and other entities pursuant to the NMTC program. The Company's key credit quality indicators are the financial performance of the underlying borrowers and value of the collateral as determined on a quarterly basis. Notes receivable – qualified active low-income community businesses that are 90 days or more past due, based on the contractual terms, are classified on nonaccrual status. Loans may also be placed on nonaccrual when management believes, after considering economic conditions, business conditions, and collection efforts, that the loans are impaired or collection of interest is doubtful. Interest income on nonaccrual loans is recognized only to the extent cash payments are received and the principal balance is believed to be collectible. There were no loans past due or on nonaccrual status as of December 31, 2013 and 2012.

A loan previously classified on nonaccrual status will resume accruing interest based on the contractual terms of the loan when payments on the loan become current. Loans may also resume accruing interest if management no longer believes a loan is impaired or the collection of principal and interest is no longer in doubt.

ADVANTAGE CAPITAL COMMUNITY DEVELOPMENT FUND XXVIII, L.L.C.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

2. Summary of Significant Accounting Policies and Nature of Operations (continued)

Investments in investee companies

The Company's management elected to apply the fair value option for the accounting of all of its equity investments in investee companies. The elections were made upon the initial recognition of such investments in the financial statements. The election was made because the Company's management believes it improves financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex accounting provisions.

Investments in investee companies are generally non-marketable investments in privately-held companies. The fair value as of December 31, 2013 and 2012 has been estimated by the Company's Manager. The Company generally determines fair value using a market or income approach. In determining fair value, the Company considers a variety of factors including, recent significant private placements of the same issuer, changes in financial position of the investee company, historical and projected cash flows and industry multiples on earnings before depreciation, taxes and amortization. A significant portion of the Company's investments have been classified within level 3 as they have unobservable inputs since they trade infrequently or not at all. When observable prices are not available for these securities, the Company's Manager uses one or more valuation techniques (e.g., the market approach, the income approach, or the cost approach) for which sufficient and reliable data is available.

Within level 3, the use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of the estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors. Because of the inherent uncertainty of valuation of investments without an active market, the estimated values may differ significantly from values that would have been used had a ready market for the investments existed, and the differences could be material.

The Company's investments in the nonmarketable investments are generally considered to be nonmarketable until the time they are registered for public sale. Such nonmarketable investments are carried at estimated fair value as determined by the Company's Manager. Because of the inherent uncertainty of valuation in the nonmarketable investments, those estimated values may differ significantly from the values that would have been used had a ready market for the investments existed and the differences could be material.

ADVANTAGE CAPITAL COMMUNITY DEVELOPMENT FUND XXVIII, L.L.C.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

2. Summary of Significant Accounting Policies and Nature of Operations (continued)

Investments in investee companies (continued)

The Company has determined that the QALICB in which it holds an investment is a variable interest entity and the Company is not the primary beneficiary. As a result, the Company is not required to consolidate its investment in the QALICB. This conclusion was based on the determination that the Company does not have the power to direct the activities that most significantly impact the QALICB's economic performance. The Company's maximum exposure to loss as a result of its involvement with the investment remains limited to the Company's investment balance. During the years ended December 31, 2013 and 2012, the Company provided no explicit or implicit financial or other support to the QALICB that was not previously contractually required or intended.

Subsequent events

Subsequent events have been evaluated through March 9, 2014, which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

3. Notes Receivable – Qualified Active Low-Income Community Businesses

At December 31, 2013, notes receivable – qualified active low-income community businesses consisted of the following:

<u>Borrower</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Face Amount</u>	<u>Carrying Value</u>
Halifax Media Acquisition, LLC	7.50%	12/31/2016	\$ 8,500,000	\$ 8,500,000
ESP Management of Florida	16.00%	6/30/2016	2,451,837	250,000
ESP Management of Florida	16.00%	11/1/2014	250,000	250,000
Atlas Paper Mills, LLC	9.00%	12/31/2017	6,250,000	6,250,000
		Total	<u>\$ 17,451,837</u>	<u>\$ 15,250,000</u>

At December 31, 2012, notes receivable – qualified active low-income community businesses consisted of the following:

<u>Borrower</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Face Amount</u>	<u>Carrying Value</u>
Halifax Media Acquisition, LLC	15.00%	12/31/2016	\$ 8,500,000	\$ 8,500,000
ESP Management of Florida	12.00%	6/30/2016	2,250,000	250,000
Atlas Paper Mills, LLC	9.00%	1/1/2016	6,250,000	6,250,000
		Total	<u>\$ 17,000,000</u>	<u>\$ 15,000,000</u>

ADVANTAGE CAPITAL COMMUNITY DEVELOPMENT FUND XXVIII, L.L.C.
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3. Notes Receivable – Qualified Active Low-Income Community Businesses (continued)

The loans made by the Company to QALICBs are intended to qualify as QLICs under the NMTC Program and the Florida NMTC Program (see Note 7) pursuant to the Internal Revenue Code Section 45D and the related Treasury Regulations.

Impaired loans

A summary analysis of the activity in the allowance for loan losses is as follows for the years ended December 31, 2013 and 2012:

	2013	2012
Beginning balance	\$ 2,000,000	\$ -
Provision for loan losses	201,837	2,000,000
Loans charged off	-	-
Recoveries	-	-
Ending balance	\$ 2,201,837	\$ 2,000,000

The following table presents detail of impaired loans as of December 31, 2013.

	Unpaid principal balance	Recorded investment	Average recorded Investment	Allowance for loan loss	Interest income recognized	Cash basis - Interest income recognized
With no related allowance recorded: QALICBs Notes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
With allowance recorded: QALICBs Notes	2,451,837	2,451,837	2,451,837	2,201,837	321,339	113,250
	\$ 2,451,837	\$ 2,451,837	\$ 2,451,837	\$ 2,201,837	\$ 321,339	\$ 113,250

The following table presents detail of impaired loans as of December 31, 2012.

	Unpaid principal balance	Recorded investment	Average recorded Investment	Allowance for loan loss	Interest income recognized	Cash basis - Interest income recognized
With no related allowance recorded: QALICBs Notes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
With allowance recorded: QALICBs Notes	2,250,000	2,250,000	250,000	2,000,000	223,500	200,250
	\$ 2,250,000	\$ 2,250,000	\$ 250,000	\$ 2,000,000	\$ 223,500	\$ 200,250

ADVANTAGE CAPITAL COMMUNITY DEVELOPMENT FUND XXVIII, L.L.C.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

3. Notes Receivable – Qualified Active Low-Income Community Businesses (continued)

Impaired loans (continued)

The unpaid principal balance represents the recorded balance prior to any partial charge-offs or allowance for loan loss. The record investment represents customer balance net of any partial charge-offs recognized on the loans.

4. Investment in Investee Company

At December 31, 2013, the investment in investee company consisted of the following:

<u>Investment</u>	<u>Type</u>	<u>Number of Shares</u>	<u>Original Cost</u>	<u>Fair Value</u>
Six Point Ventures II, LLC	Common Stock	222,622 shares	\$ 222,622	\$ 897,798
		Total	<u>\$ 222,622</u>	<u>\$ 897,798</u>

At December 31, 2012, the investment in investee company consisted of the following:

<u>Investment</u>	<u>Type</u>	<u>Number of Shares</u>	<u>Original Cost</u>	<u>Fair Value</u>
Six Point Ventures II, LLC	Common Stock	222,622 shares	\$ 222,622	\$ 960,432
		Total	<u>\$ 222,622</u>	<u>\$ 960,432</u>

During 2010, the Company purchased warrants to acquire 39,799 of common shares of Patriot Risk. During 2011, Patriot Risk was sold, and as a result, the Company received an interest in Six Point Ventures II, LLC (“Six Point Ventures”) for \$222,622. Subsequent to the transaction, the Company recognized a loss on an escrow receivable and tax refund from Patriot Risk in the amount of \$121,696 in 2013.

ADVANTAGE CAPITAL COMMUNITY DEVELOPMENT FUND XXVIII, L.L.C.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

4. Investment in Investee Company (continued)

At December 31, 2013 and 2012, the value of the equity investment in investee company was determined using significant unobservable inputs (Level 3 Inputs). The reconciliation of investment in investee companies measured at fair value using Level 3 Inputs is as follows:

Balance - January 1, 2012	\$ 537,007
Purchases during the year	-
Unrealized gains (losses) included in earnings	423,425
Sales during the year	-
Realized gains (losses) included in earnings	-
Transfers into (out of) Level 3 Input	-
Balance - December 31, 2012	960,432
Purchases during the year	-
Unrealized gains (losses) included in earnings	(62,634)
Sales during the year	-
Realized gains (losses) included in earnings	-
Transfers into (out of) Level 3 Input	-
Balance - December 31, 2013	\$ 897,798

5. Notes Receivable

At December 31, 2013 and 2012, notes receivable consisted of loans to an affiliate of the Manager. At December 31, 2013, notes receivable consisted of the following:

<u>Borrower</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Face Amount</u>	<u>Carrying Value</u>
Marquette Investments, LLC	9.95%	9/1/2025	\$ 670,587	\$ 670,587
Marquette Investments, LLC	9.95%	9/1/2025	864,886	864,886
Marquette Investments, LLC	1.45%	12/31/2016	720,000	720,000
Marquette Investments, LLC	1.45%	12/31/2016	720,000	720,000
Total			\$ 2,975,473	\$ 2,975,473

ADVANTAGE CAPITAL COMMUNITY DEVELOPMENT FUND XXVIII, L.L.C.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

5. Notes Receivable (continued)

At December 31, 2012, notes receivable consisted of the following:

<u>Borrower</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Face Amount</u>	<u>Carrying Value</u>
Marquette Investments, LLC	9.95%	9/1/2025	\$ 736,026	\$ 736,026
Marquette Investments, LLC	9.95%	9/1/2025	836,026	836,026
Marquette Investments, LLC	1.45%	12/31/2016	720,000	720,000
Marquette Investments, LLC	1.45%	12/31/2016	720,000	720,000
		Total	<u>\$ 3,012,052</u>	<u>\$ 3,012,052</u>

6. Related Party Transactions

Due from related party

During 2013 and 2012, Advantage Capital Payment Agent, L.L.C. (“ACPA”), an affiliate of the Manager, collected debt service payments on behalf of the Company. As of December 31, 2013 and 2012, \$171,771 and \$351,764, respectively, was owed to the Company.

Due to related party

During 2013 and 2012, Advantage Capital Management Corporation (“ACMC”), an affiliate of the Company, advanced funds to the Company for operating expenses. These advances do not accrue interest. As of December 31, 2013 and 2012, \$12,852 and \$25,591, respectively, was owed to ACMC.

7. New Markets Tax Credits

Pursuant to the Allocation Agreement between the Manager, the Company, other subsidiary allocatees of the Manager and the CDFI Fund dated November 24, 2009 (“Allocation Agreement”), the Manager was allocated the authority to issue \$70 million of qualified equity investments (“QEI”). Equity investments received by the Manager, the Company, or other subsidiary allocatees will be designated as QEIs if they meet the requirements of Internal Revenue Code Section 45D and Treasury Regulation Section 1.45D-1. Pursuant to the Allocation Agreement, the Manager sub-allocated \$8,200,000 of its new markets tax credits allocation to the Company and \$8,200,000 of such allocation to ACCDF XXX. The Company’s Members will be allowed to claim new markets tax credits (“Tax Credits”) over seven periods spanning six years and a day for any equity investment made by a Member that has been designated as a QEI within the meaning of Internal Revenue Code section 45D and Treasury Regulations thereunder. The Company designated \$16,400,000 of the Preferred Unit Holders capital contributions as a QEI.

ADVANTAGE CAPITAL COMMUNITY DEVELOPMENT FUND XXVIII, L.L.C.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

7. New Markets Tax Credits (continued)

In order to qualify for these Tax Credits, the Manager and the Company must comply with requirements of Internal Revenue Code Section 45D and Treasury Regulation Section 1.45D-1 during the seven year credit period. Failure to comply with the requirements could result in the recapture of Tax Credits that have been previously claimed as well as the loss of any future Tax Credits. The three events that may cause recapture are: [1] the Company ceases to be a CDE; [2] failing to ensure that for each annual period in the seven-year credit period, at least 85 percent of the QEIs received by the Company is continuously invested in QLICs (which may include 5% of the QEIs received to be held as reserves); and [3] redemption of the QEI by the Company.

In addition, pursuant to the State of Florida New Markets Tax Credit statute (the "Florida Statute"), the Company applied for and received the authority to issue up to \$10,000,000 in Florida qualified equity investments ("Florida QEIs") in 2009. ACCDF XXX also received the authority to issue up to \$10,000,000 of Florida QEIs. Under the Florida Statute, the Company's Members will be allowed to claim Florida new markets tax credits ("Florida NMTCs") over seven periods spanning six years and one day for any equity investment made by such Member that is designated as a Florida QEI within the meaning of the Florida Statute and has at least 85% of its cash purchase price used by the issuer to make qualified low-income community investments ("Florida QLICs"). Pursuant to the Company's and ACCDF XXX's approvals from the State of Florida on November 23, 2009, and as amended on December 29, 2009, to issue up to \$20,000,000 of Florida QEIs, the Company designated the capital contributions received by the Preferred Unit Holder in the amount of \$20,000,000 as Florida QEIs.

In order to qualify for these Florida NMTCs, the Company must comply with the requirements of the Florida Statute and related guidelines. Failure to comply with the requirements could result in the recapture of the Florida NMTCs that have been previously claimed as well as the loss of any future Florida NMTC. Recapture of the Florida NMTCs may be caused by: [1] an amount of the federal Tax Credits available with respect to a Florida QEI is recaptured under Internal Revenue Code section 45D if any, or [2] the Company redeems the Florida QEI prior to the seventh anniversary of the issuance of such Florida QEI. Since the Tax Credits and Florida NMTCs are subject to the Company's compliance with certain requirements, there can be no assurance that the aggregate amount of the Tax Credits and Florida NMTCs will be realized and failure to meet all such requirements may result in generating a lesser amount of Tax Credits or Florida NMTCs than the expected amount.

ADVANTAGE CAPITAL COMMUNITY DEVELOPMENT FUND XXVIII, L.L.C.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

7. New Markets Tax Credits (continued)

The Manager has established an advisory board to provide insight and guidance for the Company's activities ("Advisory Board"). The Advisory Board will also ensure that the Company maintains accountability to the residents of low-income communities in accordance with the Internal Revenue Code Section 45D(c)(1)(B). The Manager may also establish committees of the Advisory Board and the committees will establish procedures by which they will solicit feedback from the residents of the low-income communities that they represent as to the investment and training needs of those particular low-income communities and the success of the Company in addressing such needs. The Advisory Board and each committee shall organize such information for presentation to the Manager and use it to generate suggestions and guidance for use by the Company.