

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: March 31, 2016

Commission File Number: 000-50609

AEI INCOME & GROWTH FUND 25 LLC
(Exact name of registrant as specified in its charter)

State of Delaware

(State or other jurisdiction of
incorporation or organization)

30 East 7th Street, Suite 1300
St. Paul, Minnesota 55101

(Address of principal executive offices)

75-3074973

(I.R.S. Employer
Identification No.)

(651) 227-7333

(Registrant's telephone number)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

AEI INCOME & GROWTH FUND 25 LLC

INDEX

	<u>Page</u>
Part I – Financial Information	
Item 1.	Financial Statements:
	Balance Sheets as of March 31, 2016 and December 31, 2015
	3
	Statements for the Three Months ended March 31, 2016 and 2015:
	Income
	4
	Cash Flows
	5
	Changes in Members' Equity (Deficit)
	6
	Notes to Financial Statements
	7 - 11
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations
	12 - 17
Item 3.	Quantitative and Qualitative Disclosures About Market Risk
	18
Item 4.	Controls and Procedures
	18
Part II – Other Information	
Item 1.	Legal Proceedings
	18
Item 1A.	Risk Factors
	18
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds
	19
Item 3.	Defaults Upon Senior Securities
	19
Item 4.	Mine Safety Disclosures
	19
Item 5.	Other Information
	19
Item 6.	Exhibits
	19
Signatures	20

**AEI INCOME & GROWTH FUND 25 LLC
BALANCE SHEETS**

ASSETS

	March 31, 2016	December 31, 2015
	<u>(unaudited)</u>	<u></u>
Current Assets:		
Cash	\$ 1,838,266	\$ 1,780,591
Real Estate Investments:		
Land	9,055,563	9,055,563
Buildings	19,863,451	19,863,451
Acquired Intangible Lease Assets	2,327,904	2,327,904
Real Estate Held For Investment, at cost	31,246,918	31,246,918
Accumulated Depreciation and Amortization	(6,720,181)	(6,468,464)
Real Estate Held for Investment, Net	24,526,737	24,778,454
Real Estate Held for Sale	650,000	650,000
Total Real Estate Investments	<u>25,176,737</u>	<u>25,428,454</u>
Total Assets	<u>\$ 27,015,003</u>	<u>\$ 27,209,045</u>

LIABILITIES AND MEMBERS' EQUITY

Current Liabilities:		
Payable to AEI Fund Management, Inc.	\$ 185,624	\$ 129,171
Distributions Payable	537,320	536,469
Unearned Rent	55,246	15,485
Total Current Liabilities	<u>778,190</u>	<u>681,125</u>
Long-term Liabilities:		
Acquired Below-Market Lease Intangibles, Net	83,346	86,725
Members' Equity (Deficit):		
Managing Members	(4,682)	3,950
Limited Members – 50,000 Units authorized; 40,570 Units issued and outstanding as of 3/31/16 and 12/31/15	26,158,149	26,437,245
Total Members' Equity	<u>26,153,467</u>	<u>26,441,195</u>
Total Liabilities and Members' Equity	<u>\$ 27,015,003</u>	<u>\$ 27,209,045</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

AEI INCOME & GROWTH FUND 25 LLC
STATEMENTS OF INCOME
(unaudited)

	Three Months Ended March	
	31	
	2016	2015
Rental Income	\$ 588,670	\$ 606,568
Expenses:		
LLC Administration – Affiliates	77,558	92,458
LLC Administration and Property Management – Unrelated Parties	42,290	25,771
Depreciation and Amortization	234,075	218,488
Total Expenses	353,923	336,717
Operating Income	234,747	269,851
Other Income:		
Interest Income	1,214	2,917
Income from Continuing Operations	235,961	272,768
Income (Loss) from Discontinued Operations	13,631	(19,293)
Net Income	\$ 249,592	\$ 253,475
Net Income Allocated:		
Managing Members	\$ 7,488	\$ 7,604
Limited Members	242,104	245,871
Total	\$ 249,592	\$ 253,475
Income (Loss) per LLC Unit:		
Continuing Operations	\$ 5.64	\$ 6.43
Discontinued Operations	.33	(.45)
Total – Basic and Diluted	\$ 5.97	\$ 5.98
Weighted Average Units Outstanding – Basic and Diluted	40,570	41,122

The accompanying Notes to Financial Statements are an integral part of these statements.

AEI INCOME & GROWTH FUND 25 LLC
STATEMENTS OF CASH FLOWS
(unaudited)

	Three Months Ended March	
	31	
	2016	2015
Cash Flows from Operating Activities:		
Net Income	\$ 249,592	\$ 253,475
Adjustments to Reconcile Net Income		
To Net Cash Provided by Operating Activities:		
Depreciation and Amortization	248,338	224,085
Increase (Decrease) in Payable to AEI Fund Management, Inc.	56,453	20,801
Increase (Decrease) in Unearned Rent	39,761	34,112
Total Adjustments	344,552	278,998
Net Cash Provided By (Used For) Operating Activities	594,144	532,473
Cash Flows from Financing Activities:		
Distributions Paid to Members	(536,469)	(542,448)
Net Increase (Decrease) in Cash	57,675	(9,975)
Cash, beginning of period	1,780,591	4,182,911
Cash, end of period	\$ 1,838,266	\$ 4,172,936

The accompanying Notes to Financial Statements are an integral part of these statements.

AEI INCOME & GROWTH FUND 25 LLC
STATEMENTS OF CHANGES IN MEMBERS' EQUITY (DEFICIT)
(unaudited)

	<u>Managing Members</u>	<u>Limited Members</u>	<u>Total</u>	<u>Limited Member Units Outstanding</u>
Balance, December 31, 2014	\$ 13,000	\$ 28,085,778	\$ 28,098,778	41,121.89
Distributions Declared	(15,307)	(528,598)	(543,905)	
Net Income	<u>7,604</u>	<u>245,871</u>	<u>253,475</u>	
Balance, March 31, 2015	<u>\$ 5,297</u>	<u>\$ 27,803,051</u>	<u>\$ 27,808,348</u>	<u>41,121.89</u>
Balance, December 31, 2015	\$ 3,950	\$ 26,437,245	\$ 26,441,195	40,569.95
Distributions Declared	(16,120)	(521,200)	(537,320)	
Net Income	<u>7,488</u>	<u>242,104</u>	<u>249,592</u>	
Balance, March 31, 2016	<u>\$ (4,682)</u>	<u>\$ 26,158,149</u>	<u>\$ 26,153,467</u>	<u>40,569.95</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

AEI INCOME & GROWTH FUND 25 LLC
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016
(unaudited)

(1) The condensed statements included herein have been prepared by the registrant, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission, and reflect all adjustments which are, in the opinion of management, necessary to a fair statement of the results of operations for the interim period, on a basis consistent with the annual audited statements. The adjustments made to these condensed statements consist only of normal recurring adjustments. Certain information, accounting policies, and footnote disclosures normally included in financial statements prepared in accordance with United States Generally Accepted Accounting Principles (US GAAP) have been condensed or omitted pursuant to such rules and regulations, although the registrant believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these condensed financial statements be read in conjunction with the financial statements and the summary of significant accounting policies and notes thereto included in the registrant's latest annual report on Form 10-K.

(2) Organization –

AEI Income & Growth Fund 25 LLC ("Company"), a Limited Liability Company, was formed on June 24, 2002 to acquire and lease commercial properties to operating tenants. The Company's operations are managed by AEI Fund Management XXI, Inc. ("AFM"), the Managing Member. Robert P. Johnson, the President and sole director of AFM, serves as the Special Managing Member. AFM is a wholly owned subsidiary of AEI Capital Corporation of which Mr. Johnson is the majority shareholder. AEI Fund Management, Inc. ("AEI"), an affiliate of AFM, performs the administrative and operating functions for the Company.

The terms of the offering called for a subscription price of \$1,000 per LLC Unit, payable on acceptance of the offer. The Company commenced operations on September 11, 2003 when minimum subscriptions of 1,500 LLC Units (\$1,500,000) were accepted. The offering terminated May 12, 2005, when the extended offering period expired. The Company received subscriptions for 42,434.763 Units. Under the terms of the Operating Agreement, the Limited Members and Managing Members contributed funds of \$42,434,763 and \$1,000, respectively. The Company shall continue until December 31, 2053, unless dissolved, terminated and liquidated prior to that date.

During operations, any Net Cash Flow, as defined, which the Managing Members determine to distribute will be distributed 97% to the Limited Members and 3% to the Managing Members. Distributions to Limited Members will be made pro rata by Units.

AEI INCOME & GROWTH FUND 25 LLC
NOTES TO FINANCIAL STATEMENTS
(Continued)

(2) Organization – (Continued)

Any Net Proceeds of Sale, as defined, from the sale or financing of properties which the Managing Members determine to distribute will, after provisions for debts and reserves, be paid in the following manner: (i) first, 99% to the Limited Members and 1% to the Managing Members until the Limited Members receive an amount equal to: (a) their Adjusted Capital Contribution plus (b) an amount equal to 7% of their Adjusted Capital Contribution per annum, cumulative but not compounded, to the extent not previously distributed from Net Cash Flow; (ii) any remaining balance will be distributed 90% to the Limited Members and 10% to the Managing Members. Distributions to the Limited Members will be made pro rata by Units.

For tax purposes, profits from operations, other than profits attributable to the sale, exchange, financing, refinancing or other disposition of property, will be allocated 97% to the Limited Members and 3% to the Managing Members. Net losses from operations will be allocated 99% to the Limited Members and 1% to the Managing Members.

For tax purposes, profits arising from the sale, financing, or other disposition of property will be allocated in accordance with the Operating Agreement as follows: (i) first, to those Members with deficit balances in their capital accounts in an amount equal to the sum of such deficit balances; (ii) second, 99% to the Limited Members and 1% to the Managing Members until the aggregate balance in the Limited Members' capital accounts equals the sum of the Limited Members' Adjusted Capital Contributions plus an amount equal to 7% of their Adjusted Capital Contributions per annum, cumulative but not compounded, to the extent not previously allocated; (iii) third, the balance of any remaining gain will then be allocated 90% to the Limited Members and 10% to the Managing Members. Losses will be allocated 99% to the Limited Members and 1% to the Managing Members.

The Managing Members are not required to currently fund a deficit capital balance. Upon liquidation of the Company or withdrawal by a Managing Member, the Managing Members will contribute to the Company an amount equal to the lesser of the deficit balances in their capital accounts or 1.01% of the total capital contributions of the Limited Members over the amount previously contributed by the Managing Members.

(3) Real Estate Investments –

In the fourth quarter of 2014, the Company decided to sell the Advance Auto store in Brownsville, Texas. In February 2015, the Company entered into an agreement to sell the property to an unrelated third party. On April 20, 2015, the sale closed with the Company receiving net proceeds of \$1,550,343, which resulted in a net gain of \$424,000. At the time of sale, the cost and related accumulated depreciation was \$1,585,269 and \$458,926, respectively.

AEI INCOME & GROWTH FUND 25 LLC
NOTES TO FINANCIAL STATEMENTS
(Continued)

(3) Real Estate Investments – (Continued)

On June 9, 2015, the Company purchased a Fresenius Medical Center in Gretna, Louisiana for \$3,456,892. The Company allocated \$922,252 of the purchase price to Acquired Intangible Lease Assets, representing in-place lease intangibles of \$405,185 and above-market lease intangibles of \$517,067. The Company incurred \$105,145 of acquisition expenses related to the purchase that were expensed. The property is leased to Bio-Medical Applications of Louisiana, a subsidiary of Fresenius Medical Care Holdings, Inc., under a Lease Agreement with a remaining primary term of 15.0 years (as of the date of purchase) and annual rent of \$224,698.

In November 2015, the Company entered into an agreement to sell its 60% interest in the Sports Authority store in Wichita, Kansas to an unrelated third party. The sale is subject to contingencies, including a long due diligence period, and may not be completed. If the sale is completed, the Company expects to receive net sale proceeds of approximately \$1,785,000. If the sale is not completed, the owners anticipate they will seek a new tenant for the property after the current tenant vacates the property.

On March 2, 2016, the tenant of the Sports Authority store, TSA Stores, Inc., and its parent company, The Sports Authority, Inc., the guarantor of the lease, filed for Chapter 11 bankruptcy reorganization. As of March 31, 2016, the tenant owed \$56,283 of past due rent, which was not accrued for financial reporting purposes. The tenant has indicated that after conducting a closing sale over the next 30 to 90 days, the tenant will file a motion with the bankruptcy court to reject the lease and return possession of the property to the owners. When this occurs, the Company will become responsible for its 60% share of real estate taxes and other costs associated with maintaining the property until the property is sold or leased to a new tenant. The annual rent from this property represents approximately 13% of the total annual rent of the Fund's property portfolio. The loss of rent and increased expenses related to this property will decrease the Fund's cash flow and may cause the Fund to reduce its distribution rate per Unit. The bankruptcy filing by the tenant has no effect on the buyer's interest in purchasing the property.

Based on its long-lived asset valuation analysis, the Company determined the Sports Authority store was impaired. As a result, in the fourth quarter of 2015, a charge to operations for real estate impairment of \$637,438 was recognized, which was the difference between the carrying value at December 31, 2015 of \$2,422,438 and the estimated fair value of \$1,785,000. The charge was recorded against the cost of the land and building.

(4) Payable to AEI Fund Management, Inc. –

AEI Fund Management, Inc. performs the administrative and operating functions for the Company. The payable to AEI Fund Management represents the balance due for those services. This balance is non-interest bearing and unsecured and is to be paid in the normal course of business.

AEI INCOME & GROWTH FUND 25 LLC
NOTES TO FINANCIAL STATEMENTS
(Continued)

(5) Discontinued Operations –

The tenant of the Johnny Carino’s restaurants was experiencing financial difficulties and closed the restaurants in Pueblo, Colorado (October 2013) and Lake Charles, Louisiana (January 2014). On March 27, 2014, the tenant filed for Chapter 11 bankruptcy reorganization. Shortly thereafter, the tenant filed a motion with the bankruptcy court to reject the leases and returned possession of the properties to the Company. As of the date of the bankruptcy filing, the tenant owed \$97,680 of past due rent, which was not accrued for financial reporting purposes. While the properties are vacant, the Company is responsible for the real estate taxes and other costs associated with maintaining the properties. The Company submitted a Proof of Claim for damages to the bankruptcy court for each property. The tenant’s reorganization plan was approved by the bankruptcy court effective February 2, 2015. In August 2015, the Company received payments totaling \$137,473 on its claims from the plan. In February 2016, the Company received final claim payments totaling \$26,843.

In September 2013, the Company decided to sell both Johnny Carino’s restaurants and classified them as Real Estate Held for Sale. On August 1, 2014, the Company sold the Lake Charles property to an unrelated third party. In late March 2016, the Company entered into an agreement to sell the Pueblo property to an unrelated third party. The sale is subject to contingencies and may not be completed. If the sale is completed, the Company expects to receive net proceeds of approximately \$750,000, which will result in a net gain of approximately \$100,000. If the sale is not completed, the Company will seek another buyer for the property and may not be able to negotiate a purchase with similar economic terms.

The financial results for these properties are reflected as Discontinued Operations in the accompanying financial statements. The following are the results of discontinued operations for the three months ended March 31:

	<u>2016</u>	<u>2015</u>
Bankruptcy Claim Payments Received	\$ 26,843	\$ 0
Property Management Expenses	<u>(13,212)</u>	<u>(19,293)</u>
Income (Loss) from Discontinued Operations	<u>\$ 13,631</u>	<u>\$ (19,293)</u>
	<u>2016</u>	<u>2015</u>
Cash Flows from Discontinued Operations:		
Operating Activities	<u>\$ 13,631</u>	<u>\$ (19,293)</u>

AEI INCOME & GROWTH FUND 25 LLC
NOTES TO FINANCIAL STATEMENTS
(Continued)

(6) Members' Capital –

For the three months ended March 31, 2016 and 2015, the Company declared distributions of \$537,320 and \$543,905, respectively. The Limited Members received distributions of \$521,200 and \$528,598 and the Managing Members received distributions of \$16,120 and \$15,307 for the periods, respectively. The Limited Members' distributions represented \$12.85 and \$12.85 per LLC Unit outstanding using 40,570 and 41,122 weighted average Units in 2016 and 2015, respectively. The distributions represented \$5.97 and \$5.98 per Unit of Net Income and \$6.88 and \$6.87 per Unit of return of contributed capital in 2016 and 2015, respectively.

As part of the distributions discussed above, the Company distributed net sale proceeds of \$50,505 in 2015. The Limited Members received distributions of \$50,000 and the Managing Members received distributions of \$505. The Limited Members' distributions represented \$1.22 per Unit.

(7) Fair Value Measurements –

Fair value, as defined by US GAAP, is 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 in the principal or most advantageous market. US GAAP establishes a hierarchy in determining the fair value of an asset or liability. The fair value hierarchy has three levels of inputs, both observable and unobservable. US GAAP requires the utilization of the lowest possible level of input to determine fair value. Level 1 inputs include quoted market prices in an active market for identical assets or liabilities. Level 2 inputs are market data, other than Level 1 inputs, that are observable either directly or indirectly. Level 2 inputs include quoted market prices for similar assets or liabilities, quoted market prices in an inactive market, and other observable information that can be corroborated by market data. Level 3 inputs are unobservable and corroborated by little or no market data.

At March 31, 2016 and December 31, 2015, the Company had no financial assets or liabilities measured at fair value on a recurring basis or nonrecurring basis that would require disclosure. The Company had the following nonfinancial assets measured on a nonrecurring basis that were recorded at fair value during 2016 and 2015.

The Sports Authority store in Wichita, Kansas with a carrying amount of \$2,422,438 at December 31, 2015, was written down to its estimated fair value of \$1,785,000 after completing our long-lived asset valuation analysis. The resulting impairment charge of \$637,438 was included in earnings for the fourth quarter of 2015. The fair value of the property was based upon a signed purchase agreement, which is considered a Level 3 input in the valuation hierarchy.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

This section contains "forward-looking statements" which represent management's expectations or beliefs concerning future events, including statements regarding anticipated application of cash, expected returns from rental income, growth in revenue, the sufficiency of cash to meet operating expenses, rates of distribution, and other matters. These, and other forward-looking statements, should be evaluated in the context of a number of factors that may affect the Company's financial condition and results of operations, including the following:

- Market and economic conditions which affect the value of the properties the Company owns and the cash from rental income such properties generate;
- the federal income tax consequences of rental income, deductions, gain on sales and other items and the effects of these consequences for Members;
- resolution by the Managing Members of conflicts with which they may be confronted;
- the success of the Managing Members of locating properties with favorable risk return characteristics;
- the effect of tenant defaults; and
- the condition of the industries in which the tenants of properties owned by the Company operate.

Application of Critical Accounting Policies

The Company's financial statements have been prepared in accordance with US GAAP. Preparing the financial statements requires management to use judgment in the application of these accounting policies, including making estimates and assumptions. These judgments will affect the reported amounts of the Company's assets and liabilities and the disclosure of contingent assets and liabilities as of the dates of the financial statements and will affect the reported amounts of revenue and expenses during the reporting periods. It is possible that the carrying amount of the Company's assets and liabilities, or the results of reported operations, will be affected if management's estimates or assumptions prove inaccurate.

Management of the Company evaluates the following accounting estimates on an ongoing basis, and has discussed the development and selection of these estimates and the management discussion and analysis disclosures regarding them with the managing member of the Company.

Allocation of Purchase Price of Acquired Properties

Upon acquisition of real properties, the Company records them in the financial statements at cost. The purchase price is allocated to tangible assets, consisting of land and building, and to identified intangible assets and liabilities, which may include the value of above market and below market leases and the value of in-place leases. The allocation of the purchase price is based upon the fair value of each component of the property. Although independent appraisals may be used to assist in the determination of fair value, in many cases these values will be based upon management's assessment of each property, the selling prices of comparable properties and the discounted value of cash flows from the asset.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS. (Continued)

The fair values of above market and below market in-place leases will be recorded based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) an estimate of fair market lease rates for the corresponding in-place leases measured over a period equal to the non-cancelable term of the lease including any bargain renewal periods. The above market and below market lease values will be capitalized as intangible lease assets or liabilities. Above market lease values will be amortized as an adjustment of rental income over the remaining term of the respective leases. Below market leases will be amortized as an adjustment of rental income over the remaining terms of the respective leases, including any bargain renewal periods. If a lease were to be terminated prior to its stated expiration, all unamortized amounts of above market and below market in-place lease values relating to that lease would be recorded as an adjustment to rental income.

The fair values of in-place leases will include estimated direct costs associated with obtaining a new tenant, and opportunity costs associated with lost rentals which are avoided by acquiring an in-place lease. Direct costs associated with obtaining a new tenant may include commissions, tenant improvements, and other direct costs and are estimated, in part, by management's consideration of current market costs to execute a similar lease. These direct costs will be included in intangible lease assets on the balance sheet and will be amortized to expense over the remaining term of the respective leases. The value of opportunity costs will be calculated using the contractual amounts to be paid pursuant to the in-place leases over a market absorption period for a similar lease. These intangibles will be included in intangible lease assets on the balance sheet and will be amortized to expense over the remaining term of the respective leases. If a lease were to be terminated prior to its stated expiration, all unamortized amounts of in-place lease assets relating to that lease would be expensed.

The determination of the fair values of the assets and liabilities acquired will require the use of significant assumptions with regard to the current market rental rates, rental growth rates, discount and capitalization rates, interest rates and other variables. If management's estimates or assumptions prove inaccurate, the result would be an inaccurate allocation of purchase price, which could impact the amount of reported net income.

Carrying Value of Properties

Properties are carried at original cost, less accumulated depreciation and amortization. The Company tests long-lived assets for recoverability when events or changes in circumstances indicate that the carrying value may not be recoverable. For properties the Company will hold and operate, management determines whether impairment has occurred by comparing the property's probability-weighted future undiscounted cash flows to its current carrying value. For properties held for sale, management determines whether impairment has occurred by comparing the property's estimated fair value less cost to sell to its current carrying value. If the carrying value is greater than the net realizable value, an impairment loss is recorded to reduce the carrying value of the property to its net realizable value. Changes in these assumptions or analysis may cause material changes in the carrying value of the properties.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS. (Continued)

Allocation of Expenses

AEI Fund Management, Inc. allocates expenses to each of the funds they manage primarily on the basis of the number of hours devoted by their employees to each fund's affairs. They also allocate expenses at the end of each month that are not directly related to a fund's operations based upon the number of investors in the fund and the fund's capitalization relative to other funds they manage. The Company reimburses these expenses subject to detailed limitations contained in the Operating Agreement.

Results of Operations

For the three months ended March 31, 2016 and 2015, the Company recognized rental income from continuing operations of \$588,670 and \$606,568, respectively. In 2016, rental income decreased due to the sale of one property in 2015 and rent that was not received from the tenant of the Sports Authority store, as discussed below. These decreases in rental income were partially offset by additional rent received from one property acquisition in 2015 and rent increases on four properties. Based on the scheduled rent for the properties as of April 30, 2016, the Company expects to recognize rental income from continuing operations of approximately \$2,330,000 in 2016. For the Sports Authority store, only rent received from the tenant through the date of filing was included in this amount, due to the uncertainty of collecting the remaining scheduled rent for 2016.

For the three months ended March 31, 2016 and 2015, the Company incurred LLC administration expenses from affiliated parties of \$77,558 and \$92,458, respectively. These administration expenses include costs associated with the management of the properties, processing distributions, reporting requirements and communicating with the Limited Members. During the same periods, the Company incurred LLC administration and property management expenses from unrelated parties of \$42,290 and \$25,771, respectively. These expenses represent direct payments to third parties for legal and filing fees, direct administrative costs, outside audit costs, taxes, insurance and other property costs. These expenses were higher in 2016, when compared to 2015, as a result of expenses related to the Sports Authority store.

In November 2015, the Company entered into an agreement to sell its 60% interest in the Sports Authority store in Wichita, Kansas to an unrelated third party. The sale is subject to contingencies, including a long due diligence period, and may not be completed. If the sale is completed, the Company expects to receive net sale proceeds of approximately \$1,785,000. If the sale is not completed, the owners anticipate they will seek a new tenant for the property after the current tenant vacates the property.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS. (Continued)

On March 2, 2016, the tenant of the Sports Authority store, TSA Stores, Inc., and its parent company, The Sports Authority, Inc., the guarantor of the lease, filed for Chapter 11 bankruptcy reorganization. As of March 31, 2016, the tenant owed \$56,283 of past due rent, which was not accrued for financial reporting purposes. The tenant has indicated that after conducting a closing sale over the next 30 to 90 days, the tenant will file a motion with the bankruptcy court to reject the lease and return possession of the property to the owners. When this occurs, the Company will become responsible for its 60% share of real estate taxes and other costs associated with maintaining the property until the property is sold or leased to a new tenant. The annual rent from this property represents approximately 13% of the total annual rent of the Fund's property portfolio. The loss of rent and increased expenses related to this property will decrease the Fund's cash flow and may cause the Fund to reduce its distribution rate per Unit. The bankruptcy filing by the tenant has no effect on the buyer's interest in purchasing the property.

Based on its long-lived asset valuation analysis, the Company determined the Sports Authority store was impaired. As a result, in the fourth quarter of 2015, a charge to operations for real estate impairment of \$637,438 was recognized, which was the difference between the carrying value at December 31, 2015 of \$2,422,438 and the estimated fair value of \$1,785,000. The charge was recorded against the cost of the land and building.

For the three months ended March 31, 2016 and 2015, the Company recognized interest income of \$1,214 and \$2,917, respectively.

If a property was classified as Real Estate Held for Sale at December 31, 2013, the Company included the results from operating and selling the property in discontinued operations under prior accounting guidance. For the three months ended March 31, 2016, the Company recognized income from discontinued operations of \$13,632, representing bankruptcy claim payments received less property management expenses. For the three months ended March 31, 2015, the Company recognized a loss from discontinued operations of \$19,293, representing property management expenses.

The tenant of the Johnny Carino's restaurants was experiencing financial difficulties and closed the restaurants in Pueblo, Colorado (October 2013) and Lake Charles, Louisiana (January 2014). On March 27, 2014, the tenant filed for Chapter 11 bankruptcy reorganization. Shortly thereafter, the tenant filed a motion with the bankruptcy court to reject the leases and returned possession of the properties to the Company. As of the date of the bankruptcy filing, the tenant owed \$97,680 of past due rent, which was not accrued for financial reporting purposes. While the properties are vacant, the Company is responsible for the real estate taxes and other costs associated with maintaining the properties. The Company submitted a Proof of Claim for damages to the bankruptcy court for each property. The tenant's reorganization plan was approved by the bankruptcy court effective February 2, 2015. In August 2015, the Company received payments totaling \$137,473 on its claims from the plan. In February 2016, the Company received final claim payments totaling \$26,843.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS. (Continued)

In September 2013, the Company decided to sell both Johnny Carino's restaurants and classified them as Real Estate Held for Sale. On August 1, 2014, the Company sold the Lake Charles property to an unrelated third party. In late March 2016, the Company entered into an agreement to sell the Pueblo property to an unrelated third party. The sale is subject to contingencies and may not be completed. If the sale is completed, the Company expects to receive net proceeds of approximately \$750,000, which will result in a net gain of approximately \$100,000. If the sale is not completed, the Company will seek another buyer for the property and may not be able to negotiate a purchase with similar economic terms.

Management believes inflation has not significantly affected income from operations. Leases may contain rent increases, based on the increase in the Consumer Price Index over a specified period, which will result in an increase in rental income over the term of the leases. Inflation also may cause the real estate to appreciate in value. However, inflation and changing prices may have an adverse impact on the operating margins of the properties' tenants, which could impair their ability to pay rent and subsequently reduce the Net Cash Flow available for distributions.

Liquidity and Capital Resources

During the three months ended March 31, 2016, the Company's cash balances increased \$57,675 as a result of cash generated from operating activities in excess of distributions paid to the Members. During the three months ended March 31, 2015, the Company's cash balances decreased \$9,975 as a result of distributions paid to the Members in excess of cash generated from operating activities.

Net cash provided by operating activities increased from \$532,473 in 2015 to \$594,144 in 2016 as a result of an increase in total rental and interest income in 2016, a decrease in LLC administration and property management expenses in 2016 and net timing differences in the collection of payments from the tenants and the payment of expenses.

The major components of the Company's cash flow from investing activities are investments in real estate and proceeds from the sale of real estate. During the three months ended March 31, 2016 and 2015, the Company did not complete any property acquisitions or property sales.

In the fourth quarter of 2014, the Company decided to sell the Advance Auto store in Brownsville, Texas. In February 2015, the Company entered into an agreement to sell the property to an unrelated third party. On April 20, 2015, the sale closed with the Company receiving net proceeds of \$1,550,343, which resulted in a net gain of \$424,000. At the time of sale, the cost and related accumulated depreciation was \$1,585,269 and \$458,926, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS. (Continued)

On June 9, 2015, the Company purchased a Fresenius Medical Center in Gretna, Louisiana for \$3,456,892. The property is leased to Bio-Medical Applications of Louisiana, a subsidiary of Fresenius Medical Care Holdings, Inc., under a Lease Agreement with a remaining primary term of 15.0 years (as of the date of purchase) and annual rent of \$224,698.

The Company's primary use of cash flow, other than investment in real estate, is distribution payments to Members and cash used to repurchase Units. The Company declares its regular quarterly distributions before the end of each quarter and pays the distribution in the first week after the end of each quarter. The Company attempts to maintain a stable distribution rate from quarter to quarter. The Company may repurchase tendered Units on April 1st and October 1st of each year subject to limitations.

For the three months ended March 31, 2016 and 2015, the Company declared distributions of \$537,320 and \$543,905, respectively. Pursuant to the Operating Agreement, distributions of Net Cash Flow were allocated 97% to the Limited Members and 3% to the Managing Members. Distributions of Net Proceeds of Sale were allocated 99% to the Limited Members and 1% to the Managing Members. The Limited Members received distributions of \$521,200 and \$528,598 and the Managing Members received distributions of \$16,120 and \$15,307 for the periods, respectively.

As part of the distributions discussed above, the Company distributed net sale proceeds of \$50,505 in 2015. The Limited Members received distributions of \$50,000 and the Managing Members received distributions of \$505. The Limited Members' distributions represented \$1.22 per Unit.

The Company may repurchase Units from Limited Members who have tendered their Units to the Company. Such Units may be acquired at a discount. The Company will not be obligated to purchase in any year more than 2% of the total number of Units outstanding on January 1 of such year. In no event shall the Company be obligated to purchase Units if, in the sole discretion of the Managing Member, such purchase would impair the capital or operation of the Company. During the three months ended March 31, 2016 and 2015, the Company did not repurchase any Units from the Limited Members.

The continuing rent payments from the properties, together with cash generated from property sales, should be adequate to fund continuing distributions and meet other Company obligations on both a short-term and long-term basis.

Off-Balance Sheet Arrangements

As of March 31, 2016 and December 31, 2015, the Company had no material off-balance sheet arrangements that had or are reasonably likely to have current or future effects on its financial condition, results of operations, liquidity or capital resources.

ITEM 3. QUANTITATIVE & QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not required for a smaller reporting company.

ITEM 4. CONTROLS AND PROCEDURES.**(a) Disclosure Controls and Procedures.**

Under the supervision and with the participation of management, including its President and Chief Financial Officer, the Managing Member of the Company evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")). Based upon that evaluation, the President and Chief Financial Officer of the Managing Member concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and that such information is accumulated and communicated to management, including the President and Chief Financial Officer of the Managing Member, in a manner that allows timely decisions regarding required disclosure.

(b) Changes in Internal Control Over Financial Reporting.

During the most recent period covered by this report, there has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION**ITEM 1. LEGAL PROCEEDINGS.**

There are no material pending legal proceedings to which the Company is a party or of which the Company's property is subject.

ITEM 1A. RISK FACTORS.

Not required for a smaller reporting company.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES & USE OF PROCEEDS.

(a) None.

(b) Not applicable.

(c) Pursuant to Section 7.7 of the Operating Agreement, each Limited Member has the right to present Units to the Company for purchase by submitting notice to the Managing Member during January or July of each year. The purchase price of the Units is equal to 80% of the net asset value per Unit, as of the first business day of January or July of each year, as determined by the Managing Member in accordance with the provisions of the Operating Agreement. Units tendered to the Company during January and July may be repurchased on April 1st and October 1st, respectively, of each year subject to the following limitations. The Company will not be obligated to purchase in any year more than 2% of the total number of Units outstanding on January 1 of such year. In no event shall the Company be obligated to purchase Units if, in the sole discretion of the Managing Member, such purchase would impair the capital or operation of the Company. During the period covered by this report, the Company did not purchase any Units.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not Applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

- 31.1 Certification of Chief Executive Officer of Managing Member pursuant to Rule 15d-14(a)(17 CFR 240.15d-14(a)) and Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer of Managing Member pursuant to Rule 15d-14(a)(17 CFR 240.15d-14(a)) and Section 302 of the Sarbanes-Oxley Act of 2002.
- 32 Certification of Chief Executive Officer and Chief Financial Officer of Managing Member pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: May 11, 2016

AEI Income & Growth Fund 25 LLC
By: AEI Fund Management XXI, Inc.
Its: Managing Member

By: /s/ ROBERT P JOHNSON
Robert P. Johnson
President
(Principal Executive Officer)

By: /s/ PATRICK W KEENE
Patrick W. Keene
Chief Financial Officer
(Principal Accounting Officer)

CERTIFICATIONS

I, Robert P. Johnson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AEI Income & Growth Fund 25 LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2016

/s/ ROBERT P JOHNSON
Robert P. Johnson, President
AEI Fund Management XXI,
Inc.
Managing General Partner

CERTIFICATIONS

I, Patrick W. Keene, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AEI Income & Growth Fund 25 LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2016

/s/ PATRICK W KEENE
Patrick W. Keene, Chief Financial
Officer
AEI Fund Management XXI, Inc.
Managing General Partner

**CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of AEI Income & Growth Fund 25 LLC (the "Company") on Form 10-Q for the period ended March 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Robert P. Johnson, President of AEI Fund Management XXI, Inc., the Managing Member of the Company, and Patrick W. Keene, Chief Financial Officer of AEI Fund Management XXI, Inc., each certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ROBERT P JOHNSON
Robert P. Johnson, President
AEI Fund Management XXI, Inc.
Managing General Partner
May 11, 2016

/s/ PATRICK W KEENE
Patrick W. Keene, Chief
Financial Officer
AEI Fund Management XXI, Inc.
Managing General Partner
May 11, 2016
