UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 28, 2021

BETTER THERAPEUTICS, INC.
(Exact name of Registrant as Specified in Its Charter)

Delaware	**001-39864**	**85-3472546**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

548 Market Street #49404 **San Francisco, California**	**94104**
(Address of principal executive offices)	**(Zip Code)**

Registrant's Telephone Number, Including Area Code: (415) 887-2311

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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	**BTTX**	**Nasdaq Capital Market**

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company ☒

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

Introductory Note

This Amendment No. 1 on Form 8-K/A ("Current Report on Form 8-K/A") amends the Current Report on Form 8-K of Better Therapeutics, Inc., f/k/a Mountain Crest Acquisition Corp. II, a Delaware corporation (the "Company" or "Combined Entity" or "MCAD"), filed on November 3, 2021 (the "Original Report"), in which the Company reported, among other events, the completion of the Business Combination between the Company and Better Therapeutics OpCo, Inc., f/k/a Better Therapeutics, Inc., a Delaware corporation ("BTX"). Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Original Report.

This Current Report on Form 8-K/A is being filed in order to include (a) the unaudited pro forma condensed combined financial information for the Company as of and for the nine months ended September 30, 2021, (b) the Management's Discussion and Analysis of Financial Condition and Results of Operations of BTX for the three and nine months ended September 30, 2021 and 2020 and (c) the unaudited condensed consolidated financial statements of BTX as of September 30, 2021 and for the three and nine months ended September 30, 2021 and 2020.

This Current Report on Form 8-K/A does not amend any other item of the Original Report or purport to provide an update or a discussion of any developments at the Company or its subsidiaries subsequent to the filing date of the Original Report, except as indicated below under Item 9.01. The information previously reported in or filed with the Original Report is hereby incorporated by reference to this Current Report on Form 8-K/A.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements.

The unaudited financial statements of BTX as of September 30, 2021 and for the three and nine months ended September 30, 2021 and 2020, and the related notes thereto are attached as Exhibit 99.3 and are incorporated herein by reference. Also included as Exhibit 99.2 and incorporated herein by reference is the Management's Discussion and Analysis of Financial Condition and Results of Operations of BTX for the three and nine months ended September 30, 2021 and 2020.

The unaudited financial statements of the Company as of September 30, 2021 and for the three and nine months ended September 30, 2021 and 2020, and the related notes thereto are incorporated herein by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 (the "Form 10-Q"). Also incorporated herein by reference to the Form 10-Q is the Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company for the three and nine months ended September 30, 2021 and 2020.

(b) Pro Forma Financial Information.

Certain unaudited pro forma condensed combined financial information for the Company as of and for the nine months ended September 30, 2021 is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

(d) Exhibits.

Exhibit Number	Description
99.1	Unaudited pro forma condensed combined financial information of the Company as of September 30, 2021 and for the nine months ended September 30, 2021.
99.2	Management's Discussion and Analysis of Financial Condition and Results of Operations of BTX for the three and nine months ended September 30, 2021 and 2020.
99.3	Unaudited financial statements of BTX as of September 30, 2021 and for the three and nine months ended September 30, 2021 and 2020.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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.

Better Therapeutics, Inc.

Dated: November 24, 2021

By: /s/ Mark Heinen
Name: Mark Heinen
Title: Chief Financial Officer

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma combined financial information present the combination of the financial information of MCAD and BTX adjusted to give effect to the Business Combination

Introduction

MCAD is providing the following unaudited pro forma condensed combined financial information to assist in your analysis and evaluation of the Business Combination.

The unaudited pro forma condensed combined balance sheet as of September 30, 2021 gives pro forma effect to the Business Combination as if it had been consummated as of that date. The unaudited pro forma condensed combined statements of operation for the nine months ended September 30, 2021 and twelve months ended December 31, 2020 give pro forma effect to the Business Combination, summarized below, as if it had occurred as of January 1, 2020, the beginning of the earliest period presented:

- The merger of BTX with and into Merger Sub, a wholly owned subsidiary of MCAD, with BTX surviving the merger as a wholly owned subsidiary of MCAD;
- The conversion of 1,066,667 shares of BTX Series Seed Preferred Stock and 4,999,807 shares of BTX Series A Preferred Stock into 5,748,150 shares of the Company's Common Stock;
- The conversion of 4,306,453 shares of BTX common stock issued upon the conversion of BTX SAFEs into 4,080,482 shares of the Company's Common Stock;
- The redemption of 4,826,260 shares of MCAD common stock by MCAD public shareholders who elected to have their shares redeemed in connection with the Business Combination for an aggregate redemption price of $48.3 million;
- The issuance and sale of 5,000,000 shares of Common Stock for $10.00 per share for an aggregate purchase price of $50.0 million in the PIPE Financing pursuant to the Subscription Agreements, executed concurrently with the Merger Agreement;

This information should be read together with BTX's and MCAD's respective audited financial statements and related notes, "Management's Discussion and Analysis of Financial Condition and Results of Operations of MCAD," "Management's Discussion and Analysis of Financial Condition and Results of Operations of BTX" and other financial information incorporated in this Current Report on Form 8-K/A.

The unaudited pro forma condensed combined balance sheet as of September 30, 2021 has been prepared using the following:

- BTX unaudited historical balance sheet as of September 30, 2021, as incorporated in this Current Report on Form 8-K/A and
- MCAD's unaudited restated historical balance sheet as of September 30, 2021, as incorporated in this Current Report on Form 8-K/A..

The unaudited pro forma condensed combined statements of operation for the nine months ended September 30, 2021 and year ended December 31, 2020 have been prepared using the following:

- BTX unaudited historical statement of operations for the nine months ended September 30, 2021, as incorporated in this Current Report on Form 8-K/A; and
- MCAD's unaudited restated historical statement of operations for the nine months ended September 30, 2021, as incorporated in this Current Report on Form 8-K/A.
- BTX audited historical statement of operations for the year ended December 31, 2020, as incorporated in this Current Report on Form 8-K/A; and
- MCAD's audited historical statement of operations for the period from July 31, 2020 (inception) through December 31, 2020, as incorporated in this Current Report on Form 8-K/A..

Description of the Transactions

On April 6, 2021, MCAD entered into the Merger Agreement with Merger Sub and BTX. Pursuant to the Merger Agreement, at the closing of the transactions contemplated thereby, Merger Sub merged with and into BTX with BTX surviving the Merger as a wholly owned subsidiary of MCAD. In addition, in connection with the consummation of the Business Combination, MCAD was renamed "Better Therapeutics, Inc."

Under the Merger Agreement, MCAD acquired all of the outstanding BTX shares for approximately $151.7 million in aggregate consideration, comprising (i) 15,000,000 shares of MCAD's Common Stock, based on a price of $10.00 per share, and (ii) 174,729 shares with respect to the expected Net Debt Adjustment for BTX debt based on a price of $10.00 per share. The number of shares in the Merger Consideration issuable were subject to adjustment at a rate of one share of MCAD Common Stock for each $10.00 increment of Net Debt (as defined in the Merger Agreement). The common stock price of $10.00 per share is used here for illustrative purposes and won't have an impact on the accounting for the transactions as the transactions will be accounted for as reverse capitalizations.

In connection with the Merger, MCAD entered into subscription agreements (the "Subscription Agreement") dated as of April 6, 2020, with certain institutional and accredited investors, pursuant to which, among other things, MCAD agreed to issue and sell, in a private placement immediately prior to the closing of the Business Combination, an aggregate of 5,000,000 shares of Common Stock for $10.00 per share (the "PIPE Shares"). The Subscription Agreement provides for certain registration rights to the purchasers of the PIPE Shares.

The BTX stock options were assumed by MCAD and automatically converted into an option to purchase such number of shares of Common Stock equal to the product of (x) the number of shares of BTX stock subject to the stock option, and (y) the Exchange Ratio as described below, with the exercise price per share of the assumed option equal to the quotient by dividing the exercise price per share by the Exchange Ratio. The outstanding BTX restricted stock awards were converted into such number of shares of Common Stock equal to the product of (x) the number of shares of BTX restricted stock, and (y) the Exchange Ratio. Each assumed restricted stock award will continue to be subject to the terms and conditions set forth in the applicable restricted stock agreement.

Accounting for the Merger

The Merger will be accounted for as a reverse recapitalization in accordance with U.S. GAAP. Under this method of accounting, MCAD, who is the legal acquirer, will be treated as the "acquired" company for financial reporting purposes and BTX will be treated as the accounting acquirer. This determination was primarily based on BTX having a majority of the voting power of the post-combination company, BTX's senior management comprising substantially all of the senior management of the post- combination company, the relative size of BTX compared to MCAD, and BTX's operations comprising the ongoing operations of the post-combination company. Accordingly, for accounting purposes, the Merger will be treated as the equivalent of a capital transaction in which BTX is issuing stock for the net assets of MCAD. The net assets of MCAD will be stated at historical cost, with no goodwill or other intangible assets recorded. Operations prior to the Merger will be those of BTX.

Basis of Pro Forma Presentation

The historical financial information has been adjusted to give pro forma effect to include adjustments which reflect the accounting required by GAAP. The adjustments presented on the unaudited pro forma combined financial statements have been identified and presented to provide relevant information necessary for an accurate understanding of the transaction, PIPE financing, and other adjustments for the post- combination company upon consummation of the Business Combination.

The unaudited pro forma condensed combined financial information is for illustrative purposes only. The financial results may have been different had the companies always been combined. You should not rely on the unaudited pro forma combined financial information as being indicative of the historical financial position and results that would have been achieved had the companies always been combined or the future financial position and results that the post-combination company will experience. BTX and MCAD have not had any historical relationship prior to the Business Combination. Accordingly, no pro forma adjustments were required to eliminate activities between the companies.

The MCAD common stock comprises a combination of redeemable and non-redeemable shares. Historical net loss per share has been presented on a two-class basis to present the net loss per share for each of the redeemable and non-redeemable shares. Subsequent to the closing of the Business Combination, BTX will have no redeemable shares outstanding and therefore net loss per share has only been presented for the non-redeemable class of common stock for the pro forma net loss per share.

Included in the shares outstanding and weighted-average shares outstanding as presented in the pro forma combined financial statements are 15,174,729 shares of MCAD Common Stock that were issued to BTX stockholders. Refer to the Net Loss Per Share table below.

As a result of the Business Combination and immediately following the closing of the Business Combination, current stockholders of BTX own approximately 64% of the outstanding Combined Entity common stock, the PIPE Investors own approximately 21% of the outstanding Combined Entity common stock, MCAD's Sponsor, officer, directors and other holders of founder shares own approximately 8% of the Combined Entity common stock and the former stockholders of MCAD own approximately 7% of the outstanding Combined Entity common stock as of September 30, 2021 (in each case, not giving effect to any shares issuable to them upon exercise of rights or options). As a result, current stockholders of BTX, as a group, will collectively own more shares of Combined Entity common stock than any single stockholder following consummation of the Business Combination with no current stockholder of MCAD owning more than 10% of the issued and outstanding capital stock of the Combined Entity.

Unaudited Pro Forma Condensed Combined Balance Sheet
As of September 30, 2021
(in thousands, except share and per share amounts)

	Mountain Crest Acquisition Corp (Adjusted Historical)	Better Therapeutics, Inc. (Historical)	Pro Forma Adjustments		Pro Forma Combined
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 249	$ 3,232	$ 42,673	(A)	$ 46,154
Prepaid expenses	43	268	—		311
Deferred offering costs	—	1,904	(1,904)	(A)	—
Other current assets	—	214	—		214
Total current assets	**292**	**5,618**	**40,769**		**46,679**
Capitalized software development costs	—	5,114	—		5,114
Cash held in Trust Account	57,506	—	(57,506)	(B)	—
Property and equipment, net	—	61	—		61
Other long-term assets	—	206	—		206
Total Assets	**$ 57,798**	**$ 10,999**	**$ (16,737)**		**$ 52,060**
LIABILITIES, CONVERTIBLE PREFERRED STOCK, AND STOCKHOLDERS' DEFICIT					
Current liabilities:					
Accounts payable	$ —	$ 3,357	$ —		$ 3,357
Accrued payroll	—	20	—		20
Other accrued expenses	244	1,542	(1,904)		(118)
Total current liabilities	244	4,919	(1,904)		3,259
Deferred underwriting payable	2,013	—	(2,013)	(C)	—
Long-term debt	—	—	—		—
Simple Agreements for Future Equity	—	39,194	(39,194)	(D)	—
Total liabilities	2,257	44,113	(43,111)		3,259
Commitments and contingencies:					
Redeemable Convertible Preferred Stock	—	24,204	(24,204)	(E)	—
Common shares subject to possible redemption	57,500	—	(57,500)	(F)	—
Stockholders' equity (deficit):					
Better Therapeutics Common Stock	—	1	(1)	(G)	—
Combined Entity Common Stock	—	—	4	(H)	4
MCAD Common Stock	—	—	(1)	(I)	(1)
Additional paid-in capital	—	530	106,117	(J)	106,647
Retained earnings (accumulated deficit)	(1,959)	(57,849)	1,959	(K)	(57,849)
Total stockholders' equity (deficit)	(1,959)	(57,318)	108,078		48,801
Total liabilities, convertible preferred stock, and stockholders' equity (deficit)	**$ 57,798**	**$ 10,999**	**$ (16,737)**		**$ 52,060**

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Nine Months Ended September 30, 2021
(in thousands, except share and per share amounts)

	Mountain Crest Acquisition Corp (Historical)	Better Therapeutics, Inc. (Historical)	Pro Forma Adjustments		Pro Forma Combined
Revenue	$ —	$ —	$ —		$ —
Cost of Revenue	—	498	—		498
Gross loss	—	(498)	—		(498)
Operating Expenses					
Research and development	—	12,584	—		12,584
Sales and marketing	—	1,159	—		1,159
General and administrative	557	4,215	—		4,772
Total operating expenses	(557)	17,958	—		18,515
Loss from operations	(557)	(18,456)	—		(19,013)
Interest expense, net	7	(3)	(7)		(3)
Change in fair value of SAFEs	—	(8,779)	8,779	(BB)	—
Gain on loan forgiveness	—	647	—		647
Income (loss) before provision for income taxes	(550)	(26,591)	8,772		(18,369)
Benefit from income taxes	—	(150)	—		(150)
Net income (loss)	$ (550)	$ (26,441)	$ 8,772		$ (18,219)
Cumulative preferred dividends allocated to Series A Preferred Shareholders	$ —	$ (1,185)			
Net loss attributable to common shareholders, basic and diluted	$ (550)	$ (27,626)			$ (18,219)
Net loss per share attributable to common shareholders, basic and diluted, Redeemable	$ (0.08)	$ —			$ —
Weighted-average shares used in computing net loss per share, Redeemable	5,491,758	—			—
Net loss per share attributable to common shareholders, basic and diluted, Non-redeemable	$ (0.08)	$ (5.28)			$ (0.77)
Weighted-average shares used in computing net loss per share, Non-redeemable	1,782,885	5,229,258			23,599,718

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Twelve Months Ended December 31, 2020
(in thousands, except share and per share amounts)

	Mountain Crest Acquisition Corp (Historical)	Better Therapeutics, Inc. (Historical)	Pro Forma Adjustments		Pro Forma Combined
Revenue	$ —	$ 8	$ —		$ 8
Cost of Revenue	—	682	—		682
Gross loss	—	(674)	—		(674)
Operating Expenses					
Research and development	—	2,978	—		2,978
Sales and marketing	—	216	—		216
General and administrative	2	2,455	53	(AA)	2,509
Total operating expenses	2	5,649	53		5,703
Loss from operations	(2)	(6,323)	(53)		(6,377)
Interest expense, net	—	(100)	—		(100)
Change in fair value of SAFEs	—	189	(189)	(BB)	—
Income (loss) before provision for income taxes	(2)	(6,234)	(242)		(6,477)
Provision for income taxes	—	153	—		153
Net income (loss)	$ (2)	$ (6,387)	$ (242)		$ (6,630)
Cumulative preferred dividends allocated to Series A Preferred Units/Shareholders	$ —	$ (1,507)			
Net loss attributable to common unit/shareholders, basic and diluted	$ (2)	$ (7,894)			$ (6,630)
Net loss per share attributable to common unit/shareholders, basic and diluted, Redeemable	$ —	$ —			$ —
Weighted-average shares used in computing net loss per unit/share, Redeemable	—	—			—
Net loss per share attributable to common shareholders, basic and diluted, Non-redeemable	$ (0.00)	$ (1.57)			$ (0.28)
Weighted-average shares used in computing net loss per share, Non-redeemable	1,250,000	5,022,339			23,599,718

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

1. Basis of Presentation

The pro forma adjustments have been prepared as if the Business Combination had been consummated on September 30, 2021 in the case of the unaudited pro forma condensed combined balance sheet and on January 1, 2020, the beginning of the earliest period presented in the unaudited pro forma condensed combined statement of operations.

The unaudited pro forma condensed combined financial information has been prepared assuming the following methods of accounting in accordance with U.S. GAAP.

Notwithstanding the legal form of the Business Combination pursuant to the Merger Agreement, the Business Combination will be accounted for as a reverse recapitalization in accordance with U.S. GAAP. Under this method of accounting, MCAD will be treated as the acquired company and BTX will be treated as the acquirer for financial statement reporting purposes. BTX has been determined to be the accounting acquirer based on evaluation of the following facts and circumstances:

- BTX's existing stockholders have the greatest ownership interest in the Combined Entity with BTX Equityholders controlling 64% of the outstanding common stock of the Combined Entity.
- BTX's directors represent substantially all of the Combined Entity' board of directors.
- BTX's senior management is the senior management of the Combined Entity.
- BTX will continue its operations in substantially the same form as the post-combination company.

Accordingly, for accounting purposes, the financial statements of the Combined Entity will represent a continuation of the financial statements of BTX with the acquisition being treated as the equivalent of the BTX issuing stock for the net assets of MCAD, accompanied by a recapitalization. The net assets of MCAD will be stated at historical cost, with no goodwill or other intangible assets recorded.

One-time direct and incremental transaction costs incurred prior to, or concurrent with, the consummation are reflected in the unaudited pro forma condensed combined balance sheet as a direct reduction to the Combined Entity' additional paid-in capital and cash settled. As a result of the Business Combination being accounted for as a reverse capitalization, acquisition-related transaction costs are accounted for as equity issuance costs and the unaudited pro forma condensed balance sheet reflects these costs as a reduction of cash with a corresponding decrease to additional paid in capital.

The unaudited pro forma condensed combined financial information does not reflect the income tax effects of the pro forma adjustments. the Combined Entity' management believes this unaudited pro forma condensed combined financial information to not be meaningful given the Combined Entity incurred significant losses during the historical periods presented.

The Combined Entity's management believes that its assumptions and methodologies provide a reasonable basis for presenting all of the significant effects of the Business Combination based on information available to management at this time and that the pro forma adjustments give appropriate effect to those assumptions and are properly applied in the unaudited pro forma condensed combined financial information. The unaudited pro forma condensed combined statements of operations are not necessarily indicative of what the actual results of operations would have been had the Business Combination taken place on the date indicated, nor are they indicative of the future consolidated results of operations of the Combined Entity. They should be read in conjunction with the historical audited financial statements and notes thereto of BTX and MCAD.

Based on its initial analysis, the Combined Entity' management did not identify any differences in accounting policies that would have a material impact on the unaudited pro forma condensed combined financial information. As a result, the unaudited pro forma condensed combined financial information does not assume any differences in accounting policies. The Combined Entity' management is performing a comprehensive review of the two entities' accounting policies.

As a result of the review, the Combined Entity' management may identify differences between the accounting policies of the two entities which, when conformed, could have a material impact on the financial statements of the Combined Entity.

2. Adjustments to Unaudited Pro Forma Condensed Combined Financial Information

The unaudited pro forma condensed combined financial information has been prepared to illustrate the effect of the Business Combination and the other transactions contemplated by the Merger Agreement and has been prepared for informational purposes only. The historical financial statements have been adjusted in the unaudited pro forma condensed combined financial information to give pro forma effect to transaction adjustments and to provide relevant information necessary for an accurate understanding of the transaction, PIPE financing, and other adjustments for the post-combination company upon consummation of the Business Combination. MCAD and BTX have not had any historical relationship prior to the Business Combination. Accordingly, no pro forma adjustments were required to eliminate activities between the companies.

Adjustments to Unaudited Pro Forma Condensed Combined Balance Sheet

The unaudited pro forma condensed combined balance sheet as of September 30, 2021 reflects the following adjustments:

(A) Represents pro forma adjustments to cash to reflect the following:

	(in thousands)
Reclassification of cash held in trust account	$ 57,505(1)
Proceeds from Subscription Agreements	50,000(2)
Payment of deferred underwriter fees and deferred legal fees	(16,559)(3)
Redemption of MCAD common stock	(48,273)(4)
	$ 42,673

(1) Reflects the reclassification of cash equivalents held in the trust account and to reflect that the cash equivalents are available to effectuate the Business Combination or to pay redeeming MCAD shareholders.

(2) Reflects the proceeds of $50.0 million from the issuance and sale of 5,000,000 shares of the Combined Entity Common Stock at $10.0 per share in the PIPE Financing pursuant to the Subscription Agreements.

(3) Reflects the payment of $3.0 million of deferred underwriter fees and deferred legal fees incurred during the MCAD initial public offering due upon completion of the Business Combination, and an estimated $13.5 million acquisition-related transaction costs. The deferred underwriter fees and acquisition-related transaction costs are accounted for as equity issuance costs and the unaudited pro forma condensed balance sheet reflects these costs as a reduction of cash with a corresponding decrease to additional paid in capital.

(4) Reflects the redemption of MCAD shares for a total of 4,826,260 shares at $10 per share.

(B) Reflects the reclassification of $57.5 million of cash and investments held in the trust account that becomes available following the Business Combination, assuming no redemptions.

(C) Reflects the reclassification of $2.0 million of the deferred underwriter fees that are due upon completion of the Business Combination.

(D) Reflects the total of $39.2 million in outstanding SAFEs, and the conversion of all outstanding Better Therapeutics SAFEs into Better Therapeutics common stock, pursuant to the terms of the Merger Agreement, and as a result of the Better Therapeutics recapitalization, resulting in an adjustment of $39.2 million to additional paid in capital.

(E) Reflects conversion of BTX preferred stock into BTX common stock pursuant to the terms of the Merger Agreement, and as a result of the BTX recapitalization, resulting in an adjustment of $24.2 million from temporary equity to additional paid-in capital.

(F) Reflects the reclassification of $57.5 million of MCAD public shares, subject to possible redemption, from mezzanine equity to permanent equity, assuming no redemptions. The unaudited pro forma condensed balance sheet reflects the reclassification with a corresponding increase of $57.5 million to additional paid in-capital and an increase of less than $0.1 million to the Combined Entity common stock.

(G) Represents recapitalization of BTX common stock to the Combined Entity common stock.

(H) Represents pro forma adjustments to the Combined Entity common stock balance to reflect the following:

	(in thousands)
Issuance of the Combined Entity common stock from PIPE Financing per Subscription Agreements	$ 1
Represents the capitalization of MCAD common stock to the Combined Entity common stock	1
Recapitalization of BTX preferred stock and common stock to the Combined Entity common stock	2
	$ 4

(I) Represents recapitalization of MCAD common stock to the Combined Entity common stock.

(J) Represents pro forma adjustments to additional paid-in capital balance to reflect the following:

	(in thousands)
Reclassification of MCAD public shares subject to redemption, assuming no redemptions, to permanent equity, and increase in par value of common stock	$ 57,500
Issuance of the Combined Entity common stock from PIPE Financing per Subscription Agreements	49,999
Reflects the redemption of MCAD shares	(48,273)
Conversion of BTX SAFEs to the Combined Entity common stock	39,194
Conversion of BTX preferred stock (mezzanine equity) to BTX common stock (permanent equity)	24,203
Elimination of MCAD's historical retained earnings	(1,959)(1)
Reduction in additional paid-in capital for acquisition-related transaction expenses	(14,547)
	$ 106,117

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(1) Represents the elimination of MCAD's retained earnings with a corresponding adjustment to accumulated deficit, as noted in Note 2(K), in connection with the reverse recapitalization.

(K) Represents pro forma adjustments to eliminate the MCAD historical Retained Earnings (Accumulated Deficit) balance.

Adjustments to Unaudited Pro Forma Condensed Combined Statements of Operation

The pro forma adjustments included in the unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2021 and year ended December 31, 2020 are as follows:

(AA) Represents the expense incurred for the acceleration of CEO performance awards upon the close of the Business Combination.

(BB) Represents the reversal of the resulting change in fair value of the SAFEs for the nine months ended September 30, 2021 and year ended December 31, 2020.

3. Net loss per share

Represents the net loss per share calculated using the historical weighted average shares outstanding, and the issuance of additional shares in connection with the Business Combination, assuming the shares were outstanding since January 1, 2020. As the Business Combination is being reflected as if it had occurred at the beginning of the periods presented, the calculation of weighted average shares outstanding for basic and diluted net loss per share assumes that the shares issuable relating to the Business Combination have been outstanding for the entire periods presented. The calculation is adjusted to eliminate the actual MCAD shares redeemed for the entire periods.

The unaudited pro forma condensed combined financial information has been prepared assuming two alternative levels of redemption for the nine months ended September 30, 2021 and year ended December 31, 2020:

	Nine Months Ended on September 30, 2021 Pro Forma Combined
Pro forma net loss	$ (18,219)
Basic weighted average shares outstanding	23,599,718
Net loss per share – Basic and Diluted	$ (0.77)
Basic weighted average shares outstanding	
MCAD public shareholders(1)	1,498,239
PIPE Investors	5,000,000
Sponsor and other shareholders	1,926,750
BTX Safe Investors	4,080,482
BTX Equityholders	11,094,247
	23,599,718

(1) The number of basic weighted average shares outstanding related to the MCAD public shareholders and Sponsor and other shareholders includes 575,000 and 20,000 shares from rights respectively, which are outstanding as of September 30, 2021.

	Twelve Months Ended on December 31, 2020 Pro Forma Combined
Pro forma net loss	$ (6,630)
Basic weighted average shares outstanding	23,599,718
Net loss per share – Basic and Diluted	$ (0.28)
Basic weighted average shares outstanding	
MCAD public shareholders(1)	1,498,239
PIPE Investors	5,000,000
Sponsor and other shareholders	1,926,750
BTX Safe Investors	4,080,482
BTX Equityholders	11,094,247
	23,599,718

(1) The number of basic weighted average shares outstanding related to the MCAD public shareholders and Sponsor and other shareholders includes 575,000 and 20,000 shares from rights respectively, which are outstanding as of December 31, 2020.

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

Results of Operations

Comparisons of the three and nine months ended September 30, 2021 and 2020

The following table summarizes our results of operations for the periods presented (in thousands):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	% Change	2021	2020	% Change
Revenue	$ —	$ 1	N/M	$ —	$ 8	N/M
Cost of Revenue	201	161	25%	498	519	(4)%
Gross Loss	(201)	(160)	26%	(498)	(511)	(3)%
Operating expenses:						
Research and development	6,466	1,187	445%	12,584	2,330	440%
Sales and marketing	552	82	573%	1,159	139	734%
General and administrative	1,776	981	81%	4,215	1,825	131%
Total operating expenses	8,794	2,250	291%	17,958	4,294	318%
Loss from operations	(8,995)	(2,410)	273%	(18,456)	(4,805)	284%
Interest expense, net	—	(24)	(100)%	(3)	(98)	(97)%
Change in fair value of SAFEs	(3,466)	338	N/M	(8,779)	338	N/M
Gain on loan forgiveness	—	—	N/M	647	—	N/M
Loss before benefit from income taxes	(12,461)	(2,096)	495%	(26,591)	(4,565)	482%
Provision for (benefit from) income taxes	—	71	N/M	(150)	71	N/M
Net loss	$(12,461)	$(2,167)	475%	$(26,441)	$(4,636)	470%

N/M – The percentage change is not meaningful

Cost of Revenue

Costs of revenue were $201 thousand for the three months ended September 30, 2021 compared to $161 thousand for the three months ended September 30, 2020, an increase of $40 thousand, or 25%. The increase in cost of revenue was primarily related to an increase of $38 thousand in personnel related costs.

Costs of revenue were $498 thousand for the nine months ended September 30, 2021 compared to $519 thousand for the nine months ended September 30, 2020, a decrease of $21 thousand, or 4%. The decrease in cost of revenue was primarily related to a decrease of $15 thousand relating to allocated facility expenses as we terminated our office lease in 2020 due to the COVID-19 pandemic.

Research and Development Expenses

Research and development expenses were $6,466 thousand for the three months ended September 30, 2021, compared to $1,187 thousand for the three months ended September 30, 2020, representing an increase of $5,279 thousand, or 445%. The increase was primarily due to a $3,909 thousand increase in clinical trial and consulting costs as we began our pivotal trial of BT-001 in April 2021. In addition, we stopped capitalizing internal use software costs at the end of the first quarter of 2021 as we completed the application development of our product for use in the pivotal trial of BT-001, and we began amortization of the internal use software. This resulted in a $1,031 thousand increase in research and development costs. We also had an increase of personnel costs of $183 thousand to support the pivotal trial of BT-001.

Research and development expenses were $12,584 thousand for the nine months ended September 30, 2021, compared to $2,330 thousand for the nine months ended September 30, 2020, representing an increase of $10,254 thousand, or 440%. The increase was primarily due to a $7,375 thousand increase in clinical trial and consulting costs as we began our pivotal trial of BT-001 in April 2021. In addition, we stopped capitalizing internal use software costs at the end of Q1 2021 as we completed the application development of our product for use in the pivotal trial of BT-001 and began amortization of the internal use software. This resulted in a $2,080 thousand increase in research and development costs. Additionally, we had an increase of personnel costs of $253 thousand to support the pivotal trial of BT-001. The increase was offset by a $40 thousand decrease in the allocated facilities expense as we terminated our facility lease in 2020 due to the COVID-19 pandemic.

Sales and Marketing Expenses

Sales and marketing expenses were $552 thousand for the three months ended September 30, 2021, compared to $82 thousand for the three months ended September 30, 2020, representing an increase of $470 thousand. Sales and marketing expenses increased over the prior year period as we began preparing for the commercialization of our product.

Sales and marketing expenses were $1,159 thousand for the nine months ended September 30, 2021, compared to $139 thousand for the nine months ended September 30, 2020, representing an increase of $1,020 thousand. Sales and marketing expenses increased over the prior year period as we began preparing for the commercialization of our product.

General and Administrative Expenses

General and administrative expenses were $1,776 thousand for the three months ended September 30, 2021, compared to $981 thousand for the three months ended September 30, 2020, representing an increase of $795 thousand, or 81%. The overall increase in general and administrative expenses was primarily related to an increase of $234 thousand in personnel related costs and $761 thousand in professional fees as we prepare for public company compliance, offset by the lease expense accrual as we terminated our facility lease in 2020 due to COVID-19 pandemic.

General and administrative expenses were $4,215 thousand for the nine months ended September 30, 2021, compared to $1,825 thousand for the nine months ended September 30, 2020, representing an increase of $2,390 thousand, or 131%. The overall increase in general and administrative expenses was primarily related to an increase of $560 thousand in personnel related costs and $1,908 thousand in professional fees as we prepare for public company compliance.

Interest Expense, Net

Interest expense, net was zero for the three months ended September 30, 2021, compared to $24 thousand for the three months ended September 30, 2020, representing a decrease of $24 thousand. The decrease in interest expense, net was the result of the conversion of our convertible notes to non-interest-bearing SAFEs during the second half of 2020 and the PPP loan forgiveness in Q2 2021.

Interest expense, net was $3 thousand for the nine months ended September 30, 2021, compared to $98 thousand for the nine months ended September 30, 2020, representing a decrease of $95 thousand. The decrease in interest expense, net was the result of the conversion of our convertible notes to non-interest-bearing SAFEs during the second half of 2020 and the PPP loan forgiveness in Q2 2021.

Change in Fair Value of SAFEs

The expense related to the change in fair value of our SAFEs was $3,466 thousand for the three months ended September 30, 2021, compared to a gain of $338 for the three months ended September 30, 2020. The increase in expense was the result of the issuance of SAFEs beginning in August 2020 and subsequent change in fair value during the three months ended September 30, 2021.

The expense related to the change in fair value of our SAFEs was $8,779 thousand for the nine months ended September 30, 2021, compared to a gain of $338 for the nine months ended September 30, 2020. The increase in expense was the result of the issuance of SAFEs beginning in August 2020 and subsequent change in fair value during the nine months ended September 30, 2021.

Gain on Loan Forgiveness

On May 9, 2020 (the “Origination Date”), the Company received $640 in aggregate loan proceeds (the “PPP Loan”) from Celtic Bank Corporation (the “Lender”) pursuant to the Paycheck Protection Program established under the CARES Act (the Coronavirus Aid, Relief, and Economic Security Act) of 2020. In May 2021, the Company received approval of loan forgiveness and recorded a gain on loan forgiveness of $647 thousand.

Liquidity and Capital Resources

Since our inception through September 30, 2021, our operations have been financed primarily by the sale of convertible promissory notes, sale of SAFEs and the sale and issuance of Series Seed and Series A preferred units, which has resulted in net proceeds of approximately $46,132 thousand. As of September 30, 2021, we had $3,232 thousand in cash, and an accumulated deficit of $57,849 thousand. We received $2 million in proceeds in July 2021 and $6 million in proceeds in August 2021 from the sale and issuance of additional SAFEs.

In October 2021 we raised $59 million in funding upon the completion of the merger with Mountain Crest Acquisition Corp. II (See Note 10).

Our primary use of cash is to fund operating expenses, which consist of research and development expenses related to our lead product candidate, BT-001, and preclinical programs, and to a lesser extent, general and administrative expenses. Cash used to fund operating expenses is impacted by the timing of when we pay these expenses, as reflected in the change in our outstanding accounts payable and accrued expenses.

We have incurred negative cash flows from operating activities and investing activities and significant losses from operations in the past. We expect to continue to incur operating losses at least for the next 12 months due to the investments that we intend to make in our business and, as a result, we may require additional capital resources to grow our business.

On April 6, 2021, the Company entered into a merger agreement with Mountain Crest Acquisition Corp. II ("MCAD"), a special purpose acquisition company. In October 2021, we completed the merger with MCAD. Under the merger Agreement, MCAD acquired all of the outstanding shares of the Company in exchange for 15,174,729 shares of MCAD. In connection with the merger, MCAD was renamed Better Therapeutics, Inc.

On August 18, 2021, we entered into a $50.0 million secured term loan agreement with Hercules Capital, Inc. ("Hercules"). The term loan has a maturity date of August 1, 2025, which can be extended to February 1, 2026, and is secured by substantially all of our assets. Payments due for the term loan are interest-only until March 1, 2023 (subject to extension to September 1, 2023 or September 1, 2024 upon the achievement of certain milestones), after which principal shall be repaid in equal monthly installments. Interest is payable monthly in arrears. The outstanding principal bears interest at the greater of (a) 8.95% or (b) 8.95% plus the prime rate minus 3.25%. Prepayment of the outstanding principal is permitted under the secured term loan agreement and subject to certain prepayment fees. In connection with the secured term loan agreement, we paid an initial facility charge of $212,500. In addition, we will be required to pay an end of term charge of the greater of (a) $892,500 and (b) 5.95% of the aggregate outstanding principal upon repayment of the loan. The secured term loan agreement contains customary representations, warranties, non-financial covenants, and events of default. We are permitted to borrow the loans in four tranches based on the completion of certain milestones which include, as set forth more fully in the secured term loan agreement: (i) $15.0 million upon the closing of the Business Combination, (ii) $10.0 million when we achieve certain positive clinical trial results sufficient to submit a de-novo classification request with respect to BT-001, (iii) $10.0 million when we have received FDA approval for such marketing of BT-001 for the improvement of glycemic control in people with type 2 diabetes and received, prior to March 15, 2023, net cash proceeds of at least $40.0 million dollars from equity financings, and (iv) $15.0 million on or before June 15, 2023, subject to Hercules', approval. In October 2021, we borrowed $10 million under the secured term loan agreement.

We believe that following the closing of the merger transaction, we will have sufficient capital to fund our planned operations for the next 12 months.

We expect to incur substantial expenses in the foreseeable future for the development and potential commercialization of our product candidates and ongoing internal research and development programs. At this time, we cannot reasonably estimate the nature, timing or aggregate amount of costs for our development, potential commercialization, and internal research and development programs. However, in order to complete our planned product development, and to complete the process of obtaining regulatory authorization or clearance for our product candidates, as well as to build the sales, marketing and distribution infrastructure that we believe will be necessary to commercialize our product candidates, if approved, we may require substantial additional funding in the future. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us, or at all. If we are unable to raise additional capital when desired, our business, results of operations, and financial condition would be adversely affected.

Summary Statement of Cash Flows

The following table sets forth the primary sources and uses of cash, cash equivalents and restricted cash for the periods presented below (in thousands):

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Cash used in operating activities	$ (14,967)	$ (4,233)
Cash used in investing activities	(599)	(1,731)
Cash provided by financing activities	18,675	5,815
Net increase (decrease) in cash and cash equivalents	$ 3,109	$ (149)

Cash Used in Operating Activities

During the nine months ended September 30, 2021, net cash used in operating activities was $14,967 thousand, which consisted of a net loss of $26,441 thousand, partially offset by a net change of $2,341 thousand in our net operating assets and liabilities and $9,133 thousand in non-cash charges. The net change in our operating assets and liabilities was primarily due a net increase in accounts payable and accrued expenses of $4,313 thousand, offset by an increase in prepaid expenses and other assets of $1,972 thousand. The non-cash charges of $9,133 thousand consisted of the change in fair value of SAFEs, depreciation and amortization expense, share-based compensation expense, deferred income taxes and gain on loan forgiveness.

During the nine months ended September 30, 2020, net cash used in operating activities was $4,233 thousand, which consisted of a net loss of $4,636 thousand and a net change of $382 thousand in our net operating assets and liabilities, partially offset by $21 thousand in non-cash charges. The net change in our operating assets and liabilities was primarily due to an increase in accounts payable and accrued expenses of $366 thousand. The non-cash charges are related to change in fair value of SAFEs, shared based compensation expense and depreciation expense.

Cash Used in Investing Activities

During the nine months ended September 30, 2021, cash used in investing activities was $599 thousand and was primarily related to capitalized internal-use software costs.

During the nine months ended September 30, 2020, cash used in investing activities was $1,731 thousand and was primarily related to capitalized internal-use software costs offset by capital expenditures.

Cash Provided by Financing Activities

During the nine months ended September 30, 2021, cash provided by financing activities was $18,675 thousand consisting of net proceeds from the issuance of SAFEs.

During the nine months ended September 30, 2020, cash provided by financing activities was $5,815 thousand consisting of net proceeds from the issuance of convertible notes and SAFEs and proceeds from a PPP loan.

Contractual Obligations and Commitments

Contractual obligations are cash amounts that we are obligated to pay as part of certain contracts that we have entered into during the normal course of business. We terminated our lease on August 31, 2020, and as such, we do not have any contractual obligations and other commitments as of September 30, 2021, outside of the Simple Agreements for Future Equity, which we classify as contingently redeemable liabilities under ASC 480.

Off-Balance Sheet Arrangements

Since the date of our incorporation, we have not engaged in any off-balance sheet arrangements, as defined in Regulation S-K, Item 303(a)(4)(ii).

BETTER THERAPEUTICS, INC.
UNAUDITED BALANCE SHEETS
(in thousands, except share data)

	September 30, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,232	$ 123
Prepaid expenses	268	124
Deferred offering costs	1,904	—
Other current assets	214	216
Total current assets	5,618	463
Capitalized software development costs, net	5,114	5,555
Property and equipment, net	61	89
Other long-term assets	206	280
Total Assets	$ 10,999	$ 6,387
LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 3,357	$ 514
Accrued payroll	20	39
Other accrued expenses	1,542	60
Total current liabilities	4,919	613
Long-term debt	—	640
Deferred tax liability	—	152
Simple Agreements for Future Equity	39,194	11,740
Total liabilities	44,113	13,145
Commitments and contingencies (Note 8)		
Convertible preferred stock:		
Series Seed Convertible Preferred Stock, $0.0001 par value per share, 1,066,667 authorized, issued and outstanding as of September 30, 2021 and December 31, 2020	2,000	2,000
Series A Convertible Preferred stock, $0.0001 par value per share, 4,999,807 issued and outstanding as of September 30, 2021 and December 31, 2020	22,204	22,204
Stockholders' deficit:		
Common stock, $0.0001 par value per share, 14,000,000 shares authorized as of September 30, 2021 and December 31, 2020, and 5,642,157 and 5,697,314 issued and outstanding as of September 30, 2021 and December 31, 2020, respectively	1	1
Additional paid-in capital	530	445
Accumulated deficit	(57,849)	(31,408)
Total stockholders' deficit	(57,318)	(30,962)
Total Liabilities, Convertible Preferred Stock and Stockholders' Deficit	$ 10,999	$ 6,387

The accompanying notes are an integral part of these Financial Statements.

BETTER THERAPEUTICS, INC.
UNAUDITED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(in thousands, except unit / share and per unit / share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue	$ —	$ 1	$ —	$ 8
Cost of revenue	201	161	498	519
Gross loss	(201)	(160)	(498)	(511)
Operating expenses:				
Research and development	6,466	1,187	12,584	2,330
Sales and marketing	552	82	1,159	139
General and administrative	1,776	981	4,215	1,825
Total operating expenses	8,794	2,250	17,958	4,294
Loss from operations	(8,995)	(2,410)	(18,456)	(4,805)
Interest expense, net	—	(24)	(3)	(98)
Change in fair value of SAFEs	(3,466)	338	(8,779)	338
Gain on loan forgiveness	—	—	647	—
Loss before provision for/benefit from income taxes	(12,461)	(2,096)	(26,591)	(4,565)
Provision for (benefit from) income taxes	—	71	(150)	71
Net loss	$ (12,461)	$ (2,167)	$ (26,441)	$ (4,636)
Cumulative preferred dividends allocated to Series A Preferred Unit / Shareholders	(403)	(379)	(1,185)	(1,118)
Net loss attributable to common unit / shareholders, basic and diluted	$ (12,864)	$ (2,546)	$ (27,626)	$ (5,754)
Loss per share attributable to common unit / shareholders, basic and diluted	$ (2.44)	$ (0.50)	$ (5.28)	$ (1.14)
Weighted-average shares used in computing net loss per unit / share	5,268,758	5,079,685	5,229,258	5,063,191

The accompanying notes are an integral part of these Financial Statements.

BETTER THERAPEUTICS, INC.
UNAUDITED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT
(in thousands, except share data)

	Series Seed Convertible Preferred Stock		Series A Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance as of December 31, 2020	1,066,667	$ 2,000	4,999,807	$ 22,204	5,697,314	$ 1	$ 445	$ (31,408)	$ (30,962)
Net Loss	—	—	—	—	—	—	—	(5,330)	(5,330)
Share-based compensation	—	—	—	—	—	—	34	—	34
Balance as of March 31, 2021	1,066,667	$ 2,000	4,999,807	22,204	5,697,314	$ 1	479	$ (36,738)	(36,258)
Net Loss	—	—	—	—	—	—	—	(8,650)	(8,650)
Forfeiture of restricted stock	—	—	—	—	(49,688)	—	—	—	—
Share-based compensation	—	—	—	—	—	—	28	—	28
Balance as of June 30, 2021	1,066,667	$ 2,000	4,999,807	$ 22,204	5,647,626	$ 1	$ 507	$ (45,388)	$ (44,880)
Net Loss	—	—	—	—	—	—	—	(12,461)	(12,461)
Forfeiture of restricted stock	—	—	—	—	(5,469)	—	—	—	—
Share-based compensation	—	—	—	—	—	—	23	—	23
Balance as of September 30, 2021	1,066,667	$ 2,000	4,999,807	$ 22,204	5,642,157	$ 1	$ 530	$ (57,849)	$ (57,318)

The accompanying notes are an integral part of these Financial Statements.

BETTER THERAPEUTICS, INC.
UNAUDITED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT
(in thousands, except share data)

	Series Seed Convertible Preferred		Series A Convertible Preferred		Series Seed Convertible Preferred		Series A Convertible Preferred		Common		Common		Additional Paid-in Capital	Accumulated Deficit	To Stockh De
	Units	Amount	Units	Amount	Stock	Amount	Stock	Amount	Units	Amount	Stock	Amount			
Balance as of December 31, 2019	1,066,667	$ 2,000	4,999,807	$ 22,204	—	—	—	—	4,000,000	$ 211	—	—	—	$ (25,021)	$
Net Loss	—	—	—	—	—	—	—	—	—	—	—	—	—	(1,413)	
Share based compensation	—	—	—	—	—	—	—	—	—	15	—	—	—	—	
Balance as of March 31, 2020	1,066,667	2,000	4,999,807	22,204	—	—	—	—	4,000,000	226	—	—	—	(26,434)	
Net Loss	—	—	—	—	—	—	—	—	—	—	—	—	—	(1,056)	
Share based compensation	—	—	—	—	—	—	—	—	—	15	—	—	—	—	
Balance as of June 30, 2020	1,066,667	2,000	4,999,807	22,204	—	—	—	—	4,000,000	241	—	—	—	(27,490)	
Net Loss	—	—	—	—	—	—	—	—	—	—	—	—	—	(2,167)	
Share based compensation	—	—	—	—	—	—	—	—	—	7	—	—	—	—	
Conversion of Common Units to Common Stock	—	—	—	—	—	—	—	—	(4,000,000)	(249)	4,000,000	1	249	—	
Conversion of Preferred Units to Preferred Stock	(1,066,667)	(2,000)	(4,999,807)	(22,204)	1,066,667	2,000	4,999,807	22,204	—	—	—	—	—	—	
Conversion of Profits Interest Units to Common Stock	—	—	—	—	—	—	—	—	—	—	1,697,314	—	—	—	
Share based compensation	—	—	—	—	—	—	—	—	—	—	—	—	155	—	
Balance as of September 30, 2020	—	—	—	—	1,066,667	$ 2,000	4,999,807	$ 22,204	—	(1)	5,697,314	$ 1	$ 404	$ (29,657)	$

The accompanying notes are an integral part of these Financial Statements.

BETTER THERAPEUTICS, INC.
UNAUDITED STATEMENTS OF CASH FLOWS
(in thousands)

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$(26,441)	$(4,636)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,068	60
Change in fair value of SAFEs	8,779	(338)
Share-based compensation expense	85	192
Deferred income taxes	(152)	71
Loss on write-off of property and equipment	—	36
Gain on loan forgiveness	(647)	—
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(1,972)	16
Accounts payable	2,843	307
Accrued expenses and other liabilities	1,470	59
Net cash used in operating activities	(14,967)	(4,233)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(18)	(16)
Capitalized internal-use software costs	(581)	(1,715)
Net cash used in investing activities	(599)	(1,731)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of convertible notes	—	3,650
Proceeds from PPP loan	—	640
Proceeds from issuance of SAFE notes	18,675	1,525
Net cash provided by financing activities	18,675	5,815
Net change in cash and cash equivalents	3,109	(149)
Cash and cash equivalents, beginning of period	123	757
Cash and cash equivalents, end of period	$ 3,232	$ 608
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ —	$ —
Cash paid for taxes	$ —	$ —
Supplemental disclosures of noncash investing and financing activities		
Conversion of convertible notes to SAFE notes	$ 8,774	$ —
Conversion of Series Seed Preferred Units to Series Seed Preferred Stock	$ 2,000	$ —
Conversion of Series A Preferred Units to Series A Preferred Stock	$ 22,204	$ —

The accompanying notes are an integral part of these Financial Statements.

1. Description of Business and Summary of Significant Accounting Policies

Description of Business

Better Therapeutics, Inc. (“we”, “us”, “the Company”, or “Better”), has developed a platform of software-based, Prescription Digital Therapeutics (PDTs) for treating diabetes, heart disease, and other cardiometabolic conditions. Our PDTs deliver a novel form of cognitive behavioral therapy that enables changes in neural pathways of the brain so that lasting changes in behavior become possible. Addressing the underlying causes of these diseases has the potential to dramatically improve patient health and lower healthcare costs. Our current clinical development candidates are intended to treat cardiometabolic diseases, including type 2 diabetes, hypertension, hyperlipidemia, non-alcoholic fatty liver disease (NAFLD), non-alcoholic steatohepatitis (NASH) and chronic kidney disease (CKD). Our headquarters are in San Francisco, California.

Basis of Presentation

The financial statements and accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and applicable rules and regulations of the Securities and Exchange Commission (“SEC”) regarding interim financial reporting. Amounts are presented in thousands except share and per share information. Certain information and disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for fair presentation have been included. Operating results for the three and nine months ended September 30, 2021 are not necessarily indicative of the results that may be expected for the year ended December 31, 2021. Accordingly, these interim financial statements should be read in conjunction with the audited financial statements and accompanying notes for the years ended December 31, 2020 and 2019.

Emerging Growth Company Status

We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012 (“JOBS Act”). Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued after the enactment of the JOBS Act until such time as those standards apply to private companies. The JOBS Act provides that an emerging growth company can take advantage of the extended transition period for complying with new or revised accounting standards. Thus, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to avail ourselves of this extended transition period and, as a result, we do not adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies until required by private company accounting standards.

Liquidity

The Company is in the development stage and our activities have consisted principally of raising capital and performing research and development. Since inception we have incurred significant losses from operations. As of September 30, 2021, we had cash of $3,232 and an accumulated deficit of $57,849. We incurred a net loss of $ 26,441 and used $14,967 of cash in operating activities during the nine months ended September 30, 2021. These factors raise substantial doubt regarding the Company’s ability to continue as a going concern.

In October 2021 we raised $59 million in funding upon the completion of the merger with Mountain Crest Acquisition Corp. II (See Note 10) and borrowed $10 million on our secured term loan agreement (See Note 2).

Significant Risks and Uncertainties

The Company is subject to those risks common in its industry and also those risks common to early-stage companies including, but not limited to, the possibility of not being able to successfully develop or market its products, technological obsolescence, competition, dependence on key personnel, the successful protection of its proprietary technologies, compliance with government regulations, and the possibility of not being able to obtain additional financing when needed.

At this time, there is significant uncertainty relating to the COVID-19 pandemic and the impact of related responses. Any impact of COVID-19 on our business, results of operations and financial condition will largely depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the geographic spread of the disease, the duration of the pandemic, travel restrictions and social distancing in the United States and other countries, business closures or business disruptions, the ultimate impact on financial markets and the global economy, and the effectiveness of actions taken in the United States and other countries to contain and treat the disease.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities and the related disclosures at the date of the financial statements, as well as the reported amounts of revenue and expenses during the periods presented. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances. Such estimates, judgments, and assumptions include estimated costs for capitalized internal-use software, fair values of stock-based awards, valuation allowance for deferred tax assets, fair value of SAFEs and useful lives for property and equipment. Actual results could be different from these estimates. To the extent there are material differences between these estimates, judgments, or assumptions and actual results, our financial statements will be affected.

Net Loss Per Share Attributable to Common Stockholders

Basic and diluted net loss per share attributable to common unit / stockholders is presented in conformity with the two-class method required for participating securities. Under the two-class method, the net loss attributable to common unit / stockholders is not allocated to the preferred units / stock as the holders of our convertible preferred units / stock did not have a contractual obligation to share in our losses. Under the two-class method, net loss is attributed to common unit / stockholders and participating securities based on their participation rights.

Basic net loss per share attributable to common unit / stockholders is computed by dividing the net loss attributable to common unit / stockholders by the weighted-average number of shares of common units / stock outstanding during the period. Cumulative dividends attributable to participating securities are subtracted from net loss in determining net loss attributable to common unit / stockholders. As we have reported net losses for all periods presented, all potentially dilutive securities are antidilutive and, accordingly, basic net loss per share equals diluted net loss per share.

2. Debt

On May 9, 2020 (the "Origination Date"), the Company received $640 in aggregate loan proceeds (the "PPP Loan") from Celtic Bank Corporation (the "Lender") pursuant to the Paycheck Protection Program established under the CARES Act (the Coronavirus Aid, Relief, and Economic Security Act) of 2020. Payments of principal and interest were deferred for the first ten months following the Origination Date, and the PPP Loan was maturing in two years after the Origination Date. Following the deferral period, the Company will be required to make payments of principal and interest accrued under the PPP Loan in monthly installments of $36 and taking into consideration any portion of the PPP Loan that may be forgiven prior to that time. The PPP Loan bore interest at 1%. On December 30, 2020, the Company applied for loan forgiveness under the CARES Act and received approval of loan forgiveness in May 2021. As a result, the Company has recorded a gain on loan forgiveness on the statements of operations and comprehensive loss and removed the balance from long-term debt on the balance sheet.

On August 18, 2021, we entered into a $50.0 million secured term loan agreement with Hercules Capital, Inc. ("Hercules"). The term loan has a maturity date of August 1, 2025, which can be extended to February 1, 2026, and is secured by substantially all of our assets. Payments due for the term loan are interest-only until March 1, 2023 (subject to extension to September 1, 2023 or September 1, 2024 upon the achievement of certain milestones), after which principal shall be repaid in equal monthly installments. Interest is payable monthly in arrears. The outstanding principal bears interest at the greater of (a) 8.95% or (b) 8.95% plus the prime rate minus 3.25%. Prepayment of the outstanding principal is permitted under the secured term loan agreement and subject to certain prepayment fees. In connection with the secured term loan agreement, we paid an initial facility charge of $212,500. In addition, we will be required to pay an end of term charge of the greater of (a) $892,500 and (b) 5.95% of the aggregate outstanding principal upon repayment of the loan. The secured term loan agreement contains customary representations, warranties, non-financial covenants, and events of default. We are permitted to borrow the loans in four tranches based on the completion of certain milestones which include, as set forth more fully in the secured term loan agreement: (i) $15.0 million upon the closing of the Business Combination, (ii) $10.0 million when we achieve certain positive clinical trial results sufficient to submit a de-novo classification request with respect to BT-001, (iii) $10.0 million when we have received FDA approval for such marketing of BT-001 for the improvement of glycemic control in people with type 2 diabetes and received, prior to March 15, 2023, net cash proceeds of at least $40.0 million dollars from equity financings, and (iv) $15.0 million on or before June 15, 2023, subject to Hercules', approval. In October 2021, we borrowed $10 million under our secured term loan agreement.

3. SAFE Agreements

On August 14, 2020, upon the conversion of the company to a Delaware corporation, $8,774 in convertible promissory notes and related accrued interest were exchanged for an equivalent number of SAFE agreements. In addition, during 2020, the Company issued an additional $3,155 in SAFEs. During the nine months ended September 30, 2021, the Company issued an additional $18,675 in SAFEs. These SAFEs allow the investors to participate in future equity financings through a share-settled redemption of the amount invested. Alternatively, upon the occurrence of a change of control or an initial public offering, the investors shall have the option to receive either (i) a cash payment equal to the invested amount under such SAFE, or (ii) the amount payable on the number of shares of common stock equal to the invested amount divided by the liquidity price set forth in the applicable SAFE. If there is a dissolution of the company, the investor will be entitled to receive the cash payment equal to the invested amount under such SAFE.

The SAFEs include a provision allowing for cash redemption upon the occurrence of a change of control, the occurrence of which is outside the control of the Company. Therefore, the SAFEs are classified as marked-to-market liabilities pursuant to ASC 480 in other long-term liabilities.

The SAFEs were marked to fair value as of September 30, 2021 and 2020 resulting in a change in fair value reported as a loss of $8,779 and a gain of $338 for the nine months ended September 30, 2021 and 2020, respectively.

4. Fair Value Measurements

The Company measures and reports certain financial instruments as assets and liabilities at fair value on a recurring basis. The following tables sets forth the fair value of the Company's financial assets and liabilities at fair value on a recurring basis based on the three-tier fair value hierarchy (in thousands):

	September 30, 2021			
	Level 1	Level 2	Level 3	Total
Liabilities				
SAFE Agreements	$ —	$ —	$39,194	$39,194

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Liabilities				
SAFE Agreements	$ —	$ —	$11,740	$11,740

The Company's SAFE agreements are recorded at fair value in our balance sheet. The fair value of the Company's SAFE agreements is based on significant inputs not observable in the market which cause the instrument to be classified as Level 3 measurements within the fair value hierarchy. We measure financial assets and liabilities at fair value at each reporting period using a fair value hierarchy that requires the use of observable inputs and minimizes the use of unobservable inputs. We define fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company assesses these assumptions and estimates on an on-going basis as additional data impacting the assumptions and estimates are obtained. Changes in the fair value of the SAFE agreements are recognized within the statement of operations and comprehensive loss. The fair value of the Company's SAFE agreements was $39,194 and $11,740 as of September 30, 2021 and December 31, 2020, respectively. As of September 30, 2021 and December 31, 2020, the Company did not have any other financial assets or liabilities measured at fair value.

5. Net Loss Per Share Attributable to Common Unit / Stockholders

Series Seed Preferred Stock, Series A Preferred Stock, and common stock are participating securities in the calculation of loss per share as they participate in undistributed earnings on an as-if-converted basis. Basic and diluted earnings per share was the same for each period presented as the inclusion of all potential common stock outstanding would have been anti-dilutive.

The following table sets forth the computation of basic and diluted loss (in thousands, except for share and per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net Loss	$ (12,461)	$ (2,167)	$ (26,441)	$ (4,636)
Less: Cumulative preferred dividends allocated to Series A preferred stockholders	(403)	(379)	(1,185)	(1,118)
Net loss attributable to common stockholders, basic and diluted	(12,864)	(2,546)	(27,626)	(5,754)
Weighted average common stock outstanding	5,268,758	5,079,685	5,229,258	5,063,191
Loss per share attributable to common unit / shareholders, basic and diluted	$ (2.44)	$ (0.50)	$ (5.28)	$ (1.14)

The following potentially dilutive securities have been excluded from the computation of diluted weighted average shares outstanding, as they would be antidilutive:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Convertible Series Seed Preferred Units / Stock	1,066,667	1,066,667	1,066,667	1,066,667
Convertible Series A Preferred Units / Stock	4,999,807	4,999,807	4,999,807	4,999,807
Profits Interest Units	—	835,789	—	835,789
SAFE agreements	6,925,497	—	6,925,497	—
Restricted stock	355,197	—	355,197	—
Stock Options	902,775	—	227,125	—
	14,249,943	6,902,263	13,574,293	6,902,263

6. Share-Based Compensation

In August 2020, we adopted the Better Therapeutics, Inc. 2020 Stock Option and Grant Plan (the “2020 Plan”) to grant equity-based incentives to officers, directors, consultants and employees. The equity-based incentives include Incentive Stock Options, Non-Qualified Stock Options, Restricted Stock Awards, Unrestricted Stock Awards, and Restricted Stock Units. A total of 807,326 shares of our common stock have been reserved for issuance pursuant to the plan.

(in thousands, except unit / share and per unit / share data)

Stock Options

Stock options granted vest over four years with 25% of the option shares vesting one year from the vesting commencement date and then ratably on a monthly basis over the following 36 months. Options generally expire 10 years from the date of grant. Stock option activity under the Plans for the periods presented is as follows:

	Options Outstanding			
	Shares Subject to Options Outstanding	Weighted-Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Balance as of December 31, 2020	215,625	$ 0.47	9.6	—
Authorized	—	—		
Granted	687,150	$ 10.61		
Exercised	—	—		
Forfeited	—	—		
Balance as of September 30, 2021	902,775	$ 8.19	9.36	$ 545

Aggregate intrinsic value represents the difference between the exercise price and the fair value of the shares underlying common stock.

The weighted-average grant date fair value of stock options granted to employees during the nine months ended September 30, 2021 was $2.43 per share. As of September 30, 2021, total unrecognized compensation expense related to unvested stock options was $1,863 which is expected to be recognized over a weighted-average period of 4 years.

The fair value of each option award granted to employees is estimated on the grant date using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of subjective assumptions, including the fair value of the underlying common stock, the expected term of the option, the expected volatility of the price of our common stock, risk-free interest rates, and the dividend yield of our common stock. The assumptions used to determine the fair value of the option awards represent our best estimates. These estimates involve inherent uncertainties and the application of our judgment. The related stock-based compensation expense is recognized on a straight-line basis over the requisite service period of the awards, which is generally four years.

The Black-Scholes option pricing model assumptions used in evaluating our awards to employees are as follows:

	Nine Months Ended September 30, 2021
Expected Term (Years)	6.04
Expected Volatility	43%
Risk-free interest rate	1.04%
Dividend Yield	—

Restricted Stock

The Company issued 622,126 shares of restricted stock under the 2020 Plan during the year ended December 31, 2020 in connection with the conversion of the profits interest units. During the three and nine months ended September 30, 2021, 43,516 and 130,860, respectively were vested and converted into unrestricted common stock. As of September 30, 2020 there were 399,688 shares of restricted stock.

(in thousands, except unit / share and per unit / share data)

Total stock-based compensation expense for time-based restricted stock of $68 is expected to be recognized on a straight-line basis over approximately the next 1.3 years for the unvested restricted stock outstanding as of September 30, 2021. Total stock-based compensation expense for performance-based stock options of $16 is expected to be recognized on a straight-line basis over approximately the next six months for the unvested restricted stock outstanding as of September 30, 2021.

Equity-Based Compensation Expense

Equity-based compensation expense in the statement of operations is summarized as follows:

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Cost of Revenue	$ 1	$ 2
Research and development	41	89
General and administrative	43	101
Total equity-based compensation expense	$ 85	$ 192

7. Income Taxes

The effective tax rate was 1% for the nine months ended September 30, 2021. The effective tax rate differs from our statutory tax rate of 21%, primarily due to a reduction in the deferred tax liability as of September 30, 2021 resulting in a benefit from income taxes for the nine months ended September 30, 2021. Prior to August 14, 2020 Better was a limited liability company and had no income tax liability.

8. Commitments and Contingencies

From time to time, we become involved in claims and other legal matters arising in the ordinary course of business. We investigate these claims as they arise. Although claims are inherently unpredictable, we are currently not aware of any matters that, if determined adversely to us, would individually or taken together have a material adverse effect on our business, results of operations, financial position or cash flows. We record liabilities for legal and other contingencies when losses are probable and estimable. We have recorded an accrual for such contingencies as we believe that there was at least a reasonable possibility that we will incur a material loss with respect to such loss contingencies as of September 30, 2021.

We enter into agreements in the normal course of business with various vendors, which are generally cancelable upon notice. Payments due upon cancellation consist only of payments for services provided or expenses incurred, including non-cancellable obligations of service providers, up to the date of cancellation.

9. Related Party Transactions

In the nine months ended September 31, 2021 and 2020, the Company issued $11,815 and $8,657 in SAFEs to a significant shareholder, respectively.

In March 2021, Andy Armanino, the former chief executive officer of Armanino LLP and close relative to the current chief executive officer of Armanino LLP joined the company’s board of directors. The company used Armanino LLP for tax, valuation and outsourced accounting services. During the nine months ended September 30, 2021, the company incurred $217 in fees related to these services.

10. Acquisition

On April 6, 2021, the Company entered into a merger agreement with Mountain Crest Acquisition Corp. II (“MCAD”), a special purpose acquisition company. Under the merger Agreement, MCAD will acquire all of the outstanding shares of the Company in exchange for 15,000,000 shares of MCAD subject to adjustment based on the closing net debt as defined in the merger agreement. In connection with the merger, MCAD shall be renamed Better Therapeutics, Inc. The Merger will be accounted for as a reverse capitalization in accordance with US GAAP. Under this method of accounting, MCAD, who is the legal acquirer, will be treated as the “acquired” company for financial reporting purposes and the Company will be treated as the accounting acquirer.