

Part 2A of Form ADV: Firm Brochure



Khronos LLC

41 Madison Avenue 31st Floor

New York, New York 10010

Tel: (212) 763-8800

www.khronos.com

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This brochure provides information about the qualifications and business practices of Khronos LLC ("Khronos"). If you have any questions about the contents of this brochure, please contact us at (212) 763-8800 and/or compliance@khronos.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Additional information about Khronos LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Any reference to Khronos LLC as a "registered investment adviser" or as being "registered," does not imply a certain level of skill or training.

This document is not an advertisement for the advisory services of Khronos, nor an offer to sell or the solicitation of an offer to purchase interests in any fund managed by Khronos.

Item 2 - Material Changes

Other than the change of address, there have been no material changes to this brochure since the last update on March 26, 2019.

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Item 4 - Advisory Business

Khronos LLC ("Khronos") is a New York limited liability company that was formed on December 17, 2001. The principal owner is Rafael Mayer, Managing Director and Portfolio Manager for the Khronos Funds.

Khronos provides discretionary investment advice to private investment vehicles that are primarily owned by the Managing Director, family members and their affiliated entities, as well as close associates and their affiliates. Khronos advises the following private investment vehicles (collectively, together with investment vehicles we may form in the future, the "Funds");

- Khronos Liquid Opportunities Fund Ltd. ("KLOF Ltd.");
- Liquid Opportunities Fund (US), a segregated series of Khronos Group LLC ("KLOF U.S." and with KLOF Ltd., the "KLOF Feeders");
- Khronos LOF Holdings LLC, a private investment vehicle through which the KLOF Feeders invest ("KLOF Master," and collectively with the KLOF Feeders, the "KLOF Funds");
- Khronos Debt Opportunities Fund II, Ltd. ("KDOF II");
- Khronos Credit Opportunities Fund (US) LP ("KCOF U.S.");
- Khronos Credit Opportunities Fund (Cayman) LP ("KCOF Cayman" and together with KCOF U.S., the "KCOF Feeders");
- Khronos COF Holdings LP, a private investment vehicle through which the KCOF Feeders invest ("KCOF Master" and collectively with the KCOF Feeders, the "KCOF Funds"); and
- Khronos COF Series 2 Holdings LLC, a private investment vehicle through which the KCOF Funds invest.

At this time, only the KLOF Funds are open for new subscriptions and the opportunity to invest is generally limited to the Managing Director, family members and their affiliated and related entities, and close associates and their affiliates.

Khronos manages the Funds in a manner consistent with the investment strategy described in the Funds' offering documents. Investment advice is provided directly to the Funds and Khronos does not permit investors in the Funds to impose limitations on the investment activities described in the offering documents. Any investment restrictions applicable to the Funds are set forth in the organizational or offering documents of each respective fund. The Funds are also referred to in this brochure as "clients."

As of December 31, 2019, Khronos had approximately \$186,362,130 in regulatory assets under management, all of which are managed on a discretionary basis.

Item 5 - Fees and Compensation

All of our clients are “qualified purchasers” (as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the “1940 Act”)), and as such a schedule of our fees is not included in this brochure. Our fees and compensation are described in the advisory contracts we enter into with the Funds and/or each Fund’s offering memorandum, as applicable.

As compensation for its advisory services, Khronos receives a management fee which is deducted from the Funds. The management fee is generally not negotiable, although Khronos retains the discretion to waive fees for one or more investors, in whole or in part, without notification to other investors.

In addition to the management fee, each Fund is directly or indirectly responsible for its own expenses associated with the operations of the Fund. Such expenses include operational expenses; transaction costs and brokerage expenses; legal, accounting, auditing, tax preparation, and administration fees and expenses; and expenses related to the ongoing offering of its shares or interests, if applicable; as well as other similar fees and expenses as set forth in more detail in each Fund’s offering memorandum and/or governing documents.

In addition to the fees and expenses discussed above, due to the fact that we also allocate the Funds’ capital to private investment funds and accounts that are managed by other investment managers (including registered investment companies) and may also allocate a portion of the Funds’ capital to money market funds or exchange-traded funds, investors will indirectly incur additional similar fees and expenses, as these funds and accounts in turn pay similar fees to their investment managers and other service providers. A Fund may be subject to performance-based fees or allocations to the managers of the private investment funds and accounts in which it invests, even if the Fund, as a whole, experiences a loss.

Some Funds pay management fees in advance and some pay management fees in arrears, as set forth in each Fund’s offering memorandum and governing documents. Once paid, management fees that are paid in advance are not refundable if the advisory contract is terminated prior to the end of a payment period.

Neither our firm nor our supervised persons accepts compensation for the sale of securities or other investment products.

Item 6 - Performance-Based Fees and Side-By-Side Management

Khronos or Khronos GP II LLC, an affiliated entity, receive performance-based fees or allocations from the Funds that are based on a percentage of the capital appreciation of their assets. Performance-based fees or allocation arrangements create an incentive for us to recommend investments that may be riskier or more speculative than would be the case under a different fee or allocation arrangement. The specific terms of the performance-based fees and allocations may differ among the various Funds. This results in a potential conflict of interest when we provide investment advice to the Funds because there is an incentive to allocate investment opportunities to Funds that have higher performance-based fees and allocations.

To the extent that an investment opportunity is appropriate for more than one Fund or investment vehicle we may form in the future, we will follow documented procedures which do not take into account the performance-based fees and allocations to which the Funds are subject in order to avoid such a conflict of interest. Such procedures generally require that we allocate limited investment opportunities that could reasonably be expected to fit the investment objectives of multiple clients in a manner we believe to be as fair and equitable as possible taking into consideration a number of factors, including, but not limited to: each client’s investment objectives and restrictions, capital available for investment, liquidity requirements, volatility objectives, and tax or legal considerations. Application of these factors may

result in different allocation decisions for different clients and may not result in a pro rata allocation of an investment opportunity among all clients or all clients with similar investment objectives and restrictions.

Item 7 - Types of Clients

Khronos provides investment advice to private investment funds. Investors in the Funds are generally institutional investors and high net worth individuals that satisfy eligibility standards under applicable securities laws. The minimum investment in the KLOF Funds is generally \$250,000, subject to our discretion (or the discretion of the directors in the case of KLOF Ltd.) to accept lesser amounts.

Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis and Investment Strategies Generally

KLOF invests in a liquid portfolio composed primarily of cash, cash equivalents, publicly traded securities and investments in externally managed investment pools (managed by independent portfolio managers), managed accounts and co-investments that provide annual (or more frequent) liquidity, other than in certain extraordinary circumstances, such as the imposition of a gate.

With respect to externally managed investment pools, the independent portfolio managers may employ a variety of investment strategies and techniques in any geographic region, including, but not limited to, equity (long/short, long, market independent); event driven (risk arbitrage, special situations); credit; distressed; global macro; futures trading; emerging markets; or tactical trading.

Khronos selects and allocates among investment strategies and potential investments through a dynamic process that incorporates a macro-economic top-down view, an ongoing review of strategies based on factors including, but not limited to, correlation, strategy outlook, volatility, directionality, liquidity and level of transparency associated with a particular strategy. With respect to externally managed investment pools, we also consider the following:

- experience and background of key personnel;
- investment style and process;
- portfolio composition and liquidity of the portfolio assets;
- quantitative analysis of performance, exposures, volatility and correlation with peers and broader indices;
- risk management techniques;
- offering documentation and financial statement review;
- our past experience or due diligence with respect to a Portfolio Manager or fund family; and
- operational capabilities.

Certain Risks Associated with Methods of Analysis and Investment Strategies

Investing is speculative and involves significant risks, including the risk of total loss of invested capital. The following information is not intended to be a summary of all the risks associated with an investment in the Fund, but rather some specific risks associated with our strategy and the securities in which we typically invest which we believe are important for investors to consider. Investors should carefully review the expanded summary of risks in the Fund's offering memorandum.

There are special risks that are associated with a "fund-of-funds" (externally managed investment pools) investment approach, some of which are summarized below.

Lack of Control

Khronos does not control the individual investments made by independent portfolio managers, their choice of investments and other investment decisions. In addition, we generally do not control the

selection of the financial institutions used by the portfolio managers for transactional or custodial services. There can be no assurances that such investments will be successful or will not result in substantial losses.

Limited Information

The externally managed investment pools in which we invest are subject to limited regulation, disclosure and reporting requirements. We may not always be provided with detailed information regarding their holdings and performance.

Monitoring Managers

If a portfolio manager does not operate in accordance with its investment strategy or guidelines, or if the information furnished by a portfolio manager is not accurate, the Fund may sustain losses with respect to its investment despite our efforts to monitor the investment.

Multi-Manager Investing

Portfolio managers selected to manage Fund assets invest independently of one another. Portfolio managers may take positions on behalf of a Fund which are the same as, or opposite from, positions taken by other portfolio managers. To the extent that the portfolio managers hold economically offsetting positions, a Fund, taken as a whole, may not achieve any gain or loss despite incurring expenses.

Inadvertent Concentration

There can be no assurance that the selection of multiple externally managed investment pools or portfolio managers will result in an effective diversification of investment styles. In addition, different portfolio managers acting separately may each acquire significant positions in the same investment, resulting in an inadvertent concentration by the Fund in such investment. Such concentration may subject the investments of the Fund to more rapid changes in value than would be the case if the assets of the Fund were more widely diversified.

Limited Liquidity of Portfolio Funds

The externally managed investment pools in which we invest may have restrictions in their governing documents that limit the ability to withdraw capital from or invest in these entities, including lock up periods and withdrawal gates. They may also have the ability to designate certain assets as illiquid and restrict redemptions with respect to such assets. Such restrictions may limit the Fund's flexibility to reallocate assets among underlying investments or to honor a withdrawal request on a timely basis. In addition, if an externally managed investment pool imposes a withdrawal gate, the Fund's ability to withdraw such investment shall be subject to certain limitations and the Fund will not be able to withdraw such investment on the usual terms.

Layering of Fees

As described above, in addition to the fees and expenses incurred directly by the Fund, investors will indirectly incur additional similar fees and expenses as the externally managed investment pools in turn pay similar fees to their investment managers and other service providers.

Valuation

Khronos relies on valuations provided by the externally managed investment pools or their third-party administrators. There is no assurance that such valuations will be correct.

Business Dependent upon Key Individuals

Khronos makes all investment decisions on behalf of the Funds. There is no guarantee that the Managing Director of Khronos will continue to be available to manage the Funds.

Risks of Investing in Exchange Traded Funds ("ETFs")

ETF shareholders are subject to risks similar to those of holders of other diversified portfolios. A primary consideration is that the general level of stock or bond prices may decline, thus affecting the value of an equity or fixed income exchange traded fund, respectively. Moreover, the overall depth and liquidity of the secondary market for the ETFs may fluctuate. Although ETFs are designed to provide investment results

that generally correspond to the price and yield performance of their respective underlying indexes, ETFs may not be able to exactly replicate the performance of the indexes because of their expenses and other factors.

Other Risks

In general, our investment strategies involve significant risks, including risks associated with investments in general, investments in illiquid securities and derivatives, the practice of short selling, general economic conditions, and other risks.

Item 9 - Disciplinary Information

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of Khronos' advisory business.

Item 10 - Other Financial Industry Activities and Affiliations

Neither Khronos, nor any of our management persons are registered, or have an application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

None of our related persons are among any of the following types of entities:

- broker-dealer, municipal securities dealer, or government securities dealer or broker
- other investment adviser or financial planner
- futures commission merchant, commodity pool operator, or commodity trading advisor
- banking or thrift institution
- accountant or accounting firm
- lawyer or law firm
- insurance company or agency
- pension consultant
- real estate broker or dealer
- sponsor or syndicator of limited partnerships.

The Funds are pooled investment vehicles that are deemed to be our related persons. In addition, Khronos GP II LLC, an affiliated entity, acts as the general partner of the KCOF Funds which are organized as limited partnerships.

The management of Funds results in conflicts of interests when we and our related persons allocate time and investment opportunities among the Funds. In addition, the compensation earned by us and our related persons from each of the Funds may differ from one another. If necessary, we and our related persons will generally follow documented procedures in allocating trades among the Funds.

The Managing Director (and/or other related persons) may have a greater portion of their personal assets invested in certain of the Funds than in the others. As a result, this creates a conflict of interest in allocating investment opportunities among the Funds. This is not currently applicable to Khronos. Should a need to allocate trades among Funds or other client accounts arises in the future, appropriate allocation policies would be implemented.

Khronos does not receive any compensation, directly or indirectly, from the independent portfolio managers selected for the Funds. However, from time to time, members of our investment team may sit on the board of directors or advisory board of an externally managed investment pool for which they receive compensation for acting in such capacity. It is our policy that any such compensation be given to the relevant Fund, or alternatively the management fees paid to Khronos by such Fund may be reduced to offset this compensation. While we believe such positions are beneficial to our clients by providing us with a better understanding of the externally managed investment pool and its portfolio manager, a board member's fiduciary duty to the pool may occasionally conflict with the interests of our Funds. In such

situations, the members of our investment team that serve on such boards may seek a resolution of the conflict (which may be based on advice of outside counsel) or abstain from participating in any votes or other determinations.

Khronos owns a minority economic interest in an investment adviser that provides investment management and research services to the KLOF Funds. Khronos shares in a portion of the fees paid and allocations made to such portfolio managers indirectly from the Funds. The management fees and performance-based fees paid, and the allocations made, to us by the Funds will not be reduced or offset as a result of our share in the fees paid and allocations made to such portfolio managers indirectly from the Funds. As a result, we face a conflict of interest if we determine to allocate a Fund's capital to such portfolio managers, since we will share in a portion of the fees paid or allocations made in addition to the fees paid and allocations made to us directly from the Funds.

Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Khronos has adopted a Code of Ethics which is designed to ensure that we conduct our business in accordance with all applicable laws and regulations and in an ethical and professional manner. In addition, our Code of Ethics governs all personal securities transactions by our employees and certain policies relating to the protection of material non-public information about securities transactions and our clients. Employees are provided with a copy of the Code of Ethics and are required to sign and acknowledge that they will comply with its provisions on an annual, or as amended, basis.

Employees must seek consent from the Compliance Officer before trading securities of issuers that are included on our "Restricted List" in any personal accounts. Employees must also obtain the prior approval from the Compliance Officer before engaging in (i) a direct or indirect acquisition of beneficial ownership in a security in an initial public offering; or (ii) a direct or indirect acquisition of beneficial ownership in a security in a limited offering (which includes any offering of securities that is exempt under the Securities Act of 1933, as amended, such as interests in hedge funds or other pooled investment vehicles, restricted securities, private placements, *etc.*).

We will provide a copy of our Code of Ethics to any client, prospective client, investor or prospective investor upon request.

Given the current status of the Funds managed by Khronos (only one actively managed at this time), the conflicts that arise when securities must be allocated across more than one client account is not applicable. Should this become applicable in the future, appropriate policies and procedures will be implemented.

Khronos allocates a portion of KLOF's capital to separately managed accounts that are wholly owned and controlled by Khronos, but which are managed on a discretionary basis by an independent investment adviser pursuant to managed account agreements. Khronos does not receive any economic benefit for KLOF's investment in these accounts. The investment management fees are paid to the independent investment adviser entity.

Khronos does not engage in transactions between client accounts that we manage (*i.e.* "cross trades" or "principal transactions").

Item 12 - Brokerage Practices**Selection of Brokers**

When selecting brokers or dealers to execute transactions, Khronos will seek to ensure that the execution terms of any transaction are the most favorable under the circumstances. In general, achieving best execution means obtaining the best net results so that the Client's costs or amounts received are most favorable under all of the circumstances. Consistent with its duty to seek best execution, Khronos considers many different factors in select broker/dealers for Client transactions, including, but not limited to: the price of the security; the size and difficulty of the order; and the broker/dealer's integrity and reputation, quality of service, ability to obtain timely execution, creditworthiness, overall relationship with Khronos, reliability, financial stability, experience in handling similar transactions, overall responsiveness and execution policies and commitment to providing best execution. Khronos is not required to solicit competitive bids and does not have an obligation to seek the lowest available commission or other transaction cost.

Research and Other Soft Dollar Benefits

Khronos does not have any formal soft dollar arrangements in place. Our policy is not to use commissions generated by trading for client accounts to pay for third party research services.

To the extent we utilize brokerage services, we have taken into account the quality, comprehensiveness and frequency of available research and brokerage services considered to be of value provided by brokers. Although we realize this creates an incentive for us to select certain broker-dealers when directing Fund transactions, we direct Fund transactions to such brokers only consistent with best execution.

Khronos does not use brokerage relationships for client referrals nor do our clients direct us to execute transactions through a specified broker-dealer.

Aggregation Across Client Accounts

Given that Khronos only has one actively managed fund at this time, aggregation is not currently applicable. In the event this changes in the future, appropriate policies and procedures will be implemented.

Item 13 - Review of Accounts

The Managing Director is responsible for determining whether the securities (or other financial instruments) held by each Fund are consistent with the Fund's applicable investment objective and guidelines, as set forth within its Offering Memorandum and governing documents. The Funds' investments are evaluated periodically based on various factors, including asset allocation, portfolio construction, cash management, macroeconomic and market outlook, portfolio exposure, concentration of investments and such other considerations as we deem appropriate.

There are generally no specific events that automatically trigger reviews of the Funds' portfolios on a basis other than periodically.

We generally furnish investors in the Funds with written unaudited capital statements on a periodic basis. On an annual basis, investors receive a copy of the relevant Fund's annual audited financial statements and, where applicable, a statement of taxable income.

We provide certain investors access to more frequent and/or more detailed information regarding the Funds' securities positions, performance, finances, and management and/or other information about the Funds or us, possibly enabling such investors to better assess the prospects and performance of the Funds.

Item 14 - Client Referrals and Other Compensation

Members of the investment team may earn compensation in exchange for serving on advisory boards or boards of directors of externally managed investment pools. Any such compensation will be for the benefit of the Funds as described above. Other than the foregoing, Khronos and its employees do not receive any economic benefits, such as sales awards or other incentives, from third parties in relation to services provided to client accounts nor does Khronos compensate any person for client referrals.

Item 15 - Custody

Together with Khronos GP II LLC (the general partner of KCOF), Khronos is authorized to withdraw funds or securities from the Funds for the payment of management fees and other expenses, and our capacities as investment manager and general partner afford us overall access to Fund securities and funds. As a result of this access and authority, we are deemed to have custody of client funds and securities within the meaning of the Advisers Act.

In order to comply with the custody rule, annual financial statements of the Funds are prepared in accordance with GAAP, audited by an independent accounting firm registered with the Public Accounting Oversight Board and distributed to all investors within 180 days of a Fund's fiscal year end.

Item 16 - Investment Discretion

Khronos has discretionary authority to manage securities accounts on behalf of the Funds. The investors in the Funds generally may not place any limits on our authority beyond the limitations set forth in the offering and governing documents of the Funds.

Item 17 - Voting Client Securities

For the externally managed investment pools and other similar vehicles in which the Funds invest, it is expected that proxies received by Khronos which require voting or other action will deal with matters related to the operative terms and business details of the vehicles in which the Funds invest or have obtained by way of in kind distribution from such vehicles. Khronos is not responsible for voting proxies received by the independent portfolio managers. In addition, Khronos does not vote proxies for any direct securities held in the Khronos funds.

Upon a request by a client, we will disclose to clients or investors how we voted securities it owned. Clients and investors may also contact us via e-mail or telephone to request a copy of our proxy voting policies and procedures.

Item 18 - Financial Information

Not applicable.