

## ProShares Ultra Silver (AGQ)



Dear Investor:

Thank you for investing in **ProShares Ultra Silver (AGQ)**

Enclosed you will find your 2020 tax package for your investment in Volatility, Commodity, or Currency ProShares ETFs ("Fund" or "Funds"). The package contains important information you will need to prepare your federal and state income tax returns for the 2020 tax year.

Enclosed in this package are the following:

- Schedule K-1 (Form 1065) - The K-1 is used to report your share of the income, gains and losses, and expenses for your investment
- Answers to the most frequently asked questions regarding the tax package Ownership Schedule - The Ownership Schedule provides a summary of your ownership in the Fund from your original purchase through December 31, 2020.
- Sales Schedule (if applicable) - The Sales Schedule reflects sales of your investment in the Fund and includes related adjustments to your tax basis. If you did not sell your shares during this tax year you will not receive a Sales Schedule.

Please review your Ownership Schedule carefully. This information has been used to calculate the information on your Schedule K-1 and Sales Schedule. If your records do not agree with the information reported on this Ownership Schedule, then the information on the other schedules may also be incorrect. Corrections may be requested by visiting the investor support website at [www.taxpackagesupport.com/proshares](http://www.taxpackagesupport.com/proshares) or by calling our Tax Package Support Team toll-free at 866-949-5539.

If you received this tax package by mail, we are pleased to let you know that you can now receive your tax information up to *one week faster* and eliminate the need to receive a paper Schedule K1. Please see the enclosed FAQ document to learn more.

The information contained in this tax package and within the schedules is based on existing federal and state laws and regulations, as interpreted by the Funds' Sponsor. The instructions and supporting documentation are for your general guidance, and are not intended to be tax advice. Before undertaking any tax filing, please refer to the appropriate federal and state income tax laws and consult with your tax advisor.

The full 2020 Partner's Instructions for Schedule K-1 (Form 1065), as produced by the Internal Revenue Service (IRS), is available on its website at: <https://www.irs.gov/pub/irs-pdf/i1065sk1.pdf> and on the investor support website at: [www.taxpackagesupport.com/proshares](http://www.taxpackagesupport.com/proshares). Please call our Tax Package Support Team at the toll-free number below if you would like a printed copy of these instructions mailed to you.

We appreciate your business and look forward to serving you in the future. If you have questions regarding this tax package, please call us toll-free at 866-949-5539 or visit our website at [www.taxpackagesupport.com/proshares](http://www.taxpackagesupport.com/proshares).

Sincerely,

ProShare Capital Management

*ProShare Capital Management LLC is the Trust Sponsor and commodity pool operator (CPO). The Sponsor is registered as a CPO with the CFTC, and is a member of the NFA.*

## FAQS ON TAXATION FOR VOLATILITY, COMMODITY AND CURRENCY PROSHARES ETFS

### 1. I understand that Volatility, Commodity and Currency ProShares ETFs ("Fund" or "Funds") are treated as partnerships for tax purposes. Can you give specifics on how I can expect my investment to be taxed?

Partnerships are "pass-through" entities. The income and expenses of each Fund "flow through" to its shareholders. (This differs from mutual funds and most ETFs registered under the Investment Company Act of 1940, which pass through taxable income and capital gains in the form of distributions reported on a Form 1099.) Each shareholder of Volatility, Commodity or Currency ProShares ETF is directly responsible for reporting his or her pro rata portion of income, gains, losses, deductions or other taxable events in the ETF for the calendar year.

While investors may incur trading profits or losses through buying and selling the Funds, they are also subject to tax on their portion of any income or gains passed through by the Trust. In addition to income and gains, each Fund can also pass through losses, which shareholders may use to reduce their personal taxes. The tax treatment of income, gains or losses depends on the Fund's underlying positions. For example:

- The Funds will earn income from debt securities and overnight investments. An investor's pro rata portion of that income will be taxed at the investor's ordinary income tax rate.
- The Funds will invest in a range of derivative instruments, including futures and forward contracts. In general, open futures positions will be marked to market, with their gains and losses reportable as 60% long-term and 40% short-term. The reporting of gains and losses may vary depending on the specifics of a contract.
- Commodity and Currency ProShares also enter into swap agreements and non-currency forwards that generally produce capital gains/losses that are likely short-term in character.

Monthly financial statements in accordance with Generally Accepted Accounting Principles (GAAP) for each Fund will be posted on our website on each Fund's Overview page. Be sure to consult your financial adviser or a tax professional for advice as to your particular tax situation.

### 2. How do the Funds pass through capital gains or income to the investor?

Unlike mutual funds and most ETFs, the Funds are not expected to make distributions with respect to capital gains or income. The Funds are treated as partnerships for tax purposes, so an investor's allocated share of a Fund's income, gains, losses and deductions is reported on a Schedule K-1. Investors will not receive a Form 1099-DIV, issued by most mutual funds and other ETFs, which itemizes the taxable distributions received by the investor.

From a tax perspective, any distributions from the Fund that might occur will be characterized as nontaxable return of capital (lowering the investor's cost basis). Additionally, each investor's allotment of the Fund's taxable income, as reported on the Schedule K-1, should increase or decrease the investor's cost basis.

Monthly GAAP financial statements for each Fund are posted on our website on each Fund's Overview page.

### 3. Why do the figures on my Schedule K-1 differ from the figures on my tax information from my broker?

Schedule K-1s will reflect your pro rata portion of income, gain, losses, or deductions from fund-driven activities, which are actions the Fund has taken as part of its operation, whereas your 1099-B/R will reflect proceeds from sales of ETFs.

As a result, your Schedule K-1 tax package may include a Sales Schedule which provides instructions on how to compute your gain or loss to fully reflect your experience as a shareholder and a partner of the Fund.

If you sold shares and did not see a copy of your Sales Schedule with your Schedule K-1 tax package, please contact Tax Package Support at 866-949-5539.

### 4. How does ProShares calculate my pro rata portion of a particular Fund?

Your pro rata portion is determined by the number of shares of the Fund you hold or have held and the duration for which you've held them. If you own shares in a Fund at the beginning of a month and sell them during the month, you may still be responsible for and allocated a pro rata portion of income, gains, losses and deductions that were realized during the full month in which you sold your shares.

### 5. If I purchased shares in a Fund, what is my tax reporting responsibility for this investment?

Income, gains, losses and expenses are generally reported on the Schedule K-1 we send you and should be included on your tax return. How many shares you've held and the duration for which you've held them determines the portion of any income, gains or losses allocated to you through the K-1. Be sure to consult with a tax professional and/or your financial adviser.

For tax years beginning after 2012, new Internal Revenue Code ("IRC") Section 1411 imposes a 3.8% surtax on certain investment income of individuals and of trusts and estates. Your share of income reported on this Schedule K-1 and any gain on the sale of Partnership units may be subject to this surtax. The Partnership encourages you to consult your tax advisor concerning the impact of IRC Section 1411 to you.

### 6. If I sell shares in a Fund, what is my tax reporting responsibility for this transaction?

Any gains or losses on your sales of shares should usually be reported on your tax return. In addition to any sales of shares reported on your Form 1099-B from your broker, the Sales Schedule portion of the Schedule K-1 we send you will reflect any sales of your investment(s) in the Fund(s). It will also reflect related adjustments to your tax basis. The Sales Schedule includes a worksheet to help you calculate your total gains or losses. Be sure to consult with a tax professional and/or your financial adviser.

Note: A Fund's income, gains, losses and deductions are allocated to shareholders on a monthly basis. If you own shares in a Fund at the beginning of a month and sell them during the month, you are generally still considered a shareholder through the end of that month.

### 7. I didn't receive any cash disbursements from my investment in the Fund(s). Why are there reportable items on my K-1 that are subject to tax?

Each investor in the Fund(s) accounts for his or her pro rata portion of income or losses in the Fund(s) on an annual basis - regardless of whether or not that income, gain or loss is distributed. How many shares you've held and the duration for which you've held them determines the portion of any income, gains or losses allocated to you through the K-1.

### 8. Can I receive my K-1 information any earlier?

You can sign up now to receive your future tax information up to one week faster by eliminating the need for a paper K-1. Simply locate your investment(s) on [www.taxpackagesupport.com/proshares](http://www.taxpackagesupport.com/proshares), register your email address and choose the Paperless option.

By choosing to eliminate paper K-1s, investor tax information will bypass the U.S. Postal Service and be delivered securely through the website. You will even be notified via e-mail the instant the K-1s are available. You will have the option of saving the electronic version of your tax information to your personal computer or printing a hard copy.

### 9. Do I have to report a Schedule K-1 if my shares were held in a non-taxable account?

The reporting responsibility of a Schedule K-1 received for Fund shares held in a non-taxable account may differ than if held in a taxable account. Therefore, please consult with your tax advisor for more information.

### 10. Will I get a K-1 if I only bought shares to cover a short position?

Covering a short position shouldn't generate a Schedule K-1. Some brokers may not distinguish between long and short positions when reporting transactions to our tax accountants. If you received a Schedule K-1 due to covering a short position, please contact Tax Package Support at 866-949-5539 for correction. Please note that our Tax Package Support staff is not qualified to give tax advice or answer questions regarding your particular tax situation.

### 11. What if the information reported in my tax package is incorrect?

The tax calculations found within the tax package you received are based on purchase and sale information obtained from brokers and various reporting sources. If the information provided by these sources is incorrect, the information reported to you, as well as the information reported to the Internal Revenue Service, may also be incorrect. If your ownership records do not agree with the transactions reported on the Ownership Schedule contained in the tax package, please contact Tax Package Support at 866-949-5539 to obtain a corrected K-1.

### 12. Is any of the allocated income Unrelated Business Taxable Income (UBTI)?

We do not expect any UBTI. If there is UBTI, it will be detailed on the Schedule K-1 in box 20 with the letter "V" indicated.

### 13. I have questions about the Schedule K-1. Where can I get help?

Shareholders with questions about the Schedule K-1 can visit each Fund's tax package support website ([www.taxpackagesupport.com/proshares](http://www.taxpackagesupport.com/proshares)) where you can:

- Sign up for an email alert to notify you when your tax package is available and eliminate paper K-1s.
- View your prior year tax schedules.
- Print your tax package, including instructions.
- Download a file of your Schedule K-1 information that can be imported into select tax software. Request changes to incorrect information.

In addition, shareholders will find contact information for our Tax Package Support staff. Please note that our Tax Package Support staff is not qualified to give tax advice or answer questions regarding your particular tax situation. Please refer these questions to your tax advisor.

### 14. ProShares investors should refer to the applicable ProShares prospectus for important tax information. Where can I obtain a prospectus?

The prospectuses for Volatility, Commodity and Currency ProShares (ProShares Trust II) may be obtained on-line at [www.proshares.com/funds/trust\\_ii\\_prospectuses.html](http://www.proshares.com/funds/trust_ii_prospectuses.html), or by contacting ProShares at 866-PRO-5125 (866-776-5125), or by writing to us at 7501 Wisconsin Avenue, Suite 1000, East Tower, Bethesda, MD 20814.

Schedule K-1 (Form 1065)

2020

Department of the Treasury Internal Revenue Service

For calendar year 2020, or tax year

beginning / / 2020 ending / /

Partner's Share of Income, Deductions, Credits, etc. See separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
B Partnership's name, address, city, state, and ZIP code
C IRS Center where partnership filed return
D Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's SSN or TIN
F Name, address, city, state, and ZIP code for partner
G General partner or LLC member-manager
H1 Domestic partner
H2 If the partner is a disregarded entity (DE), enter the partner's TIN
I1 What type of entity is this partner?
I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here
J Partner's share of profit, loss, and capital
K Partner's share of liabilities

L Partner's Capital Account Analysis
Beginning capital account
Capital contributed during the year
Current year net income (loss)
Other increase (decrease)
Withdrawals & distributions
Ending capital account

M Did the partner contribute property with a built-in gain or loss?
Yes No If "Yes," attach statement.

N Partner's Share of Net Unrecognized Section 704(c) Gain or (Loss)
Beginning
Ending

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

Table with 4 columns: Line number, Description, Amount, and Other information. Rows include Ordinary business income, Net rental real estate income, Other net rental income, Guaranteed payments, Interest income, Dividends, Dividend equivalents, Royalties, Net short-term capital gain, Net long-term capital gain, Collectibles gain, Unrecaptured section 1250 gain, Net section 1231 gain, Other income, Section 179 deduction, Other deductions, Self-employment earnings, etc.

21 More than one activity for at-risk purposes\*
22 More than one activity for passive activity purposes\*
\*See attached statement for additional information.

For IRS Use Only

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## 2020 SCHEDULE K-1 SUPPLEMENTAL INFORMATION

For purposes of IRC Section 163(j), IRC Section 199A, and IRC Section 461(l), none of the distributive share of items included on your Schedule K-1 are related to a trade or business. Please consult your tax advisor.

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## 2020 SCHEDULE K-1 REPORTING INSTRUCTIONS

The full 2020 Partner's Instructions for Schedule K-1 (Form 1065), as produced by the Internal Revenue Service (IRS), is available at: <https://www.irs.gov/pub/irs-pdf/i1065sk1.pdf> and on the investor support website at: [www.taxpackagesupport.com/proshares](http://www.taxpackagesupport.com/proshares).

<b>Box Number / Item</b>	<b>Where to report or where to find further reporting information. Page numbers refer to this instruction.</b>
5. Interest income	Form 1040 or 1040-SR, line 2b  % of the amount of interest income included on your Schedule K-1 is from US Government obligations.
8. Net short-term capital gain (loss)	Schedule D (Form 1040), line 5
11. Other income (loss)	
Code C. Section 1256 contracts & straddles	Form 6781, line 1
13. Other deductions	The Portfolio Deductions from investing activities, if any, are non-deductible for certain taxpayers, including individuals, and would reduce your tax basis in the partnership. Please consult your tax advisor.
Code W. Other deductions	See page 12 of the IRS Instructions
20. Other information	
Code A. Investment income	Form 4952, line 4a
Code B. Investment expenses	Form 4952, line 5

**2020  
OWNERSHIP  
SCHEDULE**

TAXPAYER NAME:  
TAXPAYER ACCOUNT NUMBER:  
TAXPAYER FEDERAL ID:  
CUSTODIAL TAX ID:  
TRUST FEDERAL ID:

Receipt of a 2020 Ownership Schedule is NOT proof of ownership.

This schedule contains a summary of your beginning of year ownership in the ProShares ETF as well as any trades made during the tax year through December 31, 2020. It does not reflect information for other investments (including other ProShares investments) you may have. Ownership information was provided from your broker's or nominee's records.

This Ownership Schedule has been used to calculate your allocable share of income, expenses and capital gains (short term and long term) reported on the K-1. If your records do not agree with the information reported on this Ownership Schedule, then the amounts reported on the K-1 and Sales Schedule may also be incorrect.

If you find an error or incomplete information please contact us by May 31, 2021 to make the necessary changes to this schedule. You may do this in one of three ways:

- 1) Contact the investor support team at 1-866-949-5539. A representative will assist you in making the necessary changes and a revised tax package will be sent to you.
- 2) Visit the investor support website at [www.taxpackagesupport.com/proshares](http://www.taxpackagesupport.com/proshares) where you can view your tax package and make changes online.
- 3) Make changes directly on the Ownership Schedule (including any explanations), sign and date the schedule in the designated area. Please remember to include a daytime phone number where you can be reached. Then, mail or fax the updated schedule as instructed below. Your tax information will be updated and a revised tax package will be sent to you.

If you sold Shares during 2020, this Ownership Schedule assumes that you had a unified basis in your partnership interest and any shares sold are from a prorated amount of each acquisition reflecting the unified basis in the disposed partnership interest.

If the Ownership Schedule is the only schedule containing information, then the ownership history that the Trust received from the broker or nominee for your account is inaccurate or incomplete. Please contact our investor support team at 1-866-949-5539 for instructions on how to proceed.

**Investor Support Team:**  
Phone: 1-866-949-5539  
Foreign investor line: (972) 248-5396

**Investor Support Website:**  
[www.taxpackagesupport.com/proshares](http://www.taxpackagesupport.com/proshares)

**Mailing Address for Changes to Ownership Schedule:**  
ProShare Capital Management LLC  
P.O. Box 799060  
Dallas, TX 75379--9060

**Ownership Schedule Terms:**

**Transaction Description** - This is the type of transaction for the group of shares involved. The "Description" column provides the beginning of year share balance (if applicable), an abbreviation code and explanation for current year transactions, and the end of year share balance (if applicable).

**Transaction Date** - This is the date on which the current year transaction occurred as reported to the Trust by the broker or nominee.

**Shares** - This is the number of ownership interests associated with each transaction.

TRANSACTION		SHARES
DESCRIPTION	DATE	
<b>BEGINNING OF YEAR SHARES</b>		
<b>END OF YEAR SHARES</b>		



The tax information provided in this package and reflected on the schedules provided to you is based on existing federal and state laws and regulations as interpreted by the Trustee. Before undertaking any tax filing, you should both refer to the appropriate federal and state income tax laws and consult with your general tax advisor.

INVESTOR NAME:  
 ACCOUNT NUMBER:  
 INVESTOR FEDERAL ID/ENTITY:  
 CUSTODIAN FEDERAL ID:  
 TRUST FEDERAL ID:

Columns 1 & 2: This information has been provided to the Partnership by you or your broker.

Column 3: Enter this amount from your broker records and report on Form 8949, Column D.

Column 4: This amount is based on information provided to the partnership by you or your broker, or the amount used to determine your share of allocable gain or loss on this & (if applicable) prior years' Schedules K-1.

Column 5: Your Cumulative Adjustments to Basis includes your cumulative allocable partnership income, deductions, distributions, etc. & has not been adjusted for any gains recognized under §731 or §737.

Column 6: This amount is the sum of Columns 4 & 5 and represents your estimated outside basis (exclusive of liability allocations) in the disposed partnership interest.

Column 7: For your convenience, the partnership has provided the percentage of your disposed partnership shares held for greater than one year based on the transaction dates provided by you or your broker. Consult your tax advisor for proper treatment of varying holding periods of your disposed partnership interests.

	1	2	3	4	5	6	7
	SHARES SOLD	SALE DATE	SALES PROCEEDS	PURCHASE PRICE / INITIAL BASIS AMOUNT	CUMULATIVE ADJUSTMENTS TO BASIS	COST BASIS	PERCENTAGE LONG TERM
<b>TOTALS</b>							
<b>REFERENCES</b>			<b>FORM 8949 COLUMN D</b>			<b>FORM 8949 COLUMN E</b>	

The details of each individual transaction can be viewed online at [www.taxpackagesupport.com/proshares](http://www.taxpackagesupport.com/proshares).

If you disposed of your partnership interest during 2020, this Sales Schedule is provided to assist you in the calculation of your gain or loss as a result of your disposition. IRS Revenue Ruling 84-53 provides that a partner has a single unified basis in their partnership interest. If you acquired your partnership interest through various purchases, each row on the schedule above includes a prorated amount of each acquisition reflecting the unified basis of the disposed partnership interest. The partnership has provided this schedule solely as a courtesy. Basis information is not reported to the Internal Revenue Service by the partnership. Each partner must make their own determination of the amount of basis to be associated with the partnership interest that was sold during the year. Please consult your tax advisor to obtain advice on how this determination should be made. If you notified the partnership that you used an alternate basis disposition method, the schedule above will generally yield a result that is not consistent with IRS Revenue Ruling 84-53.

Gain or loss from the sale of your partnership interest is not effectively connected income for the purposes of IRC 864(c)."

**DO NOT INCLUDE THIS SCHEDULE WITH YOUR FEDERAL OR STATE INCOME TAX RETURNS SEE TAX INSTRUCTIONS FOR ADDITIONAL INFORMATION**

