

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, 2017

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 7<sup>th</sup> 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  
 Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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, 2017, there were 40,196,646 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 \$40,196,646.

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. Before June 30, 2018, the Managing Member anticipates that it will mail a proxy statement to the Limited Members that will allow them to vote on whether to continue the Company for an additional 60 months or to initiate the final disposition, liquidation and distribution of all of the Company's properties and assets.

**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, 2014, the Company owned interests in fourteen properties with a total cost of \$31,177,098. During the years ended December 31, 2015, 2016 and 2017, the Company sold three property interests and received net sale proceeds of \$1,550,343, \$765,427 and \$3,939,360, which resulted in net gains of \$424,000, \$115,427 and \$757,670, respectively. During 2015, the Company expended \$3,456,892 to purchase one additional property as it reinvested cash generated from property sales. As of December 31, 2017, the Company owned interests in twelve properties with a total cost of \$27,774,453.

**Major Tenants**

During 2017, two tenants contributed more than ten percent of the Company's total rental income. The major tenant in aggregate contributed 54% of total rental income in 2017. 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 2018. 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, 2017.

<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
Biomat USA Plasma Center (1) Wichita, KS (60%)	12/22/05	\$ 3,346,155	Biomat USA, Inc.	\$ 55,607	\$ 6.35
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	\$ 82,014	\$ 23.71
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.	\$ 189,478	\$ 26.15

(1) The lease for this tenant covers 28% of the square footage of the building with rent commencing on June 18, 2018.

(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); property in Wichita, Kansas (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 lease for the Advance Auto Parts store was extended to expire on April 30, 2025. 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, 2017, all properties listed above were 100% occupied. The only exception is the property in Wichita, Kansas that became vacant in July 2016. In September 2017, a tenant entered into a lease for 28% of the building square footage.

**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, 2017, there were 1,125 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 \$54,208 and \$52,795 were made to the Managing Members and \$1,948,005 and \$1,875,395 were made to the Limited Members for 2017 and 2016, 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 \$290,000 and \$250,000 in 2017 and 2016, 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
10/1/17 to 10/31/17	154.25	\$676.09	2,392.37(1)	(2)
11/1/17 to 11/30/17	--	--	--	--
12/1/17 to 12/31/17	--	--	--	--

- (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, 2017, the estimated value of the Company's Units was \$857 per Unit. The Managing Member is the party responsible for the estimated value per Unit. The estimated value was 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 – Newmark Knight Frank, Tulsa, OK  
John Hottle – Hottle Appraisal Company, St. Louis, MO

The expertise provided by these parties included brokerage, valuation, and appraisal services of commercial, net leased properties. We provided each third-party valuation expert with a unique set of assets from the registrant's portfolio. In response, the third-party valuation experts provided cap rate analysis, and the logic behind such analysis, for each of the assets. Thereafter, we reviewed the analysis with the third-party valuation experts to fully understand the information presented. We then used this information, as well as our own independent analysis, to establish and/or confirm asset values.



**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, 2017 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 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 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.

The following table provides a breakdown of each major asset type, liabilities and the number of Units that were used to calculate the estimated value per Unit as of December 31, 2017 and 2016:

	December 31, 2017	December 31, 2016
Properties	\$ 29,082,000	\$ 33,376,000
Cash	6,177,000	2,242,000
Current Liabilities	(585,000)	(666,000)
Value attributable to the interest of the Managing Members	(347,000)	(350,000)
Value attributable to the interest of the Limited Members	\$ 34,327,000	\$ 34,602,000
LLC Units outstanding	40,042	40,217

**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.

**Application of Critical Accounting Policies**

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

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

***Allocation of Purchase Price of Acquired Properties***

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

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

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

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

***Carrying Value of Properties***

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

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

***Allocation of Expenses***

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

**Results of Operations**

For the years ended December 31, 2017 and 2016, the Company recognized rental income from continuing operations of \$2,248,233 and 2,386,264, respectively. In 2017, rental income decreased due to the sale of one property in 2017 and rent that was not received from the tenant of the Sports Authority store, as discussed below. These decreases were partially offset by rent increases on two properties. Based on the scheduled rent for the properties as of February 28, 2018, the Company expects to recognize rental income from continuing operations of approximately \$2,079,000 in 2018.

For the years ended December 31, 2017 and 2016, the Company incurred LLC administration expenses from affiliated parties of \$275,111 and \$295,178, 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 \$204,589 and \$205,404, 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.

The Company owns a 60% interest in the Sports Authority store in Wichita, Kansas. On March 2, 2016, the tenant, 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, 2017, the tenant owed \$29,049 of past due rent, which was not accrued for financial reporting purposes. The owners 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 decreased 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)**

On September 21, 2017, the Company entered into a lease agreement with a primary term of 10 years with Biomat USA, Inc. ("Biomat") as a replacement tenant for 28% of the square footage of the property. The tenant will operate a Biomat USA Plasma Center in the space. The Company's 60% share of annual rent is \$55,607 and is expected to commence on June 18, 2018. Biomat has agreed to pay for the costs to divide the building into two separate spaces, the costs of tenant improvements to remodel the Biomat space and 28% of the cost to replace the roof. The Company will be responsible for paying its 60% share of the remaining cost to replace the roof, which is expected to be approximately \$170,000. At December 31, 2017, the Company accrued its 60% share of lease commissions due to real estate brokers totaling \$81,440 that were owed as part of the lease transaction. This amount was capitalized and will be amortized over the term of the lease. The Company is continuing to pursue additional tenants for the remaining space.

In February 2018, the Company entered into an agreement with the tenant of the Advance Auto Parts store in Indianapolis, Indiana to extend the lease term five years to expire on April 30, 2025. As part of the agreement, the annual rent decreased from \$51,630 to \$44,079 effective January 1, 2018. In addition, beginning on March 1, 2018, the tenant will receive free rent for four months that equals \$14,693.

For the years ended December 31, 2017 and 2016, the Company recognized interest income of \$7,189 and \$5,931, 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.

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.

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

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

**Liquidity and Capital Resources**

During the years ended December 31, 2017, the Company's cash balances increased \$3,942,351 as a result of cash generated from the sale of property and cash generated from operating activities in excess of distributions paid to the Members and cash used to repurchase Units. 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.

Net cash provided by operating activities increased from \$1,881,678 in 2016 to \$1,913,092 in 2017 as a result of a decrease in LLC administration and property management expenses in 2017 and net timing differences in the collection of payments from the tenants and the payment of expenses, which were partially offset by a decrease in total rental and interest income in 2017.

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, 2017 and 2016, the Company generated cash flow from the sale of real estate of \$3,939,360 and \$765,427, respectively. During the years ended December 31, 2017 and 2016, the Company expended \$81,440 and \$7,733, respectively, to invest in real properties.

In the third quarter of 2017, the Company decided to sell the Fresenius Medical Center in Gretna, Louisiana. In October 2017, the Company entered into an agreement to sell the property to an unrelated third party. On December 6, 2017, the sale closed with the Company receiving net proceeds of \$3,939,360, which resulted in a net gain of \$757,670. At the time of sale, the cost and related accumulated depreciation and amortization was \$3,456,892 and \$275,202, respectively.

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.

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

For the years ended December 31, 2017 and 2016, the Company declared distributions of \$2,002,213 and \$1,928,190, 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 \$1,948,005 and \$1,875,395 and the Managing Members received distributions of \$54,208 and \$52,795 for the years, respectively. In December 2017, the Company declared a special distribution of net sale proceeds of \$292,929 which was paid in the first week of January 2018 and resulted in higher distributions declared in 2017 and a higher distributions payable at December 31, 2017.

As part of the distributions discussed above, the Company distributed net sale proceeds of \$292,929 and \$252,525 in 2017 and 2016, respectively. The Limited Members received distributions of \$290,000 and \$250,000 and the Managing Members received distributions of \$2,929 and \$2,525 for the years, respectively. The Limited Members' distributions represented \$7.24 and \$6.16 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.

During 2017, the Company repurchased a total of 174.25 Units for \$117,841 from 10 Limited Members in accordance with the Operating Agreement. On October 1, 2016, the Company repurchased a total of 353.30 Units for \$234,074 from 17 Limited Members. The Company acquired these Units using Net Cash Flow from operations. In prior years, the Company repurchased a total of 1,864.82 Units for \$1,239,333 from 57 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 \$3,644 and \$7,239 in 2017 and 2016, 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, 2017 and 2016, 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

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

**Opinion on the Financial Statements**

We have audited the accompanying balance sheets of AEI Income & Growth Fund 25 LLC (a Delaware limited liability company) as of December 31, 2017 and 2016, and the related statements of income, members' equity, and cash flows for each of the years in the two-year period ended December 31, 2017, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, 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.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ BOULAY PLLP  
Boulay PLLP

We have served as the Company's auditor since 2002

Minneapolis, Minnesota  
March 28, 2018

AEI INCOME & GROWTH FUND 25 LLC  
BALANCE SHEETS

ASSETS

	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
<b>Current Assets:</b>		
Cash	\$ 6,081,556	\$ 2,139,205
<b>Real Estate Investments:</b>		
Land	8,005,563	9,055,563
Buildings	18,386,544	19,871,184
Acquired Intangible Lease Assets	1,487,092	2,327,904
Real Estate Held for Investment, at cost	27,879,199	31,254,651
Accumulated Depreciation and Amortization	(8,177,003)	(7,475,332)
Real Estate Held for Investment, Net	19,702,196	23,779,319
Total Assets	<u>\$ 25,783,752</u>	<u>\$ 25,918,524</u>

LIABILITIES AND MEMBERS' EQUITY

<b>Current Liabilities:</b>		
Payable to AEI Fund Management, Inc.	\$ 155,267	\$ 66,273
Distributions Payable	720,251	425,214
Unearned Rent	15,485	15,485
Total Current Liabilities	<u>891,003</u>	<u>506,972</u>
<b>Long-term Liabilities:</b>		
Acquired Below-Market Lease Intangibles, Net	59,693	73,209
<b>Members' Equity:</b>		
Managing Members	7,265	879
Limited Members – 50,000 Units authorized; 40,042 and 40,217 Units issued and outstanding as of December 31, 2017 and 2016, respectively	24,825,791	25,337,464
Total Members' Equity	<u>24,833,056</u>	<u>25,338,343</u>
Total Liabilities and Members' Equity	<u>\$ 25,783,752</u>	<u>\$ 25,918,524</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	
	2017	2016
<b>Rental Income</b>	\$ 2,248,223	\$ 2,386,264
<b>Expenses:</b>		
LLC Administration – Affiliates	275,111	295,178
LLC Administration and Property Management – Unrelated Parties	204,589	205,404
Depreciation and Amortization	914,971	936,300
<b>Total Expenses</b>	<u>1,394,671</u>	<u>1,436,882</u>
<b>Operating Income</b>	853,552	949,382
<b>Other Income:</b>		
Gain on Sale of Real Estate	757,670	15,560
Interest Income	7,189	5,931
<b>Total Other Income</b>	<u>764,859</u>	<u>21,491</u>
<b>Income from Continuing Operations</b>	1,618,411	970,873
Income from Discontinued Operations	0	95,778
<b>Net Income</b>	<u>\$ 1,618,411</u>	<u>\$ 1,066,651</u>
<b>Net Income Allocated:</b>		
Managing Members	\$ 64,238	\$ 56,963
Limited Members	1,554,173	1,009,688
<b>Total</b>	<u>\$ 1,618,411</u>	<u>\$ 1,066,651</u>
<b>Income per LLC Unit:</b>		
Continuing Operations	\$ 38.70	\$ 22.70
Discontinued Operations	.00	2.24
<b>Total – Basic and Diluted</b>	<u>\$ 38.70</u>	<u>\$ 24.94</u>
Weighted Average Units Outstanding – Basic and Diluted	<u>40,163</u>	<u>40,482</u>

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	
	2017	2016
<b>Cash Flows from Operating Activities:</b>		
Net Income	\$ 1,618,411	\$ 1,066,651
Adjustments to Reconcile Net Income		
To Net Cash Provided by Operating Activities:		
Depreciation and Amortization	963,357	993,352
Gain on Sale of Real Estate	(757,670)	(115,427)
Increase (Decrease) in Payable to AEI Fund Management, Inc.	88,994	(62,898)
Total Adjustments	294,681	815,027
Net Cash Provided By (Used For) Operating Activities	1,913,092	1,881,678
<b>Cash Flows from Investing Activities:</b>		
Investments in Real Estate	(81,440)	(7,733)
Proceeds from Sale of Real Estate	3,939,360	765,427
Net Cash Provided By (Used For) Investing Activities	3,857,920	757,694
<b>Cash Flows from Financing Activities:</b>		
Distributions Paid to Members	(1,707,176)	(2,039,445)
Repurchase of LLC Units	(121,485)	(241,313)
Net Cash Provided By (Used For) Financing Activities	(1,828,661)	(2,280,758)
<b>Net Increase (Decrease) in Cash</b>	3,942,351	358,614
<b>Cash, beginning of year</b>	2,139,205	1,780,591
<b>Cash, end of year</b>	\$ 6,081,556	\$ 2,139,205

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>ad Member Units Outstanding</u>
<b>Balance, December 31, 2015</b>	\$ 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>	
<b>Balance, December 31, 2016</b>	879	25,337,464	25,338,343	40,216.65
Distributions Declared	(54,208)	(1,948,005)	(2,002,213)	
Repurchase of LLC Units	(3,644)	(117,841)	(121,485)	(174.25)
Net Income	<u>64,238</u>	<u>1,554,173</u>	<u>1,618,411</u>	
<b>Balance, December 31, 2017</b>	<u>\$ 7,265</u>	<u>\$ 24,825,791</u>	<u>\$ 24,833,056</u>	<u>40,042.44</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, 2017 AND 2016**

**(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.

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.

**AEI INCOME & GROWTH FUND 25 LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**(1) Organization – (Continued)**

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.

**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.

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

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 2014, and with few exceptions, is no longer subject to state tax examinations for tax years before 2014.

**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.

**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.



AEI INCOME & GROWTH FUND 25 LLC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

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

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

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.

**AEI INCOME & GROWTH FUND 25 LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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

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, 2017 and 2016.

**Fair Value Measurements**

As of December 31, 2017 and 2016, the Company had no assets or liabilities measured at fair value on a recurring basis or nonrecurring basis.

**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, 2017 and 2016.

**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 May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09 regarding ASC Topic 606, Revenue from Contracts with Customers. The standard provides principles for recognizing revenue for the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance is effective for the Company's fiscal year beginning January 1, 2018. We evaluated the accounting, transition, and disclosure requirements of the standard and the adoption of this standard will not have a material impact on the financial statements as the Company earns substantially all of its revenue from lease contracts that fall within the scope of AIC Topic 840, which are not within the scope of the new revenue standard. Additionally, we have historically disposed of properties for cash with no contingencies and no future investment in the properties. Therefore, the new revenue standard will not impact the recognition of gain or loss from property sales.

In February 2016, the FASB issued ASU 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.

In January 2017, the FASB issued ASU 2017-01, which clarifies the definition of a business by adding guidance to assist entities in evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The guidance is effective for annual periods beginning after December 15, 2017, including interim periods within those periods, with early adoption permitted, and is required to be applied prospectively to any transactions occurring within the period of adoption. We are currently evaluating the accounting and disclosure requirements of the standard. We expect the new standard will result in the majority of our real estate acquisitions to be considered asset acquisitions, whereby external acquisition costs related to these asset acquisitions will be capitalized. Currently, the majority of our real estate acquisitions are considered acquisitions of businesses, whereby all acquisition-related costs are expensed as incurred. We do not expect the standard to have a significant impact on the allocation of purchase price to tangible and identifiable intangible assets and liabilities acquired based on their respective fair values.

**AEI INCOME & GROWTH FUND 25 LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**(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); property in Wichita, Kansas (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 received the following reimbursements for costs and expenses from the Company for the years ended December 31:

	<u>2017</u>	<u>2016</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.	\$ <u>275,111</u>	\$ <u>295,178</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 of expenses related to Discontinued Operations in 2016.	\$ <u>204,589</u>	\$ <u>236,751</u>
c. AEI is reimbursed for costs incurred in providing services related to the sale of property.	\$ <u>5,767</u>	\$ <u>5,173</u>

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

**AEI INCOME & GROWTH FUND 25 LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
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**(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 lease for the Advance Auto Parts store was extended to expire on April 30, 2025. 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 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 building in Wichita, Kansas 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. 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, 2017 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	293,774
Jared Jewelry, Auburn Hills, MI	421,489	1,777,578	2,199,067	921,378
Tractor Supply, Yankton, SD	351,221	1,914,715	2,265,936	935,022
Jared Jewelry, Concord, NH	1,061,663	3,095,971	4,157,634	1,496,390
Jared Jewelry, Aurora, IL	1,790,636	2,027,709	3,818,345	976,674
Biomat USA Plasma Center, Wichita, KS	771,076	1,937,641	2,708,717	1,059,285
Advance Auto Parts, Indianapolis, IN	289,661	380,315	669,976	167,975
Dick's Sporting Goods, Fredericksburg, VA	1,603,558	1,523,043	3,126,601	633,802
Staples, Clermont, FL	615,600	1,398,709	2,014,309	345,735
Coliseum Health, Macon, GA	200,000	451,517	651,517	98,581
PetSmart, Gonzales, LA	277,400	1,501,964	1,779,364	272,861
Premier Diagnostic Imaging, Terre Haute, IN	300,000	1,848,049	2,148,049	249,491
	<u>\$ 8,005,563</u>	<u>\$ 18,386,544</u>	<u>\$ 26,392,107</u>	<u>\$ 7,450,968</u>

**AEI INCOME & GROWTH FUND 25 LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
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**(4) Real Estate Investments – (Continued)**

For the years ended December 31, 2017 and 2016, the Company recognized depreciation expense from continuing operations of \$778,186 and \$792,724, respectively.

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

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
In-Place Lease Intangibles (weighted average life of 56 and 90 months, respectively)	\$ 1,108,939	\$ 549,472	\$ 1,432,684	\$ 473,806
Above-Market Lease Intangibles (weighted average life of 68 and 127 months, respectively)	378,153	176,563	895,220	192,655
Acquired Intangible Lease Assets	<u>\$ 1,487,092</u>	<u>\$ 726,035</u>	<u>\$ 2,327,904</u>	<u>\$ 666,461</u>
Acquired Below-Market Lease Intangibles (weighted average life of 53 and 65 months, respectively)	<u>\$ 104,746</u>	<u>\$ 45,053</u>	<u>\$ 104,746</u>	<u>\$ 31,537</u>

For the years ended December 31, 2017 and 2016, the value of in-place lease intangibles amortized to expense was \$136,785 and \$143,576, the decrease to rental income for above-market leases was \$61,902 and \$70,568, and the increase to rental income for below-market leases was \$13,516 and \$13,516, respectively.

For lease intangibles not held for sale at December 31, 2017, 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
2018	\$ 120,823	\$ 35,904	\$ 13,516
2019	124,556	35,904	13,516
2020	97,753	35,904	13,516
2021	88,824	35,904	13,516
2022	66,953	35,904	5,629
	<u>\$ 498,909</u>	<u>\$ 179,520</u>	<u>\$ 59,693</u>

**AEI INCOME & GROWTH FUND 25 LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
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**(4) Real Estate Investments – (Continued)**

The Company owns a 60% interest in the Sports Authority store in Wichita, Kansas. On March 2, 2016, the tenant, 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, 2017, the tenant owed \$29,049 of past due rent, which was not accrued for financial reporting purposes. The owners 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 decreased 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.

On September 21, 2017, the Company entered into a lease agreement with a primary term of 10 years with Biomat USA, Inc. ("Biomat") as a replacement tenant for 28% of the square footage of the property. The tenant will operate a Biomat USA Plasma Center in the space. The Company's 60% share of annual rent is \$55,607 and is expected to commence on June 18, 2018. Biomat has agreed to pay for the costs to divide the building into two separate spaces, the costs of tenant improvements to remodel the Biomat space and 28% of the cost to replace the roof. The Company will be responsible for paying its 60% share of the remaining cost to replace the roof, which is expected to be approximately \$170,000. At December 31, 2017, the Company accrued its 60% share of lease commissions due to real estate brokers totaling \$81,440 that were owed as part of the lease transaction. This amount was capitalized and will be amortized over the term of the lease. The Company is continuing to pursue additional tenants for the remaining space.

In the third quarter of 2017, the Company decided to sell the Fresenius Medical Center in Gretna, Louisiana. In October 2017, the Company entered into an agreement to sell the property to an unrelated third party. On December 6, 2017, the sale closed with the Company receiving net proceeds of \$3,939,360, which resulted in a net gain of \$757,670. At the time of sale, the cost and related accumulated depreciation and amortization was \$3,456,892 and \$275,202, respectively.

In February 2018, the Company entered into an agreement with the tenant of the Advance Auto Parts store in Indianapolis, Indiana to extend the lease term five years to expire on April 30, 2025. As part of the agreement, the annual rent decreased from \$51,630 to \$44,079 effective January 1, 2018. In addition, beginning on March 1, 2018, the tenant will receive free rent for four months that equals \$14,693.

**AEI INCOME & GROWTH FUND 25 LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
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**(4) Real Estate Investments – (Continued)**

For properties owned as of December 31, 2017, the minimum future rent payments required by the leases are as follows:

2018	\$ 2,101,887
2019	1,754,796
2020	1,171,400
2021	1,033,394
2022	917,274
Thereafter	1,808,978
	<b>\$ 8,787,729</b>

There were no contingent rents recognized in 2017 and 2016.

**(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>2017</u>	<u>2016</u>
Sterling Jewelers Group	Retail	\$ 982,724	\$ 982,724
Dick's Sporting Goods, Inc.	Retail	232,950	N/A
Aggregate rental income of major tenants		<u>\$ 1,215,674</u>	<u>\$ 982,724</u>
Aggregate rental income of major tenants as a percentage of total rental income		<u>54%</u>	<u>41%</u>

**(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.



**AEI INCOME & GROWTH FUND 25 LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
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**(6) Discontinued Operations – (Continued)**

In September 2013, the Company decided to sell both Johnny Carino's restaurants and classified them as Real Estate Held for Sale. On August 1, 2014, the Company sold the Lake Charles property to an unrelated third party. In late March 2016, the Company entered into an agreement to sell the Pueblo property to an unrelated third party. 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:

	2017	2016
Bankruptcy Claim Payments Received	\$ 0	\$ 27,258
Property Management Expenses	0	(31,347)
Gain on Disposal of Real Estate	0	99,867
Income from Discontinued Operations	\$ 0	\$ 95,778

	2017	2016
Cash Flows from Discontinued Operations:		
Operating Activities	\$ 0	\$ (4,089)
Investing Activities	\$ 0	\$ 749,867

**(7) Members' Capital –**

For the years ended December 31, 2017 and 2016, the Company declared distributions of \$2,002,213 and \$1,928,190, respectively. The Limited Members received distributions of \$1,948,005 and \$1,875,395 and the Managing Members received distributions of \$54,208 and \$52,795 for the years, respectively. The Limited Members' distributions represented \$48.50 and \$46.33 per LLC Unit outstanding using 40,163 and 40,482 weighted average Units in 2017 and 2016, respectively. The distributions represented \$35.76 and \$19.12 per Unit of Net Income and \$12.74 and \$27.21 per Unit of return of contributed capital in 2017 and 2016, respectively.

As part of the distributions discussed above, the Company distributed net sale proceeds of \$292,929 and \$252,525 in 2017 and 2016, respectively. The Limited Members received distributions of \$290,000 and \$250,000 and the Managing Members received distributions of \$2,929 and \$2,525 for the years, respectively. The Limited Members' distributions represented \$7.24 and \$6.16 per Unit for the years, respectively.

**AEI INCOME & GROWTH FUND 25 LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
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**(7) Members' Capital – (Continued)**

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

During 2017, the Company repurchased a total of 174.25 Units for \$117,841 from 10 Limited Members in accordance with the Operating Agreement. On October 1, 2016, the Company repurchased a total of 353.30 Units for \$234,074 from 17 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 \$3,644 and \$7,239 in 2017 and 2016, respectively.

**(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:

	2017	2016
Net Income for Financial Reporting Purposes	\$ 1,618,411	\$ 1,066,651
Depreciation for Tax Purposes Under Depreciation and Amortization for Financial Reporting Purposes	355,036	334,423
Income Accrued for Tax Purposes Over (Under) Income for Financial Reporting Purposes	0	29,049
Gain on Sale of Real Estate for Tax Purposes Under Gain for Financial Reporting Purposes	(186,956)	(982,685)
Taxable Income to Members	\$ 1,786,491	\$ 447,438

**AEI INCOME & GROWTH FUND 25 LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
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**(8) Income Taxes – (Continued)**

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>2017</u>	<u>2016</u>
Members' Equity for Financial Reporting Purposes	\$ 24,833,056	\$ 25,338,343
Adjusted Tax Basis of Investments in Real Estate Over Net Investments in Real Estate for Financial Reporting Purposes	3,800,338	3,632,258
Income Accrued for Tax Purposes Over Income for Financial Reporting Purposes	44,534	44,534
Syndication Costs Treated as Reduction of Capital For Financial Reporting Purposes	<u>6,015,670</u>	<u>6,015,670</u>
Members' Equity for Tax Reporting Purposes	<u>\$ 34,693,598</u>	<u>\$ 35,030,805</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, 2017. 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, 2017 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, 2017 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 73, 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 2018. 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 nine limited partnerships and a managing member in five LLCs.

Patrick W. Keene, age 58, 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 2018. 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, 2017. 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 2017 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, 2018:

<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, 2017 and 2016.

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, 2017, 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, 2017.

<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, 2017</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.	\$ 4,697,899
Managing Members and Affiliates	Reimbursement at Cost for providing services related to the disposition of the Fund's properties.	\$ 545,502
Managing Members	3% of Net Cash Flow in any fiscal year.	\$ 856,320
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.	\$ 24,836



**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, 2017 and 2016:

<u>Fee Category</u>	<u>2017</u>	<u>2016</u>
Audit Fees	\$ 21,850	\$ 21,200
Audit-Related Fees	0	0
Tax Fees	0	0
All Other Fees	0	0
Total Fees	<u>\$ 21,850</u>	<u>\$ 21,200</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 28, 2018

By: /s/ RBOERT 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 28, 2018
<u>/s/ PATRICK W KEENE</u> Patrick W. Keene	Chief Financial Officer and Treasurer (Principal Accounting Officer)	March 28, 2018

**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 28, 2018

/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 28, 2018

/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, 2017, 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 28, 2018

/s/ PATRICK W KEENE

Patrick W. Keene, Chief Financial Officer  
AEI Fund Management XXI, Inc.  
Managing General Partner  
March 28, 2018

PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement (this "Agreement") is hereby made and entered into effective as of this 2nd day of October, 2017 by and between AEI Income & Growth Fund 25 LLC, a Delaware limited liability company (hereinafter referred to as the "Seller") and Gemma Realty, LLC, a Rhode Island limited liability company and its successor and assigns (hereinafter referred to as the "Buyer"). The Seller wishes to sell its interests in the fee simple title to that certain real property legally described in the attached Exhibit A (the "Property"), and the Buyer wishes to purchase the fee simple title to the Property. The date on which last party hereto executes this Agreement is hereafter referred to as the "Effective Date."

In consideration of the mutual covenants set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby mutually acknowledged, the parties hereto covenant and agree as follows:

1. **Property.** The Property to be sold to Buyer in this transaction consists of an undivided 100% interest in the property located at 959 Behrman Highway, Gretna, Louisiana. Seller owns no interest in any personalty in connection with the Property.
2. **Lease.** The Property is being sold subject to an existing Lease Agreement, dated May 30, 2014, as amended on May 18, 2015 (collectively, the "Lease") by and between Seller, as lessor, and Bio- Medical Applications of Louisiana, LLC d/b/a Fresenius Medical Care Gretna, a Delaware limited liability company, as lessee (the "Tenant"). The Tenant's obligations under the Lease are guaranteed by Fresenius Medical Care Holdings, Inc., a New York corporation ("Lease Guarantor"), pursuant to that certain Guarantee of Lease dated May 30, 2014 ("Lease Guaranty"). The Seller agrees to sell and convey to Buyer, and Buyer agrees to purchase from Seller, all right, title, and interest of Seller in and to the Lease, the Lease Guaranty, and any other agreements to occupy all or any portion of the Property that are in effect on the Effective Date or which Seller executed prior to Closing (as hereinafter defined) pursuant to the terms of this Agreement.
3. **Purchase Price.** The purchase price for the Property is \$3,972,701 ("Purchase Price"). If all conditions precedent to Buyer's obligations to purchase have been satisfied, Buyer shall deposit the Purchase Price with the Closing Agent (as defined below) on or before the Closing Date.
4. **Terms.** The Purchase Price for the Property will be paid by Buyer as follows:
  - a) Within three (3) business days of the Effective Date of this Agreement, Buyer will deposit \$10,000 (the "Earnest Money") in an interest bearing account with First American Title Insurance Company; 801 Nicollet Mall, Suite 1900, Minneapolis, Minnesota, Nicole Haapala; *phone number*: (612) 305-2014; *email*: nhaapala@firstarn.com (the "Closing Agent" or "Title Company"). Upon expiration of the Review Period, Earnest Money shall become non-refundable. The Earnest Money shall be credited against the Purchase Price when and if escrow closes and the sale is completed.
  - b) Buyer will deposit the balance of the Purchase Price into escrow in sufficient time to allow escrow to close on the Closing Date.
5. **Closing Date.** Escrow shall close within thirty (30) days following the expiration date of the Review Period (the "Closing Date"), unless the parties mutually agree otherwise.

6. **Due Diligence.** Buyer will have forty-five (45) days from Buyer's receipt of the items referred to in Exhibit B (the "**Review Period**") to conduct all of its inspections and due diligence and satisfy itself regarding the Property and this transaction, including without limitation a review of the Lease and securing any necessary financing. Buyer agrees to indemnify and hold Seller harmless for any loss or damage to the Property or persons caused by Buyer or its agents arising out of such physical inspections of the Property, and this indemnity shall survive closing or termination of this Agreement. Within five (5) days of the Effective Date of this Agreement, Seller shall provide the items listed on Exhibit B. Buyer may order an updated as-built ALTA Survey for the Property, an Updated Phase I Environmental Site Assessment report in accordance to ASTM 1527-13 guidelines, and may also inspect the Property.

Buyer may cancel this Agreement before the expiration of the Review Period for any reason in its sole discretion by delivering a cancellation notice, return receipt requested, to Seller and Closing Agent. Such notice shall be deemed effective only upon receipt by Seller. If this Agreement is not cancelled as set forth above, the Earnest Money shall be non-refundable unless Seller shall default hereunder.

If Buyer cancels this Agreement as permitted under this Section, except for any escrow cancellation fees charged by the Title Company and any liabilities under the first paragraph of section 6 of this Agreement and those provisions stating otherwise (which will survive), Seller (after execution of such documents reasonably requested by Seller to evidence the termination hereof) shall return to Buyer its Earnest Money and Buyer will have absolutely no rights, claims or interest of any type in connection with the Property or this transaction, regardless of any alleged conduct by Seller or anyone else.

Unless this Agreement is cancelled by Buyer during the Review Period pursuant to the terms hereof, Seller shall be entitled to retain the Earnest Money, which will be applied to the Purchase Price at Closing. If Buyer fails to close this transaction at no fault of Seller, Buyer will be irrevocably deemed in default of this Agreement. Upon default by Buyer, Seller may, as its option, retain the Earnest Money as its sole and exclusive remedy and declare this Agreement null and void, in which event Buyer will be deemed to have cancelled this Agreement and relinquished all rights in and to the Property, or Seller may exercise its rights under Section 14 hereof. If this Agreement is not cancelled and the Earnest Money deposit is made as required by Section 4 hereof, the Review Period will be deemed satisfied by Buyer.

7. **Escrow.** Escrow shall be opened by Seller and the Buyer's Earnest Money funds will be deposited in escrow with the Title Company, upon acceptance and execution of this Agreement by both parties. A copy of this Agreement will be delivered to the Title Company and will serve as escrow instructions together with the Title Company's standard instructions any additional instructions required by Seller and/or Buyer or their respective counsels, and any additional instructions required by the Title Company to clarify its rights and duties. The parties agree to sign these additional instructions. If there is any conflict between these other instructions and this Agreement, this Agreement shall control.

8. **Title.** Buyer, within three (3) business days' of the last parties' execution of this Agreement, shall order an updated title insurance commitment, along with underlying documents to include any easement or declarations/CAM affecting the Property, for an Owner's Title insurance policy. Closing will be conditioned on the agreement of the Title Company to issue an Owner's policy of title insurance dated as of the Closing Date, in an amount equal to the Purchase Price, insuring that Buyer will own insurable title to the Property subject only to: the Title Company's standard exceptions; current real property taxes and assessments; survey exceptions; the rights of parties in possession pursuant to the Lease; all matters of public record; and other items disclosed to Buyer during the Review Period.

Buyer shall be allowed five (5) business days after receipt of said commitment and survey for examination and the making of any objections to marketability thereto, said objections to be made in writing



or deemed waived. If any objections are so made, Seller shall be allowed sixty (60) days to cure such objections and make such title marketable or, in the alternative, to obtain a commitment for insurable title insuring over Buyer's objections. If Seller shall decide to make no efforts to make title marketable, or is unable to make title marketable or obtain insurable title, (after execution by Buyer of such documents reasonably requested by Seller to evidence the termination hereof) Buyer's Earnest Money will be returned and this Agreement shall be null and void and of no further force and effect. Seller has no obligation to spend any funds or make any effort to satisfy Buyer's objections, if any.

Pending satisfaction of Buyer's objections, the payments hereunder required shall be postponed, but upon satisfaction of Buyer's objections and within ten (10) days after written notice to the Buyer of satisfaction of Buyer's objections, the parties shall perform this Agreement according to its terms.

9. **Closing Costs.** Buyer and Seller will split all escrow and closing fees equally. Seller shall pay recording fees for the deed and documents required to remove any encumbrances. Seller shall pay the Standard Owner's Title Insurance Policy premium in the full amount of the Purchase Price. Title search and exam fees and survey charges shall be included in the Owner's Policy Premium or paid by Seller in the event of Seller's default under this Agreement and a termination pursuant to Section 14 herein. Buyer will pay the full cost of any special endorsements required by the Buyer. Buyer will pay the cost of updating any due diligence provided by Seller, if Buyer requires the same be updated. The parties represent to each other that they have not been represented by a broker, and agree to hold the other harmless from any claim of brokerage commission by, through, or as a result of representation of the other party. Each party will pay its own attorney's fees and costs to document and close this transaction.

10. **Real Estate Taxes, Special Assessments and Prorations.**

- a) The responsibility for all real property taxes for the current tax period and all expenses (including but not limited to common area maintenance expenses and fees), if any, that are the responsibility of Seller, shall be prorated between Buyer and Seller as of the date of Closing.
- b) All income and all operating expenses from the Property, if any, shall be prorated between the parties and adjusted by them as of the date of Closing. Seller shall be entitled to all income earned, and shall be responsible for all expenses incurred, prior to the date of Closing. Buyer shall be entitled to all income earned, and shall be responsible for all operating expenses of the Property incurred, on and after the date of closing.

11. **Seller's Representation and Agreements.**

- a) Seller represents and warrants as of this date that:
  1. Except for the existing Lease with the existing Tenant, Seller is not aware of any leases of the Property.
  2. Seller is not aware of any pending litigation or condemnation proceedings against the Property or Seller's interest in the Property.
  3. Except as previously disclosed to Buyer and as permitted in paragraph (b) below, Seller is not aware of any contracts Seller has executed that would be binding on Buyer as to the Property after the Closing Date.

4. Seller is not a "foreign person" as defined in Section 1445 of the Code and any related regulations. At Closing, Seller shall furnish Closing Agent with such FIRPTA affidavits as may be required by law. In addition, at Closing Seller will furnish to Buyer its federal identification number so that Buyer may accurately and properly report this transaction to the Internal Revenue Department as required by law.
  5. Seller has the legal power, right and authority to enter into this Agreement and the instruments referenced herein and to consummate the transactions contemplated hereby. This Agreement and all documents required hereby to be executed by Seller are and shall be valid, legally binding obligations of and enforceable against Seller in accordance with their terms. All instruments executed or to be executed by the Seller pursuant to this Agreement will be valid and binding agreements of Seller.
  6. All requisite action has been taken by Seller in entering into this Agreement and delivery of the instruments referenced herein and the consummation of the transactions contemplated hereby and that no consent of any creditor, judicial or administrative body, authority or other party is required which has not been obtained to permit Seller to enter into this Agreement and consummate the transactions contemplated hereby.
- b) Provided that Buyer performs its obligations as required, Seller agrees that it will not enter into any new contracts that would materially affect the Property and be binding on Seller after the Closing Date without Buyer's prior consent, which will not be unreasonably withheld or delayed.

**12. Disclosures.**

- a) Seller has not received any notice of any material, physical, or mechanical defects of the Property, including without limitation, the plumbing, heating, air conditioning, and ventilating, electrical system. To the best of Seller's knowledge without inquiry, all such items are in good operating condition and repair and in compliance with all applicable governmental, zoning, and land use laws, ordinances, regulations and requirements. If Seller shall receive any notice to the contrary prior to Closing, Seller will inform Buyer prior to Closing, and Buyer may terminate this Agreement and the Earnest Money will be returned.
- b) Seller has not received any notice that the use and operation of the Property is not in full compliance with applicable building codes, safety, fire, zoning, and land use laws, and other applicable local, state and federal laws, ordinances, regulations and requirements. If Seller shall receive any such notice prior to Closing, Seller will inform Buyer prior to Closing, and Buyer may terminate this Agreement and the Earnest Money will be returned.
- c) Seller has not received any notice that the Property is in violation of any federal, state or local law, ordinance, or regulations relating to industrial hygiene or the environmental conditions on, under, or about the Property, including, but not limited to, soil, and groundwater conditions. To the best of Seller's knowledge, there is no proceeding or inquiry by any governmental authority with respect to the presence of Hazardous Materials on the Property or the migration of Hazardous Materials from or to other property. Buyer agrees that Seller will have no liability of any type to Buyer or Buyer's successors, assigns, or affiliates in connection with any Hazardous Materials on or in connection with the Property either before or after the Closing Date, except such Hazardous

Materials on or in connection with the Property arising out of Seller's gross negligence or intentional misconduct. If Seller shall receive any notice to the contrary prior to Closing, Seller will inform Buyer prior to Closing, and Buyer may terminate this Agreement and the Earnest Money will be returned.

d) Buyer agrees that it is purchasing the Property in its present condition, "as is, where is," and Seller has no obligations to construct or repair any improvements thereon or to perform any other act regarding the Property, except as expressly provided herein or as required by the Lease.

e) Buyer acknowledges that, having been given the opportunity to inspect the Property, Buyer is relying solely on its own investigation of the Property and not on any representations or information provided by Seller or to be provided by Seller, except as set forth herein. Buyer further acknowledges that the information provided, or to be provided, by Seller with respect to the Property was obtained from a variety of sources and Seller has not (a) made independent investigation or verification of such information, and (b) makes no representations as to the accuracy or completeness of such information, except as herein set forth. The sale of the Property as provided for herein is made on an "as-is, where-is" basis and Buyer expressly acknowledges that, in consideration of the agreements of Seller herein, except as otherwise specified herein in Section 11 herein and this Section 12, Seller makes no warranty or representation, express or implied, or arising by operation of law, including, but not limited to, any warranty of condition, habitability, suitability for lease, suitability for commercial purposes, merchantability, or fitness for a particular purpose, in respect of the Property. Seller makes no representations of any sort that ownership of the Property will result in a profit to any Buyer.

f) Buyer acknowledges that Seller cannot, and does not, make any representation as to (a) the success, or lack thereof, of the Property, or (b) the appropriateness of purchasing the Property for the Buyer's individual tax or financial situation or tax or financial objectives. Buyer acknowledges that he or she is relying solely upon his or her own examination of the Property and all facts surrounding the purchase of the Property including the merits and risks involved therein, and is not expecting Tenant to terminate the Lease post closing of the sale of the Property to Buyer unless otherwise provided in the Lease.

The Parties agree that the provisions of this Section 12, subsections d) through f), shall survive Closing.

### **13. Closing.**

a) Before the Closing Date, Seller will deposit into escrow an executed special warranty deed warranting title against lawful claims by, through, or under a conveyance from Seller, but not further or otherwise, conveying insurable title of the Property to Buyer, subject to the exceptions contained in Section 8 above.

b) On or before the Closing Date, Buyer will deposit into escrow the balance of the Purchase Price when required under Section 4 and any additional funds required of Buyer (pursuant to this Agreement or any other agreement executed by Buyer) to close escrow. Both parties will deliver to the Title Company any other documents reasonably required by the Title Company to close escrow.

- c) On or before the Closing Date, Seller will deliver or cause to be delivered to Buyer, at Seller's expense, an Assignment and Assumption of Lease, duly executed and acknowledged by Seller, assigning all of Seller's interest in, to, and under the Lease.
- d) On or before the Closing Date, Seller will deliver or cause to be delivered to Buyer an Assignment of Warranties in a form reasonably satisfactory to Buyer.
- e) On or before the Closing Date, Seller will deliver an assignment of the Lease Guaranty in favor of Buyer's assignee with an acknowledgement and/or confirmation from the Lease Guarantor.
- f) On or before the Closing Date, Seller will deliver or cause to be delivered to Tenant a Notice to Tenant of the sale and Assignment and Assumption of the Lease in form and substance reasonably satisfactory to Buyer.
- g) On or before the Closing Date, Seller will deliver or cause to be delivered to Buyer an Estoppel from Tenant, in form and substance approved by Buyer.
- h) If applicable, on or before the Closing Date, Seller will deliver or cause to be delivered to Buyer an estoppel from any third parties or administrators of any CAM in form and substance reasonably satisfactory to Buyer.
- i) On or before the Closing Date, Seller shall cause Tenant to deliver a Certificate of Insurance naming Buyer as additional insured and/or loss payee, as required by the Lease.
- j) On the Closing Date, if escrow is ready to close, the Title Company will: record the deed in the official records of the county where the Property is located; cause the Title Company to commit to issue the title policy; immediately deliver to Seller the portion of the Purchase Price deposited into escrow by cashier's check or wire transfer (less debits and prorations, if any); deliver to Seller and Buyer a signed counterpart of the Title Company's certified closing statement and take all other actions necessary to close escrow.

14. **Defaults.** IN THE EVENT THE SALE OF THE PROPERTY AS CONTEMPLATED HEREUNDER IS NOT CONSUMMATED BY REASON OF A DEFAULT OF BUYER UNDER THIS AGREEMENT, THE EARNEST MONEY (INCLUDING ALL INTEREST EARNED FROM THE INVESTMENT THEREOF) SHALL BE PAID TO AND RETAINED BY SELLER AS LIQUIDATED DAMAGES, AS SELLER'S SOLE AND EXCLUSIVE REMEDY UNDER THIS AGREEMENT, AT LAW OR IN EQUITY AS A RESULT OF SUCH DEFAULT. THE PARTIES ACKNOWLEDGE THAT SELLER'S ACTUAL DAMAGES IN THE EVENT THAT THE SALE IS NOT CONSUMMATED WOULD BE EXTREMELY DIFFICULT OR IMPRACTICABLE TO DETERMINE. THEREFORE, BY SEPARATELY INITIALING THIS SECTION, THE PARTIES ACKNOWLEDGE THAT THE EARNEST MONEY OF \$10,000 HAS BEEN AGREED UPON AFTER NEGOTIATION. AS THE PARTIES' REASONABLE ESTIMATE OF SELLER'S DAMAGES AND AS SELLER'S SOLE AND EXCLUSIVE REMEDY UNDER THIS AGREEMENT, AT LAW OR IN EQUITY AGAINST BUYER IN THE EVENT THE CLOSING DOES NOT OCCUR BY REASON OF BUYER'S DEFAULT. BUYER AND SELLER ACKNOWLEDGE THAT THEY HAVE READ AND UNDERSTOOD THE ABOVE PROVISIONS COVERING LIQUIDATED DAMAGES, AND THAT EACH PARTY WAS REPRESENTED BY COUNSEL OR HAD THE OPPORTUNITY TO SEEK COUNSEL TO UNDERSTAND THE CONSEQUENCES OF THIS LIQUIDATED DAMAGES PROVISION AT THE TIME THIS AGREEMENT WAS EXECUTED. IF SELLER SHALL DEFAULT HEREUNDER, BUYER SHALL HAVE THE RIGHT OF SPECIFIC PERFORMANCE OR CANCELLATION AND RETURN

OF ITS EARNEST MONEY ALONG WITH PAYMENT OF ITS THIRD PARTY REVIEW PERIOD COSTS WHICH SHALL NOT EXCEED \$5,000 AND SELLER SHALL PAY ANY SEARCH AND EXAMINATION FEES OWING TO THE TITLE COMPANY AS PROVIDED UNDER SECTION 9, BUT BUYER SHALL NOT BE ENTITLED TO ANY ACTION FOR DAMAGES.

**15. Buyer's Representations and Warranties.**

a) Buyer represents and warrants to Seller as follows:

1. In addition to the acts and deeds recited herein and contemplated to be performed, executed, and delivered by Buyer, Buyer shall perform, execute and deliver or cause to be performed, executed, and delivered at the Closing or after the Closing, any and all further acts, deeds and assurances as Seller or the Title Company may require and be reasonable in order to consummate the transactions contemplated herein.
2. Buyer has all requisite power and authority to consummate the transaction contemplated by this Agreement and has by proper proceedings duly authorized the execution and delivery of this Agreement and the consummation of the transaction contemplated hereby.
3. To Buyer's knowledge, neither the execution and delivery of this Agreement nor the consummation of the transaction contemplated hereby will violate or be in conflict with (a) any applicable provisions of law, (b) any order of any court or other agency of government having jurisdiction hereof, or (c) any agreement or instrument to which Buyer is a party or by which Buyer is bound.

**16. Damages, Destruction and Eminent Domain.**

- a) If, prior to closing, the Property or any part thereof be destroyed or further damaged by fire, the elements, or any cause, due to events occurring subsequent to the date of this Agreement to the extent that the cost of repair exceeds \$10,000.00, this Agreement shall become null and void, at Buyer's option exercised, if at all, by written notice to Seller within ten (10) days after Buyer has received written notice from Seller of said destruction or damage. Seller, however, shall have the right to adjust or settle any insured loss until (i) all contingencies set forth in Paragraph 6 hereof have been satisfied, or waived; and (ii) any ten-day period provided for above in this Subparagraph 16a for Buyer to elect to terminate this Agreement has expired or Buyer has, by written notice to Seller, waived Buyer's right to terminate this Agreement. If Buyer elects to proceed and to consummate the purchase despite said damage or destruction, there shall be no reduction in or abatement of the Purchase Price, and Seller shall assign to Buyer the Seller's right, title, and interest in and to all insurance proceeds (pro-rata in relation to the Property) resulting from said damage or destruction to the extent that the same are payable with respect to damage to the Property, subject to rights of any Tenant of the Property.
- b) If the cost of repair is less than \$10,000.00, Seller shall credit Buyer for the cost of the repairs. Buyer shall then be obligated to otherwise perform hereunder.
- c) If, prior to closing, the Property, or any part thereof, is taken by eminent domain, this Agreement shall become null and void at Buyer's option. If Buyer elects to proceed to consummate the purchase despite said taking, there shall be no reduction in, or abatement of, the Purchase Price,

and Seller shall assign to Buyer the Seller's right, title, and interest in and to any award made, or to be made in the condemnation proceeding pro-rata in relation to the Property, subject to rights of any Tenant of the Property.

d) In the event that this Agreement is terminated by Buyer as provided above in Section 16(a) or (b), the Earnest Money shall be immediately returned to Buyer after execution by Buyer of such documents reasonably requested by Seller to evidence the termination hereof.

**17. 1031 Exchange.**

a) Seller. If Seller is selling the Property for purposes of a tax-deferred exchange, Seller acknowledges that Buyer has made no representations, warranties, or agreements to Seller or Seller's agents that the transaction contemplated by the Agreement will qualify for such tax treatment, nor has there been any reliance thereon by Seller respecting the legal or tax implications of the transactions contemplated hereby. Seller further represents that it has sought and obtained such third party advice and counsel as it deems necessary in regards to the tax implications of this transaction.

If Seller wishes to novate/assign the ownership rights and interest of this Purchase Agreement to a third party who will act as Accommodator to perfect the 1031 exchange by preparing an agreement of exchange of Real Property, the Accommodator will be an independent third party purchasing the ownership interest in subject property from Seller and selling the ownership interest in subject property to Buyer under the same terms and conditions as documented in this Purchase Agreement. Seller asks the Buyer, and Buyer agrees to cooperate in the perfection of such an exchange if at no additional cost or expense to Buyer or delay in time. Seller hereby indemnifies and holds Buyer harmless from any claims and/or actions resulting from said exchange. Pursuant to the direction of the Accommodator, Seller will deed the property to Buyer.

b) Buyer. Buyer's assign's purchase of the Property is part of a like-kind exchange pursuant to Section 1031 of the Code ("1031 Exchange") and Seller agrees to execute such documents and take such other action as may reasonably be requested for the purpose of the 1031 Exchange, provided, however, that (i) such cooperation by Seller shall not entail any additional expense or liability to Seller beyond its existing obligations under this Agreement; (ii) the Closing Date shall not be delayed or affected by reason of the 1031 Exchange nor shall the consummation or accomplishment of the 1031 Exchange be a condition precedent or condition subsequent to Buyer's obligations under this Agreement; (iii) the 1031 Exchange shall be effected through an assignment of this Agreement, or rights under this Agreement, to a qualified intermediary, without releasing the Seller; (iv) neither party shall be required to take an assignment of the purchase agreement for the relinquished or replacement property or be required to acquire or hold title to any real property for purposes of consummating the 1031 Exchange; and (v) Buyer shall pay any additional costs incurred by Seller that would not otherwise have been incurred if the purchase of the Property had not been consummated through the 1031 Exchange. Nothing contained in this Section 17b, including but not limited to Seller's cooperation with the 1031 Exchange, shall affect or diminish in any manner Seller's rights under this Agreement or impose any other liability or obligation upon Seller for the compliance with Section 1031 of the Code. The provisions of this Section 17b shall survive the Closing Date.

18. Cancellation. If any party elects to cancel this Agreement because of any breach by another party or because escrow fails to close by the agreed date, the party electing to cancel shall deliver to Closing Agent a notice containing the address of the party in breach and stating that this Agreement shall

be cancelled unless the breach is cured within 13 days following the delivery of the notice to the Closing Agent. Within three days after receipt of such notice, the Closing Agent shall send it by United States Mail to the party in breach at the address contained in the Notice and no further notice shall be required. If the breach is not cured within the 13 days following the delivery of the notice to the Closing Agent, this Agreement shall be cancelled.

19. **Counterparts.** This Agreement may be executed and delivered in any number of counterparts, each of which, when so executed and delivered, shall be deemed to be an original, and all of which shall constitute one and the same instrument.

20. **Expiration.** Buyer is submitting this offer by signing a copy of this Agreement and delivering it to Seller. Seller has five (5) business days from receipt within which to accept this offer. When executed by both parties, this Agreement will be a binding agreement for valid and sufficient consideration which will bind and benefit Buyer, Seller, and their respective successors and assigns.

21. **Choice of Law.** This Agreement shall be governed by, and construed in accordance with the laws of the state in which the Property is located.

22. **Notices.** All notices from either of the parties hereto to the other shall be in writing and shall be considered to have been duly given or served if sent by a nationally recognized courier service guaranteeing overnight delivery to the party at his or its address set forth below, or by email to the respective email address set forth below, or to such other address as such party may hereafter designate by written notice to the other party. Notice given in accordance herewith shall be effective upon delivery to the address of the addressee.

If to Seller:

AEI Income & Growth Fund 25, LLC  
Attn: Marni Nygard, Esq., Chief Investment Officer 1300 Wells Fargo Place  
30 East Seventh Street  
St. Paul, MN 55101  
mnygard@aeifunds.com  
Phone: 651-227-7333 (for overnight courier purposes only)

With a copy to:

David M. Streier, Esq.  
1300 Wells Fargo Place 30 East Seventh Street St. Paul, MN 55101 Phone: 651-227-7727  
dstreier@aeifunds.com

If to Buyer:

Gemma Realty, LLC Attn: Lenny Gemma  
148 West River Street - Suite 1 E Providence, Rhode Island 02904 lengemna @ gemplumbing.com

With a copy to:

Joelie Leigh Grabarski Tiede Grabarski PLLC 4770 White Bear Parkway Lower Level 20  
White Bear Lake MN 551 10  
[jgrabarski@tiedegrabarski.com](mailto:jgrabarski@tiedegrabarski.com)

**23. Miscellaneous.**

- a) This Agreement may be amended only by written agreement signed by both Seller and Buyer, and all waivers must be in writing and signed by the waiving party. Time is of the essence. This Agreement will not be construed for or against a party whether or not that party has drafted this Agreement. If there is any action or proceeding between the parties relating to this Agreement the prevailing party will be entitled to recover attorney's fees and costs. This is an integrated agreement containing all agreements of the parties about the Property and the other matters described and it supersedes any other agreements or understandings. Exhibits attached to this Agreement are incorporated into this Agreement.
- b) If this escrow has not closed by the Closing Date through no fault of Seller, Seller may, at its election, extend the Closing Date or exercise any remedy available to it by law, including terminating this Agreement.
- c) Funds to be deposited or paid by Buyer must be good and clear funds in the form of cash, cashier's checks or wire transfers.
- d) All notices from either of the parties hereto to the other shall be in writing and shall be considered to have been duly given or served if sent by email to such address as may be designated and in use by Buyer or Seller, first class certified mail, return receipt requested, postage prepaid, or by a nationally recognized courier service guaranteeing overnight delivery to the party at his or its address set forth below, or to such other address as such party may hereafter designate by written notice to the other party.
- e) At least ten (10) business days prior to the Closing Date, Buyer shall assign its respective rights and duties under this Agreement to a special purpose entity formed for the purpose of purchasing the Property and Seller acknowledges the forthcoming assignment and consents to the same. Upon providing written notice to Seller of such assignment, Buyer shall have no further rights or obligations under this Agreement.

[SIGNATURES ARE TO FOLLOW ON THE NEXT PAGE]



TN WITNESS WHEREOF, the Seller and Buyer have executed this Agreement effective as of the date last set forth below.

**BUYER:**

GEMMA REALTY, LLC  
a Rhode Island limited liability company

By: /s/ Edward J Gemma

Print Name: Edward J Gemma

Title:

Date: 9-22-17

**SELLER:**

AEI INCOME & GROWTH FUND 25 LLC.  
a Delaware limited liability company

By: AEI Fund Management XXI, Inc.,  
a Minnesota corporation  
Its: Managing Member

By: /s/Marni Nygard  
Marni Nygard, its Chief Investment Officer

Date: **10-2-17**

Exhibit A

Legal Description

One certain Lot of Ground, situated in the Parish of Jefferson, State of Louisiana in that part known as Elmwood Subdivision, Section D, designated as Lot P-2 of said Elmwood Subdivision, Section D, and is more particularly described as follows:

From the point of beginning, commence at the point where the East right of way of Behrman Highway flares into the South right of way line of Westside Drive, and measures N47°40'26"E, a distance of 35.35, to a point; Thence measure S87°19'34"E, along the South right of way line of Westside Drive, a distance of 325' to a point; Thence measure S02°40'26"W, a distance of 250.70' to a point; Thence measure N87°19'34"W a distance of 350, to a point of the East right of way of Behrman Highway; Thence measure N02°40'26"E, along the East right of way of Behrman Highway, a distance of 225.70, to a point of beginning and containing 87,432.50 square feet or 2 acres.

**Exhibit B**

The following Due Diligence Items will be provided by Seller to the extent such items exist in Seller's possession:

- a) A copy of Seller's existing Owner's Title Policy for the Property, with copies of its underlying documents;
- b) A copy of Seller's existing as-built ALTA survey and/or existing boundary ALTA survey of the Property;
- c) A complete copy of the Lease, and any amendments thereto, including but not limited to guaranties, amendments, assignments of lease and/or letter agreements, commencement agreements, memorandum of leases, project acceptance letter (wherein Tenant accepts possession of the property, if Tenant shall have issued the same or similar), and the most recent tenant estoppel in Seller's possession;
- cl) A copy of Seller's existing Phase I Environmental Site Assessment report;
- e) A copy of the Tenant's existing insurance certificate(s) for the Property;
- f) A copy of Seller's existing insurance certificate(s) for the Property;
- g) A copy of the Certificate of Occupancy from the governing municipality;
- h) A copy of the Fire Sprinkler Certification for the improvements on the Property, if applicable;
- i) Copies of the existing final building plans and specifications for the improvements;
- j) A copy of the most recent real estate tax statement for the Property;
- k) A rental accounting for the last twelve (12) months (or such shorter period reflecting Tenant's occupancy of the Property) showing the date and amount of each rent payment (including any additional and escrowed amounts) received from Tenant;
- l) Copies of current and prior calendar year budget and reconciliation for the property as required under the Lease and/or any documents related to Common Area Maintenance "CAM" affecting the Property;
- m) Copies of all CAM related contracts and invoices for any contracted services, and the names, addresses and contact information for third parties to, and/or managers or administrators of, any CAM pursuant to agreement, declaration, or reciprocal easements;
- n) Copies of any and all warranties respecting construction of the improvements, including but not limited to, HVAC system, structural, plumbing or electrical that have not expired by their terms.