

# K-1 FAQ:

## iShares Bitcoin Premium Income ETF (BITA)

### Why is BITA structured as a partnership?

BITA leverages a differentiated partnership structure that we believe to be a more tax-efficient implementation for this strategy compared to a traditional 1940 Act ETF. The partnership enables BITA to hold spot bitcoin (and IBIT) directly for tax-efficient growth with a set of important benefits:

1. The bitcoin exposure is allowed to compound on a tax deferred basis until the investor decides to exit
2. The options benefit from lower 60/40 blended capital gains taxation as Section 1256 contracts
3. Avoids a requirement to make year-end capital gains distributions
4. Capital losses can be passed through and used to offset other investment gains rather than being stuck as tax loss carryforward inside of the ETF

### ETF vs. Partnership Comparison<sup>1</sup>

Topic	1940 Act ETF Structure	Partnership structure (BITA)
Tax form	Form 1099	Schedule K-1
Bitcoin exposure <sup>2</sup>	Commonly uses <b>synthetic exposure</b>	Holds <b>direct spot bitcoin (&amp; IBIT)</b>
Tax-efficiency	<b>Growth from synthetic long cannot compound tax-deferred</b> beyond the calendar year. May be taxed at ordinary income or capital gains rates	<b>Growth from spot bitcoin may compound tax deferred</b> until sale. Taxed at capital gains rates
	<b>A portion of options gains would be treated as ordinary income<sup>3</sup></b>	<b>Options gains taxed at lower 60/40 blended capital gains rate<sup>4</sup></b>
	Potential for large year-end capital gains distributions	Partnerships are not required to make year-end capital gains distributions
	<b>Cannot pass through losses</b> – losses stay in the fund as loss carryforwards	<b>Can pass through capital losses</b> to offset other investment gains

### Will I receive a Form 1099?

No. Investors in BITA are expected to receive a **Schedule K-1** instead of Form 1099. This is due to the partnership structure, which we believe results in a materially more tax-efficient outcome for investors despite requiring a different tax reporting process.

### When will I get a K-1?

K-1s are anticipated to be available in March.

### Does the K-1 impact me if I hold BITA in a retirement account?

Retirement accounts generally are not subject to tax or tax return filing requirements on income generated by a partnership investment unless the Schedule K-1 reports “unrelated business taxable income” – also known as UBTI. Many custodians monitor UBTI and manage any necessary tax filings. Investors interested in holding BITA through a retirement account are encouraged to reach out to their custodian or broker for information on what support they offer. See “Taxation of U.S. Tax-Exempt Shareholders” in the [prospectus](#) for more details.

**Footnotes:**

1. Comparison of the 1940 Act ETF structure vs. a partnership structure as it applies to Bitcoin Premium Income ETPs in the market. The above table is for illustrative purposes only. It serves as a general summary and is not exhaustive. Please refer to the relevant [prospectus](#) for further details. 2. Holding spot bitcoin may allow more appreciation to remain unrealized at the fund level compared to synthetic implementations that use options or futures for the long exposure and need to realize tax at least yearly. 3. Option gains in an ETF would be at least partially ordinary income and may potentially be all ordinary income, depending on the implementation. 4. Refers to blended tax rate where 60% of gains are taxed at lower long-term capital gains rates and 40% at short-term capital gains rates; this also means other investment losses can offset options gains.

**This information must be preceded or accompanied by a [current prospectus](#) for the iShares Bitcoin Premium Income ETF (BITA). Investors should read and consider it carefully before investing. This Document should not be printed or distributed unless preceded or accompanied by a prospectus.**

**The Trust is not a commodity pool for purposes of the Commodity Exchange Act. Before making an investment decision, you should carefully consider the risk factors and other information included in the prospectus.**

**Investing involves a high degree of risk, including possible loss of principal. An investment in the Trust is not suitable for all investors, may be deemed speculative and is not intended as a complete investment program. An investment in Shares should be considered only by persons who can bear the risk of total loss associated with an investment in the Trust.**

Investing in digital assets involves significant risks due to their extreme price volatility and the potential for loss, theft, or compromise of private keys. The value of the shares is closely tied to acceptance, industry developments, and governance changes, making them susceptible to market sentiment. Digital assets represent a new and rapidly evolving industry, and the value of the Shares depends on their acceptance. Changes in the governance of a digital asset network may not receive sufficient support from users and miners, which may negatively affect that digital asset network's ability to grow and respond to challenges. Investing in the Trust comes with risks that could impact the Trust's share value, including largescale sales by major investors, security threats like breaches and hacking, negative sentiment among speculators, and competition from central bank digital currencies and financial initiatives using blockchain technology. A disruption of the internet or a digital asset network would affect the ability to transfer digital assets and, consequently, would impact their value. There can be no assurance that security procedures designed to protect the Trust's assets will actually work as designed or prove to be successful in safeguarding the Trust's assets against all possible sources of theft, loss or damage.

The Trust's use of derivatives may decrease its returns, increase volatility, and expose it to additional operational and counterparty risks—that is, the risk that another party in a transaction may fail to meet their contractual obligations. Losses may arise from derivative holdings due to limited liquidity in secondary markets and unexpected market changes. Writing covered call options on IBIT shares limits the Trust's gains above the option exercise price. The Trust remains exposed to losses below the exercise price, as premiums may not cover declines tied to bitcoin or IBIT volatility. Additionally, the Trust could be impacted by declining share values, restrictions on trading options, and other risks linked to options strategies.

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