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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 001-39634

Foghorn Therapeutics Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**47-5271393**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
500 Technology Square, Ste 700 Cambridge MA	**02139**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: 617-586-3100

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.0001 par value per share	FHTX	The Nasdaq Global Market

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 x No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes x No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	x	Smaller reporting company	x
		Emerging growth company	x

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 Exchange Act). Yes ☐ No x

As of July 29, 2022, the registrant had 41,637,407 shares of common stock, $0.0001 par value per share, outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that are based on management's beliefs and assumptions and on information currently available to management. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q are forward-looking statements. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expect," "plan," "anticipate," "could," "intend," "target," "project," "contemplate," "believe," "estimate," "predict," "potential" or "continue" or the negative of these terms or other similar expressions, although not all forward-looking statements contain these words. Forward-looking statements include, but are not limited to, statements concerning:

- the initiation, timing, progress and results of our research and development programs, preclinical and clinical studies, including the potential resolution of the partial clinical hold and anticipated timing of release of initial clinical data;
- our ability to advance any product candidates that we may develop and to successfully complete preclinical and clinical studies;
- our ability to leverage our initial programs to develop additional product candidates using our Gene Traffic Control platform;
- the impact of the COVID-19 pandemic on our and our collaborators' business operations, including our research and development programs and preclinical and clinical studies, as well as recent geopolitical instability and other developments that may negatively impact the ability to utilize contract development and manufacturing organizations, or CDMOs, and contract research organizations, or CROs, that are located outside of the United States;
- developments related to our competitors and our industry;
- our ability to expand the target populations of our programs and the availability of patients for clinical testing;
- our ability to obtain regulatory approval for FHD-286, FHD-609, and any future product candidates from the U.S. Food and Drug Administration, or FDA, and other regulatory authorities;
- our ability to identify and enter into future license agreements and collaborations;
- our ability to continue to rely on our CDMOs or CROs for our manufacturing and research needs;
- regulatory developments in the United States and foreign countries;
- our ability to attract and retain key scientific and management personnel; and
- the scope of protection we are able to establish, maintain and enforce for intellectual property rights covering FHD-286, FHD-609, our future products and our Gene Traffic Control® platform.

The forward-looking statements in this Quarterly Report on Form 10-Q are only predictions and are based largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. These forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q and are subject to a number of known and unknown risks, uncertainties and assumptions, including those described under the section entitled "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 and in this Quarterly Report on Form 10-Q. Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified and some of which are beyond our control, you should not rely on these forward-looking statements as predictions of future events. Moreover, we operate in an evolving environment. New risks and uncertainties may emerge from time to time, and it is not possible for management to predict all risks and uncertainties. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

Foghorn Therapeutics Inc.
Condensed Consolidated Balance Sheets
(In thousands, except share and per share amounts)
(Unaudited)

	June 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 61,206	$ 101,136
Marketable securities	333,523	53,153
Collaboration receivable	—	300,000
Prepaid expenses and other current assets	5,337	5,273
Total current assets	400,066	459,562
Property and equipment, net	16,459	17,563
Restricted cash	1,733	1,733
Other assets	2,377	2,400
Operating lease right-of-use assets	36,265	38,516
Total assets	$ 456,900	$ 519,774
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 3,635	$ 3,819
Accrued expenses and other current liabilities	8,096	9,562
Operating lease liabilities	5,669	6,994
Deferred revenue	30,565	28,317
Total current liabilities	47,965	48,692
Operating lease liabilities, net of current portion	49,143	51,338
Deferred revenue, net of current portion	312,072	322,730
Other liabilities	88	143
Total liabilities	409,268	422,903
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Preferred stock, $0.0001 par value; 25,000,000 shares authorized at June 30, 2022 and December 31, 2021; no shares issued and outstanding at June 30, 2022 and December 31, 2021	—	—
Common stock, $0.0001 par value; 175,000,000 shares authorized at June 30, 2022 and December 31, 2021; 41,627,912 shares issued and outstanding at June 30, 2022 and 41,299,720 shares issued and outstanding at December 31, 2021	4	4
Additional paid-in capital	369,300	361,133
Accumulated other comprehensive loss	(3,189)	(10)
Accumulated deficit	(318,483)	(264,256)
Total stockholders' equity	$ 47,632	$ 96,871
Total liabilities and stockholders' equity	$ 456,900	$ 519,774

The accompanying notes are an integral part of these condensed consolidated financial statements.

Foghorn Therapeutics Inc.
Condensed Consolidated Statements of Operations and Comprehensive Loss
(In thousands, except share and per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Collaboration revenue	$ 4,490	$ 279	$ 8,410	$ 565
Operating expenses:				
Research and development	25,974	18,642	50,482	37,368
General and administrative	7,704	4,898	14,920	9,588
Total operating expenses	33,678	23,540	65,402	46,956
Loss from operations	(29,188)	(23,261)	(56,992)	(46,391)
Other income (expense):				
Interest expense	—	(495)	—	(981)
Interest income and other income (expense), net	1,875	645	2,765	1,275
Total other income, net	1,875	150	2,765	294
Net loss	$ (27,313)	$ (23,111)	$ (54,227)	$ (46,097)
Net loss per share attributable to common stockholders—basic and diluted	$ (0.66)	$ (0.63)	$ (1.31)	$ (1.25)
Weighted average common shares outstanding—basic and diluted	41,515,305	36,847,435	41,442,746	36,832,439
Comprehensive loss:				
Net loss	$ (27,313)	$ (23,111)	$ (54,227)	$ (46,097)
Other comprehensive loss:				
Unrealized losses on marketable securities	(1,995)	(16)	(3,179)	(3)
Total other comprehensive loss	(1,995)	(16)	(3,179)	(3)
Total comprehensive loss	$ (29,308)	$ (23,127)	$ (57,406)	$ (46,100)

The accompanying notes are an integral part of these condensed consolidated financial statements.

Foghorn Therapeutics Inc.
Condensed Consolidated Statements of Stockholders' Equity
(In thousands, except share amounts)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balances at December 31, 2021	41,299,720	$ 4	$ 361,133	$ (10)	$ (264,256)	$ 96,871
Issuance of common stock upon exercise of stock options and employee stock purchase plan	129,895	—	384	—	—	384
Stock-based compensation expense	—	—	3,244	—	—	3,244
Unrealized losses on marketable securities	—	—	—	(1,184)	—	(1,184)
Net loss	—	—	—	—	(26,914)	(26,914)
Balances at March 31, 2022	41,429,615	4	364,761	(1,194)	(291,170)	72,401
Issuance of common stock upon exercise of stock options and employee stock purchase plan	198,297	—	1,030	—	—	1,030
Stock-based compensation expense	—	—	3,509	—	—	3,509
Unrealized losses on marketable securities	—	—	—	(1,995)	—	(1,995)
Net loss	—	—	—	—	(27,313)	(27,313)
Balances at June 30, 2022	41,627,912	$ 4	$ 369,300	$ (3,189)	$ (318,483)	$ 47,632

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Gain (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balances at December 31, 2020	36,790,946	$ 4	$ 309,126	$ (7)	$ (162,936)	$ 146,187
Issuance of common stock upon exercise of stock options	35,829	—	62	—	—	62
Stock-based compensation expense	—	—	1,888	—	—	1,888
Unrealized gains on marketable securities	—	—	—	13	—	13
Net loss	—	—	—	—	(22,986)	(22,986)
Balances at March 31, 2021	36,826,775	4	311,076	6	(185,922)	125,164
Issuance of common stock upon exercise of stock options	34,575	—	111	—	—	111
Stock-based compensation expense	—	—	2,042	—	—	2,042
Unrealized gains on marketable securities	—	—	—	(16)	—	(16)
Net loss	—	—	—	—	(23,111)	(23,111)
Balances at June 30, 2021	36,861,350	$ 4	$ 313,229	$ (10)	$ (209,033)	$ 104,190

The accompanying notes are an integral part of these condensed consolidated financial statements.

Foghorn Therapeutics Inc.
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2022	2021
Cash flows from operating activities:		
Net loss	$ (54,227)	$ (46,097)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Stock-based compensation expense	6,753	3,930
Depreciation and amortization expense	1,630	1,556
Noncash lease expense	2,251	2,162
Noncash interest expense	—	172
Accretion of discount on marketable securities	(294)	(18)
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(41)	(87)
Collaboration receivable	300,000	—
Accounts payable	(165)	(259)
Accrued expenses and other liabilities	(1,455)	(1,699)
Operating lease liabilities	(3,520)	(725)
Deferred revenue	(8,410)	(565)
Net cash provided by (used in) operating activities	242,522	(41,630)
Cash flows from investing activities:		
Purchases of property and equipment	(611)	(3,003)
Purchases of marketable securities	(355,387)	(42,639)
Proceeds from maturities of marketable securities	72,132	119,470
Net cash provided by (used in) investing activities	(283,866)	73,828
Cash flows from financing activities:		
Proceeds from issuance of common stock upon exercise of stock options and employee stock purchase plan	1,414	173
Net cash provided by financing activities	1,414	173
Net increase (decrease) in cash, cash equivalents and restricted cash	(39,930)	32,371
Cash, cash equivalents and restricted cash at beginning of period	102,869	94,528
Cash, cash equivalents and restricted cash at end of period	$ 62,939	$ 126,899
Supplemental cash flow information:		
Cash paid for interest	$ —	$ 810
Supplemental disclosure of noncash investing and financing information:		
Purchases of property and equipment included in accounts payable and accrued expenses	$ 210	$ 75
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	$ 61,206	$ 125,166
Restricted cash (non-current)	1,733	1,733
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	$ 62,939	$ 126,899

The accompanying notes are an integral part of these condensed consolidated financial statements.

Foghorn Therapeutics Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Nature of Business and Basis of Presentation

Foghorn Therapeutics Inc. (the "Company") is a clinical-stage biopharmaceutical company discovering and developing a new class of medicines targeting genetically determined dependencies within the chromatin regulatory system. The Company uses its proprietary Gene Traffic Control platform to identify, validate and potentially drug targets within the system. The Company was founded in October 2015 as a Delaware corporation. The Company is headquartered in Cambridge, Massachusetts.

The Company is subject to risks similar to those of other early-stage companies in the biopharmaceutical industry, including dependence on key individuals, the need to develop commercially viable products, competition from other companies, many of whom are larger and better capitalized, the impact of the COVID-19 pandemic and the need to obtain adequate additional financing to fund the development of its products. There can be no assurance that the Company's research and development will be successfully completed, that adequate protection for the Company's intellectual property will be maintained, that any products developed will obtain required regulatory approval or that any approved products will be commercially viable. Even if the Company's development efforts are successful, it is uncertain when, if ever, the Company will generate significant revenue from the sale of its products.

Going concern

The accompanying condensed consolidated financial statements have been prepared on the basis of continuity of operations, realization of assets and the satisfaction of liabilities and commitments in the ordinary course of business. Since inception, the Company has funded its operations primarily with proceeds from sales of preferred stock, debt financing, an upfront payment of $15.0 million the Company received in July 2020 under a collaboration agreement with Merck Sharp & Dohme Corp. (see Note 8), proceeds from the sale of common stock in the IPO completed in October 2020 and most recently, with sale of common stock in December 2021 under the stock purchase agreement (the "Lilly SPA") with Eli Lilly and Company ("Lilly"). In January 2022, the Company received an upfront payment of $300.0 million pursuant to the collaboration agreement with Lilly (see Note 8). The Company has incurred recurring losses, including net losses of $54.2 million and $46.1 million for the six months ended June 30, 2022 and 2021, respectively. As of June 30, 2022, the Company had an accumulated deficit of $318.5 million. The Company expects to continue to generate operating losses in the foreseeable future. As of the issuance date of these interim condensed consolidated financial statements the Company expects that its cash, cash equivalents and marketable securities will be sufficient to fund its operating expenses and capital expenditure requirements for at least 12 months.

The Company will need to obtain additional funding through public or private equity offerings, debt financings, collaborations, strategic alliances and/or licensing arrangements to continue to fund its operations. The Company may not be able to obtain financing on acceptable terms, or at all, and the Company may not be able to enter into collaborative or strategic alliances or licensing arrangements. The terms of any financing may adversely affect the holdings or the rights of the Company's stockholders. Arrangements with collaborators or others may require the Company to relinquish rights to certain of its technologies or programs. If the Company is unable to obtain funding, the Company could be forced to delay, reduce or eliminate some or all of its research and development programs, pipeline expansion or commercialization efforts, which could adversely affect its business prospects. Although management will continue to pursue these plans, there is no assurance that the Company will be successful in obtaining sufficient funding in the future on terms acceptable to the Company to fund continuing operations when needed or at all.

Basis of presentation

The Company's condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") and pursuant to the rules and regulations of the United States Securities and Exchange Commission for interim financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. All intercompany accounts and transactions have been eliminated in consolidation. Any reference in these notes to applicable guidance is meant to refer to the authoritative GAAP as found in the Accounting Standards Codification ("ASC") and Accounting Standards Update ("ASU") of the Financial Accounting Standards Board ("FASB").

2. Summary of Significant Accounting Policies

The accounting policies of the Company are set forth in Note 2 to the consolidated financial statements contained in the Company's 2021 Annual Report on Form 10-K and the accounting policies followed by the Company for interim financial reporting are consistent with the accounting policies therein.

Recently issued accounting pronouncements

From time to time, new accounting pronouncements are issued by the FASB or other standard setting bodies that the Company adopts as of the specified effective date. The Company qualifies as an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012 and has elected not to "opt out" of the extended transition related to complying with new or revised accounting standards, which means that when a standard is issued or revised and it has different application dates for public and nonpublic companies, the Company can adopt the new or revised standard at the time nonpublic companies adopt the new or revised standard and can do so until such time that the Company either (i) irrevocably elects to "opt out" of such extended transition period or (ii) no longer qualifies as an emerging growth company.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. The new standard adjusts the accounting for assets held at amortized costs basis, including marketable securities accounted for as available for sale. The standard eliminates the probable initial recognition threshold and requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. For public entities, the guidance was effective for annual reporting periods beginning after December 15, 2019 and for interim periods within those fiscal years. For nonpublic entities and emerging growth companies that choose to take advantage of the extended transition period, the guidance is effective for annual reporting periods beginning after December 15, 2020. Early adoption is permitted for all entities. In November 2019, the FASB issued ASU No. 2019-10, which deferred the effective date for nonpublic entities to annual reporting periods beginning after December 15, 2022, including interim periods within those fiscal years. The Company is evaluating when to adopt this standard and the effect the adoption will have on its condensed consolidated financial statements.

3. Marketable Securities and Fair Value Measurements

As of June 30, 2022, available for sale marketable securities by security type consisted of (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. treasury notes (due within one year)	$ 11,969	$ —	$ (67)	$ 11,902
Commercial paper (due within one year)	112,753	—	(535)	112,218
Corporate notes and bonds (due within one year)	91,127	—	(862)	90,265
U.S. treasury notes (due after one year through two years)	2,985	—	(80)	2,905
Corporate notes and bonds (due after one year through three years)	117,878	1	(1,646)	116,233
Total	$ 336,712	$ 1	$ (3,190)	$ 333,523

As of December 31, 2021, available for sale marketable securities by security type consisted of (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Commercial paper (due within one year)	$ 36,246	$ —	$ (3)	$ 36,243
Corporate notes and bonds (due within one year)	16,917	—	(7)	16,910
Total	$ 53,163	$ —	$ (10)	$ 53,153

The following tables present the Company's fair value hierarchy for its assets and liabilities, which are measured at fair value on a recurring basis (in thousands):

	Fair Value Measurements at June 30, 2022 Using:			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market funds	$ 45,771	$ —	$ —	$ 45,771
Commercial paper	—	15,434	—	15,434
Marketable securities:				
U.S. treasury notes	—	14,807	—	14,807
Commercial paper	—	112,218	—	112,218
Corporate notes and bonds	—	206,498	—	206,498
Total	$ 45,771	$ 348,957	$ —	$ 394,728

	Fair Value Measurements at December 31, 2021 Using:			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market funds	$ 82,252	$ —	$ —	$ 82,252
Commercial paper	—	18,496	—	18,496
Marketable securities:				
Commercial paper	—	36,243	—	36,243
Corporate notes and bonds	—	16,910	—	16,910
Total	$ 82,252	$ 71,649	$ —	$ 153,901

During the three and six months ended June 30, 2022 and 2021, there were no transfers between Level 1, Level 2 and Level 3.

4. Property and Equipment, Net

Property and equipment, net consisted of the following (in thousands):

	June 30, 2022	December 31, 2021
Laboratory equipment	$ 5,162	$ 4,889
Furniture and fixtures	815	815
Computer equipment and software	100	100
Leasehold improvements	17,067	17,059
Assets not yet placed in service	274	30
	23,418	22,893
Less: Accumulated depreciation and amortization	(6,959)	(5,330)
	$ 16,459	$ 17,563

Depreciation and amortization expense was $0.8 million for the three months ended June 30, 2022 and 2021 and $1.6 million for the six months ended June 30, 2022 and 2021.

5. Accrued Expenses and Other Current Liabilities

Accrued expenses consisted of the following (in thousands):

	June 30, 2022	December 31, 2021
Accrued employee compensation and benefits	$ 2,765	$ 5,596
Accrued external research and development expenses	4,184	3,079
Accrued professional fees	875	495
Other	272	392
	$ 8,096	$ 9,562

6. Common Stock and Net Loss Per Share

Common Stock

Each share of common stock entitles the holder to one vote on all matters submitted to a vote of the Company's stockholders. Common stockholders are not entitled to receive dividends, unless declared by the board of directors.

Net Loss Per Share

The following common stock equivalents presented based on amounts outstanding at each period end have been excluded from the calculation of diluted net loss per share because including them would have had an anti-dilutive impact:

	June 30,	
	2022	2021
Stock options to purchase common stock	7,854,006	6,378,714
Warrants to purchase common stock	18,445	18,445
	7,872,451	6,397,159

7. Stock-Based Compensation

2016 Stock Incentive Plan

The Company's 2016 Stock Incentive Plan (the "2016 Plan") provided for the Company to grant incentive stock options or nonqualified stock options and other equity awards to employees, directors and consultants of the Company. Upon the

effectiveness of the 2020 Equity Incentive Plan (the "2020 Plan") in October 2020, the Company ceased granting additional awards under the 2016 Plan.

2020 Equity Incentive Plan

The 2020 Plan provides for the grant of incentive stock options, non-qualified options, stock appreciation rights, restricted stock awards, restricted stock units and other stock-based awards. The number of shares initially reserved for issuance under the 2020 Plan was (i) 2,200,000 shares (the "share pool"), plus (ii) the number of shares of common stock available for issuance under the 2016 Plan as of the effective date of the 2020 Plan, plus the number of shares of common stock underlying awards under the 2016 Plan that on or after the date of adoption expire or become unexercisable without delivery of shares, are forfeited to, or repurchased for cash, are settled in cash, or otherwise become available again for grant under the 2016 Plan, in each case, in accordance with its terms (up to an aggregate of 5,078,295 shares). As of June 30, 2022, 1,669,122 shares remained available for future grant under the 2020 Plan.

The share pool will automatically increase on January 1 of each year from 2021 to 2030 by the lesser of (i) four percent of the number of shares of our common stock outstanding as of the close of business on the immediately preceding December 31 and (ii) the number of shares determined by the board of directors on or prior to such date for such year. The number of shares reserved for issuance under the 2020 Plan was increased by 1,651,989 shares effective January 1, 2022.

The 2020 Plan is administered by the board of directors or, at the discretion of the board of directors, by a committee of the board of directors. The exercise prices, vesting and other restrictions are determined at the discretion of the board of directors, or its committee if so delegated. Stock options granted with service-based vesting conditions generally vest over four years and expire after ten years. The exercise price for stock options granted is not less than the fair value of common stock on the date of grant. The Company bases fair value of common stock on the quoted market price. Prior to the IPO, the board of directors determined the value the Company's common stock, taking into consideration its most recently available valuation of common stock performed by third parties as well as additional relevant factors which may have changed since the date of the most recent contemporaneous valuation through the date of grant.

2020 Employee Stock Purchase Plan

On October 21, 2020, the Company's board of directors adopted and its stockholders approved the 2020 Employee Stock Purchase Plan (the "ESPP"), which became effective on October 21, 2020. The aggregate number of shares of common stock available for purchase pursuant to the exercise of options under the ESPP is 360,000 shares, plus an automatic annual increase, as of January 1 of each year from 2021 to 2030, equal to the lesser of one percent of the number of shares of common stock outstanding as of the close of business on the immediately preceding December 31 and (ii) the number of shares determined by the board of directors on or prior to such date for such year (up to a maximum of 3,220,520 shares). The number of shares reserved for issuance under the ESPP was increased by 367,894 shares to 780,891 shares effective January 1, 2022.

The first offering period commenced under the ESPP on September 1, 2021. The Company recognized a de minimis amount of expense related to the ESPP for the three and six months ended June 30, 2022.

Stock-Based Compensation

Stock-based compensation expense was classified in the condensed consolidated statements of operations and comprehensive loss as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Research and development expenses	$ 1,586	$ 1,109	$ 3,095	$ 2,123
General and administrative expenses	1,923	933	3,658	1,807
	$ 3,509	$ 2,042	$ 6,753	$ 3,930

As of June 30, 2022, total unrecognized compensation cost related to unvested options was $38.9 million, which is expected to be recognized over a weighted average period of 2.9 years.

8. Collaboration Agreements

Lilly Collaboration Agreement and Stock Purchase Agreement

In December 2021, the Company entered into a collaboration agreement (the "Lilly Collaboration Agreement") with Lilly to create novel oncology medicines by applying Foghorn's proprietary Gene Traffic Control platform. The collaboration includes a co-development and co-commercialization agreement for the Company's selective BRM oncology target, consisting of two

programs, and one additional undisclosed oncology target (collectively, the "Joint Programs"). The collaboration also includes three additional discovery targets or programs (collectively, the "Discovery Programs") for a total of six programs directed at five targets.

With respect to the Joint Programs, the Company will lead discovery and early research activities through the successful completion of dose finding toxicity studies for the identified compound, while Lilly will lead development and commercialization activities of the identified compound with participation from the Company in development activities and 50% cost sharing until registrational clinical trials. The Company and Lilly may jointly develop and commercialize the Joint Program compound though the Company may, in its sole discretion, opt-out on a program-by-program basis of further participation in the development and commercialization efforts prior to the first registrational clinical trial. If the Company does not opt-out, Lilly and the Company will continue to share in the costs to further develop and commercialize the Joint Program compound on a worldwide basis, equally share in the U.S. profits on product sales, subject to certain adjustments and receive royalties on sales outside of the United States ("Ex-U.S.") at royalty rates ranging from low double digits to high twenties. If the Company opts-out of further development and commercialization efforts, it will have no further obligations to share in the development and commercialization costs, will receive royalties rather than profit share on U.S. sales and will receive royalties at a lower rate on Ex-U.S. sales.

With respect to the Discovery Programs, the Company will lead discovery and early research activities through the successful completion of dose finding toxicity studies for the identified compounds. The Company may, in its sole discretion, opt in on a program-by-program basis after the successful completion of dose finding toxicity to participate in the further development and commercialization efforts of the Discovery Program compounds. If the Company opts-in to the development and commercialization of the Discovery Program compounds, it will be eligible to receive milestone payments of up to $10.0 million per program upon specified research and development milestones and up to $180.0 million per program upon achievement of specified regulatory and commercial milestones and will also be eligible to share in the U.S. profits at pre-determined percentages on product sales. The Company would also be eligible to receive tiered Ex-U.S. royalty rates, calculated on a product-by-product and country-by-country basis, on net sales outside of the United States, if any, ranging from low single digits to low double digits, but less then teens. If the Company does not opt in to further development and commercialization efforts for the Discovery Programs, it will be eligible to receive milestone payments of up to $70.0 million per program upon specified research and development milestones and up to $360.0 million per program upon achievement of specified regulatory and commercial milestones per approved product, if any. The Company would also be eligible to receive tiered royalties on net sales of products worldwide at royalty rates ranging from low single digits to low double digits, but less then teens.

Lilly has the right to make substitutions for each of the five targets during the research term of each program, subject to certain limitations. Pursuant to the Lilly Collaboration Agreement, the Company will also participate in joint decision-making through the joint steering committee and subcommittees. Unless terminated earlier, the Lilly Collaboration Agreement will continue on a product-by-product basis until the expiration of all royalty obligations under the Lilly Collaboration Agreement and when neither the Company nor Lilly is developing, commercializing or manufacturing any product under the Lilly Collaboration Agreement. The Company or Lilly may terminate the Lilly Collaboration Agreement upon an uncured material breach by the other party. Lilly may also terminate the Lilly Collaboration Agreement in its entirety or on a target-by-target, program-by-program or product-by-product basis for any reason upon certain notice to the Company.

Under the terms of the Lilly Collaboration Agreement, Lilly agreed to make a nonrefundable upfront payment of $300.0 million to the Company within thirty (30) business days following the effective date of the agreement. Simultaneously with the execution of the Lilly Collaboration Agreement, the Company and Lilly entered into the Lilly SPA, pursuant to which Lilly purchased 4,000,000 shares of the Company's common stock at $20.00 per share, for an aggregate purchase price of $80.0 million.

The Company determined that the Lilly Collaboration Agreement and the Lilly SPA should be evaluated as a combined contract in accordance with ASC 606. The Company determined the fair value of the shares sold under the Lilly SPA to be $37.8 million less than the contractual purchase price stipulated in the Lilly SPA. In accordance with the applicable accounting guidance in ASC 815-40, *Contracts in Entity's Own Equity*, the Company determined that the sale of stock should be recorded at fair value and therefore allocated the excess consideration received under the Lilly SPA to the Lilly Collaboration Agreement, which along with the non-refundable payment of $300.0 million will be recognized as revenue over the total estimated period of performance.

The Company accounted for the arrangement under ASC 606 as the Company concluded it has a customer relationship with Lilly. The Company determined that (1) the research activities performed by the Company for both the Joint Programs and the Discovery Programs (2) the development activities and cost sharing for the Joint Program development efforts after dose finding toxicity until registrational clinical trials (3) the research, development, manufacture and commercialization licenses and (4) service on the joint steering committee and subcommittees represent a single performance obligation under the Lilly Collaboration Agreement. The Company determined that Lilly cannot benefit from the licenses separately from the research

activities, the development activities until registrational clinical trials and participation on the joint steering committee and subcommittees because these services are specialized and rely on the Company's expertise such that these activities are highly interrelated and therefore not distinct. Accordingly, the promised goods and services represent one combined performance obligation, and the entire transaction price was allocated to that single combined performance obligation. The performance obligation will be satisfied over time as the Company performs the research activities, participates and shares in the cost of the development activities for the Joint Programs and participates in a joint steering committee and subcommittees to oversee these activities.

The Company's options to share in further development and commercialization efforts via its opt-in/opt-out rights will be assessed and accounted for as separate units of accounting under the relevant guidance if, and when, such options are exercised by the Company.

The transaction price of $337.8 million was initially recorded as deferred revenue and is being recognized as revenue as the performance obligation is satisfied. The Company recognizes revenue using the cost-to-cost method, which it believes best depicts the transfer of control to the customer over time. Under the cost-to-cost method, the extent of progress towards completion is measured based on the ratio of actual costs incurred to the total estimated costs expected upon satisfying the identified performance obligation. Under this method, revenue is recorded as a percentage of the estimated transaction price based on the extent of progress towards completion. As of June 30, 2022, the potential research, development and regulatory milestone payments that the Company is eligible to receive were excluded from the transaction price as they were fully constrained by uncertain events. The Company will reevaluate the transaction price at the end of each reporting period and as uncertain events are resolved or other changes in circumstances occur, and if necessary, the Company will adjust its estimate of the transaction price. Any additions to the transaction price would be reflected in the period as a cumulative revenue catch-up based on the ratio of costs incurred to the total estimated costs expected applied to the revised transaction price. Sales-based royalties and milestone payments, which predominantly relate to the license, will be recognized if and when the related sales occur.

As of June 30, 2022, the aggregate amount of the transaction price related to the unsatisfied portion of the performance obligation was $329.2 million, which is expected to be recognized as revenue through 2029. The Company does not expect collaboration revenue to be recognized evenly over this period as it will be recognized on a percentage of completion basis (using cost-to-cost method) as the Company performs the research and development activities and participates on the joint steering committee and subcommittees, which will likely vary from period to period. In estimating the total costs to satisfy its single performance obligation pursuant to the Lilly Collaboration Agreement, the Company is required to make significant estimates including an estimate of the number of target substitutions Lilly may elect to make and the expected time and expected costs to fulfill the performance obligation. The cumulative effect of revisions to the total estimated costs to complete the Company's single performance obligation will be recorded in the period in which the changes are identified, and amounts can be reasonably estimated. While such revisions will have no impact on the Company's cash flows, a significant change in these assumptions and estimates could have a material impact on the timing and amount of revenue recognized in future periods and the classification of deferred revenue between short-term and long-term.

At inception, the Company assessed the Lilly Collaboration Agreement to determine whether a significant financing component exists and concluded that a significant financing component does not exist. For the three and six months ended June 30, 2022, the Company had recorded $4.2 million and $8.0 million, respectively, of revenue under the Lilly Collaboration Agreement, which was included in deferred revenue at contract inception.

As of December 31, 2021, the upfront payment of $300.0 million was recorded as collaboration receivable on the Company's consolidated balance sheets. In January 2022, the $300.0 million was collected from Lilly.

Merck Collaboration Agreement

In July 2020, the Company entered into a research collaboration and license agreement (the "Merck Collaboration Agreement") with Merck Sharp & Dohme Corp. ("Merck"). The Company and Merck will apply Foghorn's proprietary Gene Traffic Control platform to discover and develop novel therapeutics. Under the Merck Collaboration Agreement, the Company granted Merck exclusive global rights to develop, manufacture and commercialize drugs that target dysregulation of a single transcription factor. Under the terms of the Merck Collaboration Agreement, the Company and Merck are each responsible to perform certain research activities in accordance with a mutually-agreed upon research plan. Merck may substitute the selected transcription factor during certain stages of the research program, subject to certain limitations. Following completion of the research program, Merck is responsible for the development and commercialization of the compounds developed pursuant to the research program and any product containing such compounds. Pursuant to the Merck Collaboration Agreement, the Company will also participate on a joint steering committee.

Under the terms of the agreement, Foghorn received a nonrefundable upfront payment of $15.0 million from Merck, and is eligible to receive up to $245.0 million upon achievement of specified research, development and regulatory milestones by any

product candidate generated by the collaboration, and up to $165.0 million upon achievement of specified sales-based milestones per approved product from the collaboration, if any. The Company will be eligible to receive tiered royalties, calculated on a product-by-product and country-by-country basis, on net sales of approved products from the collaboration, if any, at royalty rates ranging from the mid-single digits to low tens, depending on whether the products are covered by patent rights it licenses to Merck.

Unless terminated earlier, the Merck Collaboration Agreement will continue in full force and effect until one or more products has received marketing authorization and, thereafter, until expiration of all royalty obligations under the Merck Collaboration Agreement. The Company or Merck may terminate the Merck Collaboration Agreement upon an uncured material breach by the other party or insolvency of the other party. Merck may also terminate the Merck Collaboration Agreement for any reason upon certain notice to the Company.

The Company determined that the (1) research, development, manufacture and commercialization licenses, (2) the research activities performed by the Company and (3) service on the joint committees represent a single performance obligation under the Merck Collaboration Agreement. The Company determined that Merck cannot benefit from the licenses separately from the research activities and participation on the joint steering committee because these services are specialized and rely on the Company's expertise such that these activities are highly interrelated and therefore not distinct. Accordingly, the promised goods and services represent one combined performance obligation and the entire transaction price was allocated to that single combined performance obligation. The performance obligation will be satisfied over the research term as the Company performs the research activities and participates in a joint steering committee to oversee research activities.

The upfront payment of $15.0 million was initially recorded as deferred revenue and is being recognized as revenue as the performance obligation is satisfied. The Company recognizes revenue using the cost-to-cost method, which it believes best depicts the transfer of control to the customer over time. Under the cost-to-cost method, the extent of progress towards completion is measured based on the ratio of actual costs incurred to the total estimated costs expected upon satisfying the identified performance obligation. Under this method, revenue is recorded as a percentage of the estimated transaction price based on the extent of progress towards completion. As of June 30, 2022, the potential research, development and regulatory milestone payments that the Company is eligible to receive were excluded from the transaction price as they were fully constrained by uncertain events. The Company will reevaluate the transaction price at the end of each reporting period and as uncertain events are resolved or other changes in circumstances occur, and if necessary, the Company will adjust its estimate of the transaction price. Any additions to the transaction price would be reflected in the period as a cumulative revenue catch-up based on the ratio of costs incurred to the total estimated costs expected applied to the revised transaction price. Sales-based royalties and milestone payments, which predominantly relate to the license, will be recognized if and when the related sales occur.

As of June 30, 2022, the aggregate amount of the transaction price related to the unsatisfied portion of the performance obligation is $13.5 million, which is expected to be recognized as revenue through 2028. The Company does not expect collaboration revenue to be recognized evenly over this period as it will be recognized on a percentage of completion basis (using cost-to-cost method) as the Company performs the research activities and participates on the joint steering committee, which will likely vary from period to period. In estimating the total costs to satisfy its single performance obligation pursuant to the Merck Collaboration Agreement, the Company is required to make significant estimates including an estimate of the number of transcription factor substitutions and the expected time and expected costs to fulfill the performance obligation. The cumulative effect of revisions to the total estimated costs to complete the Company's single performance obligation will be recorded in the period in which the changes are identified, and amounts can be reasonably estimated. While such revisions will have no impact on the Company's cash flows, a significant change in these assumptions and estimates could have a material impact on the timing and amount of revenue recognized in future periods and the classification of deferred revenue between short-term and long-term.

At inception, the Company assessed the Merck Collaboration Agreement to determine whether a significant financing component exists and concluded that a significant financing component does not exist. For the three months ended June 30, 2022 and 2021, the Company had recorded $0.3 million of revenue under the Merck Collaboration Agreement, which was included in deferred revenue at the beginning of the period. For the six months ended June 30, 2022 and 2021, the Company had recorded $0.4 million and $0.6 million, respectively, of revenue under the Merck Collaboration Agreement, which was included in deferred revenue at the beginning of the period.

9. Commitments and Contingencies

Leases

The Company leases office space under a non-cancelable operating lease. There have been no material changes to the Company's lease during the three months ended June 30, 2022. For additional information, see Note 11, *Leases*, to the consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

During the second quarter of 2022, the Company was given notice by its sublessee that it would terminate the sublease in accordance with its terms and vacate the subleased premises at the end of the third quarter of 2022, prior to the original expiration date of November 30, 2022.

On August 2, 2022, the Company entered into a sublease with another party (the "New Sublease") to sublease the same premises on substantially similar economic terms as under the prior sublease. The New Sublease is expected to become effective during the fourth quarter of 2022 and has an initial term of 18 months.

License agreements

The Company has entered into various exclusive and non-exclusive license agreements for certain technologies. Under the terms of these license agreements, the Company could be required to reimburse the licensors for patent expenses and remit amounts in the low single-digit as sales-based royalties upon the occurrence of specific events as outlined in the corresponding license agreements. The Company is also required to make annual license maintenance fees of less than $0.3 million and pay up to $1.1 million in regulatory milestones on each licensed product upon the occurrence of specific events as outlined in one of the license agreements. None of our product candidates utilize technologies covered by these licenses.

Indemnification agreements

In the ordinary course of business, the Company may provide indemnification of varying scope and terms to vendors, lessors, contract research organizations, business partners and other parties with respect to certain matters including, but not limited to, losses arising out of breach of such agreements or from intellectual property infringement claims made by third parties. In addition, the Company has entered into indemnification agreements with members of its board of directors and its executive officers that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is, in many cases, unlimited. The Company has not incurred any material costs as a result of such indemnifications and is not currently aware of any indemnification claims.

Legal Proceedings

From time to time, the Company may become involved in litigation or other legal proceedings. The Company is not currently a party to any material litigation or legal proceedings.

10. Defined Contribution Plan

The Company has a 401(k) defined contribution plan (the “401(k) Plan”) for its employees. Eligible employees may make pretax contributions to the 401(k) Plan up to statutory limits. There was no discretionary match made under the 401(k) Plan as of June 30, 2022 and 2021.

11. Related Parties

In October 2015, the Company entered into a five-year consulting agreement with a scientific founder of the Company who is also a board member and a shareholder. This agreement was extended to January 1, 2023 and is subject to automatic one-year renewal terms until terminated. During the three months ended June 30, 2022 and 2021, the Company paid the scientific founder a de minimis amount. During the six months ended June 30, 2022 and 2021, the Company paid the scientific founder $0.1 million. As of June 30, 2022 and December 31, 2021, the Company had no amount and less than $0.1 million, respectively, of accounts payable to the scientific founder.

12. Subsequent Events

During July 2022, the Company achieved a research milestone related to the Merck Collaboration Agreement and anticipates receiving a $5.0 million milestone payment from Merck in the third quarter of 2022.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and the related notes to those statements included elsewhere in this Quarterly Report on Form 10-Q. In addition to historical financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Some of the numbers included herein have been rounded for the convenience of presentation. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those discussed under "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 and in this Quarterly Report on Form 10-Q.

Overview

We are a clinical stage biotechnology company pioneering a new class of medicines that modulate gene expression through selectively targeting the chromatin regulatory system, an untapped opportunity for therapeutic intervention. Our proprietary Gene Traffic Control platform gives us an integrated, mechanistic understanding of how the various components of the chromatin regulatory system interact, allowing us to identify, validate and potentially drug targets within the system. Breakdowns in the chromatin regulatory system are associated with over 50 percent of all cancers. Addressing these breakdowns could potentially provide therapies for over 2.5 million patients globally. Consequently, we are initially focused in oncology. We are developing FHD-286, a selective, allosteric ATPase inhibitor that is currently being evaluated in two separate Phase 1 studies in (i) metastatic uveal melanoma (currently recruiting patients) and (ii) relapsed and/or refractory acute myeloid leukemia, or AML and myelodysplastic syndrome, or MDS (currently on partial clinical hold). We are developing FHD-609, a targeted protein degrader that is currently being evaluated in a Phase 1 study in synovial sarcoma. Our vision is to use our Gene Traffic Control platform to discover and develop drugs in oncology and other therapeutic areas, including virology, autoimmune disease and neurology.

Since our inception in October 2015, we have focused substantially all of our resources on building our Gene Traffic Control platform, organizing and staffing our company, business planning, raising capital, conducting discovery and research activities, protecting our trade secrets, filing patent applications, identifying potential product candidates, undertaking preclinical studies and clinical trial activities, establishing arrangements with third parties for the manufacture of initial quantities of our product candidates and component materials and initiating two strategic collaborations. We do not have any products approved for sale and have not generated any revenue from product sales.

On October 27, 2020, we completed our initial public offering, or IPO, pursuant to which we issued and sold 7,500,000 shares of our common stock at a public offering price of $16.00 per share, resulting in net proceeds of $107.9 million, after deducting underwriting discounts and commissions and other offering expenses. On November 19, 2020, we issued and sold an additional 951,837 shares of common stock at the IPO price of $16.00 per share pursuant to the underwriters' partial exercise of their option to purchase additional shares of common stock, resulting in additional net proceeds of $14.2 million after deducting underwriting discounts and commissions. Prior to our IPO, we funded our operations with proceeds from sales of preferred stock, term loans and an upfront payment of $15.0 million we received in July 2020 under our collaboration agreement with Merck Sharp & Dohme Corp., or Merck.

On December 10, 2021, we entered into a collaboration agreement, or the Lilly Collaboration Agreement, with Eli Lilly and Company, or Lilly, for which we received an upfront payment of $300.0 million in January 2022 (see Note 8 to our notes to unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q). Concurrent with the Lilly Collaboration Agreement, we also entered into a stock purchase agreement, or the Lilly SPA, and issued and sold Lilly 4,000,000 shares of our common stock at a price of $20.00 per share, resulting in net proceeds of $80.0 million, of which $42.2 million was allocated to equity upon the issuance of the Company's common stock.

We have incurred significant operating losses since our inception. For the six months ended June 30, 2022 and the year ended December 31, 2021, we reported net losses of $54.2 million and $101.3 million, respectively. As of June 30, 2022, we had an accumulated deficit of $318.5 million. We expect to continue to incur significant expenses and increasing operating losses for at least the next several years. Our ability to generate any product revenue or product revenue sufficient to achieve profitability will depend on the successful development and eventual commercialization of one or more product candidates we are developing and may develop.

We expect that our expenses and capital requirements will increase substantially in connection with our ongoing activities, particularly if and as we:

- advance our FHD-286 and FHD-609 product candidates and continue our preclinical development of product candidates from our current research programs;
- identify additional research programs and additional product candidates;
- initiate preclinical testing for any new product candidates we identify and develop;
- obtain, maintain, expand, enforce, defend and protect our trade secrets and intellectual property portfolio and provide reimbursement of third-party expenses related to our patent portfolio;
- hire additional research and development personnel;
- add operational, legal, compliance, financial and management information systems and personnel to support our research, product development and operations;
- expand the capabilities of our platform;
- acquire or in-license product candidates, intellectual property and technologies;
- operate as a public company;
- seek marketing approvals for any product candidates that successfully complete clinical trials; and
- ultimately establish a sales, marketing and distribution infrastructure to commercialize any products for which we may obtain marketing approval.

We will not generate revenue from product sales unless and until we successfully commercialize one of our product candidates, after completing clinical development and obtaining regulatory approval. If we obtain regulatory approval for any of our product candidates, we expect to incur significant expenses related to developing our commercialization capability to support product sales, marketing, manufacturing and distribution. Further, we expect to incur additional costs associated with operating as a public company.

As a result, we will need substantial additional funding to support our continuing operations and pursue our growth strategy. Until such time as we can generate significant revenue from product sales, if ever, we expect to finance our operations through a combination of equity offerings, debt financings and collaborations or licensing arrangements and our collaboration agreements with Merck and Lilly. We may be unable to raise additional funds or enter into such other agreements or arrangements when needed on favorable terms, or at all. If we fail to raise capital or enter into such agreements as, and when, needed, we may have to significantly delay, scale back our development or commercialization plans for one or more of our product candidates.

Because of the numerous risks and uncertainties associated with pharmaceutical product development, we are unable to accurately predict the timing or amount of increased expenses or when, or if, we will be able to achieve or maintain profitability. Even if we are able to generate product sales, we may not become profitable. If we fail to become profitable or are unable to sustain profitability on a continuing basis, then we may be unable to continue our operations at planned levels and be forced to reduce or terminate our operations.

COVID-19

In March 2020, COVID-19 was declared a global pandemic by the World Health Organization, and to date the COVID-19 pandemic continues to present a substantial public health and economic challenge around the world. The length of time and full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations and financial condition will depend on future developments that are highly uncertain, subject to change and are difficult to predict. While we continue to conduct our research and development activities, the COVID-19 pandemic may cause disruptions that affect our ability to initiate and complete preclinical studies, ongoing and future clinical trials or to procure items that are essential for our research and development activities.

We plan to continue to closely monitor the ongoing impact of the COVID-19 pandemic on our employees and our business operations. In an effort to provide a safe work environment for our employees, we have, among other things, increased the cadence of sanitization of our office and lab facilities, implemented various social distancing measures in our office and labs including replacing in-person meetings with virtual interactions, and are providing personal protective equipment for our employees present in our office and lab facilities. We expect to continue to take actions as may be required or recommended by government authorities or as we determine are in the best interests of our employees and other business partners in light of the pandemic.

Components of Our Results of Operations

Collaboration Revenue

To date, we have not generated any revenue from product sales and do not expect to generate any revenue from the sale of products in the near future. If our development efforts for our product candidates are successful and result in regulatory approval or licenses with third parties, we may generate revenue in the future from product sales, milestone payments under our existing collaboration agreements or payments from other license agreements that we may enter into with third parties.

In December 2021, we entered into a strategic collaboration with Loxo Oncology at Lilly, a research and development group of Eli Lilly and Company, to create novel oncology medicines by applying Foghorn's proprietary Gene Traffic Control platform. The collaboration includes a co-development and co-commercialization agreement for the aforementioned selective BRM oncology program and an additional undisclosed oncology target. In addition, the collaboration includes three additional discovery programs using Foghorn's proprietary Gene Traffic Control platform. Under the terms of the collaboration, Foghorn received upfront consideration of $300.0 million in cash pursuant to the Lilly Collaboration Agreement, together with an equity investment by Lilly of $80.0 million in shares of Foghorn common stock pursuant to the Lilly SPA.

For the BRM-selective program and the additional undisclosed target program, Foghorn will lead discovery and early research activities, while Lilly will lead development and commercialization activities with participation from Foghorn in operational activities and cost sharing. Foghorn and Lilly will share 50/50 in the U.S. economics, and Foghorn is eligible to receive royalties on ex-U.S. sales starting in the low double-digit range and escalating into the twenties based on revenue levels.
For the additional discovery programs, Foghorn will lead discovery and early research activities. Foghorn may receive up to a total of $1.3 billion in potential development and commercialization milestones. Additionally, Foghorn will have an option to participate in a percentage of the U.S. economics and is eligible to receive tiered royalties from the mid-single digit to low-double digit range on sales outside the U.S. that may be exercised after the successful completion of the dose-finding toxicity studies.

We cannot provide assurances as to the timing of future milestones, royalty payments and economics associated with the strategic collaboration with Loxo Oncology at Lilly.

We recognized total deferred revenue of $337.8 million related to the Lilly Collaboration Agreement and the Lilly SPA, which included the $300.0 million upfront payment under the Lilly Collaboration Agreement as well as $37.8 million allocated to deferred revenue from the gross proceeds of the Lilly SPA to be recognized over the performance period. During the three and six months ended June 30, 2022, we recognized $8.0 million of revenue under the Lilly Collaboration Agreement and, as of June 30, 2022, we had $329.2 million of deferred revenue related to the above mentioned upfront payment and revenue allocation remaining on our condensed consolidated balance sheets.

In July 2020, we entered into a strategic research collaboration and license agreement, or the Merck Collaboration Agreement, with Merck, pursuant to which we will apply our proprietary Gene Traffic Control platform to discover and develop novel therapeutics. Under the Merck Collaboration Agreement, we granted Merck exclusive global rights to develop and commercialize drugs that target dysregulation of a single transcription factor. Under the terms of the Merck Collaboration Agreement, we received a nonrefundable upfront payment of $15.0 million from Merck, and are eligible to receive up to $245.0 million upon achievement of specified research, development and regulatory milestones by any product candidate generated by the collaboration, and up to $165.0 million upon achievement of specified sales-based milestones per approved product from the collaboration, if any, as well as royalties on sales of any approved product from the collaboration. We cannot provide assurance as to the timing of future milestone or royalty payments or that we will receive any of these payments at all.

We record revenue over the research term as we satisfy our performance obligation under the Merck Collaboration Agreement. Accordingly, the upfront payment of $15.0 million is being recognized as revenue using the cost-to-cost method, which we believe best depicts the transfer of control to the customer over time. Under the cost-to-cost method, the extent of progress towards completion is measured based on the ratio of actual costs incurred to the total estimated costs expected upon satisfying the identified single performance obligation. We expect revenue to fluctuate as the achievement of milestones becomes probable and as our efforts to satisfy our performance obligation vary from period to period. In estimating the total costs to satisfy our performance obligation pursuant to the Merck Collaboration Agreement, we are required to make significant estimates including an estimate of the number of transcription factor substitutions and the expected time and expected costs to fulfill the performance obligation. The cumulative effect of revisions to the total estimated costs to complete our performance obligation will be recorded in the period in which the changes are identified, and amounts can be reasonably estimated. While such revisions will have no impact on our cash flows, a significant change in these assumptions and estimates could have a material impact on the timing and amount of revenue recognized in future periods. During the three months ended June 30, 2022 and 2021, we recognized $0.3 million of revenue under the Merck Collaboration Agreement. During the six months ended June 30, 2022 and 2021, we recognized $0.4 million and $0.6 million, respectively, of revenue under the Merck Collaboration Agreement. As of June 30, 2022, we had $13.5 million of deferred revenue related to the upfront payment remaining on our condensed consolidated balance sheets.

Operating Expenses

Our operating expenses are comprised of research and development expenses and general and administrative expenses.

Research and Development Expenses

Research and development expenses consist primarily of costs incurred for our research activities, including our discovery efforts, and progressing our programs, which include:

- personnel-related costs, including salaries, benefits and stock-based compensation expense, for employees engaged in research and development functions;
- expenses incurred in connection with our research programs and preclinical and clinical development of our product candidates, including under agreements with third parties, such as consultants and contractors and contract research organizations, or CROs;
- the cost of manufacturing drug substance and drug product for use in our research and preclinical studies and clinical trials under agreements with third parties, such as consultants and contractors and contract development and manufacturing organizations, or CDMOs;
- laboratory supplies and research materials;
- facilities, depreciation and amortization and other expenses, which include direct and allocated expenses for rent and maintenance of facilities and insurance; and
- payments made under third-party licensing agreements.

We track our direct external research and development expenses on a program-by-program basis. These consist of costs that include fees, reimbursed materials, and other costs paid to consultants, contractors, CDMOs, and CROs in connection with our preclinical, clinical and manufacturing activities. We do not allocate employee costs, costs associated with our discovery efforts, laboratory supplies, and facilities expenses, including depreciation or other indirect costs, to specific product development programs because these costs are deployed across multiple programs and our platform and, as such, are not separately classified.

We expect that our research and development expenses will increase substantially as we advance our programs into clinical development and expand our discovery, research and preclinical activities in the near term and in the future. At this time, we cannot accurately estimate or know the nature, timing and costs of the efforts that will be necessary to complete the preclinical and clinical development of any product candidates we may develop. A change in the outcome of any number of variables with respect to product candidates we may develop could significantly change the costs and timing associated with the development of that product candidate. We may never succeed in obtaining regulatory approval for any product candidates we may develop.

General and Administrative Expenses

General and administrative expenses consist primarily of personnel-related costs, including salaries, benefits and stock-based compensation, for employees engaged in executive, legal, finance and accounting and other administrative functions. General and administrative expenses also include professional fees for legal, patent, consulting, investor and public relations and accounting and audit services as well as direct and allocated facility-related costs.

We anticipate that our general and administrative expenses will increase in the future as we increase our headcount to support our continued research activities and development of our programs and platform. We also anticipate that we will continue to incur increased accounting, audit, legal, regulatory, compliance, director and officer insurance costs and investor and public relations expenses associated with operating as a public company.

Other Income (Expense)

Interest Expense

Interest expense consists of interest expense associated with outstanding borrowings under our loan agreements as well as the amortization of debt discount associated with such agreements.

Interest Income and Other Income (Expense), Net

Interest income consists of interest earned on our invested cash balances. Other income (expense) consists of sublease income and miscellaneous expense unrelated to our core operations.

Income Taxes

Since our inception, we have not recorded any income tax benefits for the net losses we have incurred or for the research and development tax credits earned in each period, as we believe, based upon the weight of available evidence, that it is more likely than not that all of our net operating loss carryforwards and tax credit carryforwards will not be realized.

As of December 31, 2021, we had federal and state net operating loss carryforwards of $228.9 million and $206.0 million, respectively, which may be available to offset future taxable income. The federal net operating loss carryforwards include $12.5 million which expire at various dates beginning in 2035 and $216.4 million which carryforward indefinitely but in some circumstances may be limited to offset 80% of annual taxable income. The state net operating loss carryforwards expire at various dates beginning in 2036. As of December 31, 2021, we also had federal and state research and development tax credit carryforwards of $6.1 million and $4.1 million, respectively, which may be available to reduce future tax liabilities and expire at various dates beginning in 2036 and 2031, respectively. Due to our history of cumulative net losses since inception and uncertainties surrounding our ability to generate future taxable income, we have recorded a full valuation allowance against our net deferred tax assets at each balance sheet date.

Critical Accounting Estimates

Our condensed consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States, or GAAP. The preparation of our condensed consolidated financial statements and related disclosures requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue, costs and expenses and the disclosure of contingent assets and liabilities in our condensed consolidated financial statements. We base our estimates on historical experience, known trends and events and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are described in more detail in Note 2 to our consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 as well as elsewhere in this Quarterly Report on Form 10-Q, we believe that revenue recognition and accrued research and development expenses are those most critical to the judgments and estimates used in the preparation of our condensed consolidated financial statements. There have been no material changes to our critical accounting policies and estimates detailed in the C*ritical Accounting Policies and Significant Judgements* section of *Item 7. Managements Discussion and Analysis of financial Condition and Results of Operations* in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

Results of Operations

Comparison of the Three and Six Months Ended June 30, 2022 and 2021

The following table summarizes our results of operations for the six months ended June 30, 2022 and 2021:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	Change	2022	2021	Change
	(in thousands)			(in thousands)		
Collaboration revenue	$ 4,490	$ 279	$ 4,211	$ 8,410	$ 565	$ 7,845
Operating expenses:						
Research and development	25,974	18,642	7,332	50,482	37,368	13,114
General and administrative	7,704	4,898	2,806	14,920	9,588	5,332
Total operating expenses	33,678	23,540	10,138	65,402	46,956	18,446
Loss from operations	(29,188)	(23,261)	(5,927)	(56,992)	(46,391)	(10,601)
Other income (expense):						
Interest expense	—	(495)	495	—	(981)	981
Interest income and other income (expense), net	1,875	645	1,230	2,765	1,275	1,490
Total other income, net	1,875	150	1,725	2,765	294	2,471
Net loss	$ (27,313)	$ (23,111)	$ (4,202)	$ (54,227)	$ (46,097)	$ (8,130)

Collaboration Revenue

Collaboration revenue was $4.5 million for the three months ended June 30, 2022, compared to $0.3 million for the three months ended June 30, 2021. The increase is mainly attributed to $4.2 million of collaboration revenue recognized under the Lilly Collaboration Agreement entered into in December 2021.

Collaboration revenue was $8.4 million for the six months ended June 30, 2022, compared to $0.6 million for the three months ended June 30, 2021. The increase is mainly attributed to $7.8 million of collaboration revenue recognized under the Lilly Collaboration Agreement entered into in December 2021.

Research and Development Expenses

The following table summarizes our research and development expenses for the three and six months ended June 30, 2022 and 2021:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	Change	2022	2021	Change
	(in thousands)			(in thousands)		
Research and development program expenses:						
FHD-286	$ 4,391	$ 2,110	$ 2,281	$ 8,866	$ 4,048	$ 4,818
FHD-609	2,814	1,314	1,500	5,133	2,712	2,421
Platform, research and discovery, and unallocated expenses:						
Platform and other early stage research external costs	5,430	4,599	831	10,594	9,057	1,537
Personnel related (including stock-based compensation)	8,090	6,082	2,008	16,001	12,306	3,695
Facility related and other	5,249	4,537	712	9,888	9,245	643
Total research and development expenses	$ 25,974	$ 18,642	$ 7,332	$ 50,482	$ 37,368	$ 13,114

Research and development expenses were $26.0 million for the three months ended June 30, 2022, compared to $18.6 million for the three months ended June 30, 2021. The increase is attributed to the following:

- an increase in FHD-286 program costs of $2.3 million as the Company began enrollment in its Phase 1 clinical trials in uveal melanoma and AML/MDS during the second quarter of 2021;
- an increase in personnel-related costs of $2.0 million, including a $0.5 million increase in stock-based compensation expense, due primarily to increased headcount in our research and development function;
- an increase in our FHD-609 program costs of $1.5 million as the Company initiated enrollment in a Phase 1 clinical trial in the second half of 2021 in Synovial Sarcoma.
- an increase in platform and other early stage research costs of $0.8 million, which was due to continued investment and development of our platform and early research pipeline; and
- an increase in facility-related and other expenses of $0.7 million, which was due to the increased costs of supporting a growing research and development organization and their research efforts.

Research and development expenses were $50.5 million for the six months ended June 30, 2022, compared to $37.4 million for the six months ended June 30, 2021. The increase is attributed to the following:

- an increase in FHD-286 program costs of $4.8 million as the Company initiated enrollment in its Phase 1 clinical trials in uveal melanoma and AML/MDS during the second quarter of 2021;
- an increase in personnel-related costs of $3.7 million, including a $1.0 million increase in stock-based compensation expense, due primarily to increased headcount in our research and development function;
- an increase in our FHD-609 program costs of $2.4 million as the Company initiated enrollment in a Phase 1 clinical trial in the second half of 2021 in Synovial Sarcoma.
- an increase in platform and other early stage research costs of $1.5 million, which was due to continued investment and development of our platform and early research pipeline
- an increase in facility-related and other expenses of $0.6 million, which was due to the increased costs of supporting a growing research and development organization and their research efforts.

General and Administrative Expenses

The following table summarizes our general and administrative expenses for the three and six months ended June 30, 2022 and 2021:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	Change	2022	2021	Change
	(in thousands)			(in thousands)		
Personnel related (including stock-based compensation)	$ 4,477	$ 2,678	$ 1,799	$ 8,547	$ 5,161	$ 3,386
Professional and consulting	1,717	972	745	3,429	2,071	1,358
Facility related and other	1,510	1,248	262	2,944	2,356	588
Total general and administrative expenses	$ 7,704	$ 4,898	$ 2,806	$ 14,920	$ 9,588	$ 5,332

General and administrative expenses were $7.7 million for the three months ended June 30, 2022, compared to $4.9 million for the three months ended June 30, 2021. The increase is attributed to the following:

- an increase in personnel-related costs of $1.8 million, including a $1.0 million million increase in stock-based compensation expense, which was a result of an increase in headcount in our general and administrative function to support our business;
- an increase in professional and consulting costs of $0.7 million, which was due to additional external costs required to support growing operations; and

- an increase in facility related and other expense of $0.3 million which was primarily due to increased corporate expenses.

General and administrative expenses were $14.9 million for the six months ended June 30, 2022, compared to $9.6 million for the three months ended June 30, 2021. The increase is attributed to the following:

- an increase in personnel-related costs of $3.4 million, including a $1.9 million increase in stock-based compensation expense, which was a result of an increase in headcount in our general and administrative function to support our business;
- an increase in professional and consulting costs of $1.4 million, which was due to additional external costs required to support growing operations; and
- an increase in facility related and other expense of $0.6 million which was primarily due to increased corporate expenses and the purchase of non-capital equipment.

Other Income (Expense)

The company did not record any interest expense for the three and six months ended June 30, 2022, compared to $0.5 million and $1.0 million for the three and six months ended June 30, 2021, respectively. The decrease in interest expense for the three and six months ended June 30, 2022 was due to the payoff of the Oxford debt in December 2021, resulting in no interest expense compared to June 30, 2021.

Interest income and other income (expense), net was $1.9 million for the three months ended June 30, 2022, compared to $0.6 million for the three months ended June 30, 2021. The increase in interest and other income (expense), net as of June 30, 2022 was due to an increase of $1.2 million of interest income compared to June 30, 2021.

Interest income and other income (expense), net was $2.8 million for the six months ended June 30, 2022, compared to $1.3 million for the six months ended June 30, 2021. The increase in interest and other income (expense), net as of June 30, 2022 was due to an increase of $1.4 million of interest income and an increase of $0.1 million sublease income compared to June 30, 2021.

Liquidity and Capital Resources

Since our inception in October 2015, we have incurred significant operating losses. We expect to incur significant expenses and operating losses for the foreseeable future as we support our continued research activities and development of our programs and platform. Through June 30, 2022, we have funded our operations with proceeds from our IPO in October 2020, sales of preferred stock, term loans, an upfront payment of $15.0 million we received in July 2020 under the Merck Collaboration Agreement, proceeds we received in December 2021 under the Lilly SPA of $80.0 million and an upfront payment of $300.0 million we received from the Lilly Collaboration Agreement. As of June 30, 2022, we had cash, cash equivalents and marketable securities of $394.7 million.

Cash Flows

The following table summarizes our sources and uses of cash for each of the periods presented:

	Six Months Ended June 30,	
	2022	2021
	(in thousands)	
Net cash provided by (used in) operating activities	$ 242,522	$ (41,630)
Net cash provided by (used in) investing activities	(283,866)	73,828
Net cash provided by financing activities	1,414	173
Net increase (decrease) in cash, cash equivalents and restricted cash	$ (39,930)	$ 32,371

Operating Activities

During the six months ended June 30, 2022, operating activities provided $242.5 million of cash, resulting from our changes in our operating assets and liabilities of $286.4 million and net non-cash charges of $10.3 million partially offset by a net loss of

$54.2 million to fund our operations. Net cash provided by changes in our operating assets and liabilities for the six months ended June 30, 2022 consisted primarily of a $298.3 million net increase in working capital, primarily related to the $300.0 million of cash received related to our collaboration receivable, partially offset by a $8.4 million decrease in deferred revenue resulting from the recognition of revenue on the upfront payments received in connection with our collaboration agreements and a $3.5 million decrease in operating lease liabilities.

During the six months ended June 30, 2021, operating activities used $41.6 million of cash, resulting from our net loss of $46.1 million and by changes in our operating assets and liabilities of $3.2 million, partially offset by net non-cash charges of $7.8 million. Net cash used by changes in our operating assets and liabilities for the six months ended June 30, 2021 consisted primarily of a $2.0 million decrease in accounts payable and accrued expenses, a decrease of $0.7 million in lease liabilities and a decrease of $0.6 million in deferred revenue resulting from the recognition of revenue on the upfront payment received in connection with our Collaboration Agreement partially offset by a decrease of $0.1 million in prepaid expenses and other current assets.

Changes in accounts payable, accrued expenses and other current liabilities and prepaid expenses and other current assets in all periods were generally due to growth in our business, the advancement of our research programs and the timing of vendor invoicing and payments.

Investing Activities

During the six months ended June 30, 2022 net cash used in investing activities was $283.9 million due to $355.4 million of purchases of marketable securities and $0.6 million in purchases of property and equipment partially offset by $72.1 million of maturities of marketable securities.

During the six months ended June 30, 2021 net cash provided by investing activities was $73.8 million due to $119.4 million of sales of marketable securities partially offset by $42.6 million of purchases of marketable securities and $3.0 million in purchases of property and equipment. Property and equipment purchases for the six months ended June 30, 2021 were primarily related to leasehold improvements for our new facility in Cambridge, Massachusetts.

Financing Activities

During the six months ended June 30, 2022, net cash provided by financing activities was $1.4 million consisting of net proceeds from the exercise of common stock options and the employee stock purchase plan.

During the six months ended June 30, 2021, net cash provided by financing activities was $0.2 million consisting of net proceeds from the exercise of common stock options.

Funding Requirements

We expect our expenses to increase substantially in connection with our ongoing activities, particularly as we advance the preclinical activities, initiate clinical trials for our product candidates in development and continue to fund on-going clinical trials. As of the issuance date of these interim condensed consolidated financial statements, we expect that our cash, cash equivalents and marketable securities will be sufficient to fund our operating expenses and capital expenditure requirements for at least twelve months. We have based these estimates as to how long we expect we will be able to fund our operations on assumptions that may prove to be inaccurate. We could use our available capital resources sooner than we currently expect, in which case we would be required to obtain additional financing sooner than planned, which may not be available to us on acceptable terms, or at all. Our failure to raise capital as and when needed would have a negative impact on our financial condition and our ability to pursue our business strategy. We will be required to obtain further funding through public or private equity offerings, debt financings, collaborations and licensing arrangements or other sources.

If we are unable to raise sufficient capital as and when needed, we may be required to significantly curtail, delay or discontinue one or more of our research or development programs or the commercialization of any product candidate we may develop, or be unable to expand our operations or otherwise capitalize on our business opportunities. If we raise additional funds through collaborations or licensing arrangements with third parties, we may have to relinquish valuable rights to future revenue streams or product candidates or grant licenses on terms that may not be favorable to us.

See “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 for additional risks associated with our substantial capital requirements.

Off-balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined in the rules and regulations of the Securities and Exchange Commission.

Recently Issued Accounting Pronouncements

A description of recently issued accounting pronouncements that may potentially impact our financial position and results of operations is disclosed in Note 2 to our condensed consolidated financial statements appearing elsewhere in this Quarterly Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are a smaller reporting company, as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended, for this reporting period and are not required to provide the information required under this item.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our Principal Executive Officer (our Chief Executive Officer) and Principal Accounting and Financial Officer (our Chief Financial Officer), has evaluated the effectiveness of our disclosure controls and procedures as of period end. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of June 30, 2022, our Principal Executive Officer and Principal Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the three months ended June 30, 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we may become involved in litigation or other legal proceedings. We are not currently a party to any litigation or legal proceedings that, in the opinion of our management, are probable to have a material adverse effect on our business. Regardless of outcome, litigation can have an adverse impact on our business, financial condition, results of operations and prospects because of defense and settlement costs, diversion of management resources and other factors.

Item 1A. Risk Factors.

For a discussion of potential risks or uncertainties, please see "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021. The Company has reviewed the risk factors, and, except as presented below, there have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

It may take considerable time and expense to resolve the partial clinical hold that has been placed on our dose escalation Phase 1 study of FHD-286 in relapsed and/or refractory acute myelogenous leukemia and myelodysplastic syndrome by the FDA, and no assurance can be given that the FDA will remove the partial clinical hold, in which case our business and prospects will likely suffer material adverse consequences.

In May 2022, the U.S. Food and Drug Administration (FDA) placed a partial clinical hold on the Company's dose escalation Phase 1 study of FHD-286 in relapsed and/or refractory acute myelogenous leukemia and myelodysplastic syndrome (the "Phase 1 AML/MDS Study"). Patients currently enrolled in the Phase 1 AML/MDS Study and benefitting from treatment may continue to receive treatment, although no new patients can be enrolled until the partial clinical hold is resolved. The FDA has requested a review of the safety database, risk mitigation strategies and a breakdown of clinical activity across dose levels. It may take a considerable period of time, the length of which is not certain at this time, and expense for us to fully address the FDA's concerns. Even if we are able to fully respond to the FDA's questions, the FDA may subsequently make additional requests that we would need to fulfill prior to the lifting of the partial clinical hold. It is possible that we will be unable to fully address the FDA's questions and as a result the partial clinical hold may never be lifted and we may never be able to enroll new patients in the Phase 1 AML/MDS Study.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Use of Proceeds from Initial Public Offering

On October 27, 2020, we closed our initial public offering, or IPO, of our common stock pursuant to which we issued and sold 7,500,000 shares of our common stock at a price to the public of $16.00 per share for aggregate gross proceeds of $120.0 million, before deducting underwriting discounts and commissions and other offering expenses. On November 19, 2020, we sold an additional 951,837 shares of our common stock pursuant to the underwriters' option to purchase additional shares in the IPO at the public offering price for an additional $15.2 million in gross proceeds.

All of the shares issued and sold in the IPO were registered under the Securities Act pursuant to the Registration Statement (File No. 333-249264), which was declared effective by the SEC on October 22, 2020. Goldman Sachs & Co. LLC, Morgan Stanley & Co. LLC and Cowen and Company, LLC acted as joint book-running managers and Wedbush Securities Inc. acted as lead manager of our IPO.

We received aggregate net proceeds of approximately $122.1 million after deducting underwriting discounts and commissions and other offering expenses payable by us. None of the underwriting discounts and commissions or offering expenses were incurred or paid to directors or officers of ours or their associates or to persons owning 10 percent or more of our common stock or to any of our affiliates.

As of June 30, 2022, we have used all of the net proceeds from the IPO. There was no material change in our use of net proceeds from the offering as described in the Registration Statement.

Item 6. Exhibits.

Exhibit Number	Description
10.1*	Amended and Restated Letter Agreement between Foghorn Therapeutics Inc. and Carlos Costa, dated July 15, 2022.
10.2*	Form of Employee Non-Competition, Non-Solicitation, Confidentiality and Assignment Agreement for use between Foghorn Therapeutics Inc. and its executive officers, updated July 2022
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.
** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FOGHORN THERAPEUTICS, INC.

Date: August 9, 2022

By: /s/ Allan Reine

Allan Reine, M.D.
Chief Financial Officer
(Principal Accounting and Financial Officer)

July 15, 2022

Carlos Costa
By Email Delivery

Dear Carlos:

This letter agreement (this "Agreement") amends and restates the offer letter dated October 14, 2020 (the "Offer Letter") by and between you and Foghorn Therapeutics Inc. (the "Company"). This Agreement sets forth the terms and conditions of your continued employment with the Company. This Agreement will be effective as of August 1, 2022 (the "Effective Date").

1. POSITION AND DUTIES

Your position shall be Chief People Officer. In this role, you will report to the Chief Executive Officer of the Company and perform the duties and responsibilities of your position, and such other duties as reasonably may be assigned to you from time to time consistent with your position. As a member of our team, we expect you to devote all of your professional and working time and energies to the business and affairs of the Company. You shall not engage in non-Company related business activities (including consulting activities, board memberships and academic appointments) without the prior written consent of the Board of Directors of the Company (the "Board") or its designee. You agree that, should you receive the Company's consent to conduct any such non-Company related business activities, you shall conduct such activities so as not to interfere with the performance of your duties hereunder or violate the provisions of your Employee Agreement (as defined below). You shall be employed on an at-will basis, which means that neither you nor the Company are guaranteeing this employment relationship for any specific period of time.

2. COMPENSATION

During your employment hereunder, in consideration of all services performed for the Company and its affiliates, the Company will provide you with the following compensation and benefits:

a. Salary. Your base salary shall be at a rate of $370,000 on an annualized basis (commencing on and as of the Effective Date) and shall be payable in accordance with the Company's normal payroll practices. Your base salary shall be subject to adjustment from time to time by the Board or the Compensation Committee of the Board (the "Compensation Committee"), in its respective sole discretion.

b. Annual Performance Bonus. In accordance with the Company's annual bonus plan (as in effect from time to time), with respect to each fiscal year completed during your

employment with the Company, you will be able to earn an annual bonus based upon the achievement, as determined by the Board or the Compensation Committee, in its respective sole discretion, of specified performance goals established by the Board or the Compensation Committee for such fiscal year. Your target annual bonus will be forty percent (40%) of your base salary (it being understood that your bonus for 2022 will be calculated on a prorated basis using your revised base salary for five months and your prior base rate for seven months). The annual bonus, to the extent earned, shall be paid to you no later than March 15 of the calendar year immediately following the calendar year to which it relates. Except as expressly provided below, you must be employed by the Company or on an approved leave of absence on the date of payment of the bonus in order to be eligible for and have earned the annual bonus.

c. Equity Grants. You shall be eligible for future grants of stock options and other equity awards in the sole discretion of the Board or the Compensation Committee, subject to the terms and conditions of the Company's equity incentive plans and any applicable award agreements. In addition, and in recognition of your promotion to Chief People Officer, you will be granted a stock option to exercise 50,000 shares of the Company common stock at an exercise price per share equal to the fair market value of the Company's common stock on the Effective Date.

d. Benefits. You shall be eligible to participate in the Company's benefit plans to the same extent as, and subject to the same terms, conditions and limitations applicable to, other Company employees of similar rank and tenure. These benefits may be modified, changed or eliminated from time to time at the sole discretion of the Company, and the provision of such benefits does not change your status as an at-will employee. Where a particular benefit is subject to a formal plan (for example, medical insurance or life insurance), eligibility to participate in and receive any particular benefit is governed solely by the applicable plan document.

e. Expense Reimbursement. The Company shall reimburse you for all ordinary and reasonable out-of-pocket business expenses incurred in furtherance of the Company's business in accordance with the Company's policies with respect thereto as in effect from time to time. You must submit any request for reimbursement no later than ninety (90) days following the date that such business expense is incurred. All reimbursements hereunder shall be made or provided in accordance with the requirements of Section 409A ("Section 409A") of the Internal Revenue Code and the rules and regulations thereunder (the "Code") including, where applicable, the requirement that: (i) any reimbursement is for expenses incurred during your lifetime (or during a shorter period of time specified in this Agreement); (ii) the amount of expenses eligible for reimbursement during a calendar year may not affect the expenses eligible for reimbursement in any other calendar year; (iii) the reimbursement of an eligible expense shall be made no later than the last day of the calendar year following the year in which the expense is incurred; and (iv) the right to reimbursement or in kind benefits is not subject to liquidation or exchange for another benefit.

3. SEVERANCE BENEFIT UPON CERTAIN TERMINATIONS OF EMPLOYMENT

a. Termination Not in Connection with a Change in Control. Notwithstanding the at-will nature of the parties' relationship, should you be subject to an Involuntary Termination

other than an Involuntary Termination that occurs in the CIC Period, then, conditioned upon your timely execution and non-revocation of a separation agreement containing a release of claims and other customary terms in the form provided by the Company (the "Release") and compliance with your Non-Competition Agreement and your Confidentiality Agreement: (i) the Company shall provide you with a payment in an amount equal to nine (9) months of your then-current base salary, payable in the form of salary continuation over the nine (9) month period following the date of separation, commencing on the first regular Company payday that is at least five (5) business days following the effective date of the Release; (ii) (A) if you properly elect to receive benefits under Consolidated Omnibus Budget Reconciliation Act ("COBRA") or similar state law and (B) the premium subsidy described below is not illegal or discriminatory under the Code, the Patient Protection and Affordable Care Act or the Health Care and Education Reconciliation Act, then the Company shall provide you with nine (9) months of your COBRA premiums at the Company's normal rate of contribution for employees for your coverage at the level in effect immediately prior to your termination, such premiums to be provided on a monthly basis; and (iii) the Company shall pay the amount of any annual bonus previously awarded to you by the Board or the Compensation Committee, as applicable, with respect to the calendar year concluded prior to the date of termination that remains unpaid as of the date of termination, which annual bonus shall be paid at the same time as bonuses are paid to active employees of the Company.

b. Termination in Connection with a Change in Control. If you are subject to an Involuntary Termination that occurs in the CIC Period, then, conditioned upon your timely execution and non-revocation of the Release and compliance with your Non-Competition Agreement and your Confidentiality Agreement, in lieu of the payments and benefits provided under Section 3.a above: (i) the Company shall provide you with a payment in an amount equal to the sum of (A) your then-current base salary plus (B) your target annual bonus for the year in which termination occurs, which amount shall be payable in the form of salary continuation over the twelve (12) month period following the date of separation, commencing on the first regular Company payday that is at least five (5) business days following the effective date of the Release; (ii) (A) if you properly elect to receive benefits under COBRA or similar state law and (B) the premium subsidy described below is not illegal or discriminatory under the Code, the Patient Protection and Affordable Care Act or the Health Care and Education Reconciliation Act, then the Company shall provide you with twelve (12) months of your COBRA premiums at the Company's normal rate of contribution for employees for your coverage at the level in effect immediately prior to your termination, such premiums to be provided on a monthly basis; (iii) the Company shall pay the amount of any annual bonus previously awarded to you by the Board or the Compensation Committee, as applicable, with respect to the calendar year concluded prior to the date of termination that remains unpaid as of the date of termination, which annual bonus shall be paid at the same time as bonuses are paid to active employees of the Company; and (iv) the vesting and, if applicable, the exercisability of each of your outstanding time-based stock options and other equity awards under the Company's equity incentive plan(s) shall be fully accelerated as of the effective date of the Release (with the vesting of any performance-based equity awards determined based on the terms of the award agreements governing such awards).

c. Timing of Payments. Any severance payments paid under this Section 3 shall commence within sixty (60) days after the date of termination (or at such earlier time as provided

in this Section 3), with the initial payment to include any amounts that would have been payable by their terms prior to such payment commencement date; *provided*, *however*, that if the sixty (60) day period begins in one calendar year and ends in a second calendar year, the severance payments shall begin to be paid following the last day of such sixty (60) day period in the second calendar year.

d. Other Termination Events. Should you voluntarily terminate your employment for any reason (other than a Resignation for Good Reason), or should your employment be terminated for Cause (whether before or after a Change of Control) or as a result of your death or disability, then you shall not be entitled to any severance payments described herein. Nothing in this Section 3 shall alter your status as an at-will employee.

e. Certain Definitions. For purposes of this Agreement, the following terms shall have the meanings and be subject to the provisions set forth below:

"Cause" means any one or more of the following actions: (i) your material breach of the terms of this Agreement or any other written agreement between you and the Company or any of its affiliates; (ii) your material dishonesty, willful misconduct, gross negligence or reckless conduct, in each case, in connection with the performance of your services to the Company or any of its affiliates; (iii) your commission of an act of fraud, theft, misappropriation or embezzlement; (iv) your indictment for, or pleading nolo contendere to, any crime involving moral turpitude or any felony; or (v) your material violation of a Company policy that had been previously provided to you in writing or your willful refusal to perform, or substantial negligence in the performance of, your assigned duties to the Company or any of its affiliates (other than as a result of your mental or physical impairment). For purpose of clauses (i), (ii) and (v), "Cause" shall only exist if: (y) the Company delivered to you a written description of the events or conditions giving rise to your termination for Cause; and (z) if curable, you have been given at least fifteen (15) days to cure such events or conditions and you fail to cure such events or conditions within such time period given.

"Change of Control" means: (i) any "Person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) that becomes the "Beneficial Owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities (excluding for this purpose any such voting securities held by the Company or its affiliates or by any employee benefit plan of the Company) pursuant to a transaction or a series of related transactions; or (ii) a merger or consolidation of the Company whether or not approved by the Board, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or the parent of such corporation) more than 50% of the total voting power represented by the voting securities of the Company or such surviving entity or parent of such corporation, as the case may be, outstanding immediately after such merger or consolidation; or (iii) the sale or disposition by the Company of all or substantially all of the Company's assets in a transaction requiring stockholder approval. Notwithstanding the foregoing, no transaction or series of transactions shall constitute a Change of Control unless such transaction or series of transactions constitutes

a “change in control event” within the meaning of Treasury Regulation Section 1.409A-3(i)(5)(i).

“CIC Period” means the period commencing on the date that is three (3) months prior to the date on which a Change of Control occurs and ending on the date that is twelve (12) months following such occurrence.

“Involuntary Termination” means either (i) your Termination Without Cause or (ii) your Resignation for Good Reason.

“Resignation for Good Reason” means a termination of your employment after one of the following conditions has come into existence without your consent: (i) a reduction in your base salary other than in connection with an across-the-board reduction affecting all similarly situated executives of the Company; (ii) a material diminution of your title, authority, duties or responsibilities; (iii) a material breach of this Agreement by the Company; or (iv) a relocation of your principal workplace by more than fifty (50) miles. A Resignation for Good Reason shall not be deemed to have occurred unless you give the Company written notice of the condition within ninety (90) days after the condition comes into existence, the Company fails to remedy the condition within thirty (30) days after receiving your written notice and you terminate your employment within thirty (30) days after the end of the cure period.

“Termination Without Cause” means a termination of your employment by the Company without Cause (and not as a result of your death or disability), provided you are willing and able to continue performing services within the meaning of Treasury Regulation Section 1.409A- 1(n)(1).

4. CONFIDENTIALITY AND OTHER OBLIGATIONS

As part of your employment with the Company, you shall be exposed to, and provided with, valuable confidential and trade secret information concerning the Company and its present and prospective clients. As a result, in order to protect the Company’s legitimate business interests, you will be asked to execute and deliver an Employee Non-Competition, Non-Solicitation, Confidentiality and Assignment Agreement (the “Employee Agreement”), substantially in the form attached as Exhibit A hereto. You, upon execution and delivery of those agreements, acknowledge and agree that you are bound by the terms each such agreement, which are not modified in any way by this Agreement.

5. CERTIFICATION

By signing this Agreement, you are certifying to the Company that: (i) your employment with the Company does not and shall not require you to breach any agreement entered into by you prior to employment with the Company (i.e., you have not entered into any agreements with previous employers that are in conflict with your obligations to the Company); (ii) to the extent you are subject to restrictive agreements with any prior employer that may affect your employment with the Company, you have provided us with a copy of that agreement; (iii) your employment with the Company does not violate any order, judgment or injunction applicable to you, and you have provided the Company with a copy of any such order, judgment, or injunction; (iv) all facts you have presented to the Company are accurate and true, including all statements

made to the Company pertaining to your education, training, qualifications, licensing and prior work experience on any job application, resume or C.V., or in any interview; and (v) that you were provided a minimum of ten (10) business days to review the terms of this Agreement and the Employee Agreement, which contains, among other provisions, a binding non-competition covenant between you and the Company. The Company does not want you to disclose any confidential information belonging to a previous employer or to incorporate the proprietary information of any previous employer into the Company's proprietary information and expects that you shall abide by restrictive covenants to prior employers.

6. SECTIONS 409A AND 280G OF THE CODE

a. Notwithstanding any other provision of this Agreement to the contrary, if any amount (including imputed income) to be paid to you pursuant to this Agreement as a result of your termination of employment is "deferred compensation" subject to Section 409A of the Code, and if you are a "Specified Employee" (as defined under Section 409A of the Code and as determined by the Company) as of the date of your termination of employment hereunder, then, to the extent necessary to avoid the imposition of excise taxes or other penalties under Section 409A of the Code, the payment of benefits, if any, scheduled to be paid by the Company to you hereunder during the first six (6) month period following the date of a termination of employment hereunder shall not be paid until the date which is the first business day after six (6) months have elapsed since your termination of employment for any reason other than death. Any deferred compensation payments delayed in accordance with the terms of this Section 6.a shall be paid in a lump sum after six (6) months have elapsed since your termination of employment. Any other payments shall be made according to the schedule provided for herein.

b. If any of the benefits set forth in this Agreement are "deferred compensation" under Section 409A of the Code, any termination of employment triggering payment of such benefits must constitute a "separation from service" under Section 409A of the Code (after giving effect to the presumptions contained therein) before distribution of such benefits can commence. To the extent that the termination of your employment does not constitute a "separation from service" under Section 409A of the Code (as the result of further services that are reasonably anticipated to be provided by you to the Company at the time your employment terminates), any benefits payable under this Agreement that constitute "deferred compensation" under Section 409A of the Code shall be delayed until after the date of a subsequent event constituting a "separation from service" under Section 409A of the Code. For purposes of clarification, this Section 6.b shall not cause any forfeiture of benefits on your part but shall only act as a delay until such time as a "separation from service" occurs.

c. It is intended that each installment of the payments and benefits provided under this Agreement shall be treated as a separate "payment" for purposes of Section 409A of the Code. Neither the Company nor you shall have the right to accelerate or defer the delivery of any such payments or benefits except to the extent specifically permitted or required by Section 409A of the Code.

d. This Agreement shall be interpreted and at all times administered in a manner that avoids the inclusion of compensation in income under Section 409A of the Code. Any

provision inconsistent with Section 409A of the Code shall be read out of this Agreement. For purposes of clarification, this Section 6.d shall be a rule of construction and interpretation and nothing in this Section 6.d shall cause a forfeiture of benefits on the part of you. You acknowledge and agree that the Company does not guarantee the tax treatment or tax consequences associated with any payment or benefit arising under this Agreement, including but not limited to consequences related to Section 409A of the Code, and that in no event shall the Company or any of its affiliates have any liability relating to the failure or alleged failure of any payment or benefit under this Agreement to comply with, or be exempt from, the requirements of Section 409A of the Code.

e. If any payment or benefit you would receive from the Company or one of its affiliates in connection with a Change of Control or otherwise, whether or not paid or provided under this Agreement (for purposes of this section, a "Payment"), would (i) constitute a "parachute payment" within the meaning of Section 280G the Code; and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then such Payment shall be either (y) the full amount of such Payment; or (z) such lesser amount as would result in no portion of the Payment being subject to the Excise Tax, whichever of the foregoing amounts, taking into account the applicable federal, state and local employments taxes, income taxes and the Excise Tax, results in your receipt, on an after-tax basis, of the greater amount of the Payment notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. With respect to subsection (z), any such reduction shall be made in a manner that complies with Section 409A of the Code.

7. INDEMNIFICATION

The Company shall indemnify and hold you harmless for any liability, including reasonable attorneys' fees and costs, incurred by reason of any act or omission by you in your capacity as an employee and/or officer of the Company to the extent permitted by the Company's certificate of incorporation, as amended.

8. GENERAL

This Agreement embodies the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior and contemporaneous oral or written agreements and understandings relating to the subject matter hereof (for the avoidance of doubt, including the Offer Letter). The terms and provisions of this Agreement may be modified or amended only by written agreement executed by the parties hereto and may be waived (or consent for the departure therefrom granted) only by a written document executed by the party entitled to the benefits of such terms or provisions. This Agreement may be executed in counterparts (and may be transmitted by email or other electronic delivery), each of which shall be deemed an original and all of which together shall constitute one and the same instrument. The captions and headings in this Agreement are for convenience only and in no way define or describe the scope or content of any provision of this Agreement. All payments made by the Company under this Agreement shall be reduced by any tax or other amounts required to be withheld by the Company under applicable law. The Company may assign its rights and obligations hereunder to any person or entity that succeeds to all or substantially all of the

Company's business. You may not assign your rights and obligations hereunder without the prior written consent of the Company and any such attempted assignment by you without the prior written consent of the Company shall be void. If any portion or provision of this Agreement shall to any extent be declared illegal or unenforceable by a court of competent jurisdiction, then the remainder of this Agreement, or the application of such portion or provision hereof in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law. This Agreement and the rights and obligations of the parties hereunder shall be construed in accordance with and governed by the internal law of Massachusetts, without giving effect to the conflict of law principles of any jurisdiction. By entering into this Agreement, you agree that any action, demand, claim or counterclaim in connection with any aspect of your employment with the Company, or any separation of employment (whether voluntary or involuntary) from the Company, shall be brought in the courts of Massachusetts or of the United States of America for the District of Massachusetts, and shall be resolved by a judge alone, and you waive and forever renounce your right to a trial before a civil jury.

[*Remainder of Page Intentionally Left Blank*]

Please sign below to acknowledge your acceptance of the terms of this Agreement. Keep one copy for your files and return one executed copy to the Company.

Very truly yours,

FOGHORN THERAPEUTICS INC.

By: /s/ Adrian Gottschalk
Name: Adrian Gottschalk
Title: President and CEO

Accepted:

/s/ Carlos Costa
Carlos Costa

Exhibit A

Employee Non-Competition, Non-Solicitation, Confidentiality and Assignment Agreement

(attached)

Exhibit 10.2

Promoted Employee Non-Competition, Non-Solicitation, Confidentiality and Assignment Agreement (the "Agreement")

I, the undersigned, in consideration for and as a condition of my proposed promotion and continued employment by Foghorn Therapeutics, Inc. (the "Company") and other good and valuable consideration (including, without limitation, the covenant to make the payments described in Section 8 below), hereby agree as follows:

1. **Proprietary Information**. I agree that all information, whether or not in writing, whether or not disclosed before or after I was first employed by the Company, concerning the Company's business, technology, business relationships or financial affairs that the Company has not released to the general public (collectively, "Proprietary Information"), and all tangible embodiments thereof, are and will be the exclusive property of the Company. By way of illustration, Proprietary Information may include information or material that has not been made generally available to the public, such as: (a) *corporate information*, including plans, strategies, methods, policies, resolutions, notes, email correspondence, negotiations or litigation; (b) *marketing information*, including strategies, methods, customer identities or other information about customers, prospect identities or other information about prospects, or market analyses or projections; (c) *financial information*, including cost and performance data, debt arrangements, equity structure, investors and holdings, purchasing and sales data and price lists; and (d) *operational and technological information*, including plans, specifications, manuals, forms, templates, software, designs, methods, procedures, formulas, discoveries, inventions, improvements, biological or chemical materials, concepts and ideas; and (e) *personnel information*, including personnel lists, reporting or organizational structure, resumes, personnel data, compensation structure, performance evaluations and termination arrangements or documents. Proprietary Information specifically includes, without limitation, (1) information received in confidence by the Company from its customers or suppliers or other third parties, and (2) all biological or chemical materials and other tangible embodiments of the Proprietary Information.

2. **Recognition of Company's Rights**. I will not, at any time, without the Company's prior written permission, either during or after my employment, disclose or transfer any Proprietary Information to anyone outside of the Company, or use or permit to be used any Proprietary Information for any purpose other than the performance of my duties as an employee of the Company. I will cooperate with the Company and use my best efforts to prevent the unauthorized disclosure of all Proprietary Information. I will deliver to the Company all copies and other tangible embodiments of Proprietary Information in my possession or control upon the earlier of a request by the Company or termination of my employment. Nothing in this Agreement limits, restricts or in any other way affects my communicating with any governmental agency or entity, or communicating with any official or staff person of a governmental agency or entity, concerning matters relevant to the governmental agency or entity. Employee understands that nothing contained in this Agreement limits Employee's ability to file a charge or complaint with the Securities and Exchange Commission, or any other federal, state, or local governmental regulatory or law enforcement agency ("Government Agencies"). Employee further understands that nothing in this Agreement limits Employee's ability to communicate with any Government Agencies or otherwise participate in or fully cooperate with any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to or approval from the Company. Employee can provide confidential information to Government Agencies without risk of being held liable by the Company for liquidated damages or other financial penalties. This Agreement does not limit Employee's right to receive an award for information provided to any Government Agencies. I understand that I cannot be held criminally or civilly liable under any federal or state trade secret law for disclosing a trade secret (a) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law, or (b) in a complaint or other document filed under seal in a lawsuit or other proceeding. Notwithstanding this immunity from liability, I understand that I may be held liable if I unlawfully access trade secrets by unauthorized means.

3. **Rights of Others**. I understand that the Company is now and may hereafter be subject to non- disclosure or confidentiality agreements with third persons which require the Company to protect or refrain from use of third party proprietary information. I agree to be bound by the terms of such agreements in the event I have access to such third party proprietary information.

4. **Commitment to Company; Avoidance of Conflict of Interest**. While an employee of the Company, I will devote my full-time efforts to the Company's business and I will not engage in any other business activity that conflicts with my duties to the Company. I will advise the president of the Company or his or her nominee at such time as any activity of either the Company or another business presents me with a conflict of interest or the appearance of a conflict of interest as an employee of the Company. I will take whatever action is requested of me by the Company to resolve any conflict or appearance of conflict which it finds to exist.

5. **Developments**. I hereby assign and transfer and, to the extent any such assignment cannot be made at present, will assign and transfer, to the Company and its successors and assigns, all my right, title and interest in and to all Developments (as

defined below) that: (a) are created, developed, made, conceived or reduced to practice by me (alone or jointly with others) or under my direction (collectively, "conceived") during the period of my employment and that relate to the business of the Company or to products, methods or services being researched, developed, manufactured or sold by the Company; or (b) result from tasks assigned to me by the Company; or (c) result from the use of premises, Proprietary Information or personal property (whether tangible or intangible) owned, licensed or leased by the Company (collectively, "Company-Related Developments"), and all patent rights, trademarks, copyrights and other intellectual property rights in all countries and territories worldwide claiming, covering or otherwise arising from or pertaining to Company- Related Developments (collectively, "Intellectual Property Rights"). I will make full and prompt disclosure to the Company of all Company-Related Developments, as well as all other Developments conceived by me during the period of my employment and six (6) months thereafter. I acknowledge that all work performed by me as an employee of the Company is on a "work for hire" basis. I hereby waive all claims to any moral rights or other special rights which I may have or accrue in any Company-Related Developments. "Developments" mean inventions, discoveries, designs, developments, methods, modifications, improvements, processes, biological or chemical materials, algorithms, databases, computer programs, formulae, techniques, trade secrets, graphics or images, audio or visual works, and other works of authorship.

I understand that to the extent this Agreement is required to be construed in accordance with the laws of any state which precludes a requirement in an employee agreement to assign certain classes of inventions made by an employee, this Section will be interpreted not to apply to any invention which a court rules and/or the Company agrees falls within such classes.

6. **Documents and Other Materials**. I will keep and maintain adequate and current records of all Proprietary Information and Company-Related Developments conceived by me, which records will be available to and remain the sole property of the Company at all times. All files, letters, notes, memoranda, reports, records, data, sketches, drawings, notebooks, layouts, charts, quotations and proposals, specification sheets, program listings, blueprints, models, prototypes, materials or other written, photographic or other tangible material containing or embodying Proprietary Information, whether created by me or others, which come into my custody or possession, are the exclusive property of the Company to be used by me only in the performance of my duties for the Company. In the event of the termination of my employment for any reason, I will deliver to the Company all of the foregoing, and all other materials of any nature pertaining to the Proprietary Information of the Company and to my work, and will not take or keep in my possession any of the foregoing or any copies. Any property situated on the Company's premises and owned by the Company, including laboratory space, computers, disks and other storage media, filing cabinets or other work areas, is subject to inspection by the Company at any time with or without notice.

7. **Enforcement of Intellectual Property Rights**. I will cooperate fully with the Company, both during and after my employment with the Company, with respect to the procurement, maintenance and enforcement of Intellectual Property Rights, as well as all other patent rights, trademarks, copyrights and other intellectual property rights in all countries and territories worldwide owned by or licensed to the Company. I will sign, both during and after the term of this Agreement, all papers, including copyright applications, patent applications, declarations, oaths, assignments of priority rights, and powers of attorney, which the Company may deem necessary or desirable in order to protect its rights and interests in any Company-Related Development or Intellectual Property Rights. If the Company is unable, after reasonable effort, to secure my signature on any such papers, I hereby irrevocably designate and appoint each officer of the Company as my agent and attorney- in-fact to execute any such papers on my behalf, and to take any and all actions as the Company may deem necessary or desirable in order to protect its rights and interests in the same.

8. **Non-Competition**. In order to protect the Company's legitimate business interests, including without limitation its trade secrets and other Proprietary Information and good will, during my employment and for a period of twelve (12) months following the termination of my employment for any reason except termination due to layoff or termination by the Company without Cause (as defined below) (the "Non-Compete Period"), I will not directly or indirectly, whether as owner, partner, shareholder, director, consultant, agent, employee, co-venturer or otherwise, provide the Services (as defined below) with respect to any business activity in the Restricted Area (as defined below) that develops, manufactures or markets any products, or performs any services, that compete with the products or services of the Company, or products or services that the Company has under development or that are the subject of active planning at any time during my employment; provided that this will not prohibit any possible investment in publicly traded stock of a company representing less than one percent of the stock of such company. If I violate any fiduciary duty to the Company or unlawfully take any confidential or proprietary information or other property belonging to the Company, the Non-Competition Period will extend by the time during which I engage in such violation(s), for up to a total of two (2) years following the termination of my employment. Notwithstanding the foregoing, this Section 8 will apply following termination of my employment only if (i) the Company does not waive the restrictions set forth in this Section 8 at the time of termination and (ii) the Company pays me at a rate equal to 50% of my highest annualized base salary within the two (2) years immediately preceding termination of my employment for the duration of the Non-Competition Period that follows such termination (the "Non-Competition Payments"), provided that my right to receive and retain any Non-Competition Payments is conditioned on my

compliance in full with this Section 8 following termination of my employment. For the avoidance of doubt, if the Company elects to waive the restrictions set forth in this Section 8 at the time of termination, it will have no obligation to pay me any Non-Competition Payments. Any Non-Competition Payments that the Company elects to pay me will be payable as salary continuation and subject to tax withholding in accordance with the Company's regular payroll practices, consistent with the requirements for the payment of wages under section 148 of chapter 149 of the Massachusetts general laws.

9. **Non-Solicitation**. During my employment and for a period of twelve (12) months following the termination of my employment for any reason (the "Non-Solicitation Period"), I will not, directly or indirectly, in any manner, other than for the benefit of the Company, (a) call upon, solicit, divert or take away the business of any customer, client, vendor, supplier or other business partner (collectively, "Business Partners") of the Company or prospective Business Partners of the Company, and/or (b) hire or solicit for hiring any employee or independent contractor of the Company or solicit, entice or attempt to persuade any employee or independent contractor of the Company to leave the services of the Company for any reason. For the purposes of this Agreement, an "employee" or an "independent contractor" of the Company is any person who was such at any time within the six (6)-month period immediately preceding the activity restricted by this Section 9. I acknowledge and agree that if I violate any of the provisions of this Section, the running of the Non-Solicitation Period will be extended by the time during which I engage in such violation(s).

10. **Government Contracts**. I acknowledge that the Company may have from time to time agreements with other persons or with the United States Government or its agencies which impose obligations or restrictions on the Company regarding inventions made during the course of work under such agreements or regarding the confidential nature of such work. I agree to comply with any such obligations or restrictions upon the direction of the Company. In addition to the rights assigned under Section 5, I also assign to the Company (or any of its nominees) all rights which I have or acquired in any Developments, full title to which is required to be in the United States under any contract between the Company and the United States or any of its agencies.

11. **Prior Agreements**. I hereby represent that I am not bound by the terms of any agreement with any previous employer or other party to refrain from becoming an employee of the Company. I further represent that my performance of all the terms of this Agreement as an employee of the Company does not and will not breach any agreement to keep in confidence proprietary information, knowledge or data acquired by me in confidence or in trust prior to my employment with the Company. I will not disclose to the Company, or induce the Company to use, any confidential or proprietary information or material belonging to any previous employer or other party. I hereby affirm the provisions of any prior Employee Non-Competition, Non-Solicitation, Confidentiality and Assignment Agreement (a "Prior Employee Agreement") and agree that any conflict between this Agreement and a Prior Employee Agreement shall be resolved in favor of this Agreement.

12. **Remedies Upon Breach**. I understand and agree that the restrictions contained in this Agreement are necessary for the protection of the business and goodwill of the Company and are reasonable in respect to subject matter, length of time and geographic area. My breach of this Agreement will cause the Company substantial and irreparable damage and therefore, in the event of such breach or threatened breach, the Company, in addition to such other remedies which may be available, will be entitled to specific performance and preliminary and permanent injunctive relief, without having to post bond, together with an award of its reasonable attorneys' fees incurred in enforcing its rights hereunder.

13. **Use of Voice, Image and Likeness**. I give the Company permission to use my voice, image or likeness, with or without using my name, for the purposes of advertising and promoting the Company, or for other purposes deemed appropriate by the Company in its reasonable discretion, except to the extent expressly prohibited by law.

14. **Publications and Public Statements**. (a) I will obtain the Company's written approval before publishing or submitting for publication any material that relates to my work at the Company and/or incorporates any Proprietary Information. (b) To ensure that the Company delivers a consistent message to the public and further in recognition that even positive statements may have a detrimental effect on the Company in certain securities transactions and other contexts, any statement not subject to Section 14(a) above relating to the Company which I create, publish or post during my period of employment and and for 6 months thereafter, on any media accessible by the public, including but not limited to electronic bulletin boards and Internet-based chat rooms, must first be reviewed and approved by an authorized officer of the Company before it is released in the public domain.

15. **No Employment Obligation**. I understand that this Agreement does not create an obligation on the Company or any other person to continue my employment. I acknowledge that, unless otherwise agreed in a formal written employment agreement signed on behalf of the Company by an authorized officer, my employment with the Company is at-will and therefore may be terminated by the Company or me at any time and for any reason.

16. **Survival and Assignment by the Company**. I understand that my obligations under this Agreement will continue in accordance with its express terms regardless of any changes in my title, position, duties, salary, compensation or benefits or other terms and conditions of employment. I further understand that my obligations under this Agreement will continue following the termination of my employment regardless of the manner of such termination and will be binding upon my heirs, executors and administrators. The Company will

have the right to assign this Agreement to its affiliates, successors and assigns. I expressly consent to be bound by the provisions of this Agreement for the benefit of the Company or any parent, subsidiary or affiliate to whose employ I may be transferred without the necessity that this Agreement be resigned at the time of such transfer.

17. **Disclosure to Future Employers**. I will provide a copy of this Agreement to any prospective employer, partner or co-venturer prior to entering into an employment, partnership or other business relationship with such person or entity.

18. **Exit Interview**. If and when I depart from the Company, I may be required to attend an exit interview and sign an "Employee Exit Acknowledgement" to reaffirm my acceptance and acknowledgement of the obligations set forth in this Agreement. During the Non-Competition Period following termination of my employment, I will notify the Company of any change in my address and of each subsequent employment or business activity, including the name and address of my employer or other post-Company employment plans and the nature of my activities.

19. **Severability**. In case any provisions (or portions thereof) contained in this Agreement will, for any reason, be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect the other provisions of this Agreement, and this Agreement will be construed as if such invalid, illegal or unenforceable provision had never been contained herein. If, moreover, any one or more of the provisions contained in this Agreement will for any reason be held to be excessively broad as to duration, geographical scope, activity or subject, it will be construed by limiting and reducing it, so as to be enforceable to the extent compatible with the applicable law as it will then appear.

20. **Entire Agreement**. This Agreement constitutes the entire and only agreement between the Company and me respecting the subject matter hereof, and supersedes all prior agreements and understandings, oral or written, between us concerning such subject matter. No modification, amendment, waiver or termination of this Agreement or of any provision hereof will be binding unless made in writing and signed by an authorized officer of the Company. Failure of the Company to insist upon strict compliance with any of the terms, covenants or conditions hereof will not be deemed a waiver of such terms, covenants or conditions. In the event of any inconsistency between this Agreement and any other contract between the Company and me, the provisions of this Agreement will prevail.

21. **Interpretation**. This Agreement will be deemed to be made and entered into in the Commonwealth of Massachusetts, and will in all respects be interpreted, enforced and governed under the laws of the Commonwealth of Massachusetts. I hereby agree to consent to personal jurisdiction of the state and federal courts situated within Suffolk County, Massachusetts for purposes of enforcing this Agreement, and waive any objection that I might have to personal jurisdiction or venue in those courts.

As used in this Agreement, "including" means "including but not limited to".

22. **Definitions**. For purposes of this Agreement, and only this Agreement, the following definitions shall apply:

"Cause" means (notwithstanding any other agreement between the Company and me containing this defined term) the occurrence of any of the following, as determined by the Company in its reasonable discretion: (i) my failure to perform my duties and responsibilities to the Company, or the performance of my duties and responsibilities to the Company in a manner deemed by the Company to be in any way unsatisfactory; (ii) my breach of this Agreement or any other agreement between me and the Company; (iii) my commission of, or plea of nolo contendere to, a felony or other crime; (iv) any misconduct by me or other conduct by me that is or could reasonably be expected to be harmful to the business interests or reputation of the Company; (v) my violation or disregard for any rule or procedure or policy of the Company; or (vi) any other reasonable basis for Company dissatisfaction with me, including for reasons such as lack of capacity or diligence, failure to conform to usual standards of conduct, or other culpable or inappropriate behavior.

"Restricted Area" means any geographic area in which the Company or any of its Affiliates does business or is actively planning to do business during my employment or, with respect to the portion of the Non-Competition Period that follows the termination of my employment, any geographic area in which I, at any time within the last two (2) years of my employment with the Company, provided services or had a material presence or influence.

"Services" means any of the services that I provided to the Company at any time during my employment with the Company or, with respect to the portion of the Non-Competition Period that follows the termination of my employment, during the last two (2) years of my employment with the Company.

I acknowledge that (1) the Company has provided me with a review period of this Agreement of at least ten (10) business days before my execution hereof, (2) I have been and am hereby advised of my right to consult an attorney before signing this Agreement, and (3) I have carefully read this Agreement and understand and agree to all of the provisions in this Agreement.

IN WITNESS WHEREOF, the undersigned has executed this agreement as a sealed instrument as of the date set forth below.

Signed: ___
(Employee's full name)

Type or print name: ___

Social Security Number:___ Date: ___

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Adrian Gottschalk, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Foghorn Therapeutics, Inc.;

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(s) 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(s) 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: August 9, 2022

/s/ Adrian Gottschalk

Adrian Gottschalk
President, Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Allan Reine, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Foghorn Therapeutics, Inc.;

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(s) 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(s) 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: August 9, 2022

/s/ Allan Reine

Allan Reine, M.D.
Chief Financial Officer
(Principal Accounting and Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Foghorn Therapeutics, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 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 result of operations of the Company.

Date: August 9, 2022

/s/ Adrian Gottschalk

Adrian Gottschalk
President, Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Foghorn Therapeutics, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 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 result of operations of the Company.

Date: August 9, 2022

/s/ Allan Reine

Allan Reine, M.D.
Chief Financial Officer
(Principal Accounting and Financial Officer)