

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

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

For the Fiscal Year Ended: December 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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

None

Name of each exchange on which registered

None

Securities registered pursuant to Section 12(g) of the Act:

Limited Liability Company Units

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 Act).

Yes No

As of June 30, 2016, there were 40,569,946 Units of limited membership interest outstanding and owned by nonaffiliates of the registrant, which Units had an aggregate market value (based solely on the price at which they were sold since there is no ready market for such Units) of \$40,569,946.

DOCUMENTS INCORPORATED BY REFERENCE

The registrant has not incorporated any documents by reference into this report.

PART I

ITEM 1. BUSINESS.

AEI Income & Growth Fund 25 LLC (the "Company" or the "Registrant") is a limited liability company which was organized pursuant to the laws of the State of Delaware on June 24, 2002. The registrant is comprised of AEI Fund Management XXI, Inc. ("AFM"), as the Managing Member, Robert P. Johnson, the President and sole director of AFM, as the Special Managing Member, and purchasers of LLC Units as Limited Members. The Company offered for sale up to \$50,000,000 of limited membership interests (the "Units") (50,000 Units at \$1,000 per Unit) pursuant to a registration statement effective May 13, 2003. 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 LLC 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 was organized to acquire existing and newly constructed commercial properties, to lease such properties to tenants under net leases, to hold such properties and to eventually sell such properties. From subscription proceeds, the Company purchased fifteen properties, including partial interests in eight properties, at a total cost of \$36,389,018. The balance of the subscription proceeds was applied to organization and syndication costs. The properties are commercial, single tenant buildings leased under net leases.

The Company's properties were purchased without any indebtedness. The Company will not finance properties in the future to obtain proceeds for new property acquisitions. If it is required to do so, the Company may incur short-term indebtedness to finance day-to-day cash flow requirements (including cash flow necessary to repurchase Units). The Company may borrow to finance the refurbishing of a property.

The Company will hold its properties until the Managing Members determine that the sale or other disposition of the properties is advantageous in view of the Company's investment objectives. In deciding whether to sell properties, the Managing Members will consider factors such as potential appreciation, net cash flow and income tax considerations. The Company expects to sell some or all of its properties prior to its final liquidation and to reinvest the proceeds from such sales in additional properties. The Company reserves the right, at the discretion of the Managing Members, to either distribute proceeds from the sale of properties to the Members or to reinvest such proceeds in additional properties, provided that sufficient proceeds are distributed to the Limited Members to pay federal and state income taxes related to any taxable gain recognized as a result of the sale. The prospectus under which Units were initially sold indicated that the Managing Members intended to liquidate the Company through the sale of its remaining properties eight to twelve years after completion of the acquisition phase (completed in February 2006), depending upon the then current real estate and money markets, the economic climate and the income tax consequences to the Members.

ITEM 1. BUSINESS. (Continued)**Leases**

Although there are variations in the specific terms of the leases, the following is a summary of the general terms of the Company's leases. The properties are leased to tenants under net leases, classified as operating leases. Under a net lease, the tenant is responsible for real estate taxes, insurance, maintenance, repairs and operating expenses for the property. For some leases, the Company is responsible for repairs to the structural components of the building, the roof, and the parking lot. At the time the properties were acquired, the remaining primary lease terms varied from 10 to 20 years, except for the Staples store, which had a remaining primary term of 8.4 years, and the Premier Diagnostic Imaging center, which had a remaining primary term of 7.8 years. The leases provide the tenants with one to five five-year renewal options subject to the same terms and conditions as the primary term. The leases provide for base annual rental payments, payable in monthly installments, and contain rent clauses which entitle the Company to receive additional rent in future years based on stated rent increases.

Property Activity During the Last Three Years

As of December 31, 2013, the Company owned interests in fifteen properties with a total cost of \$34,146,944. During the years ended December 31, 2014, 2015 and 2016, the Company sold four property interests and received net sale proceeds of \$5,303,356, \$1,550,343 and \$765,427, which resulted in net gains of \$1,330,351, \$424,000 and \$115,427, respectively. During 2014 and 2015, the Company expended \$2,334,000 and \$3,456,892, respectively, to purchase two additional properties as it reinvested cash generated from property sales. As of December 31, 2016, the Company owned interests in thirteen properties with a total cost of \$31,149,905.

Major Tenants

During 2016, one tenant contributed more than ten percent of the Company's total rental income. The major tenant in aggregate contributed 41% of total rental income in 2016. It is anticipated that, based on the minimum rental payments required under the leases, the tenant will continue to contribute more than ten percent of rental income in 2017. Any failure of a major tenant could materially affect the Company's net income and cash distributions.

Competition

The Company is a minor factor in the commercial real estate business. There are numerous entities engaged in the commercial real estate business which have greater financial resources than the Company. At the time the Company elects to dispose of its properties, it will be in competition with other persons and entities to find buyers for its properties.

Employees

The Company has no direct employees. Management services are performed for the Company by AEI Fund Management, Inc., an affiliate of AFM.

ITEM 1A. RISK FACTORS.

Not required for a smaller reporting company.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not required for a smaller reporting company.

ITEM 2. PROPERTIES.

Investment Objectives

The Company's investment objectives are to acquire existing or newly-developed commercial properties that provide (i) regular rental income; (ii) growth in lease income through rent escalation provisions; (iii) capital growth through appreciation in the value of properties; (iv) reduced occupancy risks as a result of long-term leases with creditworthy corporate tenants; and (v) passive income that may be offset by eligible passive losses from other investments for tax purposes. The Company does not have a policy, and there is no limitation, as to the amount or percentage of assets that may be invested in any one property. However, to the extent possible, the Managing Members attempt to diversify the properties by tenant and geographic location.

Description of Properties

The Company's properties are commercial, single tenant buildings. The properties were acquired on a debt-free basis and are leased to tenants under net leases, classified as operating leases. The Company holds an undivided fee simple interest in the properties.

The Company's properties are subject to the general competitive conditions incident to the ownership of single tenant investment real estate. Since each property is leased under a long-term lease, there is little competition until the Company decides to sell the property. At this time, the Company will be competing with other real estate owners, on both a national and local level, in attempting to find buyers for the properties. In the event of a tenant default, the Company would be competing with other real estate owners, who have property vacancies, to attract a new tenant to lease the property. The Company's tenants operate in industries that are competitive and can be affected by factors such as changes in regional or local economies, seasonality and changes in consumer preference.

ITEM 2. PROPERTIES. (Continued)

The following table is a summary of the properties that the Company acquired and owned as of December 31, 2016.

<u>Property</u>	<u>Purchase Date</u>	<u>Original Property Cost</u>	<u>Tenant</u>	<u>Annual Lease Payment</u>	<u>Annual Rent Per Sq. Ft.</u>
Jared Jewelry Store Madison Heights, MI (21%)	2/6/04	\$ 852,592	Sterling Jewelers Inc.	\$ 79,305	\$ 62.25
Jared Jewelry Store Auburn Hills, MI (60%)	1/14/05	\$ 2,199,067	Sterling Jewelers Inc.	\$ 186,074	\$ 53.85
Tractor Supply Company Store Yankton, SD	10/25/05	\$ 2,265,936	Tractor Supply Company	\$ 185,820	\$ 9.66
Jared Jewelry Store Concord, NH	12/1/05	\$ 4,157,634	Sterling Inc.	\$ 346,659	\$ 59.08
Jared Jewelry Store Aurora, IL	12/16/05	\$ 3,818,345	Sterling Jewelers Inc.	\$ 370,686	\$ 61.26
Sports Authority Store Wichita, KS (60%)	12/22/05	\$ 3,346,155	(1)		
Advance Auto Parts Store Indianapolis, IN (35%)	12/21/06	\$ 669,976	Advance Stores Company, Inc.	\$ 51,630	\$ 21.07
Dick's Sporting Goods Store Fredericksburg, VA (27%)	5/8/08	\$ 3,126,601	Dick's Sporting Goods, Inc.	\$ 232,950	\$ 17.71
Staples Store Clermont, FL (72%)	10/21/11	\$ 2,315,045 (2)	Staples the Office Superstore East, Inc.	\$ 187,795	\$ 13.15
Coliseum Health Clinic Macon, GA (50%)	7/25/12	\$ 967,500 (2)	Macon Healthcare, LLC	\$ 79,625	\$ 23.02
PetSmart Store Gonzales, LA (73%)	6/12/13	\$ 2,277,600 (2)	PetSmart, Inc.	\$ 170,836	\$ 19.30
Premier Diagnostic Imaging Terre Haute, IN	8/12/14	\$ 2,334,000 (2)	Terre Haute Regional Hospital, L.P.	\$ 185,763	\$ 25.64
Fresenius Medical Center Gretna, LA	6/9/15	\$ 3,456,892 (2)	Bio-Medical Applications of Louisiana, LLC	\$ 228,518	\$ 29.75

(1) This property is vacant and listed for lease.

(2) Does not include acquisition costs that were expensed.

ITEM 2. PROPERTIES. (Continued)

The properties listed above with a partial ownership percentage are owned with the following affiliated entities: Jared Jewelry store in Madison Heights, Michigan (AEI Income & Growth Fund 23 LLC and AEI Accredited Investor Fund 2002 Limited Partnership); Jared Jewelry store in Auburn Hills, Michigan (AEI Income & Growth Fund XXI Limited Partnership); Sports Authority store (AEI Income & Growth Fund 26 LLC); Advance Auto Parts store in Indianapolis, Indiana (AEI Income & Growth Fund XXII Limited Partnership); Dick's Sporting Goods store (AEI Income & Growth Fund 23 LLC, AEI Income & Growth Fund 24 LLC and AEI Income & Growth Fund 26 LLC); Staples store (AEI Income & Growth Fund XXII Limited Partnership); Coliseum Health clinic (AEI Income & Growth Fund 24 LLC); and PetSmart store (AEI Income & Growth Fund 24 LLC).

The Company accounts for properties owned as tenants-in-common with affiliated entities and/or unrelated third parties using the proportionate consolidation method. Each tenant-in-common owns a separate, undivided interest in the properties. Any tenant-in-common that holds more than a 50% interest does not control decisions over the other tenant-in-common interests. The financial statements reflect only this Company's percentage share of the properties' land, building, liabilities, revenues and expenses.

At the time the properties were acquired, the remaining primary lease terms varied from 10 to 20 years, except for the Staples store, which had a remaining primary term of 8.4 years, and the Premier Diagnostic Imaging center, which had a remaining primary term of 7.8 years. The leases provide the tenants with one to five five-year renewal options subject to the same terms and conditions as the primary term.

Pursuant to the lease agreements, the tenants are required to provide proof of adequate insurance coverage on the properties they occupy. The Managing Members believe the properties are adequately covered by insurance and consider the properties to be well-maintained and sufficient for the Company's operations.

For tax purposes, the Company's properties are depreciated under the Modified Accelerated Cost Recovery System (MACRS). The largest depreciable component of a property is the building which is depreciated using the straight-line method over 39 years. The remaining depreciable component of a property is land improvements which are depreciated using an accelerated method over 15 years. Since the Company has tax-exempt Members, the Company is subject to the rules of Section 168(h)(6) of the Internal Revenue Code which requires a percentage of the properties' depreciable components to be depreciated over longer lives using the straight-line method. In general, the federal tax basis of the properties for tax depreciation purposes equals the book depreciable cost of the properties plus the amortizable cost of the related intangible lease assets, except for properties whose carrying value was reduced by a real estate impairment and properties purchased after January 1, 2009. Real estate impairments, which are recorded against the book cost of the land and depreciable property, are not recognized for tax purposes. For properties purchased after January 1, 2009, acquisition expenses that were expensed for book purposes were capitalized and added to the basis of the property for tax depreciation purposes.

ITEM 2. PROPERTIES. (Continued)

At December 31, 2016, all properties listed above were 100% occupied. The only exception is the Sports Authority store that became vacant in July 2016.

ITEM 3. LEGAL PROCEEDINGS.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCK-HOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

(a) As of December 31, 2016, there were 1,122 holders of record of the registrant's LLC Units. There is no other class of security outstanding or authorized. The registrant's Units are not a traded security in any market. During the period covered by this report, the Company did not sell any equity securities that are not registered under the Securities Act of 1933.

Cash distributions of \$52,795 and \$57,306 were made to the Managing Members and \$1,875,395 and \$2,108,801 were made to the Limited Members for 2016 and 2015, respectively. The distributions were made on a quarterly basis and represented Net Cash Flow, as defined, except as discussed below. These distributions should not be compared with dividends paid on capital stock by corporations.

As part of the Limited Members' distributions discussed above, the Company distributed net sale proceeds of \$250,000 and \$380,000 in 2016 and 2015, respectively.

(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.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCK-HOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Small Business Issuer Purchases of Equity Securities

Period	Total Number of Units Purchased	Average Price Paid per Unit	Total Number of Units Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Units that May Yet Be Purchased Under the Plans or Programs
10/1/16 to 10/31/16	353.30	\$662.53	2,218.12(1)	(2)
11/1/16 to 11/30/16	--	--	--	--
12/1/16 to 12/31/16	--	--	--	--

(1) The Company's repurchase plan is mandated by the Operating Agreement as included in the prospectus related to the original offering of the Units.

(2) The Operating Agreement contains annual limitations on repurchases described in the paragraph above and has no expiration date.

Other Information

Effective April 11, 2016, the Financial Industry Regulatory Authority ("FINRA") implemented Rule 2310, a revised rule that requires securities broker-dealers to report on customer account statements the value of investment units of non-traded securities, such as REITs, LLCs and Limited Partnerships, provided that the per unit value is derived using methodology set forth by the rule.

At December 31, 2016, the estimated value of the Company's Units was \$860 per Unit, an estimated value derived using methodology that conforms to standard industry practice and based upon material assistance and/or confirmation by third-party valuation expert(s), in accordance with the appraised value method set forth in FINRA Rule 2340(c)(1)(B). Third-party valuation services were provided by:

Justin Zahn – Commercial Investment Advisors, Scottsdale, AZ
Brad Gibbs – SRS Real Estate Partners, Dallas, TX
Ken Hedrick – Stan Johnson Company, Tulsa, OK
John Hottle – Hottle Appraisal Company, St. Louis, MO

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

The per Unit value was the aggregate estimated value of the Company's assets less the Company's liabilities, and less the value attributable to the interest of the Managing Members, divided by the number of Units outstanding. The Company's cash, receivables and liabilities were valued at face value. Each of the Company's properties were valued by dividing their annual rental income as of December 1, 2016 by a capitalization rate the Managing Member believed, based upon material assistance and/or confirmation by the aforementioned third-party valuation experts, to be representative of the retail market for the sale of each property. The resulting value for each property was reviewed to determine that it also reflected circumstances that may have been unique to each specific property. The valuations performed by the Managing Member were estimates only, and were based on a number of assumptions which may not be accurate or complete. In addition, property values are subject to change and could decline after the date of the valuations. Accordingly, this estimated value, prepared by the Managing Member, should not be viewed as the amount at which a Limited Member may be able to sell his units, or the fair market value of the Company properties, nor does it represent the amount of net proceeds Limited Members would receive if the Company properties were sold and the proceeds distributed in a liquidation of the Company.

ITEM 6. SELECTED FINANCIAL DATA.

Not required for a smaller reporting company.

ITEM 7. 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.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS. (Continued)

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.

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 lease values will be amortized as an adjustment of rental income over the remaining term 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.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS. (Continued)

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.

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.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS. (Continued)

Results of Operations

For the years ended December 31, 2016 and 2015, the Company recognized rental income from continuing operations of \$2,386,264 and \$2,486,593, 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 were partially offset by increases in rental income due to additional rent received from one property acquisition in 2015 and rent increases on five properties. Based on the scheduled rent for the properties as of February 28, 2017, the Company expects to recognize rental income from continuing operations of approximately \$2,255,000 in 2017.

For the years ended December 31, 2016 and 2015, the Company incurred LLC administration expenses from affiliated parties of \$295,178 and \$351,352, 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 \$205,404 and \$97,004, 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.

For the year ended December 31, 2015, the Company incurred property acquisition expenses of \$105,145 related to the purchase of the Fresenius Medical Center in Gretna, Louisiana.

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. In May 2016, the agreement was terminated by the buyer. If the sale was completed, the Company expected to receive net sale proceeds of approximately \$1,785,000. 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.

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. In June 2016, the tenant filed a motion with the bankruptcy court to reject the lease for this store effective June 30, 2016, at which time the tenant returned possession of the property to the owners. As of December 31, 2016, the tenant owed \$29,049 of past due rent, which was not accrued for financial reporting purposes. The owners have listed the property for lease with a real estate broker in the Wichita area. While the property is vacant, the Company is responsible for its 60% share of real estate taxes and other costs associated with maintaining the property. The annual rent from this property represented approximately 13% of the total annual rent of the Company's property portfolio. The loss of rent and increased expenses related to this property will decrease the Company's cash flow. Consequently, beginning with the third quarter of 2016, the Company reduced its regular quarterly cash distribution rate from \$12.85 per Unit to \$10.27 per Unit.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS. (Continued)

During the year ended December 31, 2015, the Company recognized gain on sale of real estate of \$424,000. 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.

For the years ended December 31, 2016 and 2015, the Company recognized interest income of \$5,931 and \$8,460, 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 year ended December 31, 2016, the Company recognized income from discontinued operations of \$95,778, representing a gain on disposal of real estate of \$99,867 and bankruptcy claim payments received of \$27,258, which were partially offset by property management expenses of \$31,347. For the year ended December 31, 2015, the Company recognized income from discontinued operations of \$64,177, representing bankruptcy claim payments received less 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 were vacant, the Company was 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 \$137,474 on its claims from the plan. In 2016, the Company received final claim payments totaling \$27,258.

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. On August 4, 2016, the sale closed with the Company receiving net proceeds of \$749,867, which resulted in a net gain of \$99,867. At the time of sale, the carrying value of the property was \$650,000.

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.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS. (Continued)

Liquidity and Capital Resources

During the year ended December 31, 2016, the Company's cash balances increased \$358,614 as a result of cash generated from the sale of property, which was partially offset by distributions paid to the Members and cash used to repurchase Units in excess of cash generated from operating activities. During the year ended December 31, 2015, the Company's cash balances decreased \$2,402,320 as a result of cash used to purchase property, and distributions paid to the Members and cash used to repurchase Units in excess of cash generated from operating activities, which were partially offset by cash generated from the sale of property.

Net cash provided by operating activities decreased from \$2,040,380 in 2015 to \$1,881,678 in 2016 as a result of a decrease in total rental and interest income in 2016, an increase 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. During 2015, cash from operations was reduced by \$105,145 of acquisition expenses related to the purchase of real estate. Pursuant to accounting guidance, these expenses were reflected as operating cash outflows. However, pursuant to the Company's Operating Agreement, acquisition expenses were funded with proceeds from property sales.

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 years ended December 31, 2016 and 2015, the Company generated cash flow from the sale of real estate of \$765,427 and \$1,550,343, respectively. During the years ended December 31, 2016 and 2015, the Company expended \$7,733 and \$3,456,892 to invest in real properties as the Company reinvested cash generated from property sales completed in 2014 and 2015.

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 years ended December 31, 2016 and 2015, the Company declared distributions of \$1,928,190 and \$2,166,107, 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 \$1,875,395 and \$2,108,801 and the Managing Members received distributions of \$52,795 and \$57,306 for the years, respectively.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS. (Continued)

As part of the distributions discussed above, the Company distributed net sale proceeds of \$252,525 and \$383,838 in 2016 and 2015, respectively. The Limited Members received distributions of \$250,000 and \$380,000 and the Managing Members received distributions of \$2,525 and \$3,838 for the years, respectively. The Limited Members' distributions represented \$6.16 and \$9.31 per Unit for the years, respectively.

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.

On October 1, 2016, the Company repurchased a total of 353.30 Units for \$234,074 from 17 Limited Members in accordance with the Operating Agreement. During 2015, the Company repurchased a total of 551.94 Units for \$353,143 from 20 Limited Members. The Company acquired these Units using Net Cash Flow from operations. In prior years, the Company repurchased a total of 1,312.87 Units for \$886,190 from 37 Limited Members. The repurchases increase the remaining Limited Members' ownership interest in the Company. As a result of these repurchases and pursuant to the Operating Agreement, the Managing Members received distributions of \$7,239 and \$10,922 in 2016 and 2015, respectively.

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 December 31, 2016 and 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 7A. QUANTITATIVE & QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not required for a smaller reporting company.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

See accompanying index to financial statements.

AEI INCOME & GROWTH FUND 25 LLC

INDEX TO FINANCIAL STATEMENTS

	<u>Page</u>
Report of Independent Registered Public Accounting Firm	17
Balance Sheets as of December 31, 2016 and 2015	18
Statements for the Years Ended December 31, 2016 and 2015:	
Income	19
Cash Flows	20
Changes in Members' Equity	21
Notes to Financial Statements	22 – 36

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Members:
AEI Income & Growth Fund 25 LLC
St. Paul, Minnesota

We have audited the accompanying balance sheets of AEI Income & Growth Fund 25 LLC (a Delaware limited liability company) as of December 31, 2016 and 2015, and the related statements of income, cash flows and changes in members' equity for each of the years then ended. AEI Income & Growth Fund 25 LLC's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AEI Income & Growth Fund 25 LLC as of December 31, 2016 and 2015, and the results of its operations and its cash flows for each of the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ BOULAY PLLP
Boulay PLLP
Certified Public Accountants

Minneapolis, Minnesota
March 29, 2017

AEI INCOME & GROWTH FUND 25 LLC
BALANCE SHEETS

ASSETS

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Current Assets:		
Cash	\$ 2,139,205	\$ 1,780,591
Real Estate Investments:		
Land	9,055,563	9,055,563
Buildings	19,871,184	19,863,451
Acquired Intangible Lease Assets	2,327,904	2,327,904
Real Estate Held For Investment, at cost	31,254,651	31,246,918
Accumulated Depreciation and Amortization	(7,475,332)	(6,468,464)
Real Estate Held for Investment, Net	23,779,319	24,778,454
Real Estate Held for Sale	0	650,000
Total Real Estate Investments	23,779,319	25,428,454
Total Assets	<u>\$ 25,918,524</u>	<u>\$ 27,209,045</u>

LIABILITIES AND MEMBERS' EQUITY

Current Liabilities:		
Payable to AEI Fund Management, Inc.	\$ 66,273	\$ 129,171
Distributions Payable	425,214	536,469
Unearned Rent	15,485	15,485
Total Current Liabilities	506,972	681,125
Long-term Liabilities:		
Acquired Below-Market Lease Intangibles, Net	73,209	86,725
Members' Equity:		
Managing Members	879	3,950
Limited Members – 50,000 Units authorized; 40,217 and 40,570 Units issued and outstanding as of December 31, 2016 and 2015, respectively	25,337,464	26,437,245
Total Members' Equity	25,338,343	26,441,195
Total Liabilities and Members' Equity	<u>\$ 25,918,524</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

	Year Ended December 31	
	2016	2015
Rental Income	\$ 2,386,264	\$ 2,486,593
Expenses:		
LLC Administration – Affiliates	295,178	351,352
LLC Administration and Property Management – Unrelated Parties	205,404	97,004
Property Acquisition	0	105,145
Depreciation and Amortization	936,300	919,702
Real Estate Impairment	0	637,438
Total Expenses	1,436,882	2,110,641
Operating Income	949,382	375,952
Other Income:		
Gain on Sale of Real Estate	15,560	424,000
Interest Income	5,931	8,460
Total Other Income	21,491	432,460
Income from Continuing Operations	970,873	808,412
Income from Discontinued Operations	95,778	64,177
Net Income	\$ 1,066,651	\$ 872,589
Net Income Allocated:		
Managing Members	\$ 56,963	\$ 59,178
Limited Members	1,009,688	813,411
Total	\$ 1,066,651	\$ 872,589
Income per LLC Unit:		
Continuing Operations	\$ 22.70	\$ 18.38
Discontinued Operations	2.24	1.52
Total – Basic and Diluted	\$ 24.94	\$ 19.90
Weighted Average Units Outstanding – Basic and Diluted	40,482	40,884

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

AEI INCOME & GROWTH FUND 25 LLC
STATEMENTS OF CASH FLOWS

	Year Ended December 31	
	2016	2015
Cash Flows from Operating Activities:		
Net Income	\$ 1,066,651	\$ 872,589
Adjustments to Reconcile Net Income		
To Net Cash Provided by Operating Activities:		
Depreciation and Amortization	993,352	959,420
Real Estate Impairment	0	637,438
Gain on Sale of Real Estate	(115,427)	(424,000)
Increase (Decrease) in Payable to AEI Fund Management, Inc.	(62,898)	(5,067)
Total Adjustments	815,027	1,167,791
Net Cash Provided By (Used For) Operating Activities	1,881,678	2,040,380
Cash Flows from Investing Activities:		
Investments in Real Estate	(7,733)	(3,456,892)
Proceeds from Sale of Real Estate	765,427	1,550,343
Net Cash Provided By (Used For) Investing Activities	757,694	(1,906,549)
Cash Flows from Financing Activities:		
Distributions Paid to Members	(2,039,445)	(2,172,086)
Repurchase of LLC Units	(241,313)	(364,065)
Net Cash Provided By (Used For) Financing Activities	(2,280,758)	(2,536,151)
Net Increase (Decrease) in Cash	358,614	(2,402,320)
Cash, beginning of year	1,780,591	4,182,911
Cash, end of year	\$ 2,139,205	\$ 1,780,591

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**

	<u>aging Members</u>	<u>ited Members</u>	<u>Total</u>	<u>ed Member Units Outstanding</u>
Balance, December 31, 2014	\$ 13,000	\$ 28,085,778	\$ 28,098,778	41,121.89
Distributions Declared	(57,306)	(2,108,801)	(2,166,107)	
Repurchase of LLC Units	(10,922)	(353,143)	(364,065)	(551.94)
Net Income	<u>59,178</u>	<u>813,411</u>	<u>872,589</u>	
Balance, December 31, 2015	3,950	26,437,245	26,441,195	40,569.95
Distributions Declared	(52,795)	(1,875,395)	(1,928,190)	
Repurchase of LLC Units	(7,239)	(234,074)	(241,313)	(353.30)
Net Income	<u>56,963</u>	<u>1,009,688</u>	<u>1,066,651</u>	
Balance, December 31, 2016	<u>\$ 879</u>	<u>\$ 25,337,464</u>	<u>\$ 25,338,343</u>	<u>40,216.65</u>

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

AEI INCOME & GROWTH FUND 25 LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

(1) 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.

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.

AEI INCOME & GROWTH FUND 25 LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

(1) Organization – (Continued)

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.

(2) Summary of Significant Accounting Policies –

Financial Statement Presentation

The accounts of the Company are maintained on the accrual basis of accounting for both federal income tax purposes and financial reporting purposes.

Accounting Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with United States Generally Accepted Accounting Principles (US GAAP). Those estimates and assumptions may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates. Significant items, subject to such estimates and assumptions, include the carrying value of real estate held for investment, real estate held for sale and related intangible assets.

The Company regularly assesses whether market events and conditions indicate that it is reasonably possible to recover the carrying amounts of its investments in real estate from future operations and sales. A change in those market events and conditions could have a material effect on the carrying amount of its real estate.

(2) Summary of Significant Accounting Policies – (Continued)

Cash Concentrations of Credit Risk

The Company's cash is deposited in one financial institution and at times during the year it may exceed FDIC insurance limits.

Receivables

Credit terms are extended to tenants in the normal course of business. The Company performs ongoing credit evaluations of its customers' financial condition and, generally, requires no collateral.

Receivables are recorded at their estimated net realizable value. The Company follows a policy of providing an allowance for doubtful accounts; however, based on historical experience, and its evaluation of the current status of receivables, the Company is of the belief that such accounts, if any, will be collectible in all material respects and thus an allowance is not necessary. Accounts are considered past due if payment is not made on a timely basis in accordance with the Company's credit terms. Receivables considered uncollectible are written off.

Income Taxes

The income or loss of the Company for federal income tax reporting purposes is includable in the income tax returns of the Members. In general, no recognition has been given to income taxes in the accompanying financial statements.

The tax return and the amount of distributable Company income or loss are subject to examination by federal and state taxing authorities. If such an examination results in changes to distributable Company income or loss, the taxable income of the members would be adjusted accordingly. Primarily due to its tax status as a partnership, the Company has no significant tax uncertainties that require recognition or disclosure. The Company is no longer subject to U.S. federal income tax examinations for tax years before 2013, and with few exceptions, is no longer subject to state tax examinations for tax years before 2013.

Revenue Recognition

The Company's real estate is leased under net leases, classified as operating leases. The leases provide for base annual rental payments payable in monthly installments. The Company recognizes rental income according to the terms of the individual leases. For leases that contain stated rental increases, the increases are recognized in the year in which they are effective. Contingent rental payments are recognized when the contingencies on which the payments are based are satisfied and the rental payments become due under the terms of the leases.

(2) Summary of Significant Accounting Policies – (Continued)

Real Estate

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.

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 lease values will be amortized as an adjustment of rental income over the remaining term 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.

AEI INCOME & GROWTH FUND 25 LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

(2) Summary of Significant Accounting Policies – (Continued)

The Company tests real estate 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, it compares the carrying amount of the property to the estimated probability-weighted future undiscounted cash flows expected to result from the property and its eventual disposition. If the sum of the expected future cash flows is less than the carrying amount of the property, the Company recognizes an impairment loss by the amount by which the carrying amount of the property exceeds the fair value of the property. For properties held for sale, the Company 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.

For financial reporting purposes, the buildings owned by the Company are depreciated using the straight-line method over an estimated useful life of 25 years. Intangible lease assets are amortized using the straight-line method for financial reporting purposes based on the remaining life of the lease.

The disposition of a property or classification of a property as Real Estate Held for Sale by the Company does not represent a strategic shift that will have a major effect on the Company's operations and financial results. Therefore, the results from operating and selling the property are included in continuing operations. However, if a property was classified as Real Estate Held for Sale at December 31, 2013, the property was considered discontinued operations under prior accounting guidance.

The Company accounts for properties owned as tenants-in-common with affiliated entities and/or unrelated third parties using the proportionate consolidation method. Each tenant-in-common owns a separate, undivided interest in the properties. Any tenant-in-common that holds more than a 50% interest does not control decisions over the other tenant-in-common interests. The financial statements reflect only this Company's percentage share of the properties' land, building, liabilities, revenues and expenses.

The Company's properties are subject to environmental laws and regulations adopted by various governmental entities in the jurisdiction in which the properties are located. These laws could require the Company to investigate and remediate the effects of the release or disposal of hazardous materials at these locations if found. For each property, an environmental assessment is completed prior to acquisition. In addition, the lease agreements typically strictly prohibit the production, handling, or storage of hazardous materials (except where incidental to the tenant's business such as use of cleaning supplies) in violation of applicable law to restrict environmental and other damage. Environmental liabilities are recorded when it is determined the liability is probable and the costs can reasonably be estimated. There were no environmental issues noted or liabilities recorded at December 31, 2016 and 2015.

(2) Summary of Significant Accounting Policies – (Continued)

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 December 31, 2016 and 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 2015. There was no such measurement during 2016.

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.

Income Per Unit

Income per LLC Unit is calculated based on the weighted average number of LLC Units outstanding during each period presented. Diluted income per LLC Unit considers the effect of any potentially dilutive Unit equivalents, of which the Company had none for each of the years ended December 31, 2016 and 2015.

Reportable Segments

The Company invests in single tenant commercial properties throughout the United States that are net leased to tenants in various industries. Because these net leased properties have similar economic characteristics, the Company evaluates operating performance on an overall portfolio basis. Therefore, the Company's properties are classified as one reportable segment.

(2) Summary of Significant Accounting Policies – (Continued)

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, which provides guidance for accounting for leases. The new guidance requires companies to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. The ASU is effective for annual and interim periods beginning after December 15, 2018 with early adoption permitted. It is to be adopted using a modified retrospective approach. Management is currently evaluating the impact the adoption of this guidance will have on the Company's financial statements.

(3) Related Party Transactions –

The Company owns the percentage interest shown below in the following properties as tenants-in-common with the affiliated entities listed: Jared Jewelry store in Madison Heights, Michigan (21% – AEI Income & Growth Fund 23 LLC and AEI Accredited Investor Fund 2002 Limited Partnership); Jared Jewelry store in Auburn Hills, Michigan (60% --- AEI Income & Growth Fund XXI Limited Partnership); Sports Authority store (60% – AEI Income & Growth Fund 26 LLC); Advance Auto Parts store in Indianapolis, Indiana (35% – AEI Income & Growth Fund XXII Limited Partnership); Dick's Sporting Goods store (27% – AEI Income & Growth Fund 23 LLC, AEI Income & Growth Fund 24 LLC and AEI Income & Growth Fund 26 LLC); Staples store (72% – AEI Income & Growth Fund XXII Limited Partnership); Coliseum Health clinic (50% – AEI Income & Growth Fund 24 LLC); and PetSmart store (73% – AEI Income & Growth Fund 24 LLC).

AEI INCOME & GROWTH FUND 25 LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

(3) Related Party Transactions – (Continued)

AEI received the following reimbursements for costs and expenses from the Company for the years ended December 31:

	<u>2016</u>	<u>2015</u>
a. AEI is reimbursed for costs incurred in providing services related to managing the Company's operations and properties, maintaining the Company's books, and communicating with the Limited Members. These amounts included \$6,175 of expenses related to Discontinued Operations in 2015.	\$ <u>295,178</u>	\$ <u>357,527</u>
b. AEI is reimbursed for all direct expenses it paid on the Company's behalf to third parties related to Company administration and property management. These expenses included printing costs, legal and filing fees, direct administrative costs, outside audit costs, taxes, insurance and other property costs. These amounts included \$31,347 and \$67,121 of expenses related to Discontinued Operations in 2016 and 2015, respectively.	\$ <u>236,751</u>	\$ <u>164,125</u>
c. AEI is reimbursed for costs incurred in providing services and direct expenses related to the acquisition of properties on behalf of the Company.	\$ <u>0</u>	\$ <u>105,145</u>
d. AEI is reimbursed for costs incurred in providing services related to the sale of property.	\$ <u>5,173</u>	\$ <u>8,828</u>

The payable to AEI Fund Management, Inc. represents the balance due for the services described in 3a, b, c and d. This balance is non-interest bearing and unsecured and is to be paid in the normal course of business.

(4) Real Estate Investments –

The Company leases its properties to tenants under net leases, classified as operating leases. Under a net lease, the tenant is responsible for real estate taxes, insurance, maintenance, repairs and operating expenses for the property. For some leases, the Company is responsible for repairs to the structural components of the building, the roof, and the parking lot. At the time the properties were acquired, the remaining primary lease terms varied from 10 to 20 years, except for the Staples store, which had a remaining primary term of 8.4 years, and the Premier Diagnostic Imaging center, which had a remaining primary term of 7.8 years. The leases provide the tenants with one to five five-year renewal options subject to the same terms and conditions as the primary term.

AEI INCOME & GROWTH FUND 25 LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

(4) Real Estate Investments – (Continued)

The Company's properties are commercial, single-tenant buildings. The Jared Jewelry store in Madison Heights, Michigan was constructed in 2003 and acquired in 2004. The Jared Jewelry store in Auburn Hills, Michigan was constructed in 1999 and acquired in 2005. The Tractor Supply Company store was constructed in 2003 and acquired in 2005. The Jared Jewelry store in Concord, New Hampshire was constructed and acquired in 2005. The Jared Jewelry store in Aurora, Illinois was constructed in 2000 and acquired in 2005. The Sports Authority store was constructed in 1996, renovated in 2001 and acquired in 2005. The Advance Auto Parts store in Indianapolis, Indiana was constructed in 2005 and acquired in 2006. The land for the Dick's Sporting Goods store was acquired in 2007 and construction of the store was completed in 2008. The Staples store was constructed in 2010 and acquired in 2011. The Coliseum Health clinic was constructed and acquired in 2012. The PetSmart store was constructed and acquired in 2013. The Premier Diagnostic Imaging center was constructed in 2005, renovated in 2012 and acquired in 2014. The Fresenius Medical Center was constructed and acquired in 2015. There have been no costs capitalized as improvements subsequent to the acquisitions, except for \$7,733 of tenant improvements related to the Staples store.

The cost of the properties not held for sale and related accumulated depreciation at December 31, 2015 are as follows:

<u>Property</u>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>	<u>Accumulated Depreciation</u>
Jared Jewelry, Madison Heights, MI	\$ 323,259	\$ 529,333	\$ 852,592	272,602
Jared Jewelry, Auburn Hills, MI	421,489	1,777,578	2,199,067	850,274
Tractor Supply, Yankton, SD	351,221	1,914,715	2,265,936	858,434
Jared Jewelry, Concord, NH	1,061,663	3,095,971	4,157,634	1,372,550
Jared Jewelry, Aurora, IL	1,790,636	2,027,709	3,818,345	895,566
Sports Authority, Wichita, KS	771,076	1,937,641	2,708,717	991,501
Advance Auto Parts, Indianapolis, IN	289,661	380,315	669,976	152,763
Dick's Sporting Goods, Fredericksburg, VA	1,603,558	1,523,043	3,126,601	564,974
Staples, Clermont, FL	615,600	1,398,709	2,014,309	289,787
Coliseum Health, Macon, GA	200,000	451,517	651,517	80,521
PetSmart, Gonzales, LA	277,400	1,501,964	1,779,364	212,781
Premier Diagnostic Imaging, Terre Haute, IN	300,000	1,848,049	2,148,049	175,567
Fresenius, Gretna, LA	1,050,000	1,484,640	2,534,640	91,551
	<u>\$ 9,055,563</u>	<u>\$ 19,871,184</u>	<u>\$ 28,926,747</u>	<u>\$ 6,808,871</u>

For the years ended December 31, 2016 and 2015, the Company recognized depreciation expense from continuing operations of \$792,724 and \$789,708, respectively.

AEI INCOME & GROWTH FUND 25 LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

(4) Real Estate Investments – (Continued)

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.

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.

The following schedule presents the cost and related accumulated amortization of acquired lease intangibles not held for sale at December 31:

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
In-Place Lease Intangibles (weighted average life of 90 and 102 months, respectively)	\$ 1,432,684	\$ 473,806	\$ 1,432,684	\$ 330,230
Above-Market Lease Intangibles (weighted average life of 127 and 139 months, respectively)	895,220	192,655	895,220	122,087
Acquired Intangible Lease Assets	<u>\$ 2,327,904</u>	<u>\$ 666,461</u>	<u>\$ 2,327,904</u>	<u>\$ 452,317</u>
Acquired Below-Market Lease Intangibles (weighted average life of 65 and 77 months, respectively)	<u>\$ 104,746</u>	<u>\$ 31,537</u>	<u>\$ 104,746</u>	<u>\$ 18,021</u>

For the years ended December 31, 2016 and 2015, the value of in-place lease intangibles amortized to expense was \$143,576 and \$129,994, the decrease to rental income for above-market leases was \$70,568 and \$53,234, and the increase to rental income for below-market leases was \$13,516 and \$13,516, respectively.

AEI INCOME & GROWTH FUND 25 LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

(4) Real Estate Investments – (Continued)

For lease intangibles not held for sale at December 31, 2016, the estimated amortization for the next five years is as follows:

	Amortization Expense for In-Place Lease Intangibles		Decrease to Rental Income for Above-Market Leases		Increase to Rental Income for Below-Market Leases
2017	\$ 143,576		\$ 70,568		\$ 13,516
2018	143,576		70,568		13,516
2019	143,576		70,568		13,516
2020	116,773		70,568		13,516
2021	107,844		70,568		13,516
	<u>\$ 655,345</u>		<u>\$ 352,840</u>		<u>\$ 67,580</u>

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. In May 2016, the agreement was terminated by the buyer. If the sale was completed, the Company expected to receive net sale proceeds of approximately \$1,785,000. 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.

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. In June 2016, the tenant filed a motion with the bankruptcy court to reject the lease for this store effective June 30, 2016, at which time the tenant returned possession of the property to the owners. As of December 31, 2016, the tenant owed \$29,049 of past due rent, which was not accrued for financial reporting purposes. The owners have listed the property for lease with a real estate broker in the Wichita area. While the property is vacant, the Company is responsible for its 60% share of real estate taxes and other costs associated with maintaining the property. The annual rent from this property represented approximately 13% of the total annual rent of the Company's property portfolio. The loss of rent and increased expenses related to this property will decrease the Company's cash flow. Consequently, beginning with the third quarter of 2016, the Company reduced its regular quarterly cash distribution rate from \$12.85 per Unit to \$10.27 per Unit.

AEI INCOME & GROWTH FUND 25 LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

(4) Real Estate Investments – (Continued)

For properties owned as of December 31, 2016, the minimum future rent payments required by the leases are as follows:

2017	\$		2,311,887
2018			2,329,028
2019			1,945,438
2020			1,335,983
2021			1,180,591
Thereafter			4,470,726
	\$		<u><u>13,573,653</u></u>

There were no contingent rents recognized in 2016 and 2015.

(5) Major Tenants –

The following schedule presents rental income from individual tenants, or affiliated groups of tenants, who each contributed more than ten percent of the Company's total rental income for the years ended December 31:

<u>Tenants</u>	<u>Industry</u>	<u>2016</u>	<u>2015</u>
Sterling Jewelers Group	Retail	\$ 982,724	\$ 940,772
TSA Stores, Inc.	Retail	N/A	337,697
Aggregate rental income of major tenants		<u>\$ 982,724</u>	<u>\$ 1,278,469</u>
Aggregate rental income of major tenants as a percentage of total rental income		<u>41%</u>	<u>51%</u>

AEI INCOME & GROWTH FUND 25 LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

(6) 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 were vacant, the Company was 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 \$137,474 on its claims from the plan. In 2016, the Company received final claim payments totaling \$27,258.

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. On August 4, 2016, the sale closed with the Company receiving net proceeds of \$749,867, which resulted in a net gain of \$99,867. At the time of sale, the carrying value of the property was \$650,000.

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 years ended December 31:

	<u>2016</u>	<u>2015</u>
Bankruptcy Claim Payments Received	\$ 27,258	\$ 137,473
Property Management Expenses	(31,347)	(73,296)
Gain on Disposal of Real Estate	<u>99,867</u>	<u>0</u>
Income from Discontinued Operations	<u>\$ 95,778</u>	<u>\$ 64,177</u>
	<u>2016</u>	<u>2015</u>
Cash Flows from Discontinued Operations:		
Operating Activities	<u>\$ (4,089)</u>	<u>\$ 64,177</u>
Investing Activities	<u>\$ 749,867</u>	<u>\$ 0</u>

AEI INCOME & GROWTH FUND 25 LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

(7) Members' Capital –

For the years ended December 31, 2016 and 2015, the Company declared distributions of \$1,928,190 and \$2,166,107, respectively. The Limited Members received distributions of \$1,875,395 and \$2,108,801 and the Managing Members received distributions of \$52,795 and \$57,306 for the years, respectively. The Limited Members' distributions represented \$46.33 and \$51.58 per LLC Unit outstanding using 40,482 and 40,884 weighted average Units in 2016 and 2015, respectively. The distributions represented \$19.12 and \$11.20 per Unit of Net Income and \$27.21 and \$40.38 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 \$252,525 and \$383,838 in 2016 and 2015, respectively. The Limited Members received distributions of \$250,000 and \$380,000 and the Managing Members received distributions of \$2,525 and \$3,838 for the years, respectively. The Limited Members' distributions represented \$6.16 and \$9.31 per Unit for the years, respectively.

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 Members, such purchase would impair the capital or operation of the Company.

On October 1, 2016, the Company repurchased a total of 353.30 Units for \$234,074 from 17 Limited Members in accordance with the Operating Agreement. During 2015, the Company repurchased a total of 551.94 Units for \$353,143 from 20 Limited Members. The Company acquired these Units using Net Cash Flow from operations. The repurchases increase the remaining Limited Members' ownership interest in the Company. As a result of these repurchases and pursuant to the Operating Agreement, the Managing Members received distributions of \$7,239 and \$10,922 in 2016 and 2015, respectively.

AEI INCOME & GROWTH FUND 25 LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

(8) Income Taxes –

The following is a reconciliation of net income for financial reporting purposes to income reported for federal income tax purposes for the years ended December 31:

	<u>2016</u>		<u>2015</u>
Net Income for Financial Reporting Purposes	\$ 1,066,651	\$	872,589
Depreciation for Tax Purposes Under Depreciation and Amortization for Financial Reporting Purposes	334,423		304,906
Income Accrued for Tax Purposes Over (Under) Income for Financial Reporting Purposes	29,049		(94,680)
Acquisition Costs Expensed for Financial Reporting Purposes, Capitalized for Tax Purposes	0		105,145
Property Expenses for Tax Purposes Over Expenses for Financial Reporting Purposes	0		(16,664)
Real Estate Impairment Loss Not Recognized for Tax Purposes	0		637,438
Gain on Sale of Real Estate for Tax Purposes Under Gain for Financial Reporting Purposes	(982,685)		(157,715)
Taxable Income to Members	<u>\$ 447,438</u>	\$	<u>1,651,019</u>

The following is a reconciliation of Members' Equity for financial reporting purposes to Members' Equity reported for federal income tax purposes for the years ended December 31:

	<u>2016</u>		<u>2015</u>
Members' Equity for Financial Reporting Purposes	\$ 25,338,343	\$	26,441,195
Adjusted Tax Basis of Investments in Real Estate Over Net Investments in Real Estate for Financial Reporting Purposes	3,632,258		4,280,520
Income Accrued for Tax Purposes Over Income for Financial Reporting Purposes	44,534		15,485
Syndication Costs Treated as Reduction of Capital For Financial Reporting Purposes	6,015,670		6,015,670
Members' Equity for Tax Reporting Purposes	<u>\$ 35,030,805</u>	\$	<u>36,752,870</u>

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. 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) Internal Control Over Financial Reporting.

(i) Management's Report on Internal Control Over Financial Reporting. The Managing Member, through its management, is responsible for establishing and maintaining adequate internal control over our financial reporting, as defined in Rule 13a-15(f) under the Exchange Act, and for performing an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2016. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US GAAP. Our system of internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with US GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management of the Managing Member; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Management of the Managing Member performed an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2016 based upon criteria in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on our assessment, management of the Managing Member determined that our internal control over financial reporting was effective as of December 31, 2016 based on the criteria in Internal Control-Integrated Framework (2013) issued by the COSO.

ITEM 9A. CONTROLS AND PROCEDURES. (Continued)

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

(ii) 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.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The registrant is a limited liability company and has no officers, directors, or direct employees. The Managing Members manage and control the Company's affairs and have general responsibility and the ultimate authority in all matters affecting the Company's business. The Managing Members are AEI Fund Management XXI, Inc. ("AFM"), the Managing Member, and Robert P. Johnson, Chief Executive Officer, President and sole director of AFM, the Special Managing Member. AFM is a wholly owned subsidiary of AEI Capital Corporation of which Mr. Johnson is the majority shareholder. AFM has only one senior financial executive, its Chief Financial Officer. The Chief Financial Officer reports directly to Mr. Johnson and is accountable for his actions to Mr. Johnson. Although Mr. Johnson and AFM require that all of their personnel, including the Chief Financial Officer, engage in honest and ethical conduct, ensure full, fair, accurate, timely, and understandable disclosure, comply with all applicable governmental laws, rules and regulations, and report to Mr. Johnson any deviation from these principles, because the organization is composed of only approximately 45 individuals, because the management of a company by an entity that has different interests in distributions and income than investors involves numerous conflicts of interest that must be resolved on a daily basis, and because the ultimate decision maker in all instances is Mr. Johnson, AFM has not adopted a formal code of conduct. Instead, the materials pursuant to which investors purchase Units disclose these conflicts of interest in detail and Mr. Johnson, as the CEO and sole director of AFM, resolves conflicts to the best of his ability, consistent with his fiduciary obligations to AFM and the fiduciary obligations of AFM to the Company. The director and officers of AFM are as follows:

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

(Continued)

Robert P. Johnson, age 72, is Chief Executive Officer, President and sole director and has held these positions since the formation of AFM in August 1994, and has been elected to continue in these positions until December 2017. From 1970 to the present, he has been employed exclusively in the investment industry, specializing in limited partnership investments. In that capacity, he has been involved in the development, analysis, marketing and management of public and private investment programs investing in net lease properties as well as public and private investment programs investing in energy development. Since 1971, Mr. Johnson has been the president, a director and a registered principal of AEI Securities, Inc., which is registered with the SEC as a securities broker-dealer, is a member of the Financial Industry Regulatory Authority (FINRA) and is a member of the Security Investors Protection Corporation (SIPC). Mr. Johnson has been president, a director and the principal shareholder of AEI Fund Management, Inc., a real estate management company founded by him, since 1978. Mr. Johnson is currently a general partner or principal of the general partner in eight limited partnerships and a managing member in five LLCs.

Patrick W. Keene, age 57, is Chief Financial Officer, Treasurer and Secretary and has held these positions since January 22, 2003 and has been elected to continue in these positions until December 2017. Mr. Keene has been employed by AEI Fund Management, Inc. and affiliated entities since 1986. Prior to being elected to the positions above, he was Controller of the various entities. From 1982 to 1986, Mr. Keene was with KPMG Certified Public Accountants, first as an auditor and later as a tax manager. Mr. Keene is responsible for all accounting functions of AFM and the registrant.

Since Mr. Johnson serves as the Special Managing Member of the Company, as well as the sole director of AFM, all of the duties that might be assigned to an audit committee are assigned to Mr. Johnson. Mr. Johnson is not an audit committee financial expert, as defined. As an officer and majority owner, through a parent company, of AFM, and as the Special Managing Member, Mr. Johnson is not a "disinterested director" and may be subject to a number of conflicts of interests in his capacity as sole director of AFM.

Before the independent auditors are engaged, Mr. Johnson, as the sole director of AFM, approves all audit-related fees, and all permissible nonaudit fees, for services of our auditors.

Section 16(a) Beneficial Ownership Reporting Compliance

Under federal securities laws, the directors and officers of the Managing Member of the Company, and any beneficial owner of more than 10% of a class of equity securities of the Company, are required to report their ownership of the Company's equity securities and any changes in such ownership to the Securities and Exchange Commission (the "Commission"). Specific due dates for these reports have been established by the Commission, and the Company is required to disclose in this Annual Report on 10-K any delinquent filing of such reports and any failure to file such reports during the fiscal year ended December 31, 2016. Based upon information provided by officers and directors of the Managing Member, all officers, directors and 10% owners filed all reports on a timely basis in the 2016 fiscal year.

ITEM 11. EXECUTIVE COMPENSATION.

The Managing Member and affiliates are reimbursed at cost for all services performed on behalf of the registrant and for all third party expenses paid on behalf of the registrant. The cost for services performed on behalf of the registrant is based on actual time spent performing such services plus an overhead burden. These services include organizing the registrant and arranging for the offer and sale of Units, reviewing properties for acquisition and rendering administrative, property management and property sales services. The amount and nature of such payments are detailed in Item 13 of this annual report on Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following table sets forth information pertaining to the ownership of the Units by each person known by the Company to beneficially own 5% or more of the Units, by each Managing Member, and by each officer or director of the Managing Member as of February 28, 2017:

<u>Name and Address of Beneficial Owner</u>	<u>Number of Units Held</u>	<u>Percent of Class</u>
AEI Fund Management XXI, Inc.	0	0.00%
Robert P. Johnson	0	0.00%
Patrick W. Keene	0	0.00%

Address for all:
1300 Wells Fargo Place
30 East 7th Street, St. Paul, Minnesota 55101

The Managing Members know of no holders of more than 5% of the outstanding Units.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The registrant, AFM and its affiliates have common management and utilize the same facilities. As a result, certain administrative expenses are allocated among these related entities. All of such activities and any other transactions involving the affiliates of the Managing Member of the registrant are governed by, and are conducted in conformity with, the limitations set forth in the Operating Agreement of the registrant. Reference is made to Note 3 of the Financial Statements, as presented, and is incorporated herein by reference, for details of related party transactions for the years ended December 31, 2016 and 2015.

Neither the registrant, nor the Managing Member of the registrant, has a board of directors consisting of any members who are "independent." The sole director of the Managing Member, Robert P. Johnson, is also the Special Managing Member of the registrant, and is the Chief Executive Officer, and indirectly the principal owner, of the Managing Member. Accordingly, there is no disinterested board, or other functioning body, that reviews related party transactions, or the transactions between the registrant and the Managing Members, except as performed in connection with the audit of its financial statements.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND
DIRECTOR INDEPENDENCE. (Continued)**

The limitations included in the Operating Agreement require that the cumulative reimbursements to the Managing Members and their affiliates for certain expenses will not exceed an amount equal to the sum of (i) 20% of capital contributions, (ii) 1% of gross revenues, plus an initial leasing fee of 3% of gross revenues for the first five years of the original term of each lease, (iii) 3% of Net Proceeds of Sale, and (iv) 10% of Net Cash Flow less the Net Cash Flow actually distributed to the Managing Members. The cumulative reimbursements subject to this limitation are reimbursements for (i) organization and offering expenses, including commissions, (ii) acquisition expenses, (iii) services provided in the sales effort of properties, and (iv) expenses of controlling persons and overhead expenses directly attributable to the forgoing services or attributable to administrative services. As of December 31, 2016, these cumulative reimbursements to the Managing Members and their affiliates did not exceed the limitation amount.

The following table sets forth the forms of compensation, distributions and cost reimbursements paid by the registrant to the Managing Members or their Affiliates in connection with the operation of the Fund for the period from inception through December 31, 2016.

<u>Person or Entity Receiving Compensation</u>	<u>Form and Method of Compensation</u>	<u>Amount Incurred From Inception (June 24, 2002) To December 31, 2016</u>
AEI Securities, Inc.	Selling Commissions equal to 10% of proceeds, most of which were reallocated to Participating Dealers.	\$ 4,240,243
Managing Members and Affiliates	Reimbursement at Cost for other Organization and Offering Costs.	\$ 1,805,502
Managing Members and Affiliates	Reimbursement at Cost for all Acquisition Expenses.	\$ 934,721
Managing Members and Affiliates	Reimbursement at Cost for providing administrative services to the Fund, including all expenses related to management of the Fund's properties and all other transfer agency, reporting, partner relations and other administrative functions.	\$ 4,422,788
Managing Members and Affiliates	Reimbursement at Cost for providing services related to the disposition of the Fund's properties.	\$ 539,735
Managing Members	3% of Net Cash Flow in any fiscal year.	\$ 801,397
Managing Members	1% of distributions of Net Proceeds of Sale until Limited Members have received an amount equal to (a) their Adjusted Capital Contributions, plus (b) an amount equal to 7% of their Adjusted Capital Contributions per annum, cumulative but not compounded, to the extent not previously distributed. 10% of distributions of Net Proceeds of Sale thereafter.	\$ 21,907

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The following is a summary of the fees billed to the Company by Boulay PLLP for professional services rendered for the years ended December 31, 2016 and 2015:

<u>Fee Category</u>	<u>2016</u>	<u>2015</u>
Audit Fees	\$ 21,200	\$ 20,583
Audit-Related Fees	0	0
Tax Fees	0	0
All Other Fees	0	0
Total Fees	<u>\$ 21,200</u>	<u>\$ 20,583</u>

Audit Fees - Consists of fees billed for professional services rendered for the audit of the Company's annual financial statements and review of the interim financial statements included in quarterly reports, and services that are normally provided by Boulay PLLP in connection with statutory and regulatory filings or engagements.

Audit-Related Fees - Consists of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of financial statements and are not reported under "Audit Fees." These services include consultations concerning financial accounting and reporting standards.

Tax Fees - Consists of fees billed for professional services for federal and state tax compliance, tax advice and tax planning.

All Other Fees - Consists of fees for products and services other than the services reported above.

Policy for Preapproval of Audit and Permissible Non-Audit Services

Before the Independent Registered Public Accounting Firm is engaged by the Company to render audit or non-audit services, the engagement is approved by Mr. Johnson acting as the Company's audit committee.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) (1) A list of the financial statements contained herein is set forth on page 16.

(a) (2) Schedules are omitted because of the absence of conditions under which they are required or because the required information is presented in the financial statements or related notes.

(a) (3) The Exhibits filed in response to Item 601 of Regulation S-K are listed below.

- 3.1 Certificate of Limited Liability Company (incorporated by reference to Exhibit 3.1 of the registrant's Registration Statement on Form SB-2 filed on September 17, 2002 [File No. 333-99677]).
- 3.2 Operating Agreement to the Prospectus (incorporated by reference to Exhibit A of the registrant's Registration Statement on Form SB-2 filed on April 14, 2003 [File No. 333-99677]).
- 10.1 Assignment and Assumption of Lease dated February 6, 2004 between the Company, AEI Income & Growth Fund 23 LLC, AEI Accredited Investor Fund 2002 Limited Partnership and Transmadison, LLC relating to the Property at 451 W. 14 Mile Road, Madison Heights, Michigan (incorporated by reference to Exhibit 10.2 of Form 8-K filed February 20, 2004).
- 10.2 Assignment and Assumption of Lease dated January 14, 2005 between the Company, AEI Income & Growth Fund XXI Limited Partnership and LMB Auburn Hills I LLC relating to the Property at 3960 Baldwin Road, Auburn Hills, Michigan (incorporated by reference to Exhibit 10.18 of Form 10-KSB filed March 30, 2005).
- 10.3 Assignment and Assumption of Net Lease Agreement dated October 25, 2005 between the Company and CDK Associates LLC relating to the Property at 2908 Broadway Avenue, Yankton, South Dakota (incorporated by reference to Exhibit 10.2 of Form 10-QSB filed November 14, 2005).
- 10.4 Assignment and Assumption of Lease and Guaranty dated November 22, 2005 between the Company and Lafayette Village, LLC relating to the Property at 1016 North Route 59, Aurora, Illinois (incorporated by reference to Exhibit 10.3 of Form 8-K filed December 22, 2005).
- 10.5 Assignment and Assumption of Lease dated December 1, 2005 between the Company and Loudon Road N.H. Rte. 9 Development, LLC relating to the Property at 297 Loudon Road, Concord, New Hampshire (incorporated by reference to Exhibit 10.2 of Form 8-K filed December 7, 2005).
- 10.6 Assignment and Assumption of Lease Agreement dated December 16, 2005 between the Company and Commercial Net Lease Realty, Inc. relating to the Property at 1016 North Route 59, Aurora, Illinois (incorporated by reference to Exhibit 10.4 of Form 8-K filed December 22, 2005).
- 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 Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AEI INCOME & GROWTH FUND 25
Limited Liability Company
By: AEI Fund Management XXI, Inc.
Its Managing Member

March 29, 2017

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/ ROBERT P JOHNSON</u> Robert P. Johnson	President (Principal Executive Officer) and Sole Director of Managing Member	March 29, 2017
<u>/s/ PATRICK W KEENE</u> Patrick W. Keene	Chief Financial Officer and Treasurer (Principal Accounting Officer)	March 29, 2017

CERTIFICATIONS

I, Robert P. Johnson, certify that:

1. I have reviewed this annual report on Form 10-K 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: March 29, 2017

/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 annual report on Form 10-K 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: March 29, 2017

/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 Annual Report of AEI Income & Growth Fund 25 LLC (the "Company") on Form 10-K for the period ended December 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
March 29, 2017

/s/ PATRICK W KEENE

Patrick W. Keene, Chief Financial Officer
AEI Fund Management XXI, Inc.
Managing General Partner
March 29, 2017